



MWH

BUILDING A BETTER WORLD

**POSITIONING LATROBE CITY FOR A LOW CARBON
EMISSIONS FUTURE**

FINAL REPORT

A1205200

6 APRIL 2010

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EXECUTIVE SUMMARY

BACKGROUND

Latrobe City Council has recognised that international and Australian policies are being developed to reduce greenhouse gas emissions in response to growing concern about climate change. These policies, and the likely future constraints on carbon based emissions that will arise from their implementation, potentially have significant implications for the ongoing sustainability, vitality and well being of the Latrobe City community.

Latrobe City supports international and Australian efforts to address climate change. Latrobe City seeks to ensure that its economy and community continue to prosper and, with the appropriate transition mechanisms in place, it believes that both climate change mitigation and economic growth can be achieved.

Latrobe City Council has developed this policy in order to position and prepare the Latrobe City municipality to prosper in a low carbon emissions future. The policy identifies the expected implications of Government greenhouse gas emission mitigation policies on the City and proposes transition arrangements, including interventions and support mechanisms, to enable Latrobe City to optimise its transition under future Government greenhouse gas mitigation schemes. Latrobe City Council intends to provide leadership for its community by instigating and facilitating the actions identified in this policy document, thereby positioning Latrobe City to build on its strengths, capture opportunities and proactively address any negative impacts that arise as a consequence of the introduction of Government greenhouse gas mitigation policies.

While the policy was initially developed in response to the Australian Government's proposed Carbon Pollution Reduction Scheme (CPRS), which is yet to be legislated, the policy framework is generic and would remain relevant under an altered or alternative scheme. The policy position has been developed to allow Latrobe City to proactively prepare for a low carbon emissions future, while allowing scope for the policy to be refined once the Australian Government program is defined and in place.

POLICY CONTEXT

Latrobe City is home to approximately 72,900 people largely residing in the four major population centres of Moe-Newborough, Morwell, Traralgon and Churchill. Following an extended period of population decline in the 1990s, over the last five years the Latrobe City population has been growing steadily.

Latrobe City is the most populated local government area within the broader Gippsland region, which is also demonstrating strong population growth. Latrobe City has become a significant service centre for the Gippsland region, particularly in provision of education and health services. This is reflected in employment statistics, which show that a number of service sectors are significant contributors to local employment including (ABS 2006 Census data):

- Public and community services – 32%;
- Retailing, wholesaling and transport – 18%;
- Manufacturing – 7%;
- Construction – 6%;
- Tourism – 6%;
- Business services – 5%;
- Paper and forestry – 4%.

The broader Gippsland region is rich in natural resources, including forests, fertile land for agriculture, water and fossil fuels, particularly gas and brown coal.

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Latrobe City offers new investors: a skilled labour force, strong road and rail transport links, established electricity transmission and generation infrastructure, locally based educational institutions and affordable land prices. A number of capital projects have been announced or are currently underway in Latrobe City, including:

- International Power Hazelwood Mine Extension \$400 million
- Gippsland Water Factory \$174 million;
- International Power Coal Drying Retrofit \$80 million;
- ACE Latrobe Urea Project \$2 billion;
- HRL Clean Coal Power Station \$750 million; and
- Latrobe Community Health Redevelopment \$21 million

In socio-economic terms, the population of the Latrobe City is relatively disadvantaged compared to Australia as a whole with a comparatively high level of unemployment and lower than average median incomes (ABS 2006 Census data).

Latrobe City currently supplies over 90% of Victoria's electricity generation requirements and extensive electricity distribution infrastructure links the existing generation facilities to Melbourne. The low cost electricity generated in the Latrobe Valley from brown coal resources has contributed to Victoria's economic prosperity over the last 90 years. However, the high moisture content of brown coal means that the greenhouse gas emissions produced per unit of electricity produced are high relative to other forms of electricity generation.

Given the long history of electricity generation in the region, it is not surprising that this sector dominates the economic profile of Latrobe City. A recent study by Compelling Economics (2008) found that electricity generation accounted for around 21% of Latrobe City Gross Regional Product (GRP). Other major contributors included the coal mining sector (including services to mining) which accounts for 2.5% of GRP and water, sewer and drainage services which contribute 1.4% of GRP.

Employment in Latrobe City is heavily reliant upon the income obtained from electricity generation and coal mining activities, with about 3,100 (or 11%) jobs linked directly to these sectors (ABS 2006 Census data). Furthermore, an additional 8 jobs were found to be sustained in the local economy for every 10 jobs in the electricity sector (Compelling Economics 2008). Therefore, there are approximately 2,500 additional jobs sustained due to electricity sector activities giving a total of 5,600 (approximately 20%) jobs related to the sector.

The brown coal electricity generation industries in the Latrobe Valley have been identified as particularly vulnerable under the emissions reduction policies due to their high emissions intensity. The Latrobe Valley underwent a difficult structural adjustment process following the privatisation of the electricity sector in Victoria during the 1990s. Once the social and economic impacts that arose as a consequence of electricity sector privatisation became evident, the State Government established the Latrobe Valley Ministerial Taskforce. The Taskforce has subsequently worked in partnership with local government and the community to improve the economic prospects of the Latrobe Valley. However, it is recognised that the detrimental impacts on the community following electricity sector privatisation may have been lessened or avoided by earlier, co-ordinated intervention.

Having taken on board the lessons learnt from the electricity sector privatisation experience, Latrobe City Council is seeking to engage with its community, as well as neighbouring municipalities and the State and Federal Governments, ahead of any structural adjustment arising from the introduction of policies and programs to reduce carbon emissions. The intention is to develop and implement a comprehensive transition strategy for the municipality, which allows Latrobe City to position itself to prosper in a low carbon emissions future.

AUSTRALIAN GOVERNMENT GREENHOUSE GAS MITIGATION POLICIES AND LATROBE CITY

Latrobe City has been identified as a community likely to be exposed to significant structural adjustment pressures as a result of the introduction of greenhouse gas mitigation schemes, such as the Australian Government's proposed CPRS. It is anticipated that the introduction of these schemes will decrease the competitiveness of the brown coal fired generators that are located within the Latrobe Valley, which would then impact on the local economy and employment growth.

The potential impact of a CPRS on the Latrobe Valley is recognised in the CPRS White Paper in a section entitled "Assistance to workers, communities and regions". The White Paper states *"The Australian Government is aware of stakeholder concerns in relation to particular regions and stands ready to provide assistance through the Climate Change Action Fund to any region Where a clear, identifiable and significant impact arises, or is likely to arise, as a direct result of the Scheme"*.

The introduction of greenhouse gas mitigation schemes will also provide new opportunities for Latrobe City. There is considerable research underway examining alternative uses for brown coal as well as technologies to improve the efficiency of brown coal fired electricity generation and reduce the emissions of greenhouse gases. Schemes such as the CPRS would introduce a carbon price and this, combined with increasing world prices for energy sources (such as oil and gas), will improve the commercial viability of such opportunities.

In addition, projected population growth, and the associated growth in demand for low emission service based industries, such as health and education, provides an opportunity to further enhance Latrobe City's reputation as the service hub for Gippsland.

Opportunities exist to reduce electricity transmission losses, and generate new employment opportunities in the Latrobe Valley, by co-locating intensive energy users with electricity generation facilities. However, it is recognised that the current electricity transmission regulatory pricing does not provide a commercial signal to support location of energy intensive industries closer to electricity generators as real distribution losses are not reflected in the pricing structure. Some limited opportunities to co-locate energy intensive industries directly connected to generation (thereby bypassing the grid and related pricing structure) also exist.

Electricity generators in Latrobe City have access to natural gas supplies from the Gippsland Basin and an opportunity exists to locate future low emissions natural gas fired electricity generation facilities in Latrobe, utilising the existing transmission infrastructure and reducing reliance on brown coal.

The existence of specialist electricity sector skills in Latrobe City provides an opportunity for local businesses to market this knowledge to interstate and overseas clients. An example of this opportunity would be using local industry knowledge to improve electricity generation in a developing country, thereby generating carbon credits under the Kyoto Protocol's Clean Development (CDM) or similar mechanism.

Forestry and agricultural sectors are likely to be included in the Australian Government's CPRS scheme, and alternative schemes proposed by the Coalition, on a voluntary basis and this would allow forestry and agricultural projects to generate carbon credits and sell those into the carbon market. Policies to reduce carbon emissions may also present significant opportunities for the development of facilities to generate renewable energy (e.g. wind or biomass). While these offset and renewable energy schemes may be located in neighbouring municipalities, opportunities exist to co-locate the manufacturing and service based industries that support these sectors within Latrobe City.

LATROBE CITY COUNCIL'S POLICY FRAMEWORK

Latrobe City Council supports international and Australian efforts to address climate change. Latrobe City Council seeks to ensure that its economy and community continue to prosper in a low carbon emissions future and, with the appropriate transition mechanisms in place, it believes that both climate change mitigation and economic growth can be achieved.

Latrobe City Council's policy framework has been developed to enable Latrobe City to capitalise on its strengths, while capturing opportunities that arise from Australian Government policy (such as the CPRS), address weaknesses and proactively managing threats. The framework describes measures that will allow Latrobe City Council to anticipate and plan responses to structural adjustment impacts and make the most of the new market opportunities that will arise in a carbon constrained economy.

Latrobe City Council has identified three themes that underpin its planned policy approach:

- Pursuing and realising opportunities - A smooth and successful transition to a low carbon emissions future will require Latrobe City and the broader Gippsland region to continue to grow and develop existing business as well as harness new opportunities, which arise as a consequence of Government emission reduction schemes. In this policy theme, actions are identified that will allow Latrobe City Council to capture opportunities and enable business innovation and growth.
- Contingency planning - Contingency planning involves identifying threats along with possible outcomes and identifying measures to avoid or manage detrimental impacts. The policy actions proposed in this theme will allow Council, Governments and other stakeholders to put in place the necessary safeguards and plans to ensure that they are able to respond quickly and provide support to the community during the transition period.
- Working together - Latrobe City Council recognises that the scope of the adjustment task is beyond the capacity of Council acting alone. It intends to work in partnership with its community, businesses, industry, neighbouring municipalities, State and Federal Governments, and others to proactively plan for the smooth and successful transition of the Latrobe Valley region to a low carbon economy.

IMPLEMENTATION AND REVIEW

Latrobe City Council's Economic Sustainability Division will oversee the implementation of the policy. Once the Government's carbon emissions programs are defined and legislated, a Low Carbon Emissions Transition Consultative Committee will be formed. This committee will assist Latrobe City Council to implement policy actions, monitor progress and assess the effectiveness of the policy actions throughout the transition period. Frequent review of the policy will be needed during the transition so that Latrobe City Council can adapt its approach as required.

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POSITIONING LATROBE CITY FOR A LOW CARBON EMISSIONS FUTURE

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1. INTRODUCTION

Latrobe City Council has recognised that international and Australian policies are being developed to reduce greenhouse gas emissions in response to growing concern about climate change. These policies, and the likely future constraints on carbon emissions that will arise from their implementation, potentially have significant implications for the ongoing sustainability, vitality and well being of the Latrobe City community.

Latrobe City Council supports international and Australian efforts to address climate change. Latrobe City seeks to ensure that its economy and community continue to prosper and, with the appropriate transition mechanisms in place, it believes that both climate change mitigation and economic growth can be achieved.

In order to position and prepare the Latrobe City municipality for a low carbon emissions future, Latrobe City Council has developed this policy: "Positioning Latrobe City for a Low Carbon Emissions Future". The policy identifies the expected implications of Government greenhouse gas emission mitigation policies on the City and proposes transition arrangements, including interventions and support mechanisms, to enable Latrobe City to optimise its transition under future Government schemes.

While the policy was initially developed in response to the Australian Government's proposed Carbon Pollution Reduction Scheme (CPRS), which is yet to be legislated, the policy framework is generic and would remain relevant under an altered or alternative scheme. The policy has been developed to allow Latrobe City to proactively prepare for a low carbon economy, while allowing scope for the policy to be refined once the Australian Government program is defined and in place.

As well as describing the Latrobe City's low carbon emissions future policy, this report provides some background on the international and Australian policy context, describes the approach that has been taken to the development of this policy; and provides an analysis of Latrobe City's capacity to respond to the opportunities and threats posed by the introduction of a carbon emissions or alternative mitigation scheme. The report is structured so that:

- Chapter 1 outlines the policy purpose, objectives, scope and the role of Latrobe City Council. Chapter 1 also provides some introductory background information on the climate change issue, the international response to climate change, the Australian Government's position, specifically, the proposed CPRS legislation, the Federal Opposition's policy position and the current social, economic and environmental situation in the Latrobe City municipality;
- Chapter 2 describes the approach that has been taken to the development of the draft Latrobe City Council policy, including stakeholder consultation;
- Chapter 3 contains an analysis of Latrobe City's capacity to respond to the opportunities and threats posed by the introduction of the climate change policies in Australia; and
- Chapter 4 presents and describes the interim policy position.

1.1 POLICY PURPOSE AND OBJECTIVES

The purpose of this policy is to provide a framework for Latrobe City Council to facilitate a smooth and successful transition to a low carbon emissions future.

The policy will assist Latrobe City Council to:

- Advocate for its community, and actively engage with the Victorian and Australian Governments;

- Work with the community to prepare for the introduction of policies to reduce carbon emissions, particularly by identifying and capturing opportunities arising from these schemes as well as managing risks; and
- Develop implementation plans and actions to manage the transition.

1.2 POLICY SCOPE

Geographically, the policy's primary focus is the Latrobe City municipality. However, it is recognised that there are many important and strong social, environmental and economic links between the Latrobe City municipality and the broader Gippsland region. Therefore, the Latrobe City municipality cannot be considered in isolation from the Gippsland region. These important links are formally recognised in the policy through inclusion of a range of proposed actions and responses that have a regional focus.

To assist in understanding the scope and scale of issues and policy actions, the following clarifications are provided:

- Latrobe City, Latrobe City Council and Latrobe municipality – refer specifically to the Latrobe City local government area;
- Latrobe Valley region - broadly encompasses the area within the Latrobe City and Wellington municipalities; and
- Gippsland region – refers to the area encompassed the six municipalities in the Gippsland Local Government Network, namely: Bass Coast, Baw Baw, East Gippsland, Latrobe City, South Gippsland and Wellington.

The policy encompasses matters external to Council's daily operations, with an emphasis on households, the community and businesses. It is acknowledged that national programs to reduce emissions may also impact on parts of Latrobe City's operations (such as landfills). However, Council already has a number of policies, strategies and action plans in place for operational matters. A new policy is not required to manage the possible operational challenges posed by Australian Government programs and policies, as these can be readily managed within existing frameworks.

1.3 BACKGROUND INFORMATION

This policy has been developed in the context of various scientific, legislative and policy matters. The following sections provide some background information on climate change; the international response to climate change; the Australian Government's position and the proposed CPRS legislation; the Federal Opposition's current position; and the social, economic and environmental situation which exists in the Latrobe City municipality.

1.3.1 CLIMATE CHANGE

An extensive review and commentary on the vast array of scientific knowledge and opinion related to climate change is beyond the scope of this report. The Garnaut Report (2008, p. 23) took as its starting point, "*the majority opinion of the Australian and international scientific communities is that human-induced climate change is happening, will intensify if greenhouse gas emissions continue to increase, and could impose large costs on human civilisation.*"

The International Panel on Climate Change (IPCC) Fourth Assessment Report concluded that the warming of the climate system is 'unequivocal' (IPCC 2007a, p. 5) and that there is a greater than 90 per cent chance that 'the global average net effect of human activities since 1750 has been one of warming' (IPCC 2007a p. 3). (The main contribution of human activities to climate change has been through greenhouse gas emissions, primarily from the combustion of fossil fuels).

It is noted that there is some dissent among the scientific community as to the validity and scale of climate change and the contributions of humans to changes in climatic conditions. However, the balance of scientific judgement supports a precautionary approach to the climate change problem, i.e. taking action to reduce greenhouse gas emissions to prevent climate change. In the face of increasing scientific evidence, momentum has been building for global action to reduce the level of greenhouse gas emissions produced by humans.

1.3.2 POLICY AND LEGISLATIVE CONTEXT

In providing the policy and legislative context surrounding climate change and greenhouse gas mitigation, it is necessary to provide an overview of the historical path and current position of international agreements as well as applicable Australian and Victorian Government legislation and policy.

International Agreements and Negotiations

In 1992, Governments around the world agreed to tackle climate change with non binding targets on greenhouse gas emissions. This was followed by the Kyoto Protocol in 1997, which was the first international binding climate change agreement. The Protocol aims to reduce the greenhouse gases emitted by developed countries to at least 5% below 1990 levels by 2008-12. The Kyoto Protocol came into force in 2005.

International negotiations are underway for a new international agreement to succeed the Kyoto Protocol. The Conference of the Parties (COP 15) meeting in Copenhagen in December 2009, failed to reach a comprehensive, binding agreement to reduce greenhouse gas emissions. However, under the Copenhagen Accord agreed at the conference, individual countries are putting forward pledges to reduce greenhouse gas emissions and a pathway or roadmap for international negotiations is being developed. It is hoped that an agreement can be reached at the COP 16 meeting in Mexico in late 2010.

As part of the negotiations to date, Australia has committed to an unconditional cut of 5% in its greenhouse gas emissions from 2000 levels by 2020. Should a comprehensive global agreement be reached, then Australia has proposed a 25% reduction in emissions from 2000 levels by 2020. The Australian Government's long term aim is to reduce Australia's greenhouse gas emissions by 60% from 2000 levels from 2050.

Federal Government Legislation

In 2007, the Governments of the eight States and Territories in Australia commissioned Ross Garnaut, a renowned economist, to undertake a comprehensive review of the likely impacts of human induced climate change on Australia's economy, environment and water resources and to recommend medium to long term policy options for Australia, taking into account international outcomes.

Among its many findings, the Garnaut Report (2008) found that a well designed emissions trading scheme (ETS) had important advantages over other forms of policy intervention (e.g. a carbon tax). On this basis, the Australian Government decided to implement a carbon pollution reduction scheme (CPRS) as the primary mechanism to reduce Australia's greenhouse gas emissions.

Over the last two years, the Australian Government has developed and refined the design of the CPRS. This process involved the release of two policy documents, namely a Green Paper in July 2008 that outlined the Government's planned CPRS legislative arrangements and invited public comment, followed by a White Paper in December 2008. The legislation for the CPRS was introduced into the House of Representatives in May 2009 (this draft legislation included changes from the design outlined in the White Paper). The legislation passed through the House of Representatives but was blocked by the Senate in August 2009. Despite significant changes to the legislation arising from negotiations between the Government and the Opposition, the legislation was defeated for a second time in November 2009.

The Government reintroduced the legislation into Parliament in February 2010 and the legislation was opposed by the Federal Opposition's and defeated. Hence, at the time of finalising this report, it is highly uncertain as to whether the legislation will pass in its current form.

The major features of the proposed CPRS are as follows:

- The number of emissions permits to be issued would be capped in line with the targets set by the Australian Government and with international commitments;
- All liable parties (approximately 1,000 entities) would be required to surrender a permit for every tonne of greenhouse gas they emit;
- In the first year permits would cost \$10 each, while in subsequent years the market would set the price (expected to be \$20 to \$25 per permit in the early years).
- A safety valve price cap would apply for the first 5 years of the scheme through which companies can buy permits at a maximum set price (\$40 per tonne at the start of the scheme rising in real terms at a rate of 5% per annum);
- Permits would be fully tradeable and bankable (i.e. no expiry date);
- The scheme would cover approx. 75% of Australia's emissions, including emissions from stationary energy, transport, fugitive, industrial processes and waste sectors;
- Credits arising from the sequestration of carbon from reforestation and agriculture would be included on a voluntary basis;
- Carbon emissions from agricultural activities would be excluded;
- All 6 greenhouse gases covered under the Kyoto Protocol are included: carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydro-fluorocarbons and perfluorocarbons;
- An administrative allocation of free permits would be made to emissions intensive trade exposed (EITE) industries to cover a proportion of their emissions so that these industries are not disadvantaged in international markets;
- An administrative allocation of free permits would also be provided to those electricity generators with emissions intensity above 0.86 tonnes of CO₂-e per megawatt hour generated. Provision of this support, known as the Electricity Sector Adjustment Scheme (ESAS), is contingent upon the generator maintaining its generation capacity;
- All EITE and ESAS measures are to be reviewed every five years; and
- A Climate Change Action Fund (CCAF) would provide assistance to businesses not eligible for other forms of assistance, households, community organisations and small to medium sized enterprises that would be impacted by the scheme. In addition, assistance would be made available to specific industries, workers, regions and communities that are likely to be disproportionately impacted as a result of the implementation of the Scheme.

Federal Opposition's Policy Position

The Federal Opposition has publicly stated that they are committed to direct actions that reduce Australia's greenhouse gas emissions to 5% below 1990 levels by 2020. The Federal Opposition has also supported a 25% reduction in emissions from 2000 levels by 2020 if a comprehensive global agreement is reached. Currently, it is not known what long term emissions reduction targets (beyond 2020) the Opposition supports. At present, the key elements of the Opposition's policy include:

- Creation of an emissions reduction fund that would call for tenders to deliver projects that reduce emissions or sequester carbon. Projects could encompass, for example, energy efficiency, green buildings, soil carbon sequestration, forestry, landfill emissions, transport fuels, and waste coal mine gas. The fund would be supported by the Government to the tune of around \$1.2 billion per annum to 2020;

- Businesses who report under the National Greenhouse and Energy Reporting Scheme (NGERS) would be able to offer emissions reductions (beyond business as usual) for sale to the emissions reduction fund. Businesses who do not report under NGERS would be able to “opt in”. Furthermore, businesses who exceed their business as usual or baseline emissions would be penalised;
- Provision of \$60 million to attract new industries to create clean energy employment hubs in the Latrobe Valley, Hunter and Central Queensland regions;
- Supporting the increased uptake of solar hot water and electricity generation in homes, towns and schools;
- Increasing support for large scale renewable energy and emerging renewable energy projects;
- Specific investigations into algal synthesis for feedstocks and biofuels as well as the electricity transmission system; and
- Planting of 20 million additional trees by 2020 to create forests and green corridors in public spaces in urban areas.

State Government Policy

The Victorian Government has a number of policies and strategies that are important for Latrobe City Council to consider in relation its policy on a low carbon emissions future. These policies and strategies include:

- The Victorian Greenhouse Strategy (2002);
- The Greenhouse Challenge for Energy (2004);
- The Victorian Environmental Sustainability Framework (2005);
- The Victorian Greenhouse Strategy Action Plan Update (2005);
- Renewable Energy and Energy Efficiency Action Plans (2006);
- Provincial Victoria – Directions for the Next Decade (2009); and
- The Victorian Climate Change Green Paper (2009).

The Climate Change Green Paper identifies 5 priorities for Victorian Government action in responding to climate change. The actions that are of particular interest to Latrobe City Council in developing its policy position include (Victorian Climate Change Green Paper, p.12):

- Driving innovation to capitalise on new jobs and skills, new technologies and new markets and accelerate the transition to a low carbon economy;
- Helping vulnerable regions, businesses and communities adjust to a carbon price, particularly the Latrobe Valley;
- Promoting low emissions energy technologies; and
- Establishing future-focussed transport, planning and building systems to support a low emissions future and accommodate a changed climate.

After receiving public submissions on the Climate Change Green Paper, the Victorian Government will produce a White Paper, which will provide an overarching framework for Victorian Government policy response to Climate Change.

The Victorian Government has committed to a 60% reduction in greenhouse gas emissions from 2000 levels by 2050. More than 90% of Victoria’s electricity is produced from the burning of brown coal in the Latrobe Valley (DPI, 2010). Coal fired electricity generation accounts for over half of Victoria’s total emissions. This is a direct result of the high water content of brown coal, resulting in a very high emissions intensity and low efficiency (especially when compared to black coal). Therefore, to achieve Victoria’s emissions reductions objectives, it will be critical to deliver a significant reduction in the volume and intensity of emissions from brown coal fired electricity generated in the Latrobe Valley.

State Government planning policies and strategies also need to be considered in Latrobe City Council's policy on a low carbon emissions future. The Victorian Government has released a discussion paper "Provincial Victoria – Directions for the Next Decade" and completed consultation late in 2009. The discussion paper and stakeholder feedback will inform the finalisation of a Blueprint for Regional Victoria. The discussion paper and blueprint describe strategic directions for provincial Victoria and put forward a new model for integrated regional strategic planning and investment across regional areas. Adapting and responding to Government carbon emissions mitigation policies will be a key consideration in development of regional plans under the Blueprint.

1.3.3 LATROBE CITY COUNCIL CONTEXT

Municipality Profile

Latrobe City is located approximately 2 hours drive east of Melbourne, in Gippsland, in south eastern Victoria. A map of the Latrobe City municipality is shown in Figure 1.



Figure 1: Latrobe City Municipality

Latrobe City is home to approximately 72,900 people largely residing in the four major population centres of Moe-Newborough, Morwell, Traralgon and Churchill. The population has been growing steadily since June 2005 after an extended period of population decline from 1991. The population decline was attributed to the loss of skilled jobs in the electricity sector during the privatisation process that occurred through the 1990s.

The broader Gippsland region is rich in natural resources, including forests, fertile land for agriculture, water and fossil fuels, particularly gas and brown coal. This is reflected in the land use patterns in the West Gippsland Catchment Management Authority (CMA) region, where land use is heavily focussed on dryland agriculture (45%) and forestry based activities (27%), with national parks and conservation reserves accounting for a further (17%). More intensive land uses such as mining, urban development and irrigated agriculture account occur for a much smaller proportion of the land area (9% combined total).

Despite the relatively small land area occupied by mines in the broader Gippsland region, the Latrobe Valley hosts one of the world's largest deposits of lignite (brown coal), the vast majority of which is located in the Latrobe City municipality. Coal was first mined for large scale electricity production in the 1920s and this has remained the major use of the resource. The brown coal electricity generators in the Latrobe Valley supply around 90% of Victoria's electricity (DPI 2009), with the remainder of Victoria's electricity needs sourced from other parts of the state (e.g. south western Victoria) or interstate (e.g. Tasmania or New South Wales) through the transmission infrastructure of the National Electricity Grid.

The high moisture content of brown coal makes it unsuitable, without further treatment, for bulk export and results in high levels of greenhouse gas emissions per unit of electricity output (Hargreaves 2009). Unlike New South Wales or Queensland, the mines in the Latrobe Valley are typically owned by the power stations.

Given the long history of electricity generation in the Latrobe Valley, it is not surprising that this sector dominates the economic profile of Latrobe City. A recent study by Compelling Economics (2008) found that electricity generation accounted for around 21% of Latrobe City Gross Regional Product (GRP). Other major contributors included the coal mining sector (including services to mining) which accounted for 2.5% of GRP and water, sewer and drainage services which contributed 1.4% of GRP.

Employment in Latrobe City is heavily reliant upon the income obtained from electricity generation and coal mining activities, with about 3,100 (or 11%) jobs linked directly to these sectors (ABS 2006 Census data). Furthermore, an additional 8 jobs were found to be sustained in the local economy for every 10 jobs in the electricity sector (Compelling Economics 2008). Therefore, there are approximately 2,500 additional jobs sustained due to electricity sector activities giving a total of 5,600 (approximately 20%) of jobs directly related to the sector.

However, it should also be noted that Latrobe City has become a significant service centre for the broader region, particularly in education and health. This is reflected in the employment statistics in which a number of other sectors were significant contributors to local employment including (ABS 2006 Census data):

- 32% – Public and community services ;
- 18% – Retailing, wholesaling and transport;
- 7% – Manufacturing;
- 6% – Construction;
- 6% – Tourism;
- 5% – Business services;
- 4% – Paper and forestry; and
- 11% – Remaining sectors (each with an individual contribution of less than 3%).

In socio-economic terms, the population of Latrobe City is relatively disadvantaged compared to Australia as a whole. This is reflected in the 2006 Census data, which showed that relative to the rest of Australia, Latrobe City had:

- A higher rate of unemployment (8.4% compared to 5.2%);
- A lower proportion of full time employment (55.6% compared to 60.7%); and
- A lower median family income (\$1,047 per week compared to \$1,171 per week).

Furthermore, house prices in regional Victoria tend, on the whole to be higher than many places within the Latrobe City Municipality (DSE, 2007). However, it should be noted that the socio-economic disadvantage is not evenly distributed across the municipality. This "patchiness" in socio-economic status is reflected in median house price statistics across the municipality. Median house prices in Churchill, Moe and Morwell, for example are significantly lower than those in other parts of the municipality (e.g. Glengarry and Traralgon).

Latrobe City Council Policies and Initiatives

Latrobe 2021, *The Vision for the Latrobe Valley* is Latrobe City Council's overarching long term strategic planning document. Latrobe 2021 contains four broad strategic objectives for the municipality, namely:

- Sustainability (encompassing economic development as well as the natural and built environments);
- Liveability (encompassing recreational, community and cultural matters);
- Community capacity building (encompassing leadership and advocacy matters as well as fostering partnerships); and
- Governance.

Latrobe 2021 outlines a number of strategic actions to be undertaken for each of these broad strategic objectives. The implementation of Latrobe 2021 is undertaken through 4 year Council Plans (the current plan running from 2009-2013). The current four year plan identifies key priorities and actions for each of the areas identified within the Latrobe 2021 strategic objectives.

Latrobe City Council recognises that it also has responsibilities to manage and reduce its own greenhouse gas emissions. To this end, Council has signed up to the Victorian Local Sustainability Accord and also continues to participate in the Cities for Climate Protection Program. Latrobe City Council has also adopted a Natural Environment Sustainability Strategy and formed a Climate Change Consultative Committee to provide advice on its activities in mitigating greenhouse gas emissions and climate change adaptation activities. Latrobe City has also adopted two significant greenhouse gas emission reduction targets, namely:

- A 20% reduction in community emissions by 2010 (1996 baseline); and
- A 25% reduction in council emissions by 2010 (1998 baseline).

Latrobe City Council has identified that Australian Government emissions reduction policies, including the proposed CPRS, have the potential to significantly impact the municipality and the broader Gippsland region in a number of ways, including:

- Higher costs and lower returns for local businesses through increased electricity, raw material, transport and waste disposal costs;
- Hardship for local households through higher prices for essential goods and services, particularly electricity; and
- Major (and possibly very rapid) changes in the electricity generation sector, with significant flow on and structural effects on the local economy, which is dependent on the income and activity created by electricity generation.

The brown coal electricity generation industries in the Latrobe Valley have been identified as being particularly vulnerable under the emissions reduction policies due to their high emissions intensity. The Latrobe Valley underwent a difficult structural adjustment process following the privatisation of the electricity sector in Victoria during the 1990s. Once the social and economic impacts that arose as a consequence of electricity sector privatisation became evident, the State Government established the Latrobe Valley Ministerial Taskforce. The Taskforce has subsequently worked in partnership with local government and the community to improve the economic prospects of the Latrobe Valley.

Having taken on board the lessons learnt from the electricity sector privatisation experience, Latrobe City Council is seeking to engage with its community, as well as neighbouring municipalities and the State and Federal Governments, ahead of any structural adjustment arising from the introduction of policies and programs to reduce carbon emissions. The intention is to develop and implement a comprehensive transition strategy for the municipality that avoids the extent of the economic decline experienced in the 1990s.

Latrobe City Council developed an interim policy position on a CPRS as a forerunner to further developing and refining its policy position to prepare for a carbon emissions constrained future (this project). This project is also consistent with a number of Council's strategic objectives in Latrobe 2021 (particularly sustainability and community capacity building).

In developing its policy position to prepare for a low carbon emissions future, Council recognises that there is still significant uncertainty around the final design and implementation of Australian Government policies to reduce carbon emissions. This uncertainty means it is not yet possible to fully identify and describe the potential impacts of these policies (for example, a CPRS) and the required policy actions. Furthermore, additional work may be required in future to fill information gaps. However, by proactively developing and implementing a policy now, Council believes the municipality (and the broader Gippsland region) will be in a better position to respond once legislation is finalised and to successfully transition to a carbon constrained economy.

2. POLICY DEVELOPMENT PROCESS

The policy development process was designed to enable the development of an effective policy position that is well accepted by Council, its stakeholders and the community. The approach is shown in Figure 2.

The draft policy was developed through a series of workshops with a working group comprising Latrobe City Councillors and Council officers. Stakeholders were then invited to comment on and suggest changes to the draft policy. This input from stakeholders, as well as the outcomes from the December UNFCCC Conference of the Parties (COP 15) meeting in Copenhagen and the outcomes of the Australian legislative process, were used to make further refine the policy.



Figure 2: Policy Development Process

2.1 POLICY DEVELOPMENT WORKSHOPS

Four workshops were held with the Council working group:

- Workshop 1 – established a common understanding amongst Councillors and nominated Council Officers of the design and workings of emissions reduction schemes, particularly the proposed CPRS scheme, and potential impacts on Latrobe City.
- Workshop 2 – analysed the likely impacts of carbon emissions reduction schemes, Latrobe City vulnerabilities and opportunities
- Workshop 3 – identified further work, support mechanisms and other transition arrangements that will assist industry and the community to transition under the carbon emissions reduction schemes, including the proposed CPRS. The roles and responsibilities of the Latrobe City Council, the Victorian Government, Australian Government and others in effecting a successful transition were also discussed.
- Workshop 4 – reviewed the proposed consultation draft policy position prior to finalisation.

Following the community and stakeholder consultation process, a further workshop (Workshop 5) was held with the working group to enable Council to refine the policy in light of:

- Stakeholder feedback and input;
- Outcomes of the international negotiations in Copenhagen;
- Developments in Federal Government or Opposition policies on carbon emissions; and
- Amendments to the proposed CPRS legislation that had arisen through the parliamentary process.

2.2 COMMUNITY & STAKEHOLDER CONSULTATION

Community consultation on the draft policy was undertaken from November 2009 to January 2010. The policy was uploaded to the Latrobe City website and the community invited to provide comment. In total, 10 written submissions were received from a number of organisations and individuals.

In addition to the broader community consultation process, workshops and briefings were held with 46 organisations representing the following sectors:

- Power Generation & Coal Sector
- Education & Research
- Unions
- Industry
- Business Groups and Chambers
- Gippsland Councils
- Government Agencies and Departments (both Commonwealth and State)

The Latrobe City Council Climate Change Consultative Committee was also consulted in a facilitated workshop session.

The community and stakeholder consultation process involved extensive consultation with industry, special interest groups and the broader community and led to further refinement of the policy. In particular, the consultation process allowed the policy implementation actions to be further defined.

Stakeholders were asked to provide general feedback on the draft policy and specific questions were also posed to seek specific feedback on certain aspects of the policy. The questions asked and a list of the stakeholders consulted are provided in Appendix 1 and a summary of the consolidated stakeholder feedback is provided in Appendix 2.

2.3 KEY POLICY AMENDMENTS

Many amendments were made to the policy in response to stakeholder feedback as well as international and national developments. Some of the major changes include:

- Broadening the policy to encompass a broader range of possible future Australian Government responses to reduce carbon emissions. This was necessitated by the significant uncertainty as to whether the proposed CPRS will be implemented in its current form. Latrobe City's policy response needs to be sufficiently flexible to plan for, and respond to, a low carbon emissions future, under a CPRS or an alternative scheme;
- Consolidating policy themes to provide a sharper focus. The number of policy themes was reduced from 8 in the consultation draft policy to 3 in the final policy;
- Identifying policy actions that could be implemented prior to finalisation of either a CPRS or any alternative scheme to reduce carbon emissions; and
- Providing guidance on possible implementation time frames for policy actions, such as short term (less than 12 months), medium term (1 to 3 years), or longer term (3 to 5 years).

Additional detail on Council's response to stakeholder's comments on the consultation draft policy and the resulting changes to the policy document is provided in Appendix 2.

3. ANALYSIS OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

An analysis of the strengths, weaknesses, opportunities and threats (SWOT) for Latrobe City was undertaken during Workshop 2. The analysis focused on the opportunities and threats specifically related to the Latrobe City's transition to a carbon constrained economy under

proposed Australian Government policies. While the analysis focussed on the strengths and weaknesses of Latrobe City municipality, it recognised that regional factors will also have a significant bearing on Latrobe City.

3.1 STRENGTHS AND WEAKNESSES

Table 1, below provides a summary of the perceived strengths of Latrobe City.

Table 1: Perceived Strengths

| |
|---|
| <p>Strong leadership and governance</p> <ul style="list-style-type: none"> • Council and State Government are building on lessons learnt from electricity privatisation in the 1990s • Council is committed to proactive action to anticipate and address potential impacts of carbon emissions reduction schemes at an early stage • State Government has been supportive and positively engaged |
| <p>Abundant natural resources</p> <ul style="list-style-type: none"> • Abundant coal resource largely located in Latrobe City • Abundance of non-coal resources in the local area and wider Gippsland region (e.g. forests, fertile land for agriculture, water, biodiversity) |
| <p>Well serviced, rural lifestyle</p> <ul style="list-style-type: none"> • Geographical proximity to Melbourne • Growing population and attractive lifestyle • A variety of residential living options • Diverse population with a wide range of affordable regional rural living and housing choices. • Strong presence of service industries and educational institutions (e.g. Monash University campus, regional hospital) • Strong transport links to Melbourne – regional fast train and freeway links |
| <p>Strong foundation for business growth and diversification</p> <ul style="list-style-type: none"> • Affordable industrial property available • Heavy vehicle freeway access to Melbourne and Westernport region • Proposed Gippsland Logistics Precinct to facilitate rail freight in and out of the region • Ready supply of power • Established education institutions to provide qualified staff, training and professional development services • Large number of significant infrastructure investments proposed for the region • Skilled trade labour force |
| <p>Power industry hub</p> <ul style="list-style-type: none"> • Centre of electricity industry expertise • Significant and established electricity transmission infrastructure • Availability of fuel sources (e.g. coal, natural gas, and biomass) |

It is well recognised that the Latrobe Valley suffered greatly following the privatisation of the electricity sector in Victoria during the 1990s. Job losses were significant and this had substantial social and economic impacts for the region. Assistance for the Latrobe Valley from the State Government came relatively late in the piece, once the full impacts became known. The structural adjustment process was particularly drawn out with the Valley's population base declining for over a decade, before starting to grow again in recent times.

Both the Victorian Government and the Latrobe City Council have recognised the mistakes made in the structural adjustment process following electricity industry privatisation. They also recognise the potential for similar social and economic impacts to arise as Australian Government policies to reduce carbon emissions are implemented. Latrobe City Council is committed to early, proactive action to anticipate and prevent negative impacts where possible. This leadership is a significant strength for the region, as it has resulted in positive engagement from the Victorian Government and places the region in a better position to prevent and, if necessary, adjust to future economic shocks.

Figure 3 shows the extent of the brown coal deposits in Latrobe City. The total estimated reserves of brown coal in the Latrobe Valley amounts to 65 billion tonnes, with about 33 billion tonnes estimated to be useable (DPI Website: 2009). The concentration of these brown coal deposits is a significant strength for the region as the high moisture content of raw brown coal means that it cannot be readily exported in its raw form.

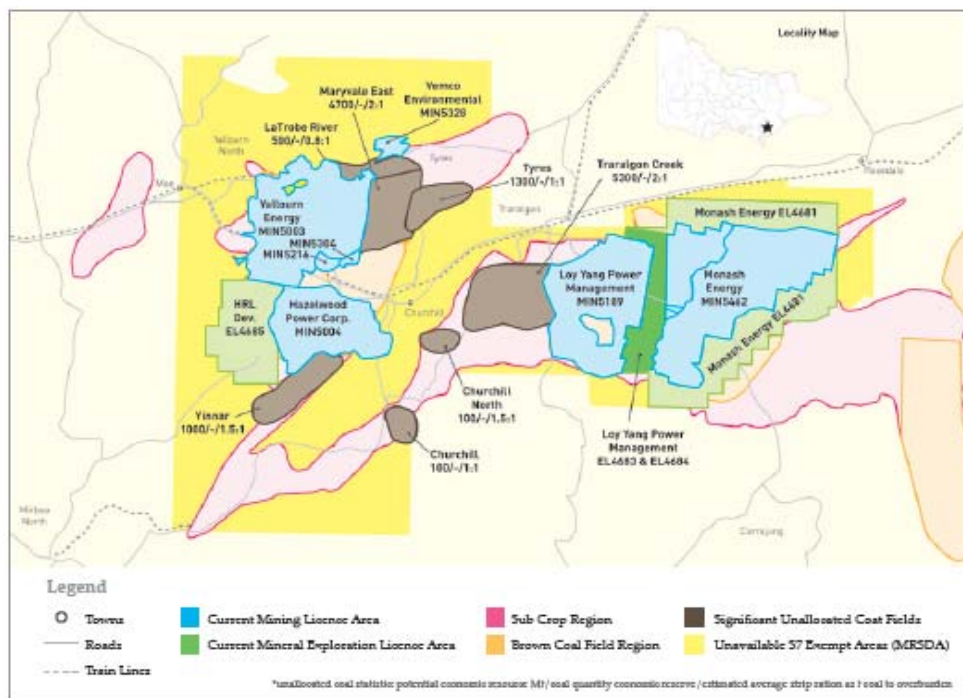


Figure 3: Latrobe Valley Brown Coal Resources (DPI, 2008)

While brown coal has primarily been combusted for electricity generation, there are a range of other potential processes and uses for the resource including:

- Converting the coal into other products using chemical processes. Examples of possible products include oil, petrol, diesel, jet fuel, plastics, gas, ammonia, urea, propylene, synthetic rubber, naphtha, tars, alcohols and methanol;
- Drying and compacting the brown coal into briquettes (which have a higher energy content). Briquettes can either be used directly as an energy source or as a feedstock in the production of chars; and
- Chars produced from brown coal can be used as a reagent in minerals processing or as a feedstock for activated carbon products.

The broader Gippsland region also has other significant natural resource based industries, particularly forestry and agriculture production. The favourable climatic conditions and relatively fertile soils of the region underpin the agricultural sector, particularly the dairy, beef, wool and prime lamb industries. The Gippsland dairy industry accounts for about a third of Victoria's total dairy production and about a fifth of Australia's dairy production (ACIL Tasman, 2008). These primary industries are supported by secondary processing and manufacturing industries that serve both domestic and export markets.

Gippsland's natural environments, national parks, conservation reserves and biodiversity also provide a range of other benefits for the Latrobe City municipality and the broader Gippsland region. Some examples include: opportunities for recreation, tourism as well as ecosystem services.

In addition, the broader Gippsland Region is one of the few regions in Victoria where water has not been fully allocated. In particular, the Mitchell/Avon, Tambo/Nicholson, South Gippsland and East Gippsland basins have allocations below the sustainable diversion limit. In addition, there is unallocated water from the Blue Rock Reservoir in the Latrobe Basin (Gippsland Region Sustainable Water Strategy, 2009). These available water resources (approximately 76,400 ML pa) could be used to support additional development in the region.

Latrobe City also has a number of facilities that enable it to function as a key regional service hub. Monash University's Churchill campus is a focus for tertiary education in the Gippsland region and is located within Latrobe City. Hospital services for the broader Gippsland region are primarily delivered through the large regional hospital located within Latrobe City.

In a recent community aspirations survey (Latrobe City Council, 2009); the region's lifestyle, its community and proximity (to both Melbourne and the environmental features such as beaches and mountains) were identified as significant strengths. These features along with a range of affordable (house prices vary significantly across the both Latrobe City and the broader region) and diverse housing choices have been a contributing factor in recent population growth.

A number of strengths were identified related to the existing industrial and electricity generation sectors. There is considerable expertise and skills within the existing workforce as well as locally based educational institutions that are able to provide additional training. In addition, the unique combination of a skilled labour force as well as strong road and rail transport links, electricity transmission and generation infrastructure and affordable land prices increase the region's attractiveness to new business. This attractiveness is demonstrated by the substantial number of capital projects that have been announced or are currently underway in Latrobe City, including:

- International Power Hazelwood Mine Extension \$400 million
 - Gippsland Water Factory \$174 million;
 - International Power Coal Drying Retrofit \$80 million;
 - ACE Latrobe Urea Project \$2 billion;
 - HRL Clean Coal Power Station \$750 million; and
- Latrobe Community Health Redevelopment \$21 million

Table 2 provides an overview of Latrobe City weaknesses identified by the Working Group in workshop 2.

Table 2: Perceived Weaknesses

| |
|--|
| <p>Limited community understanding of Australian Government policies</p> <ul style="list-style-type: none"> • Many members of the community are unaware of the possible impacts of a CPRS or alternative scheme and the need for a proactive response. |
| <p>Underlying socio-economic conditions</p> <ul style="list-style-type: none"> • House prices lower than State average limits relocation opportunities • Higher than average unemployment • More than 50% of population employed in service industries and if population declines, employment opportunities will decline also |
| <p>Economy heavily reliant on coal fired electricity generation</p> <ul style="list-style-type: none"> • Significant proportion of economic activity, income and jobs in Latrobe City dependent upon electricity generation • Limited opportunities for local employment outside of electricity sector • Victoria's electricity generation primarily uses brown coal, is highly emissions intensive and is predominantly located within Latrobe City |
| <p>Lack of Federal Government engagement</p> <ul style="list-style-type: none"> • Networks with relevant Federal Government departments are not established • No apparent commitment by Government (Federal) to invest in facilities and institutions in the region to support the sustainable use of natural resources |
| <p>Other regional centres (e.g. Geelong and Bendigo) are in a stronger competitive position</p> <ul style="list-style-type: none"> • Closer to Melbourne, which gives a price advantage in terms of electricity charges • Better transport links to Melbourne • More diverse economies |
| <p>Poor perception of region</p> <ul style="list-style-type: none"> • Poor external perception of region in terms of socio-economic status and future prospects • Region has relatively high unemployment, low income levels and low house prices relative to other parts of regional Victoria |
| <p>Ageing workforce</p> <ul style="list-style-type: none"> • Skilled workforce in the electricity industry is aging and close to retirement |
| <p>Poor global economic conditions</p> <ul style="list-style-type: none"> • Investment proposals may not proceed due to changes in economic or financial conditions |

A number of the weaknesses identified relate to the social and economic structure and status of the municipality. The privatisation of the electricity industry in the 1990s resulted in the region being entrenched with pockets of economically and socially disadvantaged communities. This is reflected through lower house prices, lower median household incomes and higher unemployment rates relative to other parts of rural/regional Victoria. Anecdotal evidence suggests that the well publicised problems Latrobe City experienced after electricity privatisation had a deleterious effect on the external perception of Latrobe City, with some outsiders not holding high regard for its future prospects.

The region's economy has a number of structural features that have been identified as potential weaknesses. These include: its dependence on electricity generation for employment income, the highly emissions intensive nature of the sector and an ageing skilled workforce. The Latrobe City economy is highly dependent on the electricity generation sector, with over 20% of Gross Regional Product being derived from electricity generation (Compelling Economics 2008). In addition, while the electricity sector accounts for about 11% of direct employment in Latrobe City, it provides more than 18% of total employment income, and provides more than a third of all high income jobs within the municipality (ABS Census Statistics 2006).

The electricity sector in Latrobe City is emissions intensive, with carbon emissions being around 1.2-1.5 t CO₂ per MWh compared to 0.9 t CO₂ per MWh for black coal generators and 0.35 to 0.7 t CO₂ per MWh for gas combined cycle. This means that under a CPRS or alternative scheme that imposes a cost on carbon emissions, the brown coal electricity generators in Latrobe City would be exposed to greater cost pressure relative to other electricity generators. This may result in the loss of market share and threaten the viability of generation facilities which may then close. The workforce for the electricity generation and coal mining sectors within Latrobe City is ageing, with more than 60% of the workforce in these sectors being over 45 years of age (ABS Census Statistics 2006). In addition, the Garnaut report (2008) identified that the Latrobe Valley Region currently has limited alternative employment opportunities for people who may be made redundant should the electricity generation industry decline.

At present it is understood that there is a wide difference in community awareness and understanding of the implications of a low carbon emissions future, in particular policies such as the CPRS. Some sections of the community are completely unaware of the potential implications, while others are well aware of the possible consequences. This lack of general awareness and understanding means that the community has a lower capacity to absorb any shocks arising from Australian Government policies to position Australia's economy for a carbon constrained future.

The other weaknesses identified relate to the Latrobe Valley's, and specifically Latrobe City's, position compared to that of other municipalities. Other Victorian centres (such as Geelong and Bendigo) are in a relatively strong competitive position compared to Latrobe City. This is primarily due to the fact that these regions have not gone through the substantial and protracted structural adjustment that Latrobe City has been through in recent times. It is also possibly a function of their greater population size, more diverse economies and better transport links to Melbourne.

At the time the SWOT analysis was undertaken, Latrobe City Council had been able to establish some limited communication with the Federal Government agencies on CPRS and it is continuing to work to develop communication mechanisms. Ongoing dialogue with Federal Government is needed so that partnerships can be developed between all levels of Government to manage the transition to a low carbon emissions future in Latrobe City.

3.2 OPPORTUNITIES AND THREATS

Table 3, below provides a summary of the potential opportunities for Latrobe City arising from policies to reduce Australia's carbon emissions.

Table 3: Identified Opportunities

| |
|--|
| <p>Utilise available natural resources</p> <ul style="list-style-type: none"> • Develop alternative and innovative uses of brown coal resources (instead of combustion for electricity). For example, production of chemicals, fertiliser, hydrogen • Foster the development and implementation of clean coal technologies to allow the use of coal resources for electricity generation • Become a regional/state centre in the sustainable management and use of natural resources and catchments |
| <p>Build on strong foundation for business growth and diversification</p> <ul style="list-style-type: none"> • Become a regional centre for provision of education and health services and a commercial hub • Systematically attract new businesses and industries to the region • Use existing relationships (e.g. sister cities, other local governments) to pool resources and better assist local small business for example, access information, and opportunities • Re-skill the workforce using existing education services |
| <p>Capitalise on power industry expertise and infrastructure</p> <ul style="list-style-type: none"> • Export skills by offering local coal generation expertise to overseas or interstate clients (e.g. domestic and international carbon credit projects) • Ability to reduce electricity losses by locating energy intensive industries close to source and reducing transmission losses. This may extend to the potential for direct connect by industry to generators if long term contracts and land in proximity to generator is available • Access to wastes from generation (e.g. brown coal fly ash) that could be utilised as a resource |
| <p>Local community engagement</p> <ul style="list-style-type: none"> • Raise awareness in the business community of Australian Government policies. This could include consideration of options to minimise costs, improve energy use as well as potential new business opportunities |
| <p>Expansion and growth of industry base</p> <ul style="list-style-type: none"> • Enhancement and implementation of an economic development strategy for the region that diversifies and strengthens the local economy • Decentralisation and/or expansion of State Government functions to regional centres (e.g. relocation of Government Departments) |

Table 3 shows the broad range of opportunities that could arise for Latrobe City as a result of the introduction of Australian Government policies to reduce Australia's carbon emissions.

Considerable research effort has already gone into examining and commercialising alternative uses for brown coal (such as generating fuels and fertilisers) as well as improving the efficiency of brown coal generation and developing low emissions coal technologies (such as carbon capture and storage). A carbon price and increasing world prices for energy sources (such as oil and gas) would improve the commercial viability of such opportunities.

These policies also provide opportunities for the region, and the Latrobe City municipality specifically, through improved land management. Forestry and agriculture would be included in the proposed CPRS on a voluntary basis and would therefore be able to generate carbon credits and sell those into the carbon market. Biosequestration in forestry and agriculture are a central component of the Federal Opposition's climate change policy.

Revegetation of landscapes as well as the production of biomass for electricity generation would provide opportunities for Gippsland's agriculture sector to generate additional income through biosequestration. This presents an opportunity for Latrobe City to actively work to become a regional and/or state hub for biosequestration and land management activities. This would result in an increase in related commercial activities and potentially boost the number of regionally based State Government Department employees living in the region (for example the Department of Primary Industries and the Department of Sustainability and Environment).

The transition to a carbon emissions constrained economy also presents opportunities for Latrobe City to capitalise on existing businesses, services and skills in the region. Population growth leading to increased demand for low emission service based industries, such as health and education, will provide opportunities to enhance Latrobe City's reputation as the service hub for Gippsland. The presence of electricity generation also offers opportunities to locate intensive energy users with generators, so that connections can be made to power supplies, to minimise transmission losses and generate new employment opportunities. However, it is recognised that the current electricity transmission regulatory pricing structure does not provide a commercial signal to support location of energy intensive industries closer to electricity generators as real distribution losses are not reflected in the pricing structure. Opportunities to co-locate energy intensive industries directly connected to generation (thereby bypassing the grid) also exist.

Electricity generators in Latrobe City have access to natural gas supplies from the Gippsland Basin and an opportunity exists to locate future low emissions natural gas fired electricity generation facilities in Latrobe, utilising the existing transmission infrastructure and reducing reliance on brown coal.

The existence of specialist electricity sector skills in Latrobe City provides an opportunity for local businesses to market this knowledge to interstate and overseas clients. An example of this opportunity would be using local industry knowledge to improve electricity generation in a developing country, thereby generating carbon credits under the Kyoto Protocol's Clean Development Mechanism (CDM).

Within the broader Gippsland region, policies to reduce carbon emissions may also present significant incentives and opportunities for the development of facilities to generate renewable energy (e.g. wind or biomass). The location of renewable energy generation in the Gippsland region may also provide opportunities to co-locate manufacturing and service based industries for the renewable energy sector within Latrobe City.

There is also an opportunity to enhance local and regional collaboration and engagement. A significant amount of information (and potentially mis-information) is likely to be available on the potential opportunities and pitfalls of policies that the current or a future Australian Government may employ. The general community, including householders, small and medium sized businesses are likely to need assistance to interpret the policies proposed, understand support mechanisms and determine how best to capture opportunities. There are considerable opportunities for Latrobe City Council to be a hub for reliable and up to date information as well as being an aggregator in bringing interested parties together. This role would involve collaboration with other local governments to co-ordinate resources and activities.

Table 4 provides a summary of the identified threats for Latrobe City arising from the transition to a low carbon emissions future.

Table 4: Identified Threats

| Threats |
|---|
| <p>Political and economic pressure</p> <ul style="list-style-type: none"> Heightened political and economic pressure on key industries in the region (electricity generation and paper production) translates to a loss of economic activity and/or Government support for regional adjustment |
| <p>Competition from other regions</p> <ul style="list-style-type: none"> New electricity generation (e.g. renewable or gas fired generation) established outside the region leading to a loss of skills, population and regional income Other regions may compete strongly for limited Government funds for transition assistance |
| <p>Rapid change in economic circumstances</p> <ul style="list-style-type: none"> The accelerated and uncoordinated closure of existing electricity generators before the end of their useful life A fast change could lead to sharp economic decline with perpetuating flow on effects (loss of employment, population, businesses and economic activity) If timely support is not provided, there is potential for a repeat of the experience following electricity privatisation in the 1990s |
| <p>Structural adjustment task beyond the capacity of Latrobe City Council alone</p> <ul style="list-style-type: none"> Latrobe City is likely to be one of the most significantly affected regions Risk that State and Federal Government engagement and support will be insufficient or too late to be effective in supporting a successful transition |
| <p>Significant social impacts</p> <ul style="list-style-type: none"> Unemployment and flow on impacts effecting health and well-being of community with low skilled workers impacted disproportionately Reduction in economic activity results in a population decline, which harms population dependent industries Reinforcement of external perceptions that region is a location of permanent social and economic disadvantage |
| <p>New employment opportunities are not created at the same rate as they are lost</p> <ul style="list-style-type: none"> Existing industries might not be able to provide sufficient new opportunities and power generators may also be uncooperative in transition process New technologies are less labour intensive and despite sustainable use of coal resource, employment drops |
| <p>Misaligned workforce expertise</p> <ul style="list-style-type: none"> Existing or new employment or business opportunities in the region are not matched to the available skills of the workforce |
| <p>Lack of public awareness of the importance of Latrobe Valley to Victorian economy</p> <ul style="list-style-type: none"> Lack of public awareness and understanding of where and how electricity is generated in Victoria translates into a lack of State and Federal Government engagement and support |
| <p>Lack of expertise to respond to Australian Government policy</p> <ul style="list-style-type: none"> Local businesses do not have the resources or skills to identify opportunities arising from the proposed policies to reduce Australia's carbon emissions |

Table 4 shows that Australian Government policies to reduce carbon emissions pose a number of threats to Latrobe City. Many of these threats arise from the potential impacts on local brown coal fired electricity generators. The high emissions intensity of electricity generation from brown coal means that local electricity generators will face greater price pressures than other generators in the national market as the cost of emissions schemes are realised. Unmanaged, this could then result in a rapid and disorderly exit of generators from the industry. The result would be significant losses of employment and income over a very short time period. This would in turn result in a substantial and rapid contraction of regional economic activity. Some of the proposed assistance measures (e.g. CPRS Electricity Sector Adjustment Scheme (ESAS) described in section 1.3.2) would help to reduce the likelihood of a disorderly exit by generators in the short to medium term.

Early in 2009, the Council for the Australian Federation (CAF) commissioned Access Economics to undertake economic modelling of the potential impacts of the Australian Government's proposed CPRS on industries and regions. This modelling compared outcomes for employment and household income in 2025 based on a 5% emissions reduction under a CPRS. The modelling (Access Economics 2009) found that compared to business as usual (i.e. no CPRS), by 2025, a CPRS would result in:

- A 90% reduction in employment in the Victorian brown coal industry (about 160 jobs), while the electricity industry would experience a 46% reduction in employment (about 3,600 jobs);
- A reduction in employment of 3.5% (about 970 jobs), and a reduction in output of 4.4% (about \$97.9 million) in the Latrobe City municipality;
- A reduction in employment of about 1.9% (1,060 less jobs) and a reduction in economic output of about 2.6% (\$122.4 million) in the Gippsland statistical division;
- An increase in average household expenditure of about 1.6% in the Gippsland statistical division (an increase of 0.33% relative to 2008); and
- Lowest income households in Victoria face a 1.78% increase in household expenditure.

It should be noted that this modelling was based on the CPRS scheme design as outlined in the White Paper, and does not include any of the significant changes to the scheme announced in May and November 2009 including the substantial increase to the amount of assistance provided to electricity generators in the form of free permits. Hence, the results need to be treated with caution and further modelling undertaking once the CPRS or alternative scheme design is finalised.

The experience of the region in the 1990s following electricity privatisation was that the contraction of economic activity and employment opportunities led to a significant decline in population as people relocated from the region. With over half the population employed in population dependent industries (population dependent industries are those that largely provide services to the local population like retail shops) there is a very real risk that these industries would also be significantly affected by population decline in Latrobe City or the broader region.

One of the specific threats for the region is that the transition to a carbon constrained economy may compound the already entrenched social disadvantage that is present. Low skilled workers and low income households are likely to be disproportionately affected in a number of ways. Firstly, they'll be less able to absorb increased prices for essential goods and services such as electricity. Secondly, they could well find that their employment prospects are significantly diminished as the more skilled workers from the electricity sector compete for the available employment. Thirdly, those in Latrobe City are less likely to be able to afford to move to other regions in search of employment as property prices in Latrobe City are lower than elsewhere. These factors along with contracting economic and employment prospects could serve to reinforce negative external perceptions of the region, thereby hindering future development and recovery.

All of these processes have the potential to lead to a mismatch between the skills and experience of workforce in Latrobe and the available business or employment opportunities. This particular threat might also be manifest in a 'lumpy' transition, particularly in relation to timing problems, for example, if the threats come to fruition prior to the opportunities being realised. In order to prevent these types of problems arising, significant co-ordinated planning will be required. This will require a collaborative effort between local industries, communities, as well as Local, State and Federal Governments.

Following the privatisation of the electricity sector, those that remained in Latrobe City faced substantial adjustment issues as land and house prices fell and employment opportunities decreased. The social toll on the region was also significant. Based on this experience, Latrobe City is likely to face a significant structural adjustment during the transition to a low carbon emissions future. It is highly likely that the scale of this task will be beyond the capacity of the Council alone. Hence, meaningful engagement and assistance from State and Federal Governments will be required. In the absence of a proactive and coordinated approach, there is a real risk that Government assistance will be reactive, too small and too late for a successful transition, thereby repeating the experience of the 1990s.

In seeking Government engagement and support, Latrobe faces a related threat from political processes. There have been a number of campaigns in the political arena against key industries in the region, particularly electricity generation and forest based industries (including paper production). These campaigns, in combination with additional economic pressure from the CPRS or alternative scheme, may not only directly cause a loss of economic activity, but may also cause Governments to become reluctant to support regional adjustment initiatives. Other regions are also likely to compete strongly for structural adjustment support, thereby substantially reducing the amount of support and assistance available to the region.

Heightened competition from other regions would also be a threat to Latrobe City if low emissions generation technologies are located elsewhere. The geography and climate of Latrobe City means it is not ideally suited for wind or solar generation technologies. While there is access to natural gas in the Latrobe Valley, this is not unique, and gas powered electricity generation facilities could be sited in a number of other locations in Victoria.

Finally, the complexity of carbon mitigation schemes, including a CPRS, may pose a threat to local businesses if they are not fully informed and prepared to adapt and benefit. Businesses that are not fully informed will miss opportunities and are unlikely to have the capacity to be able to identify and effectively respond to the new revenue or cost saving opportunities that are presented by the schemes.

4. POLICY FRAMEWORK

A policy framework has been developed to enable Latrobe City to begin preparing for a low carbon emissions future. This framework is sufficiently flexible to allow Latrobe City to move forward despite the current uncertainty around the detail of the mechanisms the current, or a future Australian Government will implement to reduce Australia's carbon emissions.

The framework was developed to enable Latrobe City to capitalise on its strengths while capturing opportunities that arise from Australian Government policy (such as the introduction of a CPRS or alternative scheme), addressing weaknesses and proactively managing threats. The framework describes measures that will allow Latrobe City Council to anticipate and plan responses to structural adjustment impacts and make the most of the new market opportunities that will arise from a carbon constrained economy.

4.1 POSITIONING LATROBE CITY FOR A LOW CARBON EMISSIONS FUTURE – LATROBE CITY COUNCIL'S POLICY POSITION

Latrobe City Council has identified three themes that underpin its planned policy approach:

- Pursuing and realising opportunities;
- Contingency planning; and
- Working together.

A smooth and successful transition to a carbon constrained economy will require Latrobe City and the broader Gippsland region to harness opportunities, including existing opportunities and those that arise from Government emission reduction schemes. Expansion of existing sectors and establishment of new industry will provide new employment opportunities, which in turn provide the community with new opportunities for interesting and rewarding careers and improvements in social conditions.

Contingency planning will be important to the delivery of a smooth and successful transition to a carbon constrained economy. Contingency planning allows Council, Governments and other stakeholders to respond quickly and effectively if events unfold at a level significantly worse or more rapidly than initially anticipated.

Finally, Council recognises that it cannot act alone in facilitating a smooth transition to a carbon constrained economy. Effective partnerships and communication with and between all players, including State and Federal Government, industry, unions, education institutions, non-government organisations, other Local Governments, small business and the community, will be essential for success. In these partnerships, Latrobe will not always be a lead participant in these initiatives, but may instead play a facilitating or supporting role in delivering a smooth and successful transition.

The policy intent and key policy actions relating to each of the three themes is described in the following sections. The policy actions have been divided into two groups based on their primary focus. The first group of policy actions are those with a regional focus. Latrobe City Council will seek to initiate and facilitate these actions in collaboration with other Councils and regional organisations. The second group of policy actions are locally based and Latrobe City Council will lead the delivery of these actions.

For each of the policy actions listed, an indication has been provided of the possible timeframe to commence implementation and also whether the policy action is independent of Australian Government policy. This guidance is provided to identify those actions that can be undertaken immediately and independently of outcomes from the parliamentary and political processes at the Federal level. The actual implementation of policy actions will depend on the outcomes of prioritisation and implementation planning processes.

4.1.1 PURSUING AND REALISING OPPORTUNITIES

The pursuit and realisation of opportunities at the regional level (Gippsland region and the broader Latrobe Valley) as well as the local level (Latrobe City) involves planning and action to capture opportunities and enable innovation and growth.

The box below outlines the policy intent related to this theme and the following text describes the policy and related actions in detail.

Box 1: Policy Intent**At a regional level, Latrobe City Council will:**

- Support the development of commercially viable low emissions coal technologies;
- Support the development of alternative uses and markets for coal;
- Promote the capacity of the region to accommodate alternative energy solutions;
- Work with industry, and educational institutions (e.g. TAFE and universities) to evaluate future regional skill needs and to attract relevant courses to local institutions;
- Work with State and Federal Governments to raise community awareness of the details, likely impacts and available support mechanisms related to emissions reduction policies; and
- Advocate for and support the business community to enable it to respond effectively to the CPRS or alternative scheme and to capture relevant opportunities.

At a local level, Latrobe City Council will:

- Seek to attract regional industry administration, training and research centres to Latrobe City;
- Promote the development of its economy based on sustainable use of natural resources (for example, water, agricultural land, forests, wind, solar, geothermal energy);
- Encourage sustainable business growth, diversification and private industry investment in Latrobe City;
- Implement communication strategies to ensure investor confidence is maintained throughout the transition period and to build business confidence in medium and long term prospects for economic growth in Latrobe;
- Work to lift the profile of the Latrobe Valley in the broader community;
- Build on the existing programs to attract new residents to Latrobe City;
- Implement strategies and planning schemes that support development while maintaining a unique regional lifestyle;
- Work with State Government and other stakeholders to improve the breadth and quality of education, transport, health and recreational services and infrastructure; and
- Progress infrastructure projects and investments in Latrobe City.

CAPTURING OPPORTUNITIES**OPPORTUNITIES IN NATURAL RESOURCES**

Latrobe City Council is committed to the sustainability objective “To promote the responsible and sustainable care of our diverse built and natural environment for the use and enjoyment of the people who make up the vibrant community of Latrobe Valley.”

The Gippsland region is rich in many natural resources. Managing these resources for the long term benefit of the region and the community will provide opportunities for economic development and employment. For example, a CPRS would provide opportunities for the creation of income from carbon credits through forestry and agricultural projects (e.g. soil biosequestration or biomass production). Similarly, the Federal Opposition’s policy would also provide a form of incentive for these activities. Given the diversity of land use across Gippsland, a collaborative approach across local governments in the region will be required and the existing Gippsland Local Government Network (GLGN) provides a mechanism to progress new initiatives at a regional level in association with other Councils. While the operational component of many of these opportunities will be located in neighbouring Councils, there is a potential role for supporting services such as administration, aggregation, research and education programs to be located in Latrobe City.

The Gippsland Regional Strategic Planning Initiative (GRSPI) project has identified an opportunity for establishment of a Centre of Excellence for Sustainable Technologies (CEST) in the region and Latrobe City Council supports this proposal. The Centre will work to ensure that the region's current reliance on its extensive natural resources (timber, biodiversity, water, agriculture and fishing) can continue, enabling Gippsland to adjust to an economy in transition in a time of climate change. The Centre will focus on regional innovation, diversification of skills, research and development capability and commercial enterprise and will greatly assist businesses to capture opportunities that arise in a carbon constrained world.

The Gippsland Region Sustainable Water Strategy Discussion Paper identified that the Gippsland Region is one of the few areas in Victoria where the available water resources have not been fully allocated. This available water could be used to support additional development and activity in the region. Latrobe City Council will work closely with DSE to ensure that allocation of water supplies balances the needs of both the local and the broader Victorian communities.

Education and engagement of land owners and managers will be critical to establish and support bio-sequestration and biomass production activities. Education programs will be needed to outline the risks and benefits of such schemes and to provide pragmatic advice on how to progress forward (e.g equipment requirements, financing, servicing, and maintenance needs). Latrobe City Council will seek a regional Department of Primary Industry resource to assist land owners and managers to implement bio-sequestration and biomass production activities.

Latrobe City Council will work with State Government to further advance the research agenda in environmental and natural resource management and to lobby for a larger State Government presence in the region through regional offices, particularly for the Department of Sustainability and Environment (DSE) and/or the Department of Primary Industries (DPI.) However, it is noted that the potential for an increased State Government presence in the region is likely to occur through an increase in the size or number of personnel at existing offices as many Departments have recently gone through a period of consolidating the number of offices in which they operate.

The significant natural assets and biodiversity of the Gippsland region also present tourism opportunities that can serve to further enhance the profile of the region in the broader community. Latrobe City Council will continue to work with Destination Gippsland and Tourism Victoria to progress regional tourism initiatives.

OPPORTUNITIES IN ENERGY

Latrobe City Council supports the balanced use of brown coal as an energy source and it will work with researchers and government agencies to support low emissions coal technology research efforts and to encourage the development of pilot plants and research facilities in the Latrobe Valley. Latrobe City will seek membership to the Global Carbon Capture and Storage Institute (GCCSI) and will monitor, and support where possible, the progress of the institute's research programs. Latrobe City will lobby State and Federal Governments to link funding of research grants to location of research facilities in Latrobe City.

The Latrobe Valley economy is heavily dependent on revenue and employment from coal fired electricity generation and associated industries, with over 20% of Gross Regional Product being derived from this industry (Compelling Economics 2008). While Latrobe City supports the balanced use of the coal resource, it will maintain a strategic focus on transitioning to an economy that is not reliant on one coal end use. The Council supports the retention of existing brown coal related jobs within the municipality and will work to encourage investment in alternative uses and markets for coal.

Latrobe City Council will work closely with DPI, through Clean Coal Victoria, to ensure that any future development of the currently unallocated coal resource is undertaken with due consideration of social, environmental and financial factors.

Latrobe City currently supplies over 90% of Victoria's electricity generation requirements and extensive electricity distribution infrastructure links the existing generation facilities to Melbourne. Latrobe City is, and will continue to be, an important source of Victoria's electricity needs. Wind, solar, geothermal and hydro renewable energy resources in the Latrobe City municipality are not of a high quality and the municipality is therefore at a disadvantage compared to other areas which have better renewable energy resources (e.g. coastal areas with strong/consistent wind resources). However, there are significant renewable energy generation opportunities in the broader Gippsland region. There is potential for Latrobe City to become a manufacturing or development hub for low emissions electricity generation technology even if the generation plants themselves are in neighbouring areas.

Potential also exists for electricity generators in Latrobe to access low emissions natural gas supplies from the Gippsland Basin so that they do not have to be entirely reliant on brown coal.

The highly specialist skills of the electricity workforce in Latrobe offer opportunities for the region to export this knowledge to interstate and overseas clients (subject to workforce availability). An example of this opportunity could be using Latrobe industry knowledge to improve electricity generation in a developing country thereby generating carbon credits under the Kyoto Protocol's Clean Development Mechanism (CDM).

Latrobe City Council will seek to form partnerships with proponents for funding under State and Federal Government schemes at an early stage in the funding process to facilitate the development of research projects in Latrobe City (e.g. advertising support services through DPI ETIS website).

BUSINESS AND INDUSTRY DEVELOPMENT OPPORTUNITIES

A carbon constrained world presents opportunities for Latrobe City to diversify its economy by attracting new industries as well as capitalising on existing businesses, services and skills in the region. Low emission service based industries such as health and education provide opportunities to enhance Latrobe City's reputation as the service hub for Gippsland. The presence of electricity generation also offers opportunities to co-locate intensive energy users with generators, so that direct connections can be made to power supplies, to minimise transmission losses and generate new employment opportunities.

ENABLING INNOVATION AND GROWTH

The Economic Development Strategy for Latrobe City will be revised in 2010. The Strategy review process will examine the opportunities arising from Australian Government policies, along with existing and new opportunities unrelated to the scheme, and will detail a plan for facilitating investment and developing a "climate" conducive to investment growth. The Economic Development Strategy review will be informed by this policy.

Latrobe City Council will act as a broker between industry, new investors, skills providers and educators to facilitate expansion and growth of the industry base. Latrobe City Council recognises that considerable effort will be required to support the business growth and diversification effort during the transition to a low carbon emissions future and it intends to review the priorities, processes and level of resourcing allocated to its economic sustainability activities to ensure that it can effectively meet the anticipated requirement for business development services.

Latrobe City Council will work with the Department of Innovation, Industry and Regional Development (Skills Victoria) and Gippsland Regional Skills Forum to identify future regional skills needs. Council will also work with local educational institutions such as GippsTAFE and Monash University to tailor educational courses on offer according to identified skills needs.

Based on anecdotal evidence, it was identified that the current image of the Latrobe Valley in the broader Victorian community is poor and this can confound efforts to develop partnerships with industry, government and research institutions to further the development of innovative technologies. Further market research is required to confirm that there is a poor external perception of the region and to identify specific strategies and actions to improve the image of the Latrobe Valley.

Latrobe City will investigate opportunities to collaborate with neighbouring municipalities, other Government agencies, industry and academics to promote the region in the broader Victorian and Australian communities. At present, a Gippsland Regional Marketing and Branding project is planned for the 2010/11 financial year. This project will provide consistent branding for the region.

In addition, Latrobe City Council will play its role in promoting green “success stories” as they happen and will expand the existing program of road-shows offered to Victorian Government officers to improve understanding and familiarity with Latrobe City. The Gippsland Water Factory project is a good example.

Latrobe City will work to attract new residents by building on the success of existing Latrobe City and regional advertising campaigns, such as the regional cities program, and will seek funding (e.g. CPRS Climate Change Action Fund funding) to sustain these programs if necessary.

Latrobe City Council will continue to support regional planning projects, particularly the development of the Gippsland Regional Development Plan, through the GLGN, and will seek to include relevant regional policy actions in the plan. This will enable Latrobe City to have influence in the development of strategic plans and platforms across the region and to ensure that regional and local plans are consistent and complementary. Latrobe City Council will also contribute to regional initiatives such as the Gippsland Local Government Network (GLGN) initiative, through the “Invest in Gippsland” regional investment prospectus.

PLANNING FOR THE FUTURE

Following the privatisation of the electricity sector in the 1990s, local government spending and planning programs were wound back. Latrobe City Council recognises, with the benefit of hindsight, that this did not help the structural adjustment process as it added to the downward economic trend and reduced community confidence in the region’s future. Council currently has a program of planned upgrades of recreational and community facilities and will continue to work to implement these improvements throughout the transition period.

In enhancing infrastructure and services, Council intends to continue to plan strategically and to implement strategies and planning schemes that support development while maintaining a unique rural lifestyle. One key area of focus is the review and renewal of planning schemes (such as Latrobe Planning Scheme Amendment C62) so that land use is thoughtfully planned for the future.

Latrobe City Council will continue to engage with Government, industry and other stakeholders at a local and regional level to improve the breadth and quality of education, transport, health and recreational services and infrastructure in Latrobe City. Melbourne’s population is projected to grow significantly over the next 20 years, and with thoughtful and integrated planning, this population growth could provide significant opportunities for Latrobe City to enlarge its population and diversify its economic base.

In order to promote local and regional opportunities in transport, Latrobe City Council will continue to advance the development of the Gippsland Logistics Precinct. This facility will improve opportunities for development of export industries in Latrobe City and the broader region.

Similarly, Council will move to engage with the Federal Government on the timing of the rollout of the National Broadband Network (NBN). So far the Federal Government has announced the NBN rollout will start in Tasmania and that in addition, construction of new fibre-optic network backbones will commence shortly. One backbone project is in South West Gippsland. The NBN has the potential to transform communications in the region and provide new business and employment opportunities for residents of Latrobe City. This is a specific one-off opportunity to proactively diversify the Latrobe City economy.

PREPARING PEOPLE FOR CHANGE

At present there is a variable level of awareness and understanding across the community of the potential implications of policies to reduce carbon emissions and the need to plan for the transition. The stakeholder consultation process for this project was an important first step in engaging with the Community on this issue. Latrobe City Council will lobby for the delivery of an ongoing community awareness program using Australian Government funds where Australian Government policies directly impact on the Latrobe City community.

The extent to which businesses will be able to minimise costs, identify opportunities that flow from the Australian policies to reduce carbon emissions and implement these opportunities will depend on their understanding of the workings of the scheme and their capacity to respond. A well informed, well resourced business community is a necessary precursor to delivery of business innovation in the context of a carbon constrained economy.

Funding will be sought for a number of full time “Carbon Assist” positions over three years, and located in the Latrobe City Council offices to provide support for businesses under a CPRS or alternative scheme. The proposed model is similar to that used to manage the GST transition process and Latrobe City could potentially support an early pilot of the concept prior to a broader roll-out of the scheme. The Carbon Assist positions could focus specifically on households, community groups, and small to medium enterprises. The positions would work with local households and industries to:

- Keep them up to date with developments in the roll-out of Australian Government emissions reduction policies as well as new policy initiatives;
- Provide training on energy and carbon management and methods to minimise their costs; and
- Assist businesses and individuals to identify and capture opportunities arising from Australian Government emissions reduction policies

Latrobe City Council will implement communication strategies to ensure investor confidence is maintained throughout the transition period and to build business confidence in medium and long term prospects for economic growth in Latrobe. Council will maintain regular communication with identified future investors to ensure that Council’s response to Australian Government policies is well understood and Latrobe City Council infrastructure development plans and other investment activity is well publicised.

The policy actions related to the theme of pursuing and realising opportunities are summarised in the box below.

Box 2: Policy Actions

| Regionally Based Policy Actions | Possible timeframe to commence implementation | Independent of Australian Government policy |
|--|---|---|
| Lead the formation of a GLGN sub-committee to develop and implement activities requiring GLGN involvement | Within 12 months | Yes |
| Support proposal for establishment of the Centre of Excellence for Sustainable Technologies | Within 12 months | Yes |
| Liaise with Department of Primary Industries to ensure the balanced development of coal resources and with Department of Sustainability and Environment that needs of local community are considered in allocation of water supplies | Within 12 months | Yes |

| Regionally Based Policy Actions | Possible timeframe to commence implementation | Independent of Australian Government policy |
|---|--|--|
| Work with the GLGN and Department of Primary Industries to assist land owners and managers to implement bio-sequestration and biomass production activities | 1 to 3 years | No |
| Advocate for and support the expansion of State Government regional offices | Within 12 months | Yes |
| Work with Destination Gippsland and Tourism Victoria to progress regional tourism initiatives | Within 12 months | Yes |
| Investigate opportunities for early National Broadband Network rollout in Gippsland | Within 12 months | Yes |
| Work with DIIRD (Skills Victoria) and Gippsland Regional Skills Forum to identify future regional skills needs and to tailor courses accordingly | 1 to 3 years | Yes |

| Locally Based Policy Actions | Possible timeframe to commence implementation | Independent of Australian Government policy |
|--|--|--|
| Become a member of the Global Carbon Capture and Storage Institute (GCCSI) | Within 12 months | Yes |
| Lobby Government to establish low emissions coal research projects in Latrobe City | Within 12 months | Yes |
| Review the Latrobe City Council Economic Development Strategy (2007), related priorities and resourcing. This includes developing priorities and implementation plans for policy actions, including for example, timing, partners, responsibilities, resource requirements and finance sources | Within 12 months | Yes |
| Promote “good news” stories and conduct Latrobe City “road shows” for key Government agencies | Within 12 months | Yes |
| Commission market research to ascertain information on external perceptions of Latrobe City and barriers to investment in the City. This includes sharing the results with local stakeholders and implementing effective follow up actions | Within 12 months | Yes |
| Work to attract new residents and business through delivery of advertising campaigns | 1 to 3 years | Yes |
| Progress planned infrastructure programs including identified upgrades to town centres, community facilities and the Gippsland Logistics Precinct development | 1 to 3 years | Yes |

| Locally Based Policy Actions | Possible timeframe to commence implementation | Independent of Australian Government policy |
|---|---|---|
| Seek Australian Government Funding for “Carbon Assist” positions located in Council offices | 1 to 3 years | No |
| Implement communication strategies to maintain investor confidence during the transition period | 1 to 3 years | Yes |
| Lead and assist local groups to obtain funding under the Victorian Government’s Climate Communities Program | Within 12 months | Yes |

4.1.2 CONTINGENCY PLANNING

Managing risk is one of the most significant and potentially difficult aspects of facilitating a successful transition to a low carbon economy. There is significant uncertainty around the timing, magnitude and exact nature of potential opportunities and the extent of the impacts of current and future Australian Government emissions reduction policies on Latrobe City, the Latrobe Valley and the broader Gippsland region. This uncertainty is magnified by the lack of clarity on the final design and implementation schedule for such policies.

Following the privatisation of the electricity sector in the 1990s, the Latrobe Valley faced substantial adjustment issues and experienced severe economic decline. Although assistance was ultimately provided through the Latrobe Valley Ministerial Taskforce process, the provision of this assistance earlier in the transition would likely have reduced the economic and social toll and shortened the transition period.

Thus contingency planning plays an important role in building community resilience and facilitating a smooth transition process by enabling a rapid and considered response to unexpected or potentially “catastrophic” outcomes.

Box 3: Policy Intent

Latrobe City Council will:

- Advocate for and actively participate in the development of holistic contingency plans for the Gippsland region and Latrobe City municipality as part of the implementation of Australian Government policies;
- Lobby for independent social impact analysis of regional impacts of Australian Government policies on emissions reductions; and
- Contribute to formulation and delivery of a proactive transition response commensurate with expected social impacts.

The proposed CPRS legislative framework includes support mechanisms for the electricity sector to enable an ordered adjustment over time to low emissions generation. These mechanisms would limit the likelihood of closure of generation facilities in the short term, although in the medium to long term closures are likely. However, it is possible that secondary factors, for example companies being unable to secure refinancing, could increase the risk of early and unexpected closures.

One of the specific threats for the region is that Australian Government policies may compound the existing level of social disadvantage that is present in Latrobe City. Low skilled workers and low income households are likely to be disproportionately affected.

However, at present, there is a lack of detailed information on the likely impacts of a CPRS and alternative emissions reduction policies on the Latrobe municipality and the Gippsland region. Some economic modelling work has been undertaken, but this work needs to be updated to reflect the final scheme design (once it is known). One of the short-comings of economic modelling is that it is very narrow in focus and scope (usually focusing on employment, economic output and household income or expenditure). What is needed to inform the contingency planning process is a broader social impact assessment that provides detailed information on projected impacts across a number of social and wellbeing indicators.

To enable this, Latrobe City Council is working with the Coal Council's Alliance to jointly advocate for a social impact analysis study for the member Councils. The social impact analysis will identify a number of possible scenarios and the flow-on impacts that could result in each municipality from the introduction of greenhouse gas mitigation policies. This work will assist all member Councils to identify priorities and establish transition and contingency planning measures to effectively manage the adjustment to a carbon constrained economy. It is recommended that the Coal Council's Alliance seek Department of Climate Change input and endorsement of the terms of reference for the social impact analysis as this will provide some assurance that the results of the study will be accepted by decision makers.

Latrobe City Council will advocate for the formation of a multi-agency regional body to oversee the preparation of plans to address any potential negative economic and social impacts identified for each scenario in the social impact analysis study. The scenario planning approach will enable robust contingency plans to be developed ahead of any impacts on its community.

Council has experience in bushfire emergency response and contingency planning and it can build on this capability to assist in the facilitation of a multi-agency risk assessment and development of support plans that can be activated with a short lead time.

Under the Government's proposed CPRS, funding has been set aside through the Climate Change Action Fund (CCAF) to support specific workers, regions and communities that may experience a concentrated impact flowing from the implementation of a CPRS. It is unclear whether this funding would be sufficient to support all the communities affected by the introduction of a CPRS to make a smooth adjustment. It is proposed that a high level budget estimate for implementation of the risk mitigation actions identified in the contingency planning process would be developed to help assess whether the funding Government makes available under its greenhouse gas mitigation schemes is sufficient and to strengthen future applications for funding to the region.

In order for Latrobe City Council to be in a strong position to advocate for funding and access grants as they become available, it is important that the potential risk mitigation costs are understood as early as possible. Accordingly, the social impact analysis study and the contingency planning process have been identified as priority actions and Latrobe City Council will aim to progress these activities over the next 12 months. It is important to note that the scenario planning methodology allows the range of potential impacts of a transition to a low carbon emissions future to be characterised without the Government's greenhouse gas mitigation scheme needing to be finalised.

The successful transition experience of Newcastle and the Hunter region following the closure of the BHP Steelworks provides an example of how the effects of structural adjustment can be mitigated through facilitation of new investment. The announcement of the BHP closure came as a shock to the region, with the loss of 2,000 jobs (this equated to around 1% of the employment in the broader region). Immediately after the closure was announced, the Australian Government set up the Newcastle Structural Adjustment Fund and allocated \$10 million in funding. The State Government also contributed to the fund. In total, \$11.4 million of Federal funding was allocated to 14 projects across Newcastle and the Lower Hunter. The purpose of the fund was to assist projects that aimed to generate sustainable private employment in the region. The projects supported from Federal Government funds were primarily infrastructure projects, which required one-off assistance with capital costs.

Latrobe City will advocate for the provision of Australian Government funding to a specific regionally based transition fund to encourage regional investment and stimulate the regional economy. The exact governance arrangements for the fund need to be developed in conjunction with the Australian and Victorian Governments as well as Gippsland Local

Governments. However, it is important that the fund be able to respond quickly and effectively during the transition period.

Latrobe City Council proposes to instigate discussions and investigations with other Government agencies to develop an appropriate structure and governance arrangements for the transition fund and to present these to the Australian Government for adoption. Given that the full impact of policies to reduce Australia's carbon emissions may not be felt in Latrobe City until 2015 or beyond, a Government commitment to a 15 year funding horizon will be sought.

Box 4: Policy Actions

| Regionally Based Policy Actions | Possible timeframe to commence implementation | Independent of Australian Government policy |
|--|---|---|
| Work with the Coal Council's Alliance to undertake Social Impact Analysis | Within 12 months | Yes |
| Advocate for and participate in a regional based response group to oversee the development of costed contingency plans to address potential negative economic impacts of Australian Government policies to reduce carbon emissions | Within 12 months | Yes |
| Advocate for regional funding commensurate with the cost of contingency plan actions | 1 to 2 years | No |
| Advocate for and assist in the development of a regional governance structure for the delivery of Australian Government funding and programs | Within 12 months | Yes |

| Locally Based Policy Actions | Possible timeframe to commence implementation | Independent of Australian Government policy |
|--|---|---|
| Develop scenarios for contingency planning processes | Within 12 months | Yes |
| Advocate for and participate in multi-agency contingency planning processes. | Within 12 months | No |

4.1.3 WORKING TOGETHER

Latrobe City Council recognises that the scope of the task to transition to a low carbon emissions future is beyond the capacity of Council acting alone. While Latrobe City Council supports the efforts at a national level to address climate change through the mitigation of carbon emissions, it is also keen to see its economy and community continue to prosper. Latrobe City Council is of the view that, with the appropriate transition mechanisms in place, climate change mitigation, economic growth and regional development can be achieved.

It is recognised that current and possible future Australian Government policies will bring both opportunities for innovation and diversification of the Latrobe City economy and the threat of reduced employment growth in traditional sectors, particularly in the brown coal fired electricity generation industry and supporting businesses. The impacts of such policies on the Latrobe City economy, whether positive or negative, will be felt in the broader region and vice versa.

For example, a slowdown in employment growth in Latrobe City would affect other municipalities as approximately 15% of those who work in Latrobe City reside in neighbouring areas. Conversely, employment growth within Latrobe City will positively impact on the economy of neighbouring municipalities. Opportunities arising in the broader region could be supported by services located within Latrobe City and vice versa.

Latrobe City Council believes that a co-ordinated regional approach to the transition task would strengthen efforts by Latrobe City and neighbouring municipalities to:

- Engage effectively with State and Federal Governments
- Attract new industries to the region; and
- Build the regional economy.

Box 5: Policy Intent

At a regional level, Latrobe City Council will:

- Show regional leadership by working to encourage a co-ordinated approach to economic growth, regional development and the transition to a carbon constrained economy;
- Build strategic alliances with other Councils and groups with complementary interests to facilitate a clear and consistent message to Federal and State policy makers;
- Pursue active and early engagement with State and Federal Governments to win additional investment in the region and to ensure local input to design and delivery of additional transition assistance

At a local level, Latrobe City Council will:

- Maintain capacity and resources to proactively anticipate and plan for the transition to a carbon constrained economy;
- Facilitate the delivery of a clear and consistent message from both Latrobe City and the broader region to Federal and State policy makers.

Regional Partnerships

Latrobe City Council and neighbouring Councils have a solid history of working collaboratively on issues where a co-ordinated response is warranted. The Gippsland Local Government Network (GLGN) is a forum of CEOs and Mayors from each of the six Gippsland based Councils. The GLGN member Councils, in conjunction with the Victorian Government, worked together to develop the Gippsland Regional Development Strategy and produced a regional submission to the Government's Carbon Pollution Reduction Scheme Green Paper. Latrobe City's intent is to engage with other Councils in Gippsland through the GLGN.

Latrobe City proposes that the GLGN form a specific sub-committee to manage regionally based transition activities that require the participation of the GLGN. Membership of the sub-committee would be open to all interested GLGN members. Latrobe City Council is prepared to take the lead in establishing and managing the sub-committee.

Latrobe City Council has also formed a partnership with the other coal industry Councils (Wellington Shire Council, Central Highlands Regional Council, Isaac Regional Council, Whitsunday Regional Council, Singleton Shire Council and Muswellbrook Shire Council) through the Coal Councils of Australia Alliance. The Alliance will work cooperatively to co-ordinate response efforts and to share experience, resources and knowledge related to the transition to a low carbon emissions future. Latrobe City Council will seek to form other

complementary alliances where these are of strategic benefit and can be appropriately resourced.

Latrobe City Council will also continue to support regional industry networking and knowledge sharing events in partnership with Regional Development Victoria/Regional Development Australia, the Victorian Employers Chamber of Industry, and Aus Industry.

Local Partnerships

The community consultation process for this policy generated significant interest, with many organisations interested in working with Council to facilitate a successful transition to a low carbon emissions future. Council is committed to building upon this initial interest to develop productive and fruitful partnerships. In the short term, this is likely to involve regular communication bulletins or newsletters from Council to inform interested parties of developments.

However, over the longer term, Latrobe City Council plans to form a consultative committee for the transition to a low carbon emissions future. This committee would comprise Councillors and representatives of the community, local businesses, industry, State and Federal Governments. The committee will monitor the impacts of Australian Government emissions reduction policy on the community and industry and will advise Council on legislative and Government policy developments. The committee will monitor and report on the effectiveness of the policy measures adopted by Council and will review Council's transition policy position as needed.

The consultative committee will work closely with local industry to understand as early as possible any structural changes they are planning in response to Australian Government programs.

Partnerships with other levels of Government

Latrobe City Council is seeking to form strong partnerships with State and Federal Government so that collectively the three levels of Government can contribute to a smooth and successful transition to a low carbon economy in Latrobe City and the Gippsland region. To this end, Latrobe City Council is working to establish ongoing communication channels with State and Federal Government departments and relevant Ministers. Latrobe City Council has met with relevant State Government Ministers and also with the Federal Government Climate Change Minister, Penny Wong, to discuss Latrobe City's transition under the proposed CPRS.

Further engagement with State and Federal Government has occurred through the stakeholder consultation process carried out during development of this policy. Latrobe City Council intends to build on the consultation undertaken to date to establish ongoing communications forums with each of the key areas of Government as shown in Table 5 and Table 6.

Table 5: Focus Areas - Australian Government

| Area of interest/focus | Department | Minister |
|---|--|--------------------------|
| Climate Change Action Fund transition assistance | Climate Change | Penny Wong |
| Regional infrastructure and economic development Local government engagement | Infrastructure, Transport, Regional Development and Local Government | Anthony Albanese |
| Sustainable land, water and natural resource management | The Environment, Water, Heritage and The Arts | Peter Garrett/Penny Wong |
| Communications infrastructure | Broadband, Communications and the Digital Economy | Stephen Conroy |

| Area of interest/focus | Department | Minister |
|--|-----------------------------|-----------------|
| Low emission technologies, alternative uses for coal | Resources, Energy & Tourism | Martin Ferguson |

Table 6: Focus Areas - State Government

| Area of interest/focus | Department | Minister |
|--|---|-----------------------------|
| Sustainable land and natural resource management Low emissions technologies, alternative uses for coal Energy policy and strategy Balanced development of coal resource | Primary Industries | Joe Helper/Peter Bachelor |
| Climate change | Sustainability and Environment | Gavin Jennings |
| Environment | Sustainability and Environment | Gavin Jennings |
| Community support programs | Planning and Community Development | Peter Bachelor |
| Community support programs | Human Services | Daniel Andrews |
| Regional economic development, attracting new investment | Innovation, Industry and Regional Development | Jacinta Allan/Martin Pakula |

Latrobe City Council will continue to seek meetings with the relevant State and Federal Government Ministers to discuss the transitional support mechanisms that will be available for the Latrobe Valley. A CCAF stakeholder committee is to be formed by the Federal Government to provide advice on the design and activities of the fund. Latrobe City has requested representation on this committee and will continue to lobby for inclusion on this body.

Box 6: Policy Actions

| Regionally Based Policy Actions | Possible timeframe to commence implementation | Independent of Australian Government policy |
|---|---|---|
| Lead the formation of a GLGN sub-committee to develop and implement activities requiring GLGN involvement | Within 12 months | Yes |
| Form alliance with other coal industry Councils | Within 12 months | Yes |
| Support and further develop regional industry networking, partnership and knowledge sharing events | 1 to 3 years | Yes |

| Locally Based Policy Actions | Possible timeframe to commence implementation | Independent of Australian Government policy |
|--|--|--|
| Establish the Latrobe City Carbon Transition Consultative Committee | 1 to 3 years | No |
| Establish ongoing communications processes and forums with key State and Federal Government departments and relevant Ministers. | Within 12 months | Yes |
| Provide briefings on Latrobe City's transition policy and specific transition needs for the relevant State and Federal Government Ministers, as well as Shadow Ministers | Within 12 months | No |
| Advocate for local representation on the CCAF stakeholder committee | Within 12 months | No |
| Develop and nurture partnerships and networks with local stakeholders and interest groups | Within 12 months | No |

5. NEXT STEPS

Latrobe City Council intends to implement the policy actions in accordance with the timeframes proposed in Chapter 4 of this document. Implementation of those policy actions that can be progressed within the next 12 months and before the Government's carbon emissions policies are fully defined will be co-ordinated by Latrobe City Council's Economic Sustainability Division. In particular, Latrobe City Council will work to progress as a priority the Social Impact Analysis study through the Coal Council's Alliance, the contingency planning process and the formation of a sub-committee of the Gippsland Local Government Network to progress the identified regional initiatives.

Once the Government's carbon emissions programs are defined and legislated, the Low Carbon Emissions Transition Consultative Committee will be formed. While the Economic Sustainability Division will continue to co-ordinate implementation of the policy actions, this committee will assist Latrobe City Council to monitor progress and the effectiveness of the policy actions throughout the transition period, Draft Terms of Reference for this committee are provided in Appendix 3.

When the Australian Government's carbon emission policies are finalised this policy will require some refinement to ensure that all policy actions are targeted to the specific legislation and Government policies in place. Throughout the transition period, frequent review of the policy will be needed to allow the Latrobe City Council to adapt its approach as required.

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APPENDIX 1 – STAKEHOLDER CONSULTATION

Questions posed to stakeholders

Is the policy on the right track?

If not, what would you change?

What do you think are the most important policy actions?

What role can you/your organisation plan in supporting Latrobe City to implement its policy actions?

How can you/your organisation and Latrobe City work together to smooth the CPRS Transition?

Organisations invited to participate in the targeted stakeholder consultation process

| Stakeholder | Consultation method |
|---|---------------------|
| Power Generators | |
| Loy Yang Power International Power (Hazelwood and Loy Yang B) TRU Energy Energy Brix Australia Corporation HRL Jeeralang Power Station Valley Power Gas Fired Station | Workshop |
| Education & Research | |
| Monash University Centre for Energy & Greenhouse Technologies Apprenticeship Group Australia GippsTAFE Baw Baw Latrobe Local Learning and Employment Network Regional Office of Department of Education and Early Childhood Development Brown Coal Innovation Australia | Workshop |
| Local Government | |
| Gippsland Local Government Network | Briefing |
| Industry | |
| Monash Energy Australian Energy Company HVP Plantations Exergen Australian Paper Alstom National Foods | Workshop |

| Stakeholder | Consultation method |
|---|--|
| Carter Holt Harvey Willatons Branstrans Fluor Daniel Silcar Victorian Farmers Federation Gippsland Agribusiness Network United Dairy Farmers Local Business Associations: <i>Advance Morwell</i> <i>Invest More</i> <i>Moe Traders Association</i> <i>Newborough Village Traders Association</i> <i>Traralgon Chamber of Commerce & Industry</i> <i>Latrobe City Business Tourism Association</i> | |
| Unions | |
| Gippsland Trades & Labour Council (<i>full sitting</i>) | Briefing |
| State Government | |
| Regional Development Victoria Department of Planning and Community Development Department of Primary Industries (Energy Division and Agriculture and Forestry and Clean Coal Authority) Department of Human Services Cooperative Research Centre for Greenhouse Gas Technologies (C02CRC) Commonwealth Scientific & Industrial Research Organisation (CSIRO) | Briefing |
| Commonwealth Government | |
| Department of Climate Change Regional Development Australia National Low Emissions Coal Council Global Institute on Carbon Capture | Briefing Letter with invitation to comment Letter with invitation to comment Letter with invitation to comment |
| Community (Health & Well-being) | |
| Anglicare Latrobe Community Health Latrobe Regional Hospital Quantum | Letter with invitation to comment Letter with invitation to comment Letter with invitation to comment Letter with invitation to comment |
| Community | |
| Latrobe City Climate Change Committee | Workshop |
| Broader Community | Press release & policy available via internet or pick up from Council Offices. Invitation to comment |

APPENDIX 2 – A CONSOLIDATION OF STAKEHOLDER FEEDBACK

Consolidation of Stakeholder Views on the Latrobe City Council CPRS Policy Position

Stakeholder consultation was undertaken based on the draft policy. Stakeholder comments on the draft policy have been consolidated and summarised in the following table. Stakeholder comments on the design of the Australian Government’s proposed CPRS scheme have not been included as these are considered beyond the scope of the policy development exercise. Consideration has been given to the changes required to address stakeholder views. These actions are shown in the right-hand column and have been incorporated in this final report.

| General Report & Policy Process Issues | Actions for revision of document |
|---|--|
| <ul style="list-style-type: none"> • Stakeholders presented a variety of views on the regional versus municipal focus in the policy and the definitions thereof. Comments and feedback from stakeholders included: <ul style="list-style-type: none"> ○ The document is somewhat schizophrenic in its treatment of regional and municipal initiatives. The mix of regional and local actions, as presented in the policy, is confusing. ○ Others liked the bifocal view and said that Council had to approach the issue in this way. These stakeholders interpreted the document as stating that while the policy has been developed for Latrobe City Council, the Council recognise that it cannot address the issues alone and a regional approach is likely to improve the outcomes for all regional municipalities. ○ In order to develop a regional approach, each council will need to develop its own policy position and a consolidated regional plan will then need to be developed. Latrobe’s draft policy provides a good basis for development of policy positions for other municipalities in the region (see qualification below). ○ The regional vs. municipal focus of the document requires further clarification. Some stakeholders considered that there is an inherent conflict if the policy is designed for Latrobe City but presents a broader Gippsland focus e.g. the emphasis on coal resources may not be shared by other councils in Gippsland whereas tourism is a sector of joint interest across the region. The extent to which a policy action addresses a regional versus local issue could be in the context of each theme (e.g. side bar). ○ The definition of “region” is not clear; it is unclear whether region refers to Latrobe Valley or the broader Gippsland region. | <ul style="list-style-type: none"> • Provide greater clarity in introductory sections and emphasise the importance of local and regional linkages; • Clearly identify and separate regionally and locally focussed policy actions and responses and identifying recommendations for GLGN and/or RMF. It will be important to clearly articulate in the policy actions the role that Latrobe City Council sees itself as playing in both regional and local initiatives; • Provide clear definition of region. |
| <ul style="list-style-type: none"> • Stakeholders felt that there was uncertainty and lack of clarity around impacts of CPRS on Latrobe City. Stakeholders made the following comments: <ul style="list-style-type: none"> ○ There is information on the possible impacts of the CPRS available in the ACIL Tasman report including this data in the report would paint a more complete the picture of the likely impacts on | <ul style="list-style-type: none"> • Access Economics figures are now included in report to provide a guide to the likely impact of a CPRS (note that figures are based on outdated |

| General Report & Policy Process Issues | Actions for revision of document |
|---|--|
| <p>Latrobe City of the CPRS. It will be important to contextualise the extent of CCAF funding available and sought in terms of the expected impact.</p> <ul style="list-style-type: none"> ○ The document does not clearly articulate the extent of the likely impacts on the municipality. Stakeholders considered it important to understand the magnitude of the impacts in order to plan a commensurate response and to strengthen the case for support. Stakeholders felt that the policy suffers from a lack of detailed economic analysis of the impacts of the CPRS on Latrobe City generators, employment and GRP. | <p>economic modelling and do not reflect amendments made to the CPRS in recent times.</p> <ul style="list-style-type: none"> ● Be more explicit on the lack of information and the need for further investigations once the scheme is fully defined. |
| <ul style="list-style-type: none"> ● There were a number of comments from stakeholders related to the policy actions and prioritisation: <ul style="list-style-type: none"> ○ A more detailed plan needs to be developed to show how and when the policy initiatives will be delivered. Stakeholders suggested that the implementation of the policy could be staged and noted that it will be important to maintain a dual focus on both transitional measures (5-10yrs) and longer term strategies (particularly related to developing opportunities to develop the coal resource). ○ Policy actions will require prioritisation – possibly on a cost/benefit basis. There are a lot of policy actions and resources may constrain implementation. ○ It will be difficult to prioritise the policy initiatives because they are all critically linked. All themes are relevant and important and it would be a mistake to focus on only one policy area or initiative. ○ There needs to be greater emphasis required on direct action in the policy. The extent and nature of Latrobe City Council involvement in the policy actions needs to be clarified. There are two aspects to the policy approach; structural adjustment and proactive regional development; these two aspects need to be drawn out further. ○ It was suggested by some that prioritisation of policy initiatives could be based on the (cost) impacts on business as well as implications of higher prices for those at the lower end of the socio-economic spectrum. ○ All council policies and plans will need to be revised in light of the challenges arising from the CPRS (e.g. Latrobe 2021 review) or alternative shemes ○ There is too much emphasis on obtaining government funding throughout the document and that there needs to be greater focus on industry investment given likely constraints on the availability of Government funds. ○ There is a need to support new technology as well as existing industries. | <ul style="list-style-type: none"> ● Include policy action(s) to assess priorities as part of the development of implementation plans in line with Council strategic planning processes; ● Implementation Plan to be developed post CPRS or alternative policy finalisation as part of the development of the Latrobe City Council Economic Development Plan and associated actions, including timelines, responsibility, resources, etc, Actions will be referred to Low Carbon Emissions Committee for endorsement pre Council decision. ● Further definition on the role and responsibility of Council (including Council’s role in facilitating and supporting broader action) versus other levels of Government to be provided in introduction; ● Need for increased emphasis on direct action is noted. However, it is also important to note that a number of related actions are already underway and resourced by Council i.e. Investment attraction and facilitation as well as business retention and |

| General Report & Policy Process Issues | Actions for revision of document |
|---|---|
| | expansion projects and activities. In addition, the required actions are not always within the direct jurisdiction of Council. Actions could be worded to indicate Council's role and ability to influence the relevant authority to progress these actions. |
| <ul style="list-style-type: none"> • Stakeholders provided the following feedback on the document wording, language, layout and emphasis: <ul style="list-style-type: none"> ○ The policy document (exec summary) itself could be improved by including an upfront statement of the objective. ○ The document presents the CPRS itself as the problem when it is Climate Change that is the problem and that the document should state a climate change position first. ○ The red cover on the report should be changed to a colour that is "less angry." ○ Throughout the document policy actions describe "continuing" to do some particular action. The wording of these actions needs to be stronger e.g. Latrobe City Council need to "strengthen" existing efforts in face of the CPRS rather than simply continuing these efforts. ○ The policy title should not reference the CPRS specifically, but should have a broader emphasis (e.g. "Gippsland in transition", "Carbon transition policy"). ○ The wording of the policy themes tend to be bureaucratic (could try themes that address "why" rather than "what") It was also suggested that the number of themes could be reduced. ○ It was suggested that a review of similar Australian and International documents be undertaken to identify ideas to improve the structure of the policy. ○ There is a need to clarify that the policy had been developed in the interests of the whole community and Latrobe City Council, not the coal industry. Others felt that there was a good balance in emphasis between coal and non-coal. ○ The language used throughout the policy document should be more positive; the policy should emphasise the importance of the proactive approach being taken and should build confidence that the community can effectively deal with challenges arising from the CPRS. ○ It is important to emphasise throughout the document that the funding sought is for <u>additional</u> assistance related to CPRS. It is important that Council understand that a funding package at times doesn't mean more funding for a LGA. Packages often come at the expense of funding opportunities that would have been available anyway. ○ The concept of a Ministerial task force was described as "old world thinking" in one workshop. It | <ul style="list-style-type: none"> • Comments are noted; • Actions have been strengthened; • Policy themes renamed; • Increased positive focus and emphasis on investment, particularly into the regional economy. • Executive summary to be redrafted with the policy statement itself to be included as an Appendix. |

| General Report & Policy Process Issues | Actions for revision of document |
|---|---|
| <p>was suggested that the taskforce be described in alternative terms as a “Ministerial task force” has old world connotations.</p> <ul style="list-style-type: none"> ○ It was considered important by some stakeholders that the document clarify support for the Climate Change Action Fund and describe what it means for the region. ○ Some stakeholders found the document to be repetitive the presentation of the policy statement in the executive summary and in the document body means that a large proportion of the document is duplicated. | |
| <ul style="list-style-type: none"> ● Other issues raised by stakeholders: <ul style="list-style-type: none"> ○ Where the document refers to the coal resources of “Latrobe City” this should refer to the “Latrobe Valley” or even “Gippsland” as the resource extends beyond the Latrobe City boundary. ○ Statement that 85% of state’s power comes from the Latrobe Valley is incorrect – real number is >90%. Should also provide additional context on Tasmania and South West Victoria linkages ○ Could paint the picture of the value of the coal resource better – e.g. number of years of resource available etc. ○ “Clean coal” technologies would be better described as “low emissions” technologies. ○ Some conjecture around the electricity sector employment figures (view expressed that the figures provided were too high). ○ Some statement to be included about the ethical responsibility (generationally, globally and regionally) of the council, state government, etc. e.g. exporting coal to be used elsewhere without clean coal processing technologies will still add to global emissions problems. Some stakeholders held the view that Latrobe City Council should be against export of coal to others. It was noted that while there are areas of socioeconomic disadvantage in Latrobe City; this is patchy and there are some very affluent areas. It may be possible to break down the demographics further in the policy document. ○ Report identifies a number of weaknesses. Some of the weaknesses can be influenced by Latrobe City Council and some can’t. The document should concentrate on the weaknesses that Latrobe City Council can influence. e.g. poor perception of the city, developing other regional centres link to Melbourne, and lack of engagement with government on the CPRS. ○ Further development of the policy should be done with community input. For example, the community could contribute to scenario planning processes for contingency planning. ○ Council needs to put the resources in to achieve policy aims. Some Council restructuring may be required. ○ It will be important for Latrobe City Council’s credibility, for it to have its own shop in order with | <ul style="list-style-type: none"> ● Comments are noted ● Changes have been made to specific statements to correct factual matters; ● Further definition on the role and responsibility of Council versus other levels of Government to be provided in introduction; ● n relation to climate change mitigation measures, Council has an adopted Natural & Environmental Sustainability Strategy and has formed a Climate change Consultative Committee to guide its mitigation and adaptation activities. |

| General Report & Policy Process Issues | Actions for revision of document |
|--|----------------------------------|
| respect to climate change mitigation. | |

| Regional Leadership and Strategic Partnerships Policy Theme | Actions for revision of document |
|--|--|
| <ul style="list-style-type: none"> • Stakeholders provided the following feedback on the Coal Council’s Alliance initiative: <ul style="list-style-type: none"> ○ In some circumstances, Latrobe City Council will be in competition with others in the Alliance. ○ Areas reliant on brown coal are likely to be more heavily affected (as export markets are not established). Council will need to be aware of this within the Coal Alliance. ○ There was a query raised as to whether the Coal Councils Alliance would have a primary focus on black coal. ○ There was a view among some stakeholders that the black coal industry had contributed in part to poor perception of brown coal and that Council should be aware of this. | <ul style="list-style-type: none"> • Comments are noted; • Provide more clarity on intent and scope of actions within the Alliance. |
| <ul style="list-style-type: none"> • There were a number of views put forward by stakeholders on the regional approach proposed. Stakeholder feedback included: <ul style="list-style-type: none"> ○ There was general support for the concept of regional approach. Latrobe City Council’s efforts need to be in concert with the Gippsland region and it will be important to engage across all Councils. ○ The regional approach was considered to provide a good opportunity to get other Councils involved and a good opportunity for education on Climate Change. ○ The need to align regional approaches should be drawn out further in the policy document. ○ With respect to the governance arrangements for the CPRS transition, Stakeholders noted that a regional approach would require regional input. There are no specific actions in the document to address how Latrobe would seek regional input and buy-in to the proposal. One option would be for the Gippsland Local Government Network (GLGN) to have a steering group develop a governance structure to take to the Federal Government. (Also noted that the trend is toward Federal Government locating governance bodies in the ACT). ○ The policy action around Latrobe City Council “supporting” the GLGN is too weak. The GLGN could play a leading role in developing a governance model for the CPRS transition. ○ The need for a regional approach could be strengthened. There need to be linkages between the policies of each LGA. However, it was also acknowledged that the CPRS is not as high on the agenda of the member councils that are less likely to experience direct impacts. There will nonetheless be impacts and opportunities across the LGAs. | <ul style="list-style-type: none"> • Comments are noted; • Intention to engage across all Gippsland Region Councils though the GLGN to be emphasised; • Rather than put forward a proposed governance arrangement, marketing etc – include an action for development of a regional based plan for management of transition; • Include an action to get buy in from other Councils in the GLGN to support actions, particularly those actions that require regional cooperation. Another regional strategy may not be required, but there appears to be a need for a detailed implementation plan; • Need to emphasise the need for a bifocal approach; clarify identified regional vs local actions and Latrobe |

| Regional Leadership and Strategic Partnerships Policy Theme | Actions for revision of document |
|--|--|
| <ul style="list-style-type: none"> ○ Other governance models are worth consideration: Upper Spencer Gulf/Karatha/Dampier, Latrobe Valley Ministerial Taskforce, Sustainable Gippsland Fund. ○ An alternative approach would be to define the policy action in terms of working with Government to identify a CPRS governance and funding model. Policy would describe the characteristics of the model (e.g. efficient, regional etc). ○ Some stakeholders felt that the actions presented in this policy theme were not strong enough and felt that plan with some hard actions and targets will be required. It was noted that some of the timeframes provided are a bit loose and it was questioned whether this policy document should describe detailed implementation plans or whether detailed plans would be developed at a later date. ○ It was suggested that each of the municipalities should be encouraged to develop a similar policy. The various policies could then be consolidated to form a regional plan. This policy document required an action plan to be developed off the back of it with genuine partners. ○ It was suggested that the option of a CPRS regional alliance, rather than just coal alliance, should be considered and that this alliance could include regions such as Portland. This approach may provide further reach and more weight. | <p>City Council's role;</p> <ul style="list-style-type: none"> ● Place increased emphasis on Latrobe City Council's role in pushing for a regional outcome; ● Replace specific suggestions on regional funding and administration of CCAF funding with an action around working through the GLGN to develop regional arrangements to table with the Australian Government. |
| <ul style="list-style-type: none"> ● Stakeholders provided the following feedback on the partnerships proposed in the policy: <ul style="list-style-type: none"> ○ There was general agreement amongst stakeholders that all players (e.g. unions, business, academia, generators, government) have a responsibility to work together with each other and not in isolation. Latrobe City Council could play a role in facilitating networks and communication to ensure that everyone is on the same page. ○ It was observed that if industry closures occur, stress and conflict could arise, undermining relationships and presenting potential image problems. Need to develop relationships and trust between parties before stresses arise. ○ It was suggested that good citizens in various sectors can be used to build sector wide relationships. ○ Many organisations across a number of sectors expressed a keen interest to work closely with Council and other stakeholders, either in managing the transition or on specific projects. ○ It was suggested that the additional emphasis be placed on information sharing and peer learning. | <ul style="list-style-type: none"> ● Comments are noted; ● Additional action(s) for Latrobe City Council to develop and nurture partnerships and networks, for example industry forums or consultative groups. |

| Engagement with Government Policy Theme | Actions for revision of document |
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| Engagement with Government Policy Theme | Actions for revision of document |
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| <ul style="list-style-type: none"> • Stakeholders made the following comments regarding this theme: <ul style="list-style-type: none"> ○ Linkages to other LGAs could be further emphasised. ○ Collaboration and partnerships at a regional level and with Government should be emphasised (most important action) ○ There has been a lack of tangible support from State Govt to facilitate investment in the past. ○ The new Regional Development Australia board will provide opportunity forum to engage directly with the Commonwealth. ○ It would be worthwhile for Latrobe City Council to lobby for practical administrative and reporting arrangements for CCAF assistance. The information collection and reporting requirements for the fund could be cumbersome and may place an undue burden on Council resources. ○ The policy position paper is based on current Government policies but the current Government probably won't be there in 2020 – there is a need to establish policies that are independent of Government schemes ○ Several stakeholders expressed frustration about the apparent reluctance of various Governments to engage on key projects or issues. ○ The process for getting projects approved is difficult and frustrating. This is a significant issue and proponents are looking for Latrobe City Council to assist in getting projects off the ground. ○ There is no mention of Climate Change and Environment as an area of focus (at State Government), Department is DSE. ○ The policy document needs to include reference to more State Government policies including: Victorian Greenhouse Strategy, Victorian Climate Change Green Paper, Victorian Environmental Sustainability Framework, Provincial Victoria: Directions for the next decade. | <ul style="list-style-type: none"> • Comments are noted; • Need to emphasise council's own actions ahead of State and Federal Govt; • Add paragraph explaining Latrobe City Council's role – own actions, facilitating government involvement, facilitating regional action, facilitating investment. Show Latrobe City Council's role vs. Role of other levels of government (possibly Tabulated); • Increase references to State Government policies where relevant. |

| Community Education and Capacity Building Policy Theme | Actions for revision of document |
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| <ul style="list-style-type: none"> • Stakeholders made the following points regarding the proposed community education program: <ul style="list-style-type: none"> ○ A strong community education effort will be important to deal with the negative perception and to ensure that the community is fully engaged – especially the low skills, low income demographic. Funding will be needed to engage effectively with the community and to do it properly Community education program needs to describe how the community can act themselves. How they can change? ○ It was noted that Educational institutions are already working together to coordinate efforts. | <ul style="list-style-type: none"> • Comments are noted; • Increase emphasis on creating community awareness of what Latrobe City Council are doing to proactively develop a policy position; • Include an action in relation to a skills audit and future needs analysis; |

| Community Education and Capacity Building Policy Theme | Actions for revision of document |
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| <p>This will enable these new high level skill requirement needs to be addressed very quickly.</p> <ul style="list-style-type: none"> ○ The community education program will need to be tailored for business and the community (mainly smaller businesses will not have as much awareness). Funding should be used to create green jobs and up skill. Also any opportunities to go beyond the CPRS. ○ Progressing the initiatives related to Education, Sustainable Use of Natural Resource, Centre of Excellence, if done properly, could put Gippsland on the map (potential for a technology park also). Need to be considering what do we have to replace the coal industry if it ceases to exist? Educational institutions could help considerably with these initiatives and could even get involved in talking to business. Centre of Excellence also aims to change the perception of the Latrobe valley. ○ Skills exist in the Gippsland Education Precinct to contribute to the community education effort. Already have that existing education network that could be used as a mechanism for identifying and building the skills base. Needs to be brought out in the public arena that every education organisation is behind community education efforts. ○ Gippsland Regional Schools Forum could be an important vehicle for delivering this initiative. Focus of the forum is across the entire region. CPRS should be included as an agenda item for this forum. ○ Gippsland Integrated Natural Resource Forum (GINRF) is another organisation that is available. ○ The Centre of Excellence and Sustainable Technologies will drive innovation and will facilitate development of technologies from research through to commercialisation. ○ Centre for Expertise/Excellence – focus on funding for this to shorten the gap between technology and investment. Would help facilitate other uses for coal resource. ○ Statement around attracting academic courses should include trade courses also. ○ The priority for community engagement at the moment is to ensure the community understands what is currently being done to prepare Latrobe City for the CPRS. The community must be brought along throughout the transition. It is important to instil confidence in the community that the challenges presented by the CPRS can be effectively met. The majority of the people in the community do not understand what the CPRS is, how it will work and the impacts it may have. ○ A skills mismatch will result if new employment opportunities involve different skillsets from any jobs lost (e.g. service industry roles vs. industrial trades). ○ The policy document should place more emphasis on education and getting people ready to move into other industries. The emphasis should be not only on loss but matching skills across industries (eg power operator to the water factory or the dairy industry). | <ul style="list-style-type: none"> ● Strengthen in document the view that the CPRS and alternative schemes will be Commonwealth policy and once introduced the onus should be on the Commonwealth to undertake education etc, particularly in impacted regions. It is not reasonable for this responsibility to be shifted entirely onto LGAs . |

| Community Education and Capacity Building Policy Theme | Actions for revision of document |
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| <ul style="list-style-type: none"> ○ Need to look at skill dynamics regionally. Skilled workforce that exists is actually a finite resource. ○ Stakeholders generally support the CPRS assist position although some felt that the positions should be regional. Stakeholders felt that the role needs to be defined to be broader than just accounting/finance role. ○ Two CPRS Assist positions seems too little (e.g. GST there were 20 people servicing Gippsland). The community awareness program should be a shared responsibility of the Federal Government and local government. ○ A regional approach could be taken to community awareness building. ○ Council should be taking ownership of this issue. Council can play a role in community education and should not rely entirely on the Federal Government. ○ Education to lift the profile of Brown Coal is important. (“Brown coal” are currently dirty words and it does not matter how the coal resource is to be used, the likelihood of community acceptance in the current environment is low). The State Govt (Minister for energy and resources) is very aware that there is a need to increase awareness of brown coal – Latrobe could be centre for this but opportunity is state wide. ○ Many people would change to another job if there was another job available to them. ○ Skills options are important for the young kids coming through, not just for re-skilling workers. ○ One group is working on having a quarterly newsletter to explain the CPRS and feed in tariff in layman’s terms. Latrobe City Council should be doing the same to the general public. ○ Bradley review of higher education needs to be considered. How can those recommendations be rolled out in Latrobe City. Education hubs are one possible option that would work with the broadband network. Needs to be another layer over this (state level eg) to improve the case (with other projects?). ○ There is a lot of misinformation in the community on the CPRS issue and climate change more broadly. The climate change sceptics have a strong voice and a counter view is not being articulated effectively in the media. | |

| Enhancement of the Latrobe City Profile Policy Theme | Actions for revision of document |
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| <ul style="list-style-type: none"> • Stakeholders provided the following comments on this policy theme: <ul style="list-style-type: none"> ○ Marketing should be undertaken at a regional level. No point having local councils acting independently. Other regions are effectively marketing on a regional basis and Gippsland will be left | <ul style="list-style-type: none"> • Comments are noted; • Place increased emphasis on regional approach, e.g. refer to Hunter Valley |

| Enhancement of the Latrobe City Profile Policy Theme | Actions for revision of document |
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| <p>behind if it does not adopt a regional approach.</p> <ul style="list-style-type: none"> ○ The assertion that there is a negative perception of the region is not fact but opinion. The policy theme would be improved by focusing on “managing the reputation of the region”. There is some existing good work in the area through the Monash Gippsland story alliance. ○ Without research on image of Latrobe, it will not be possible to fix perception because the origins of the view will not be adequately understood. ○ Destination Gippsland is a good example of a program that will contribute to improved perception. ○ It will be important to set a standard of being a green community (need a high profile green project) and to work to change the image of the region over time. ○ There is an opportunity for the region to not only report on new “success stories” but also to appreciate its history, recognising that it has delivered prosperity to the Latrobe Valley and the broader Victorian region. ○ The policy as articulated is a reasonable start but there needs to be a reality check. It is important to make Latrobe City a more attractive place to do business, including dealing with the perception that there are industrial relations issues, that the unions play hardball and that people have to be paid more to work in the area. ○ Need to find some individual champions to promote the region (eg Linfox). ○ What is stopping us getting a carbon fibre wind turbine blade manufacturer in the region? Perhaps we need to ask companies who do this if they would come here and see what is stopping them. ○ Caution that Latrobe is considered the dirty place (industrial area) and marketing the ‘Gippsland’ image is the opportunity. | <p>rather than Newcastle;</p> <ul style="list-style-type: none"> ● Regional marketing campaign. It is noted that there is a Gippsland Regional Marketing & Branding project planned for the 2010/11 financial year which will provide consistent branding for the region. There is a need to reference this in policy; ● Include an action to undertake research on perceptions of Latrobe from people as a place to live and a place to do business; ● Include action to share and follow up on outcomes from research. |

| Sustainable Use of Natural Resources Policy Theme | Actions for revision of document |
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| <ul style="list-style-type: none"> ● Some stakeholders felt that there was a general lack of focus on renewable energy, alternative energy and energy efficiency which forgoes a potentially big opportunity and that the policy should identify renewable energy opportunities, particularly those linked to the state energy strategy. Latrobe City Council could lobby government for alternative energy schemes to be located in Latrobe City ● There was considerable diversity in views about the significance of the brown coal resource. Stakeholder comments included: <ul style="list-style-type: none"> ○ Cannot ignore the extent and value of the coal resource. The resource needs to be protected with a view to accessing as technologies are developed that allow sustainable use. ○ Brown coal is not a weakness – the coal has a lower ash and sulphur content compared to | <ul style="list-style-type: none"> ● Comments are noted; ● Include a regional view of renewable energy opportunities; ● Update agricultural references and bio-sequestration opportunities; ● Include biodiversity in the policy; ● Add information on water resource availability and the water needs of the environment. |

| Sustainable Use of Natural Resources Policy Theme | Actions for revision of document |
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| <p>other coal sources. The lack of existing commercialised technologies to utilise brown coal in a sustainable way is the weakness.</p> <ul style="list-style-type: none"> ○ Some stakeholders considered that clean coal and export opportunities for brown coal shouldn't be included as opportunities or if included these initiatives should be subject to a timeline (e.g. only consider for 5 years as an interim measure) Rather the policy should aim to develop the area as a hub for sustainable manufacturing. ○ It should be acknowledged that we are sitting on the largest energy resource in the country. While the resource may not be able to be used to generate low emissions electricity in the short term, in the longer term technologies will be developed that will allow the resource to be cleanly used somehow. ○ The CPRS presents great opportunities for the region. It will provide the impetus for development and commercialisation of low emissions technologies. Some of these technologies (e.g. post combustion capture) are already technically viable. These technologies are applied elsewhere and simply require scale up and the commercial incentive. Flue gas for algae growth is also a developing area of opportunity. Latrobe Valley is well placed to become a leader in the sustainable use of brown coal. <ul style="list-style-type: none"> ● Some stakeholders felt that it was important to build on natural resources rather than be service provider. These stakeholders saw a significant opportunity to build on existing food and fibre industries. It was considered important to attract processing units here and not just concentrate on farming aspects. ● It was noted that Climate Change is not the only driver for change. There will be huge pressures for change without Climate Change (e.g. biomass production and worldwide food shortages). ● There was a view amongst some Stakeholders that Latrobe City Council will need to provide greater support for the agriculture sector into the future. ● It was noted that the resources theme does not mention biodiversity, eco-tourism or water resources. The policy could benefit from inclusion of a climate impact statement and reference to partnerships with DSE. ● It was observed that there may be difficulties in obtaining DPI buy in to the policy action to provide a region-wide resource to support the natural resource theme. While significant expertise and research capability exists within DPI, they are not structure regionally and it can be difficult to identify where the expertise resides in the organisation. ● No mention of bio-sequestration in the document. ● There exists considerable doubt as to the viability of Carbon Capture and Storage technologies within the power generation industry. Stakeholders considered in unlikely that this technology would become | |

| Sustainable Use of Natural Resources Policy Theme | Actions for revision of document |
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| <p>viable until 2030. There was some robust discussion around location of government agencies in the region. Some agencies have recently reduced the number of office locations. It was emphasised that the presence of Government in region is important as a demonstration of commitment to regional development.</p> | |

| Enhancement of Latrobe City Infrastructure and Services Policy Theme | Actions for revision of document |
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| <ul style="list-style-type: none"> • Stakeholders presented a variety of views related to the National Broadband Network (NBN) action: <ul style="list-style-type: none"> ○ One participant felt this was opportunistic and not directly relevant whereas others felt that the action warranted inclusion. ○ There was generally strong support for the idea; some participants want to get involved ○ Stakeholders felt that the initiative provided incentive for people to attract people to the valley. ○ Stakeholders indicated that transport and communication infrastructure needs improvement and the Broadband network would help them immensely. • Infrastructure and services theme needs to explicitly state that the intention is to deliver a sustained growth in local employment. In the past, infrastructure projects have been implemented by a transient workforce with limited regional economic benefits realised during construction. • The Melbourne population is predicted to grow to 5 million. Stakeholders noted that there is not likely to be anywhere else that has better value real estate. Transport link is a vital issue if people are to be attracted to Latrobe City. It will also be important to look at undertaking the type of promotion Geelong does. It was noted that Regional Cities Vic has been saying this to State Government. • Stakeholders observed that communication and transport are going to be essential to a successful transition. | <ul style="list-style-type: none"> • Comments are noted; • Update document to reflect recent NBN announcements (including new fibre optic network backbone roll out in South West Gippsland); • Include reference to opportunities that will arise for the municipality as a consequence of Melbourne's growth and infrastructure that may be needed to support this. |

| Expansion and Growth of Industry Base Policy Theme | Actions for revision of document |
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| <ul style="list-style-type: none"> • There was considerable discussion and input on the importance of existing and new industry and the transition. Stakeholder comments included the following: <ul style="list-style-type: none"> ○ There are two dimensions to attracting industry; new industry and energy related industry. | <ul style="list-style-type: none"> • Comments are noted; • Include additional detail on how Latrobe City Council will support/facilitate new |

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| <ul style="list-style-type: none"> ○ Definitely throughout Gippsland, Latrobe could become the centre for manufacturing. An opportunity exists to attract manufacturing facilities to the region as a contingency if coal fired power generation disappears. ○ Latrobe valley reputation is as an energy hub. Expanding services and expertise to outside of power is important. ○ There is an opportunity for Latrobe Valley to provide services in mining and infrastructure to other areas. ○ The policy context should include some strong statements on emerging technologies and related opportunities for Latrobe City. ○ The policy document should detail how Latrobe City will support existing industry and businesses. Existing business needs to be able to stay in business to invest and expand operations. ○ Investment may very well disappear before the new technologies come along. It will be almost impossible to restart the industry if investment stops and it collapses. The gap between the availability of investment and viability of technology is not well understood. ○ Ceramic Fuel Technology (CFC) is having to go to Germany to sell their product. Partnerships with businesses like this need to be developed and Latrobe City Council can play a role in facilitating investment in technologies like this. ○ The regional economy is more diverse than it was in the '90s. Local suppliers have moved to supply export markets in the face of lower demand from the power industry. Therefore the region is not as vulnerable as it once was. <ul style="list-style-type: none"> ● Several comments were made by stakeholders on the action to review the economic development strategy. Comments made were as follows: <ul style="list-style-type: none"> ○ Needs further detail e.g.skillsets needed, alignment of resources and capacity of the organisation. ○ The review should address the resources available within council to support the CPRS transition. ● Some stakeholders commented that the Government should take a lead role in facilitating appropriate investment. These stakeholders considered this the most important policy area. ● Comments were made that emphasis should be on creating employment opportunities for young people for 5 and 10 years out. ● There is an opportunity to smooth the path for new investment by streamlining industrial negotiation processes – possible location of an office of fair work Australia in the region. ● With respect to the opportunity to locate manufacturing closer to power generation plants – it was noted that the current electricity pricing structure does not support this (manufacturers north of Melbourne pay | <p>investment (e.g. Investment prospectus, Research on Gippsland investment image, Area of competitive advantage);</p> <ul style="list-style-type: none"> ● Improve emphasis on supporting existing industry. |
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| <p>less than a manufacturer in the Latrobe Valley).</p> <ul style="list-style-type: none"> • In terms of Governance, it was stated that the Gippsland Tourism model may be worth considering • Stakeholders noted that projected population growth in Melbourne also represents an opportunity for the valley. • One stakeholder stated that projected population growth will require almost as much electricity as is currently available in the state and this provides a significant opportunity for new generation. | |
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| Contingency Planning Policy Theme | Actions for revision of document |
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| <ul style="list-style-type: none"> • Stakeholders provided the following comments on this policy theme: <ul style="list-style-type: none"> ○ Latrobe City needs to try for the best and plan for the worst. In reading the policy there is a sense that we are not planning for the worst. A scenario planning approach could be adopted to investigate and plan for the range of potential outcomes. Scenario planning also provides a mechanism for engaging and educating the community. Funding is needed for Council to help this transition. In contingency planning there needs to be a detailed analysis of Latrobe City's competitive advantage. ○ There was general support for the social impact analysis action, but it was noted that this needs to be based on good quality analysis working on lead indicators (i.e. rather than analysis that occurs after the impact is felt). It was also considered necessary to assess impacts on the whole region, not just Latrobe City Council. ○ There appear to be some inconsistencies in the document with respect to the funding mechanism for the Social Impact Analysis – Government funded or coal sector council funded? ○ The transition is likely to be “lumpy” and there is a risk of medium term impacts ahead of a longer term recovery. The policy (and implementation of the policy) needs to recognise this and articulate mechanisms for planning and managing short, medium and long term aspects. ○ Having a say in how the CCAF money is spent is key. During privatisation, money allocated did arrest the immediate decline in employment but didn't create new long term jobs. The approach taken simply moved money that was going to be spent later forward. ○ Can't rely to a great extent on Government assistance long term as there is a risk that in 2020 politics will change. | <ul style="list-style-type: none"> • Comments are noted; • Inclusion of discussion and actions in relation to scenario planning for various possibilities (e.g. worst case scenario of 2 or more power generators go under within 5 yrs); • Intended funding for social impact; analysis to be clarified in document; • Emphasise objective to build community resilience. |

APPENDIX 3 – DRAFT TERMS OF REFERENCE FOR THE LOW CARBON EMISSIONS TRANSITION COMMITTEE

1. PREAMBLE

1.1. The Committee shall be known as the Latrobe City Low Carbon Emissions Transition Committee (hereinafter referred to as "the Committee").

1.2. The Committee is an Advisory Committee of Latrobe City Council.

1.3. The membership of the Committee and these Terms of Reference are adopted by resolution of Latrobe City Council at the Ordinary Council Meeting held on XXXXX.

2. OBJECTIVES

2.1. To act as a conduit for the flow of information from key stakeholders to the Latrobe City Council on the low carbon emissions transition process by:

- advising on relevant activities being undertaken by represented organisations and the broader community
- keeping represented organisations informed on Latrobe City Council's low carbon emissions transition activities

2.2 To keep Latrobe City Council abreast of relevant State and Federal Government legislative and policy developments related to carbon emissions mitigation and transition support

2.3 To bring to the attention of Latrobe City Council any planned industry or business responses, which have the potential to impact on the wider Latrobe City community

2.4 To assist Latrobe City Council to monitor the implementation and effectiveness of low carbon emissions policy actions and to identify any gaps in the management of the low carbon emissions transition process

2.5 To assist Latrobe City Council to review and update its policy: Positioning Latrobe City for a Low Carbon Emissions Future

2.6 To report to Council in June of each year, and more frequently as appropriate, on the overall operations and achievements of the Committee.

3. MEMBERSHIP

Composition of the Committee

3.1. The Latrobe City Low Carbon Transition Committee shall comprise a maximum of seventeen (17) representatives including:

3.1.1. Up to three (3) Latrobe City Councillors

3.1.2. A representative from each of the following Agencies:

- Regional Development Australia
- Victorian Department of Primary Industries
- Victorian Department of Human Services
- Victorian Department of Planning and Community Development
- Australian Department of Climate Change (CCAF division)

3.1.3. A representative from each of the following Business and Industry Sectors:

- Power Generation
- Manufacturing
- Education
- Forestry
- Agriculture (Victorian Farmers Federation)
- Small-medium business.

3.1.4. A representative of the Gippsland Trades and Labour Council

3.1.5. A representative of the Gippsland Local Government Network

3.1.6. A representative of the Latrobe City Council Climate Change Consultative Committee

Officer Support

3.2. Latrobe City will provide administrative support to each Committee meeting and an advisory staff member from the Economic Sustainability Division will attend the meetings to provide feedback and technical advice.

Length of appointment

3.3. Whilst the Carbon Transition Consultative Committee shall be in place for as long as Latrobe City Council sees fit, the appointment of members shall be for a term of two (2) years. Prior to the expiration or

each two year term, there will be a call for nominations for the next two year term. Current Committee members are able to re-nominate.

Selection of members and filling of vacancies

3.4. Latrobe City Council shall determine the original membership of the Committee based on nominations received from the identified organisations.

3.5. The Committee may fill any vacancies that occur within the two year period of appointment, subject to the approval of the Chief Executive Officer and the Mayor of Latrobe City Council. Where a vacancy is filled in this way, the appointment shall be limited to the remainder of the period of the original appointment.

Co-option of members

3.6. With the approval of the Chair members may co-opt a temporary member to fulfill their duties and attend meetings.

3.7. With the approval of the Chair the Committee may invite other individuals to participate in the proceedings of the Committee on a regular or an occasional basis and including in the proceedings of any sub-committees formed.

Attendance at meetings

3.8. A member who misses two consecutive meetings without a formal apology may at the discretion of Latrobe City Council have their term of office revoked.

3.9. A member who is unable to attend the majority of meetings during the year may at the discretion of Latrobe City Council have their term of office revoked.

4. RESIGNATIONS

4.1. All resignations from members of the Latrobe City Low Carbon Transition Committee are to be submitted in writing to the General Manager Economic Sustainability, Latrobe City Council, PO Box 264, Morwell VIC 3840.

5. PROCEEDINGS

Chair

5.1. The Chair of the meetings will be elected each year from the representative Councillors. If the elected Chair is unavailable he/she shall delegate a replacement Councillor for the purposes of chairing the meeting.

Meeting schedule

5.2. The Committee will determine its meeting schedule. The meetings will be held at the Latrobe City Corporate Head Quarters, Commercial Road, Morwell, unless otherwise decided by the Committee. Meetings will begin at 7.00pm unless otherwise decided by the Committee. The duration of each Committee meeting should not generally exceed two hours. Light refreshments will be provided.

5.3. Meetings of the Committee will be held quarterly initially or as may be deemed necessary by Latrobe City Council or the Committee to fulfil the objectives of the Committee. Special meetings may be held on an as needs basis.

Meeting procedures

5.4. Meetings will follow standard meeting procedures.

5.5. Meetings of the Committee will normally be open to the public but non-members in attendance will have observer rights only.

5.6. With the approval of the Chair the Committee may decide to discuss certain matters in closed session if this is required for reasons of confidentiality and where the Committee considers this best serves the public interest. The Committee shall report to Council any matters that it has considered in closed session and the reasons for this.

Quorum

5.7. A majority of the members constitutes a quorum.

5.8. If at any meeting of the Latrobe City Low Carbon Emissions Transition Committee a quorum is not present within 30 minutes after the time appointed for the meeting, the meeting shall be deemed adjourned.

Voting

5.9. There will be no official voting process. Majority and minority opinions will be presented to Latrobe City Council in all reports.

Minutes of the Meeting

5.10. A Latrobe City Officer or authorised agent shall take the minutes of each Committee meeting.

5.11. The Minutes shall be in a standard format including a record of those present, apologies for absence, adoption of previous minutes and a list of adopted actions and resolutions of the Committee.

5.12. The Minutes shall be stored in the Latrobe City Council corporate filing system (currently Dataworks electronic document and records management system).

5.13. A copy of the Minutes shall be distributed to all Committee members.

5.14. A copy of the Minutes shall be provided to all Latrobe City Councillors.

Annual report

5.15. The Committee shall report on its activities on an annual basis and this report will form part of the official Council agenda. The Committee shall determine the form and content of its report with the advice of Latrobe City Council. Latrobe City Council shall provide administrative assistance in the preparation and production of the report.

Other reports to Council

5.16. With the approval of the Chair the Committee may provide formal reports or letters to Latrobe City Council. This correspondence will be received by Council through an ordinary Council Meeting in 'Correspondence'.

6. AUTHORITY AND REPORTING

6.1. The Committee is a consultative committee only and has no delegated decision making authority.

6.2. Reports to the Latrobe City Council should reflect a consensus of view. Where consensus cannot be reached, the report should clearly outline any differing points of view.

6.3. All recommendations, proposals and advice must be directed through the Chair and comply with Councils '*Community Engagement Policy and Strategy*'.

6.4. Reports to the Latrobe City Council will be co-ordinated through the General Manager Economic Sustainability.

7. FINANCE & ADMINISTRATION

7.1. Latrobe City Council shall provide for the Committee a Secretariat who shall receive and distribute communications to the Committee, arrange meeting venues and prepare and distribute meeting agendas and minutes.