

Energy, mining and climate – Fact and Fiction

Tony Maher

National President

Construction, Forestry, Maritime, Mining and Energy Union

Speech to

The Sydney Institute

27 November 2019

Good evening,

A couple of weeks ago, climate protesters were getting arrested outside the International Mining and Resources Conference in Melbourne.

Inside, attendees were listening to scintillating presentations like:

- An update on plant and processing at the Fosterville site; how we've achieved high grade qualities and how the new plant will meet future processing requirements.

Then there was:

- Highlighting the benefits of quality haul roads.

In our current political circumstances, one doesn't have to look far for examples of just how messed up the politics of energy and climate has become.

But for me, when an essentially boring industry conference becomes a hot spot for angry activists it's a sign of just how far our public discourse has strayed from reality.

How basic facts and information are getting lost in hyper-partisan conflict.

Perhaps, instead of carting protesters down to the police station an appropriate punishment would have been to make them sit through a session or two on increasing minerals processing performance through integrated mine to port operations and material tracking.

After all, an engineer with a powerpoint presentation is enough to strike fear into anyone's heart. And you never know, the protesters might have learnt a thing or two about the industry they are trying to shut down.

As leader of the union representing Australian coal miners and power workers, the climate challenge has been on my radar for a very long time. There is so much at stake for members, their families and communities in getting climate policy right.

So it is beyond disheartening to witness the destruction of good policy and the degradation of the debate over the past decade.

In the absence of a coherent and economy-wide energy and climate strategy, we instead have entrenched Climate Wars where coal is the only villain and many participants have reflexive rather than rational positions.

On the right there is outright climate denialism, or at least the view that Australia has no need to play a role in reducing global warming – “Because we are a small country.”

On the other side are those who believe that to avoid a climate Armageddon Australia must lead the world by reaching net zero emissions first.

Those of us who accept the science of climate change, support well-paid blue-collar jobs and are seeking a way forward that reduces emissions across the economy and leaves no-one behind have had no help from those at either extremity.

Sometimes these two extremes even join in temporary unholy alliances.

We saw it in 2009 when the Greens joined up with the Liberals and Nationals to sink Kevin Rudd's Climate Pollution Reduction Scheme. Arguably the best scheme ever developed for Australia, which covered about 70% of the economy, but which made allowances for Energy-Intensive-Trade-Exposed Industries and for high-methane coal mines, among others.

The Greens opposed it because it was allegedly too weak and the LNP simply because the hard right had just knocked off Malcolm Turnbull over this very issue.

A decade later, in the recent federal election it seems to me we saw something similar.

The Australian Greens and many green NGOs chose to focus on shutting down the coal export industry, with stopping Adani as the symbolic prize, instead of focusing on the more pedestrian but essential task of reducing our emissions here at home.

It is a basic fact that under the international architecture of the Paris Agreement and other climate instruments, responsibility for emissions lies with the country in which the emissions occur.

- This is not any kind of cop out or buck-passing, it is a principle at the centre of the only international agreement in town – one that took thirty years to negotiate.

But it is a fact which is being at best ignored and at worst completely misrepresented by the greens' anti-export coal strategy.

That strategy reached its absurd culmination with Bob Brown's vainglorious convoy into central Queensland, deeply traumatising and polarising hundreds of thousands of voters along the way.

The campaign against the export coal industry, and the anti-Adani convoy in particular, was like manna from heaven for the LNP, and for those further to the Right. The voters of central Queensland and the Hunter valley were herded into the arms of One Nation and Clive Palmer, from where their votes went to the LNP.

For the Federal LNP Government, the campaign against export coal has been the gift that keeps on giving. They have countered the fantasy that Australia must shut down its export coal industry with their own fiction that there are no challenges ahead for our coal industry; and that fighting greenies is more important than the hard yards of developing sensible industry policy.

The outcome of the anti-export campaign was not only a failure to stop Adani, which was always a strange objective – it really is just another coal mine – but to contribute to an election outcome that sets back climate policy in Australia.

My main purpose here today is to talk about the facts of Australia's coal industry and how those facts should inform a response.

Don't worry, I'm not an engineer and I don't have a powerpoint.

But I do believe that for an industry that is so important to our economy – and increasingly, so important to our politics – we are overdue for some myth-busting.

The first point is that the export coal sector and the domestic coal power industry are two very different beasts, they need to be understood and treated differently.

The domestic electricity supply industry accounts for about a third of Australia's total greenhouse gas emissions.

Virtually every owner and operator of coal power is today saying they will ultimately close and not replace their coal power plants.

Now we do have mavericks like Trevor St Baker, who joined Australia's rich list after the NSW Government sold him a power station for \$1 million that is now worth several hundred million. And we have Resources Minister Matt Canavan pushing new coal power for the town of Collinsville in Queensland.

But it is pretty clear any such plant would require both a capital grant from government, and indemnification from carbon costs for the life of the plant. In other words, they would need to be subsidised or protected from the market.

So even if a bit of new coal power comes to pass, it doesn't change the trajectory of the industry. The market has spoken. Coal power plants have been closing for almost a decade now, and they will progressively be retired and not replaced over the next couple of decades. The main debate about them is how soon they close. Will they live out their 50-year lifespans, or be forced out earlier by the amount of renewables coming online - or artificial deadlines?

Some green groups are calling for phase out of coal fired power in Australia in 2030 – that's just a recipe for blackouts.

Now coal power today is still an essential industry in Australia. 21 power stations still supply about 60% of our total energy needs.

Those power stations are in several regions:

- The Latrobe Valley in Victoria
- The central coast, Hunter Valley and Lithgow areas of NSW
- To the west of Brisbane and near Rockhampton and Gladstone in Queensland

- Around Collie in Western Australia

In those regions, the power stations and coal mines that supply them tend to be the foundation of the economy.

Our calculations are that there are about 8,000 direct jobs in the domestic coal power industry. A good chunk of those 8,000 workers are members of the CFMEU.

If we add in the indirect jobs – say another 10-11,000, and then double it to include dependants and we have 35,000 people who are dependent on coal power for their livelihood or well-being.

Let me contrast those numbers with the broader coal mining industry, which is overwhelmingly for export.

The size and significance of the export coal industry are widely misunderstood.

There are those who try to downplay the significance of the coal industry to the Australian economy, in terms of employment numbers and economic value, as though its loss would be no big deal.

They are wrong.

Coal mining is a major provider of well-paid jobs in regional areas and a big earner for the whole economy. It is our second biggest export earner.

Australia produces about 450 million tonnes of black coal annually. That's about 3 B-double trucks for every person in the country. About 40% of that is coking coal – nearly all of which is exported at a

value of \$38 billion. Global demand for steel is not shrinking and there is no replacement for coking coal in steelmaking – not for a long time anyway – so this coal has a long future.

The rest is thermal coal for power generation – three-quarters of which is exported. That's worth another \$22 billion.

That \$60 billion in export earnings we get from coal makes it second only to iron ore as our biggest export industry.

And our coal exports are growing. The main scenario of the International Energy Agency in their World Energy Outlook is for Australian export coal volumes to keep growing for another couple of decades, even as coal production and use shrinks in many other countries. And indeed even as coal use here shrinks.

There are around 50,000 direct jobs in coal mining. If we take a low multiplier of 1.3, there's another 65,000 jobs in the industries and public sector bodies servicing mining communities. Add in some dependants and it is easy to see over a quarter of a million Australians depending on the coal export industry.

Coal for export employs 6 times as many people as the domestic coal power industry and is one of the export industries on which Australia relies to pay our way in the world.

Its loss would be seriously damaging to the Australian economy – we shouldn't underestimate the extent to which our economy is not prepared for an end to export coal.

Yet it was the export coal industry that green groups have chosen to target, not to reduce emissions in Australia, but to reduce emissions in those countries that buy and burn our coal for energy or steel.

Customers for Australian coal are mostly in Asia, including India, Japan, China and South Korea.

Under the Paris Agreement, those countries are responsible for accounting for the emissions that they produce when they burn it to make steel or energy. They are responsible for reducing emissions according to their own national commitments.

In the current debate over scope 3 emissions – those emissions produced by the end user of the coal – organisations like the Australia Institute are making disingenuous and misleading claims about the emissions produced by Australian coal.

The fact is that everyone's Scope 3 emissions are somebody else's Scope 1 and Scope 2 emissions. Under Paris, those Scope 1 and 2 emitters, whether it's a power station in South Korea or a steel manufacturer in China, must manage and account for those emissions. If the deal was that nations were responsible for emissions generated in other nations, there would be no deal.

Attacking our export coal industry has always been a project that, even if it succeeded on its own terms, would fail in reducing global emissions.

That is, there is not a skerrick of evidence that Japan or China, or any other market for Australian coal, looks to Australia for direction in their energy policy. Those countries are making decisions about their energy future in line with their own commitments under global agreements.

But they will not do so simply because Australia refuses to export to them. If one source dries up, they will turn to another.

There are plenty of other sources of thermal coal – Indonesia, Colombia, South Africa, Russia – even the United States if the price is right. It's called a market!

Coking coal is a scarcer commodity, but Canada and the USA have always been willing alternative suppliers.

We come now to the uncomfortable truth. There is not a single example of any other country choosing to restrain their energy or other exports in order to reduce emissions in other countries. It is a cross that has been invented for Australia to bear.

There's a final kicker from the anti-export coal campaign. The campaigners all dutifully added "Just Transition" to their campaign demands. That box ticked, they can maintain their rage to shut down the industry as soon as possible.

But there was no substance to the Just Transition claim. Coal miners generally earn more than \$100,000 a year, with those on union enterprise agreements closer to \$150,000.

For working 12 and 12.5 hour shifts underground or in open cuts they deserve every dollar they get. And it is why the jobs are so valuable to their communities.

Now those saying they want Just Transition for coal miners tend to skip on the pay issue, thinking coal miners should get new jobs that pay a third or a half of what they are currently earning. Especially when they say the coal miners should get jobs in renewable construction.

Sorry, but the word has got around that a lot of the jobs in renewables pay lousy rates of pay, and if the builders can get away with employing a bunch of backpackers on even lower rates of pay they will do so.

That doesn't sound like Just Transition to me.

And not only do coal miners see activists trying to shut down an export industry that is currently large and growing – but as an added insult what they see on offer is a traditional structural adjustment where workers get cast on the scrapheap.

Talk about a lose-lose.

If Australia is to salvage a way out of the current Climate Wars, we need to focus on:

- reducing our own emissions across the whole economy,
- meeting our own Paris targets, and
- managing the decline in the domestic coal power sector that is already underway.

The focus on shutting down the export coal industry has not only been unsuccessful on its own terms - it has also been a counterproductive distraction from these important tasks.

Tasks we are failing at.

Planning for a genuine Just Transition as domestic coal power declines is important at a number of levels:

- Obviously - because the workers and regional communities that have literally powered Australia for decades deserve it.

- Also - because we need to carefully manage the impacts on the other industries and workers that rely heavily on the reliable baseload supply that coal power delivers – like aluminium and other energy-intensive manufacturing.
- And – because it's the best starting point to rebuild some political and community consensus around Australia's energy future.

The federal ALP took a policy for a Just Transition Authority for the power station sector to the last election. Its goals were to:

- coordinate closures
- manage workforce decline through job transfers between power stations; and
- manage regional investment in coal power regions.

Employers in the industry would have been required to:

- give notice of closures;
- and participate in a program of offering voluntary redundancies in their operations (keeping in mind that redundancies are often desirable to older workers) and offering those jobs to workers from closing power stations who wished to remain in the industry.

Power industry operators did not complain about the policy.

I think they might have had, and still do have, bigger fish to fry. The possible divestment orders for so-called energy misconduct – progressing through parliament this year – are far more of a threat to the industry than the costs of redeploying some workers.

Whatever it's called, an independent authority established by government to co-ordinate closures when they are inevitable and to support energy workers into new jobs remains sound policy. In fact, I would argue it's essential.

As is investment in regional economic diversification, which is the bigger ticket item in achieving Just Transition.

Examples of successful Just Transition are hard to come by.

The Victorian Labor Government is investing in the Latrobe Valley to help develop an alternative future there. But they are doing what should be done over decades in a hurry since the sudden closure of Hazelwood.

Many people are rightly looking to Germany as the gold standard.

In Germany earlier this year a deal was done among the national government, certain local regional governments, industry, trade union and green groups. They bargained over the closure of brown coal mines, and all coal-fired power stations by 2038.

This builds on their phase-out of black coal mining – for economic rather than environmental reasons – over the 30 years to 2018.

Now – the fact that Germany has reached consensus on phasing out coal is not a lesson in how or why Australia should phase out our large and growing export coal industry. Germany's black coal industry was uneconomic and in decline.

But it does offer a roadmap for our declining domestic coal power industry.

There are two key aspects to the German program – that have made it a success. The first is the strong tradition of “social dialogue” where government discusses things with industry and unions and seeks consensus.

The second key aspect to the German program is that “no one gets left behind”. They look squarely at the coal-dependent regions, and at the coal power workers, and the decision is that everyone gets a future. A good future.

When black coal got phased out in Germany, there was not one single forced redundancy. Everyone retired or moved to a new job that was found for them. In the new program to 2038, there is again a commitment to no forced redundancies, and diversification programs in coal regions.

Tens of billions of dollars will be spent. But it is a small part of the total cost of rebuilding the energy system.

Just a couple of weeks ago Catherine Tanna, head of Energy Australia, said that Australia would need about \$400 billion in investment to reduce power sector emissions to zero.

So a small fraction of that to look after the workforce and the regions that are now dependent on coal power is a reasonable investment to protect against whole communities sliding into poverty, dysfunction and political alienation.

Creating a positive local example of Just Transition is an important step to reassuring affected communities.

I draw attention here to what AGL has done with Liddell in NSW. They have actually given the workforce 7 years notice of closure and, even better, have promised no forced redundancies. The current workforce will be retired, offered voluntary redundancy, redeployed to the nearby Bayswater power station or redeployed to new activities on the same site.

This commitment by AGL is given scant attention, even though it is emerging as a benchmark for Just Transition.

Investors also have a role in Just Transition. There's plenty of action around coal divestment, and around investing in renewables. But how much attention are they paying to ensuring that good jobs are not lost, that the new jobs are good jobs, and that the coal power regions get a new future?

And the green groups need to just butt out. They need to stop defining Just Transition for us, stop provoking and antagonising coal communities; and accept that Australia has a big enough job reducing our own emissions rather than taking on the role of managing the emissions of other nations.

All they are doing is feeding a cynical view in the coal regions that they – the greenies – don't understand the value of the industry, which is correct; and that they are demanding these blue-collar workers pay the costs of transition for the broader community. On current form, that's also correct.

To finish, Australia will have a coal industry for many decades to come.

- Coking coal exports are growing for now and will be here for the long term.
- Thermal coal exports are growing for now and will be here until our customers stop buying it, based on their own decisions around energy and emissions.
- Not one other nation has cut back on its exports to reduce emissions in other countries.

But - domestic coal power is in decline and operators have told us that power stations will certainly close in the years and decades ahead.

The current state of climate politics is back to front. By targeting the export sector – instead of what we can do about the emissions we

produce here in Australia – green activists have alienated the maximum number of people for the least effect.

When it comes to progressing climate action that is based on the science, based on agreed international frameworks and looks after workers, my advice is simple – look at what’s happened over the last few years and just do the opposite.

That means:

- Parking the attacks on export coal; the industry will face change in the future but that will be driven by its customers.
- Holding the Government to account for meeting Australia’s domestic emissions reduction commitments, across the whole economy.
- More planning and less politics around future power station closures, with investment to support affected workers and communities.
- Rebuilding some consensus around climate politics, which is admittedly a much harder task than protesting and grandstanding and point-scoring and fear-mongering.

And finally, but perhaps most importantly:

- Can someone please find some wheel locks for Bob Brown’s car?