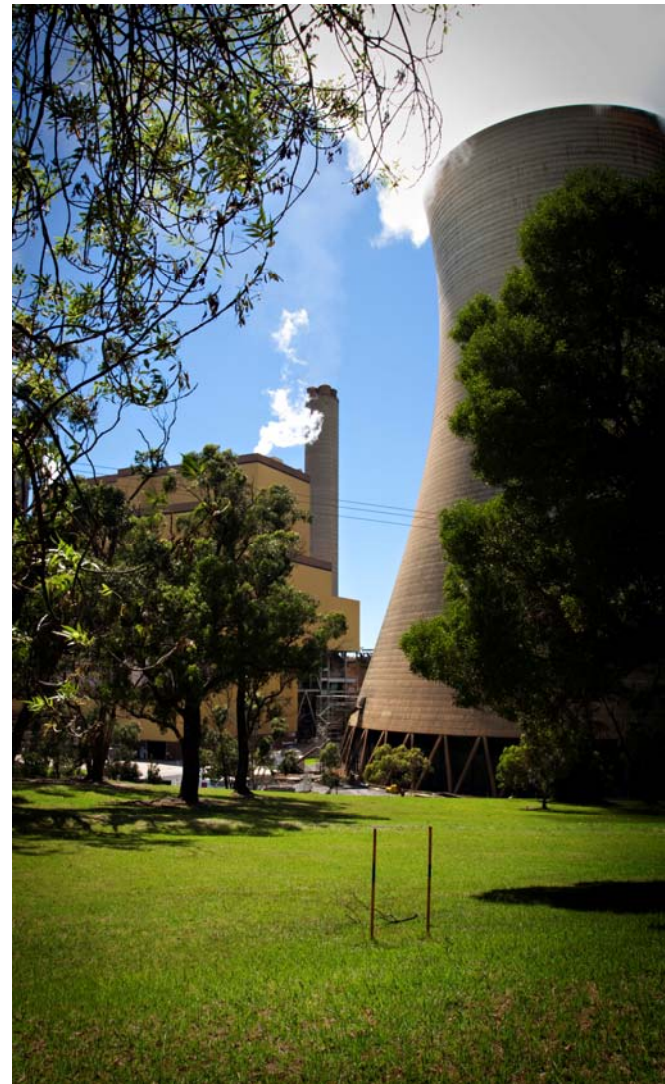


Positioning Latrobe City for a Low Carbon Emission Future

6 April 2010



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.

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 introduction of a CPRS or alternative scheme), 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.

The policy intent and key policy actions relating to each of the three themes are 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.

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) will require planning and action to capture opportunities and to facilitate 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

Locally Based Policy Actions	Possible timeframe to commence implementation	Independent of Australian Government policy
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
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

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

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 1 and Table 2.

Table 1: Focus Areas – Australian Government

Area of interest/focus Department Minister	Department	Minister
Climate Change Action Fund transition assistance	Climate Change	Greg Combet
Regional infrastructure and economic development Local government engagement	Infrastructure, Transport, Regional Development and Local Government	Simon Crean
Sustainable land, water and natural resource management	The Environment, Water, Heritage and The Arts	Tony Burke
Communications infrastructure	Broadband, Communications and the Digital Economy	Stephen Conroy
Low emission technologies, alternative uses for coal	Resources, Energy & Tourism	Martin Ferguson

Table 2: Focus Areas - State Government
Area of interest/focus Department Minister

Area of interest/focus Department Minister	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	Michael O'Brien / Matthew Guy
Climate change	Sustainability and Environment	Ryan Smith
Environment	Sustainability and Environment	Ryan Smith
Community support programs	Planning and Community Development	Mary Wooldridge
Community support programs	Human Services	David Davis
Regional economic development, attracting new investment	Innovation, Industry and Regional Development	Peter Ryan / Richard Dalla-Riva / Louise Asher

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

IMPLEMENTATION AND REVIEW

Latrobe City Council's Economic Sustainability Division will oversee the implementation of the policy. 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, a Low Carbon Emissions 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.