

2016/17: Is the closure of the Hazelwood power station being properly handled by State and federal governments?

What they said...

'Australia's distinct lack of any credible climate policy or national energy plan to phase out the old and invest in the new, has left us at the whims of the market. It's time for the Federal government and states to work together on a plan to clean up our power supply and support affected communities'

Mark Wakeham, chief executive officer of Environment Victoria

'I want to make it very clear to every single member of the Latrobe Valley community, every business, every family, every individual, we will be there to stand with you and work with you to get through these challenges and to do the best we can to make sure that the Latrobe Valley is stronger than it has ever been'

Daniel Andrews, Premier of Victoria

The issue at a glance

On November 3, 2016, the French energy company, Engie, which is the principal owner and operator of the Hazelwood power station in the Latrobe Valley, announced that the station would cease operation on March 30, 2017.

The announcement met with immediate criticism of the actions and policies of the Victorian Labor government, led by Daniel Andrews, and to a less extent, of those of the federal government, led by Malcolm Turnbull.

Both were accused of relative inaction and a lack of foresight. Depending on the perspective of the critic, some also condemned the Andrews government for promoting renewable energy generation to the detriment of coal-fired operations. Both governments argued that the closure of Hazelwood was an independent decision taken by a private operator. Each government has also defended the actions it has taken to ease the situation of power workers who will lose their jobs as a result of the closure.

Background

(The information below is an abbreviation of the Wikipedia entry titled 'Hazelwood Power Station'

The full entry can be accessed at https://en.wikipedia.org/wiki/Hazelwood_Power_Station)

The Hazelwood Power Station is a brown coal-fuelled base-load thermal power station located in the Latrobe Valley of Victoria, Australia. Built between 1964 and 1971, the 1,600 megawatt capacity power station supplies up to 25% of Victoria's base load electricity and more than 5% of Australia's total energy demand. It is a 'subcritical' pulverized coal-fired boiler. The station was listed as the least carbon efficient power station in the OECD in a 2005 report by WWF Australia, making it one of the most polluting power stations in the world.

International Power plc purchased Hazelwood Power Station and the adjoining mine from the Victorian Government in 1996 with a 40-year life. In 2005 the Bracks Labor Government approved an environmental effects statement (EES) that allowed Hazelwood to move a road and a river to allow access to an additional 43 million tonnes of coal in addition to that allowed under the mining licence boundaries set at the time of privatisation. This was estimated to provide sufficient coal for the plant to operate to at least 2030. The EES also caps its total greenhouse output at 445 million tonnes of carbon dioxide over its life, after which point Hazelwood may be made to cease operation.

Hazelwood is now jointly owned by Engie (formerly GDF Suez), with a 72 per cent share and Mitsui & Co. with a 28 per cent share. As of 2014, Hazelwood directly employed over 500 full-time staff and at least another (full-time) 300 contractors, with hundreds more employed during scheduled major outages.

Privatisation

Hazelwood Power Station and associated mine were privatised by the Kennett government in 1996 after many years of downsizing under a 'structural efficiency' model undertaken by the then state Labor government. It was sold for A\$2.35 billion, and it operated as 'IPR-GDF SUEZ Hazelwood', an Australian public company, which is owned by UK company, International Power plc (91.8% share)- part of the GDF SUEZ group - and the Commonwealth Bank Group (the remaining 8.2%).

After privatisation the new owners engaged in capital investment, with A\$800 million invested in Hazelwood since 1996, such as replacement of boilers, rotors, turbines and the completion of an A\$85 million project to reduce dust emissions by 80%. If Hazelwood had not been sold to private interests, activist groups say the SECV would have shut the station down in 2005.

EES approval

Before privatisation the power station was due to be decommissioned by the SECV by 2005, as had older plants at Newport and Yallourn. However Hazelwood had its mining licence realigned by the Victorian Government along with EES approvals to move a river and a road on 6 September 2005. This agreement ensured security of coal supply to the plant until at least 2030 by allowing access to 43 million tonnes of brown coal deposits in a realignment of Hazelwood's mining licence boundaries that were originally set in 1996. Hazelwood returned over 160 million tonnes of coal to the State Government as part of that agreement.

The agreement requires Hazelwood to reduce its estimated emissions by 34 million tonnes (33,000,000 long tons; 37,000,000 short tons) and caps its total greenhouse output at 445 million tonnes (438,000,000 long tons; 491,000,000 short tons) of carbon dioxide over its life, after which point it may be made to cease operation. However credits for investment in renewable energy and low emission technology will allow the business to operate within the cap and extend its life.

Forthcoming closure

Hazelwood's coal supply would likely have run out around 2009 without the 2005 coal mine extension. This extension, and the associated environmental impacts, has led to significant criticism by environmental groups, and civil disobedience actions.

During 2011 and 2012 the Australian Government considered a Contract for Closure program to complement the Clean Energy Act policy. Hazelwood would likely have been closed under this program had it been pursued. However, this program was scrapped in September 2012 and no plants were closed.

On 3 November 2016, Engie announced that Hazelwood would be closed as of the end of March 2017, citing the company's transformational policy of investing solely in low-carbon and renewable energy, as well lower energy prices and oversupply within Victoria.

Internet information

On November 29, 2016, the Victorian Minister for Energy, Environment & Climate Change issued a press release titled 'Bipartisan Review into Electricity and Gas Retail Markets'. The review is intended to ensure that Victorian consumers access the most competitively priced electricity.

The full text of the media release can be accessed at <http://www.premier.vic.gov.au/bipartisan-review-into-electricity-and-gas-retail-markets/>

On November 18, 2016, Watt Electrical News published a comment by Tom Elliott titled 'Premier Daniel Andrews putting Victorian energy at risk with Hazelwood closure'

Elliott argues that Labor government policies, especially prohibiting further gas exploration, are putting Victoria's gas security at risk.

The full text can be accessed at <http://www.wattelectricalnews.com/NEWS/Tom-Elliott:-Premier-Daniel-Andrews-putting-Victorian-energy-at-risk-with-Hazelwood-closure/35061>

On November 10, 2016, the Australian Energy Council published a comment by Emma Richardson titled 'What next after Hazelwood closure?'

The comment paints a quite negative view of Australia's energy prospects, especially of the capacity of the renewables industry to replace the jobs of those working in coal-fired electricity generation.

The full text of this article can be accessed at <https://www.energycouncil.com.au/analysis/what-next-after-hazelwood-closure/>

On November 8, 2016, The Herald Sun published a comment by former Victorian Premier, Jeff Kennett, titled 'Jeff Kennett on the closure of Hazelwood power station'

Kennett gives his view of the probable impact of the closure of the power station and criticises the policies of the Andrews government.

The full text can be found at <http://www.heraldsun.com.au/news/opinion/jeff-kennett-on-the-closure-of-hazelwood-power-station/news-story/5d6f4d18485f3bb1cce452884a2dcb13>

On November 5, 2016, The Adelaide Advertiser published a comment by Chris Kenny titled 'As Hazelwood power station shuts, South Australian consumers in a world of hurt as prices climb amid fears of further blackouts'

Kenny criticises the South Australian and the Victorian governments for moving away from coal-fired electricity generation without having an adequate alternative.

The full text of this comment can be accessed at <http://www.adelaidenow.com.au/news/opinion/chris-kenny-as-hazelwood-power-station-shuts-south-australian-consumers-in-a-world-of-hurt-as-prices-climb-amid-fears-of-further-blackouts/news-story/c188cb5bfa6300675b62efe974f9dd24>

On November 4, 2016, the Victorian Premier's office issued a media release titled 'Economic Growth Zone To Boost Latrobe Valley Business'. The release details the way in which Victorian Government financial support is to be spent to promote economic development in the Latrobe Valley.

The full text of the release can be accessed at <http://www.premier.vic.gov.au/economic-growth-zone-to-boost-latrobe-valley-business/>

On November 4, 2016, ABC News ran a report titled 'Hazelwood closure: Special economic zone to be established for Latrobe Valley'

The report details how the additional \$224 million that the State government is directing toward the Latrobe valley as a 'special economic zone' will be spent.

The full text of the report can be accessed at <http://www.abc.net.au/news/2016-11-04/hazelwood-closure-prompts-economic-package-for-latrobe-valley/7994718>

On November 4, 2016, The Guardian published an article by Paul Karp titled 'Hazelwood closure: Daniel Andrews pledges \$266m for Latrobe Valley'

The report details the Andrews Governments rescue package for the Latrobe Valley and gives the opinions of a variety of stakeholders.

The full text can be accessed at <https://www.theguardian.com/australia-news/2016/nov/04/latrobe-valley-266m-economic-growth-zone-after-hazelwood-closure>

On November 4, 2016, The Herald Sun published a comment by former Victorian Premier, Jeff Kennett, titled 'Jeff Kennett

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Kennett gives his view of the probable impact of the closure of the power station and criticises the policies of the Andrews government.

The full text can be found at <http://www.heraldsun.com.au/news/opinion/hazelwood-power-station-closure-jeff-kennett-says-we-should-be-alert-and-alarmed/news-story/9f19e42dfc423c832cd511610e6ffc22>

On November 4, 2016, Engineers Australia published an article titled 'Will Hazelwood closure affect energy security?'

The item explains the judgement of the Australian Energy Market Operator that both the Victorian and Australian electricity demands will generally be able to be met using current, existing capacity.

The full text of this article can be accessed at <https://www.engineersaustralia.org.au/portal/news/will-hazelwood-closure-affect-energy-security>

On November 4, 2016, The Canberra Times published an editorial titled, 'The upside of Hazelwood's closure'.

The editorial argues that Hazelwood's closure was inevitable and presents an opportunity for Victoria to move into greater use of renewable and the greater use of gas for power generation.

The full text of this comment can be accessed at <http://www.canberratimes.com.au/comment/ct-editorial/the-upside-of-hazelwoods-closure-20161103-gshmi.html>

On November 3, 2016, Opposition Leader Matthew Guy issued a media release titled 'Hazelwood Closure All In Dan's Plan' The release argues that the Hazelwood closure was the intended outcome of Labor policies, including those adopted by the Andrews government.

The full text of the media release can be found at <http://matthewguy.com.au/media-release/obrien-hazelwood-closure-all-in-dans-plan/>

On November 3, 2016, Opposition Leader Matthew Guy issued another media release titled 'Hazelwood Closure'

The media release outlined the harm that would be done to the Latrobe valley and to the State by the closure and further argued that the Andres government had made no effort to prevent it.

The full text of the release can be accessed at <http://matthewguy.com.au/media-release/guy-hazelwood-closure/>

On November 3, 2016, Reneweconomy published a report by Giles Parkinson and Sophie Vorrath titled 'Hazelwood to close as energy transition gathers pace in Australia'

The report includes some criticisms of State and federal governments' failure to prepare adequately for Australia's transition from coal-fired power generation.

The full text can be accessed at <http://reneweconomy.com.au/hazelwood-to-close-as-energy-transition-gathers-pace-in-australia-43380/>

On November 3, 2016, ABC News ran a report titled, 'Hazelwood power station: Closure of plant to leave hundreds jobless'. The report included initial State and federal government responses to the announced closure.

The full text can be accessed at <http://www.abc.net.au/news/2016-11-03/hazelwood-power-station-in-victoria-to-close/7987018>

On November 3, 2016, SBS televised a report titled 'Stakeholders react to Hazelwood closure' giving the views of a wide range of people variously affected by the power station closure.

The full text of this report can be accessed at <http://www.sbs.com.au/news/article/2016/11/03/stakeholders-react-hazelwood-closure>

On November 1, 2016, ABC News ran a report titled 'Alcoa warns of 'escalating electricity prices' as it negotiates new power agreement'. The report details Alcoa's concern that its operation in Portland, Victoria, will not remain viable unless a reduced-price electricity supply can be guaranteed.

The full text of this article can be accessed at <http://www.abc.net.au/news/2016-11-01/alcoa-warns-of-27escalating-electricity-prices27-as-it-negoti/7982510>

In October, 2016, the chairman of French energy production company, Engie, Gerard Mestallet, was interviewed by Le Figaro about its movement away from coal-fired energy generation. This interview was later reproduced on the Company's Internet site.

The full text of this interview can be accessed at <http://www.engie.com/en/group/opinions/energy-transition-climate/embark-on-no-new-coal-fired-power-plant-projects/>

On September 26, 2016, The Latrobe Valley Express published a report titled 'Hazelwood closure speculation: The community responds'

The report gives the response of a wide range of community members to reports that the Hazelwood power station was about to close.

The full text of this report can be accessed at <http://www.latrobevalleyexpress.com.au/story/4188710/hazelwood-closure-speculation-the-community-responds/>

On September 24, 2016, The Courier Mail published a news report titled 'Hazelwood power station could close as early as April, threatening 1000 jobs'.

The report gives a range of stakeholders' responses to an earlier suggestion that the Hazelwood power station was about to close.

The full text of the report can be accessed at <http://www.couriermail.com.au/news/hazelwood-power-station-could-close-as-early-as-april-threatening-1000-jobs/news-story/928ac106e24ec9fbb6362a4ac626dc52>

On June 16, 2016, The Conversation published a comment by Dylan McConnell, Research Fellow, Melbourne Energy Institute, University of Melbourne. The comment is titled 'Victoria's renewables target joins an impressive shift towards clean energy'.

The article outlines the manner in which the Victorian government is moving to increase renewable energy generation in the state.

The full article can be accessed at <https://theconversation.com/victorias-renewables-target-joins-an-impressive-shift-towards-clean-energy-61084>

On June 15, 2016, the office of the Victorian Minister for Energy, Environment & Climate Change and the Premier's office issued a media release titled 'Renewable Energy Targets to Create Thousands of Jobs'

The release outlines the Victorian government's renewable energy targets and its hope that developing the renewable energy sector will prompt jobs growth in Victoria.

The full text of this release can be accessed at <http://www.premier.vic.gov.au/renewable-energy-targets-to-create-thousands-of-jobs/>

The closure of the Hazelwood power station *has not* been properly handled by State or federal governments

1. The closing of the power station was forced by state government taxes and emissions targets

Those who hold the State government significantly responsible for the Hazelwood closure claim that government taxes and policies designed to discourage the use of brown coal have contributed to Engie's decision to close the power plant.

Opposition Leader Matthew Guy has blamed the Andrews government, claiming decisions to triple the brown coal royalty rate and announce a 40 per cent renewable energy target had forced the plant's premature closure.

In a media release issued on November 3, 2016, Matthew Guy stated, 'Labor turned its back on the workers of the Latrobe Valley and affordable power in a desperate attempt to win over Green voters in the inner suburbs of Melbourne as the Brumby government promised to partially close Hazelwood if re-elected.'

Matthew Guy has further claimed that the new State Labor government has adopted policies designed to achieve the same end. Mr Guy has stated, 'Since Labor's re-election, Daniel Andrews has waged war on the Latrobe Valley and its brown coal generators.'

In less than two years, Daniel Andrews has tripled the brown coal royalty, ripping an extra \$252 million out of our generators, to harm their viability; imposed a 40% renewable energy target designed to make our Latrobe Valley generators uncompetitive; and seen unemployment jump in Morwell from 13% at the election to 19.7% today.'

In another media release issued on the same day, Matthew Guy further stated that the Andrews government had made no attempt to bring about the gradual closure of the Hazelwood power plant. Mr Guy wrote, 'The most sensible outcome was a staged closure that took years - it's clear that Daniel Andrews didn't fight for that and he didn't fight for these 1,000 jobs.' Similar claims have been made by former Liberal Premier, Jeff Kennett, who has stated, 'Let us be clear, the Victorian Government has been complicit in the decision to close Hazelwood.'

Kennett went on to echo many of Guy Matthews' accusations, stating, 'The government has lifted the taxes imposed on Hazelwood's owners when they bought the royalty charge for the use of brown coal by more than \$250 million; through its policy of holding to a renewable energy target of 40 per cent wind and solar in the main by 2020, sounded the death knell for all coal-fired stations, and by banning onshore exploration for gas, it denied Hazelwood using gas to fire its generators, cutting emissions by more than 50 per cent.'

In common with Guy Matthews, Kennett has also suggested that the Andrews government's motivations for taking these actions were political. Mr Kennett has stated, 'While the government greeted the closure in the name of cleaner air, the motivating factor was to ward off threats by the Greens to Labor seats in inner Melbourne.'

2. The closing of the power station will damage the Latrobe Valley and there are no adequate adjustment plans

Critics of the manner in which State and federal governments have handled the closure of the Hazelwood power station have stressed the inadequacy of the provisions made for the Latrobe Valley residents who will be harmed.

The plant employs about 750 people, with 450 direct employees and 300 contractors. The company has indicated that about 250 workers would remain at the power station between 2017 and 2023 to manage the site's rehabilitation; however, some 500 people will lose their jobs..

Many commentators have stressed the unfortunate plight of those in the Latrobe Valley who will be left unemployed. The Leader of the Victorian Opposition, Guy Matthews, has drawn on personal experience to stress the harm he believes will result to Latrobe Valley families with the closure of Hazelwood. Mr Matthew Guy has stated, 'My family have worked in the Latrobe Valley power industry for decades. I know that the valley will be gutted with this announcement.'

Advance Morwell chair person, John Guy, has stressed the region's history of deprivation. Mr John Guy has stated, 'This region is still suffering from the ravages of electricity industry privatisation, for which we received no recompense and which left us with significant social issues and a two-speed economy...

Failure to act decisively and quickly will not only leave this region in tatters, but more critically, it will leave significant social and economic scars that the rest of the Victorian community will have to bear for many years to come.'

Mr Guy has highlighted the 'above market' wages paid to power industry employees, which if lost, would result in less income for many of the area's small businesses.

The same point has been made by Trevor Williams, the Victorian president of CFMEU Mining and Energy. Mr Williams has stated, 'There will be a huge impact on the local economy - they are reasonably paid and they are the ones who go out for tea, have coffee, buy new cars and build new houses.'

Earlier this year, the Committee for Gippsland released a report looking at the flow-on effect of power station job losses.

The economic modelling found that if two power stations closed down, 3000 Gippsland jobs would be lost.

Former Liberal premier of Victoria, Jeff Kennett, has stated with regard to the redundancy payments workers will receive from Engie, 'Much has been said of the average payout per employee, which will be about \$330,000. Sounds a lot but invested at 3 per cent it gives the ex-worker an annual income of \$9900 - not enough to pay your power bills and rates.' Mr Kennett has been equally critical of the State government's plans to assist those power plant workers who lose their jobs, suggesting that the training and redeployment programs the State government has foreshadowed will not generally result in meaningful employment.

Mr Kennett has stated, 'The government's only response in the Latrobe Valley was to offer up large amounts of money and a range of initiatives, most of which will not work.

Its irresponsibility has created a new group of welfare recipients. Workers and families prefer occupation and respect.'

3. The closing of the power station will damage Victoria and South Australia

The closure of the Hazelwood power plant is expected to have negative consequences for all of Victoria and for South Australia. This point has been made by former Liberal Premier Jeff Kennett, who has stated, 'This abject failure will be felt in human terms when thousands lose their jobs over the next few years.

First, in the Latrobe Valley, and then in the western districts where Alcoa, with no access to base-load electricity, will be forced to close and, third, in manufacturing plants where electricity is a major ingredient to production.'

Kennett went on to explain further the effect he believes the closure of Hazelwood will have on Victorian electricity consumers and on Victorian industry. Mr Kennett stated, 'One result of Hazelwood shutting is that Victoria, which has been the centre of base-load energy for decades, has lost its capacity to produce that load.

Worse, we will, for the first time in our history, become net importers of electricity from NSW and gas from Queensland. We will have no control over future prices for energy we consume. From March Victoria will lose the competitive pricing for electricity we have had for years.'

On December 1, 2016, an ABC news report stated, 'Tens of thousands of Victorian households are facing steep hikes in their powers bills next year, partly because of the looming closure of the Hazelwood power station.

Consumer advocates warn the price spike could add up to \$300 extra for the average annual household electricity and gas bills...'

Electricity price increases for small businesses are anticipated to range from 8 to 17 per cent. Some major industrial electricity consumers are predicted to be particularly hard hit. One instance of this is the Alcoa aluminium smelter at Portland.

On October 31, 2016, Alcoa's power concession arrangement with the Victorian government came to an end. Enacted in the late 1980s by then-Labor premier John Cain, the subsidy was designed to provide electricity to both the Portland and now-defunct Point Henry smelters at a price linked to the world price of aluminium. The subsidy is said to have cost taxpayers more than \$100m a year on some occasions.

Commentators have expressed concern that with the expiration of the subsidy and the increased cost of power in Victoria in the wake of the closure of the Hazelwood power plant the future of Alcoa's Portland smelter is now at risk. AGL Loy Yang had been recruited to supply power to the smelter, replacing the subsidy, but Alcoa terminated its contract with the company in August to renegotiate a better price.

Alcoa has claimed its strong preference was to find a 'workable solution' to secure the smelter's position, but that its future would ultimately be decided by its ability to remain internationally competitive.

Alcoa provides more than 2,000 indirect jobs - almost a quarter of Portland's total population - and the company is the region's largest employer and biggest taxpayer.

In an opinion piece published in The Adelaide Advertiser on November 5, 2016, Chris Kenny outlined the impact on South Australia of Victoria's reduced capacity to supply power.

Kenny wrote, 'Victoria has been an exporter of electricity, sending power to SA, Tasmania and even NSW at times but now will need to import power at peak times - mainly coal-fired electricity from NSW.

Instead of cheap reliable coal-fired power, Victoria is following SA with increased reliance on subsidised, unreliable wind and solar energy.' Mr Kenny foreshadowed the negative consequences that less reliable, more expensive electricity would have on South Australian industry.

4. Emissions could have been reduced if gas had been made available to the power station operators

It has been suggested that the closure of the plant may not have been necessary if gas had been made available to power its turbines.

Former Liberal Premier Jeff Kennett has stated, 'By banning onshore exploration for gas, it denied Hazelwood using gas to fire its generators, cutting emissions by more than 50 per cent.'

Kennett went on to further state, 'The government should have worked with Engie to convert its energy source to gas...They should also have removed the tax or royalty imposed on generators. And they should have worked with Engie to replace its old boilers with efficient, cleaner ones.'

In a comment published four days earlier, Mr Kennett had similarly said, 'The Victorian Government has banned all exploration for new sources of gas on shore, horizontal (fracking) or vertical.

If we found more gas Hazelwood could be kept operating to allow the current boilers to be replaced over time by more efficient boilers.

If Victoria is to avoid the massive price increases of the future and the risk of blackouts it must quickly allow vertical drilling for gas onshore.

After all minerals are the assets of all Victorians. I personally am not opposed to fracking, but let's first allow vertical drilling to take place. And urgently.

Without new gas finds and production, Victoria will very quickly price itself out of the market for industry and jobs. All of that will start to occur once Hazelwood is allowed to close.'

On the question of moving to gas-fuelled power stations Kennett reiterated the point in a later comment, 'Finally, because

Victoria is about to run out of our own gas, the government should have removed the prohibition of gas exploration onshore using the vertical method. (This is not fracking that some oppose.)

If we don't find replacement gas in Victoria I suspect gas from Queensland will be so expensive as to rule out the economic feasibility of Hazelwood anyway.'

The same point has been made more generally in a Canberra Times editorial published on November 4, 2016, which paraphrases the judgement of the Australian Energy Market Operator, claiming, 'Hazelwood's closure represents an opportunity for 'supply side options to emerge' - and, it might have added, an opportunity to reduce Australia's carbon dioxide emissions. While efforts to that end have concentrated mainly on the uptake of renewables, there is still a requirement for baseload power. In Victoria's case the start of the transition of base-load power capacity from coal to gas would seem overdue.'

5. Neither the State nor federal government has plans for establishing an alternate energy source

State and federal governments have been criticised for failing adequately to secure Australia's energy future.

Those who see this future as remaining with non-renewable energy sources such as coal, gas and uranium criticise governments for moving into renewables (solar and wind power), which they see as unsuitable for supplying base-load power, and for not doing sufficient to secure those power sources they claim are more reliable.

Former Liberal Premier Jeff Kennett has criticised the current Victorian government for adopting policies which undermine conventional coal-fired power generation while taking no steps to secure another fuel source.

Kennett has stated, 'The decision of the French owner, Engie, to close Hazelwood - aided and abetted by the State Government - is a disaster for Victoria.

It's made worse because the government has no Plan B to meet the future need for base-load electricity, not only for the state but for Australia.'

Mr Kennett went on to propose the following alternative, 'I would start the process to build Australia's first and maybe second nuclear plant in the Latrobe Valley. These plants can be built much quicker and cheaper than their predecessors, and are environmentally friendly.

The valley could have retained its place as the home of base energy in Australia, it could have offered electricity at reasonable prices, and people could have worked in an exciting industry.

That the Victorian Government played a major role in the closure of Hazelwood without a Plan B is criminal.'

Similarly, those who believe that Victoria's (and indeed Australia's) energy future lies with renewables condemn both the States and federal government for not having done sufficient to guarantee that future.

Giles Parkinson and Sophie Vorrath, in a report written for RenewEconomy on November 3, 2016, quoted Mark Wakeham, the CEO of Environment Victoria, who stated, 'It is hard to believe that even though Hazelwood is the oldest and most polluting power station in Australia and was first due to shut in 2000, there remains no clear, government-led plan for its closure.'

Wakeham was further quoted claiming, 'Australia's distinct lack of any credible climate policy or national energy plan to phase out the old and invest in the new, has left us at the whims of the market. It's time for the Federal government and states to work together on a plan to clean up our power supply and support affected communities.'

Mr Wakeham had made a similar judgement in September, 2016, in response to rooms that Engie was about to close Hazelwood. Mr Wakeham stated, 'For the past 12 months Engie has been saying that they will move away from coal and that dealing with climate change is central to their corporate strategy. This inevitably means phasing out coal-burning power stations like Hazelwood and Loy Yang B, which Engie also owns.

Leaving the timing of power station closure to the market risks leaving communities in the lurch. A responsible government should have a plan to phase out our oldest and dirtiest power stations and build new clean energy.'

The closure of the Hazelwood power station *has* been properly handled by State and federal governments

1. The timing of the closure was determined by Engie and is outside State or federal government control

The decision to close the Hazelwood power station was taken by principal owner French power generation company Engie in accord with its policy of moving out of coal-fired power generation worldwide.

In October 2016, it was announced, 'With just a few weeks to go before COP21, the global conference on climate change in Paris, the news has a particularly strong resonance: French energy giant ENGIE, which operates in more than 70 countries, has announced its decision to build no more new coal-fired power plants.'

Engie's chairman, Gerard Mestrallet, indicated that the company proposes to reduce its carbon footprint. M Mestrallet stated, 'Half of all our current power generating projects are already solar power, wind power, hydropower, biomass or geothermal projects that emit no CO2.

In practical terms, ENGIE has made the decision that all its new investments in power generation will be focused on projects that emit little or no CO2 because they are based on renewables and natural gas. One indicative sign of the growing influence of green energy sources is that in 2014, 50% of all new power generating plants (worldwide and for all operators) were solar plants.'

Engie's chief executive in Australia, Alex Keisser, said the 1,600-megawatt power station was no longer economically viable.

In a statement issued by the company, Mr Keisser claimed, 'ENGIE in Australia would need to invest many hundreds of millions of dollars to ensure viable and, most importantly, continued safe operation.

Given current and forecast market conditions, that level of investment cannot be justified.'

Mr Keisser explained that the company saw no way of making continued power generation on the site viable. He stated, 'We have done different studies to see if we could transform Hazelwood to a biomass plant. We've looked also to see if we could repower it with gas.

Unfortunately the power price today in Australia does not make any of these options viable.'

The decision follows similar shutdowns of plants owned by Engie in India.

Engie also announced it would appoint a financial advisor to sell off its Loy Yang B power station, also in the Latrobe

Valley, along with the Kwinana co-generation facility in Western Australia.

The Victorian Premier, Daniel Andrews, has denied that his government's policies were responsible for Engie's decision to close the Hazelwood power plant. Mr Andrews has claimed that coal royalties, renewable energy and other policy settings have not had 'any impact on the decision that this company's made.'

Mr Andrews stated, 'As I said before, they're getting out of coal across the world in many different countries. This is no different.'

Voices of the Valley president, Wendy Farmer, has similarly said the company's announcement that it will close the Hazelwood power station was expected. Ms Farmer stated, 'We've known that Hazelwood would eventually close. This is not a campaign win for any particular group, it's a historical fact and it's a business decision made by a foreign company, simple as that.'

2. Both State and federal governments are making immediate support available to redundant power station workers

The Victorian Premier, Daniel Andrews, has announced a \$22 million package of 'personalised support' for the workers.

The \$22 million package of support for workers and businesses affected by the closure of Hazelwood includes:

A Worker Transition Centre established in Morwell in partnership with the Gippsland Trades and Labour Council - a one-stop-shop for individual support;

Education, counselling, financial advice and subsidised job-seeker training for workers in transition;

Tailored support for businesses to help them identify new opportunities and develop a transition plan;

An expansion of the Back to Work program to businesses that employ workers in the Latrobe Valley.

Mr Andrews stated, 'There's no sugar-coating the Latrobe Valley's high unemployment figures. That just means we have to work harder.'

Mr Andrews outlined some of the immediate support to be offered to unemployed workers as follows, 'TAFE training, financial counselling, other emotional counselling if it is needed, all the sorts of supports that you would expect a good government to provide to each of those 750 workers and their families as they make a very difficult, very challenging transition away from these jobs.'

Mr Andrews added, 'I want to make it very clear to every single member of the Latrobe Valley community, every business, every family, every individual, we will be there to stand with you and work with you to get through these challenges and to do the best we can to make sure that the Latrobe Valley is stronger than it has ever been.'

I am optimistic and hopeful about that.'

Federal Energy Minister Josh Frydenberg said the Commonwealth Government would offer a \$43 million package for those workers impacted by the closure.

Mr Frydenberg has stated, 'This will comprise \$3 million for job active assistance, retraining, other financial services support for those affected workers.'

Mr Frydenberg has noted, 'Unemployment in the Latrobe Valley region is above 10 per cent and nearly half its workforce is aged over 45. So it's critical that Hazelwood employees and those affected along the supply chain be provided with job active assistance, retraining, financial management advice and other necessary services.'

3. The Commonwealth government has made a financial commitment and the State Government is investing heavily in attracting jobs into the Latrobe Valley.

Of the \$43 million the federal government has committed to Victoria in response to the announced closure of Hazelwood power station, \$20 million will be directed toward new infrastructure projects and another \$20 million to see the Latrobe Valley become the 10th region under the federal government's Regional Jobs and Investment package, under which the Federal government and the community will work together to determine funding priorities.

The Victorian Government has announced it is establishing a special 'economic growth zone' funded by an additional \$224 million to help the Latrobe Valley in the wake of the announcement of the closure of the Hazelwood power station.

The Victorian Treasurer, Tim Pallas, has indicated that the funding for the new growth zone was part of a \$266 million package to create jobs and grow local businesses.

The package would include \$50 million for infrastructure projects, some of which were ready to go.

Mr Pallas explained, 'This will target new local projects which could include road and rail upgrades, school upgrades, health facilities.'

For example, a company that wanted to purchase a \$500,000 property to move to the Latrobe Valley would get a \$25,000 stamp duty concession. It will help the community grow but it will also, in the short term, create more local jobs.

This is about making business that much easier to establish and grow in the Latrobe Valley as well as building the community infrastructure that the Latrobe Valley needs. Our commitment is not only to the workforce and their transition but to the community in this difficult time.'

The Victorian Premier, Daniel Andrews, said, 'The package is unprecedented, the largest regional development project any Victorian government has ever invested in after years of disadvantage.'

It's also by virtue of the way it is being done... not something that a Victorian government has done ever. We think that there are special circumstances, unique circumstances.'

So [there will be] local input, local decisions, cutting the red tape and getting things done in the local community for the local community.'

The economic growth zone will cover three local government areas including the Latrobe City Council, the Wellington Shire and the Baw Baw Shire and the eligibility for funding will be assessed by the Latrobe Valley Authority.

The money will be allocated in the following manner: \$20 million for establishment of Latrobe Valley Authority; \$22 million for support, retraining, counselling for workers; \$50 million for business incentives and \$174 million for infrastructure projects.

A Red Tape Commissioner will investigate ways to reduce red tape in the Valley and break down regulatory barriers to growth, and a dedicated team of trade and investment specialists will be embedded within the Authority to open up export opportunities and attract new businesses.

To ensure projects in the Latrobe Valley are fast tracked, the Government will supply Latrobe City Council, Wellington Shire, and Baw Baw Shire with a planning 'flying squad' to get through the planning backlog.

4. Victoria's immediate energy needs and those of Australia as a whole can be met

Australia's energy monitors have predicted that both Victoria and Australia will be able to deal with the loss of electricity generation capacity caused by the closure of Hazelwood.

The Australian Energy Market Operator (AEMO) has said it believes the National Energy Market (NEM) will continue to operate reliably following the closure of Victoria's Hazelwood power station early next year but the supply/demand balance will be tighter during times of peak demand.

Victoria currently provides around 27% of the NEM's total operational consumption (46,170 GWh) which exceeds the needs of the region, allowing 6576 GWh of surplus energy to be exported via transmission networks to neighbouring regions, such as New South Wales, South Australia and Tasmania.

AEMO said the closure of the Hazelwood power station is expected to reduce this surplus but it projects that New South Wales black coal generation and South Australian gas-fired generation will increase output to supply over 90% of consumption previously met by Hazelwood. And during periods of high demand, more gas-fired generation in Victoria and New South Wales may also be required.

This view was reiterated regarding Victoria by the Minister for Energy, Environment and Climate Change, Lily D'Ambrosio. Ms D'Ambrosio stated, 'The closure of Hazelwood will not affect the security of Victoria's electricity supply, as the state has multiple sources of generation from coal, gas and wind and can source power from other states if needed.'

Ms D'Ambrosio reiterated, 'As it does now Victoria will continue to import or export power depending on national electricity market conditions, such as the price of electricity in other states.'

The same view was put by the Victorian Premier, Daniel Andrews, who has stated the Australian Energy Market Operator has 'been very clear that there is sufficient power within the Australian grid' to deal with the Hazelwood closure.

A similar view has been expressed by Federal Energy Minister, Josh Frydenberg, who has indicated that the first peak period after Hazelwood closes will be in early 2018.

Mr Frydenberg notes that that means the market will have 15 months to respond.

Mr Frydenberg has stated, 'The expectation is that Victoria will import more black coal-generated power from NSW and indeed some hydro-generated power from Tasmania. More supply will come into the market (too) and that could take the form of either gas or renewables.'

5. The Victorian government has a long-term alternate energy plan

On June 15, 2016, the Victorian Labor government announced the Victorian Renewable Energy Target (VRET). This target commits the state to generating 25% of its electricity from renewable energy by 2020, and 40% by 2025.

The media release announcing this development stated, 'It's anticipated that by 2025, up to 5400 megawatts of new large-scale renewable energy capacity will be built in Victoria - representing an estimated \$2.5 billion of investment in the state.

That means more than 4000 additional jobs in the renewable energy sector during the expected peak year of construction in 2024, and around a 12 per cent reduction in electricity sector greenhouse emissions by 2034-35.

The Premier also announced an auctions scheme - running a series of technology-neutral auctions, as well as solar auctions - which will see project developers compete to be the lowest cost provider.

Successful bids will be given long-term contracts to support their projects, providing certainty for investors.

The Victorian Premier believes that meeting these renewable energy targets will both allow Victoria to reduce its carbon emissions at the same time as it promotes jobs growth in the state.

The Premier has claimed, 'The world is shifting to renewable energy - it creates jobs, drives growth, and protects our environment - and Victorians want to be at the forefront of that.'

Growing renewable energy means growing jobs, and we want a big boost to both right here in Victoria.'

The Victorian Minister for Energy, Environment and Climate Change, Lily D'Ambrosio, commented similarly, stating, 'We've developed Victorian renewable energy targets that generate thousands of new jobs, particularly in regional Victoria, while also cutting Victoria's greenhouse gas emissions.'

By making our scheme complementary to the Commonwealth's Renewable Energy Target we are saving the RET. Investors have lost faith in the national target, but we are restoring the confidence needed to invest.'

Dylan McConnell, Research Fellow, Melbourne Energy Institute, University of Melbourne has commented on the probable effect of Victoria's renewable energy targets.

McConnell claims, 'Such a significant increase in renewable generation in Victoria - expected to be in the vicinity of 5,400 megawatts - will have dramatic implications for the state's existing power stations.'

An increase in market share of renewables, from roughly 14% today to 40% in 2025, will necessarily come at the expense of market share for existing power stations. And in Victoria that means brown coal, Australia's most carbon-intensive power source.' The Victorian government apparently believes that the loss of jobs caused by the retraction of brown-coal generation can be compensated for by the jobs created in the renewable energy sector.

Victoria's scheme co-ordinates with that proposed by the Government at the last federal election. Dylan McConnell notes, 'At the national level, several different policies and pathways have emerged through the election campaign. These includes a national 50% renewable energy target, an emissions trading scheme, a brown coal exit plan and potential modifications to the government's cap on emissions (known as the safeguard mechanism).'

Regarding the cost mechanisms operating in the Victorian electricity market, on November 29, 2016, the Andrews Labor Government announced a bipartisan review into Victoria's electricity and gas retail markets, led by former Victorian MPs John Thwaites, Deputy Premier of Victoria from 1999 to 2007 in the Bracks Government, and Terry Mulder, Minister for Roads and Minister for Public Transport in the Baillieu/Napthine Governments.

The review is intended to insure that Victorian consumers are able to purchase electricity at the most competitive price.

Further implications

Australia's long-term planning to meet the nation's energy needs has been bedevilled by a lack of political consensus. Central to this dilemma are differing views on the importance of global warming as an environmental imperative demanding a policy response and differing views on what such a response might be.

Australia finds itself in the awkward political position of having leaders at both State and federal levels who actively promote fossil fuels opposing leaders who want the rapid phasing out of these energy sources and their replacement with renewables. There is no cohesive national leadership on this question.

Australia's current Prime Minister, Malcolm Turnbull, lost his leadership of the Liberal Party while in Opposition in 2009 because of his willingness to support the Carbon Pollution Reduction Scheme proposed by the Rudd Government. His successor, as Leader of the Opposition and then Prime Minister, Tony Abbott, was a self-declared climate sceptic who came to office in part because of his vigorous denunciation of the Gillard Government's 'carbon tax'. The resultant uncertain national position on renewables did not inspire confidence in investors that the sector would continue to grow and it was largely Labor State governments who persisted in presenting policies designed to foster renewables and phase out coal-fired electricity generation. This has resulted in a hesitant quality to the reform of Australia's power generation practices. However, Australian electricity production does not occur in a vacuum. It is affected by international factors and the decisions taken by the foreign owners of Australian power plants.

Of Australia's eight states and territories, only three governments retain full ownership of all elements of their electricity networks: Western Australia; Tasmania; and the Northern Territory. Queensland also owns the generation, distribution and transmission of electricity, but the retail market has been privatised. Those States, such as Victoria, where electricity generation, distribution, transmission and retail are privately owned and controlled are largely held hostage by the commercial decisions taken by overseas owner-operators and by the States' contractual obligations to those owner-operators. Though Victoria's royalty rates discouraging coal-fired power generation may have been a factor in determining the exact timing of Engie's decision to close the Hazelwood power plant, the decision itself appears to have been inevitable given Engie's announced policy of removing the Company from coal-fired power generation in its operations worldwide. As Australia has progressively moved away from the State ownership of utilities, governments are essentially in the situation where they can move the levers but they do not drive the train. All such governments are able to do is attempt via the establishment of targets and the imposition of taxes or the granting of tax concessions to create conditions within which private operators are encouraged to take the direction that a government currently prefers.

Given that their capacity to influence private investment is relatively tenuous, it is important that such levers as governments can pull are applied consistently across time and jurisdictions. However, Australia has yet to achieve the sort of consensus that makes such concerted policy formulation possible.

Newspaper items used in the compilation of this issue outline

AGE, May 28, 2016, page 32, editorial, 'Hazelwood end would aid shift to renewables'. [↗](#)

H/SUN, May 30, 2016, page 22, editorial, 'Coal is still king'. (scroll down linked page to find this editorial) [↗](#)



A Wikipedia article explaining carbon capture and storage.

H/SUN, September 27, 2016, page 21, comment by Mary Aldred, 'Jolt of power station closure will hit hard'. [↗](#)

AGE, September 27, 2016, page 19, comment by Mark Wakeham, 'Hazelwood closure paves way for change'. [↗](#)

AGE, October 13, 2016, page 19, comment (ref to effects on Latrobe Valley of closure of Hazelwood power station) by Josh Gordon, 'Industry snapshot may serve us well'. [↗](#)

AGE, October 21, 2016, page 17, comment by Olivia Kember, 'Coal closures call for nationwide approach'. [↗](#)

AGE, November 5, 2016, page 20, background (photo) by Darren Gray, 'Workers face a cold hard world' (see also page 26 editorial, 'We must support Hazelwood's workers' [↗](#) and letters incl, 'Tax polluters over jobs lost to create safe planet' [↗](#)).

AUST, November 4, 2016, page 15, editorial, 'Crocodile tears for Hazelwood'. [↗](#)

AUST, November 4, 2016, page 1, news item (photo) by Wallace and Le Grand, 'Coal plant closure to raise risk of power imports' (see also page 2 items incl comment by Judith Sloan, 'How Australia shot itself in the foot' [↗](#)).

AGE, November 4, 2016, page 4, informative by Adam Morton, 'The consequences of powering down'. [↗](#)

H/SUN, November 2, 2016, page 22, comment (ref in part to geosequestration / carbon capture and storage) by Mary Aldred, 'A thriving Latrobe Valley can help lift all Victoria'. [↗](#)

The Australian, November 7, 2016, comment by Judith Sloan, *Energy policy has become a racket and the madness must stop* [↗](#)

The Australian, November 8, 2016, editorial, *Labor's windmill on the hill* [↗](#)

The Conversation, November 4, 2016, comment by Michelle Duffy et al, *Hazelwood's closure calls for a rethink on Latrobe Valley solutions* [↗](#)

Power, electricity generation industry, incl privatisation, sale, incl Victorian brown coal plants, Hazelwood closure:

The Age, November 28, 2016, news item by A Morton, *Coal station closures inevitable, start planning: Labor and Greens* [↗](#) - see also background item, *Hazelwood is only the beginning of the end for coal power* [↗](#)

ABC News, December 2, 2016, background by Kellie Lazzaro, *Worksafe notices detail extent of repairs needed at Hazelwood power station* [↗](#)