

Symposium on a just coal transition for  
South Africa  
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# Coal Power Just Transition in Australia – early days

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# Overview

- Key differences between Australia and South Africa
  - What makes coal power Just Transition easier (though still not achieved) in Australia
- Current situation re existing and projected power station closures
- The poor experience with JT in the Hazelwood closure
- CFMEU work – outline of long term program
- Australian Labor Party acceptance – but no bipartisanship on JT along with most climate and energy policy

# Key differences

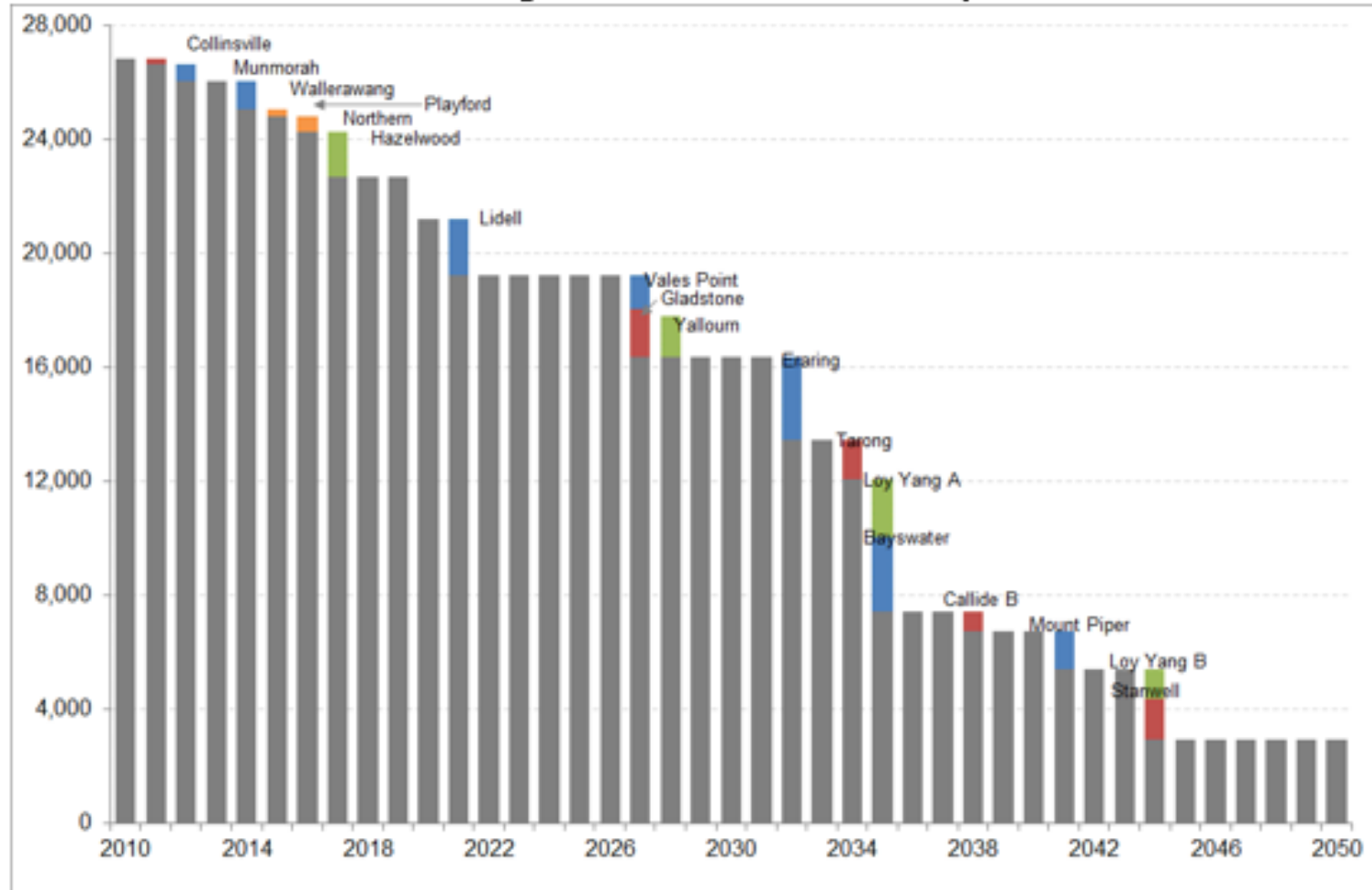
- Objective differences show the greater difficulty in South Africa.
- South Africa produces ~257mt coal – and exports ~75mt (30%)
  - Overwhelmingly thermal coal for power generation. And mostly used domestically.
- Australia produces ~447mt black coal – and exports 382mt (85%)
  - 46% of coal exports are coking coal for steelmaking – so somewhat protected from trends in power generation.
  - Another 50mt of brown coal for power generation only.
- South African mining more labour intensive than Australia.
- In addition to the coal power jobs, a much higher proportion of coal mining jobs under threat than in Australia.

# Australian coal power

- Used to be 29,000 MW capacity out of 51,000MW (57%) but 75% of GWh generated.
- Since 2012 - 10 have closed – mostly smaller - ~ 5,400MW
- The big shock to the electricity market, to prices and to awareness of the transition issue was the closure of Hazelwood in March 2017 - 1,760MW and one of four big brown coal generators.
- Power prices jumped from ~ A\$50/MWh to over A\$100MWh for a year, and remain much higher than previously.
- ~750 on-site jobs lost – flow-on impact at least another 1,000 jobs.

# If they all close at 50 yrs old . .

Coal fired generators in the NEM at 50 years



Source: AEC

# Dimensions of closure

- Closure at 50 yrs may be “optimistic”; stronger climate policy and cheaper renewables and storage likely to bring forward closures.
- Private investors will not build new coal power unless subsidised, and protected from climate policy for 30 years. Public sector investment that incorporates climate policy will not build fossil fuel power
- “Only” 8-10,000 direct jobs in coal power and captive coal mines. But these are a significant proportion of employment in non-urban regional areas, AND are better paid with more flow-on jobs. Closure without alternative industry will plunge regions into decadal recession.
- Loss of coal power, and the high cost of gas (major separate issue in Australia) hits energy-intensive manufacturing hard. Australia no longer a “cheap energy” country.

# Poor history of structural adjustment programs in Australia



- A\$80 billion spent, but mostly on farmers
- Structural adjustment programs for other industries have been ad hoc and knee-jerk reactions to community pressure over particular closures.
- Car industry closure:
  - Only one third of workers found equivalent jobs
  - One third found less secure and worse-paid work
  - One third never worked again (voluntary or involuntary unemployment and retirement).
- Wind-back of native forestry a bit better, but still poor.

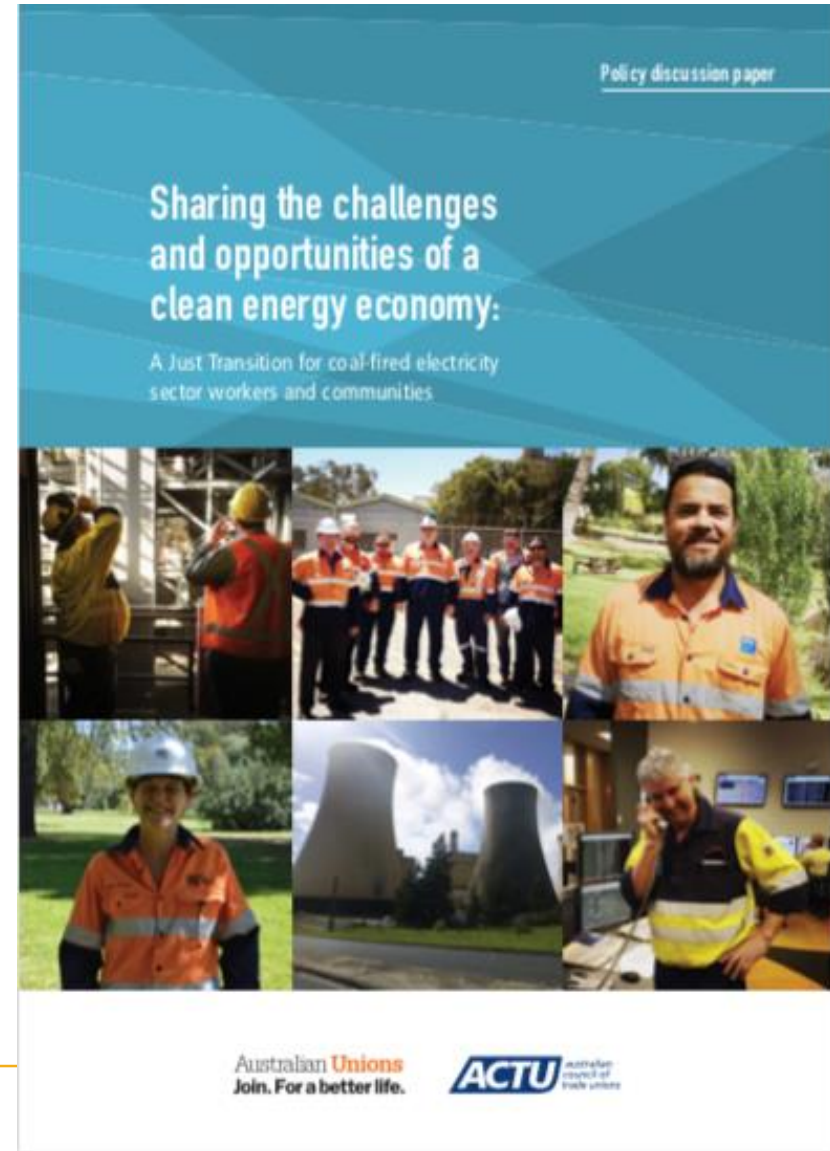
# The Hazelwood closure

- NO government announcements of mitigation programs until AFTER closure.
- Federal govt. action pitiful – like most fed govt climate and energy policy
- State of Victoria government – large effort – quarter billion A\$ in regional programs
  - Good quantum but typical problem of knee-jerk short-termism
- CFMEU pushed hard for “Worker Transfer Scheme”
  - to re-deploy younger Hazelwood workers to remaining power stations
  - To enable older workers at other power stations to take early retirement and remain in the region
- BUT the voluntary scheme has failed to meet its modest targets



# Union push on Just Transition (1)

- Australian Council of Trade Unions December 2016 publication
- Launched as Hazelwood closure announced




# Union push on Just Transition (2)

- CFMEU October 2018 publication
- Looks to international best (and worst) practice on JT
- The Ruhr black coal phase-out the preferred model
  - 30 yr program
  - Managing social impacts the primary goal of govt, unions and business
  - No forced redundancies!


**The Ruhr or Appalachia?**  
Towards estimates of the scale of costs of a Just Transition



Appendix to IRRIC Report for CFMEU Mining and Energy



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October 2018

 INDUSTRIAL RELATIONS  
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# Components of transition

- Existing mandatory closure costs
  - Rehabilitation or conversion of power station sites (**big \$**).
  - Redundancy costs (less than rehab costs but substantial \$)
- Additional measures
  - Statutory Just Transition Authority to manage the program over the long term
  - Mandatory pooling of redundancies and redeployment across multiple private employers
    - Some subsidy of the redundancies but costs are not large
  - Retraining /reskilling before redundancy (not large \$)
  - Compensation for worse new jobs (not large \$)
  - Regional infrastructure investment (**big \$**)
  - “cluster” development – links between universities and business (**big \$**)

# Social costs in context

- CFMEU estimates additional measures at several billion A\$ - spread over 20+ years
- Existing mandatory costs – site rehab and redundancy payments – are greater
- Estimates of rebuilding the power generation system in Australia to be near-zero emission are typically hundreds of billions
- The social costs – in Australia – can be a small part of total restructuring cost
- But still seen as an unnecessary burden by many!

# Final comments

- Australian Labor Party has committed to statutory Just Transition Authority – but has to win the next election!
  - Has not allocated sufficient \$ yet
- Overall climate and energy policy in Australia is in state of collapse
  - Current LNP/conservative govt incapable of coherence on the issue
  - Now part of the “culture wars” – disconnected from the science and even the economics
- The absence of bipartisanship limits the prospects for long term policy and therefore limits the probability of success for Just Transition.
- A 20-30 year program needs consensus of the social partners to succeed.