

## Surf Coast Air Action - Shut It Down Rally

10<sup>th</sup> August 2014

Rob Gell

Congratulation on your campaign; the number of people here on such a wintry morning validates what you are doing. I'm pleased to have the opportunity to say a few words of support.

I endorse the comments of our previous speakers, in particular in relation to the immediate health risk issues associated with the burning of this particular coal seam.

Briefly, to put my comments in a climate change context. Dr Nick Aberle has mentioned the prospect of a +2°C and a +4°C world. You should understand that we are already at +0.8°C on the long term global mean temperature; +1.4°C is inevitable, there is enough carbon dioxide already in the atmosphere to ensure that outcome. The world's scientific community has been telling us for thirty years we must avoid going to +2°C. If we rare to achieve that target we have peal global emissions of CO<sub>2</sub> next year. The closure of brown coal power stations is an urgent matter.

I wish to speak about the broad economic context of your campaign and in particular the commercial viability of this coal mine and power station.

There are a number of **myths** perpetuated in our Australian community - many of them are economic. One is that perpetual **growth** is fundamental to our quality of life. The reality is that:

- perpetual growth is neither possible nor desirable
- growth (as we have known it) in wealthy nations is already causing more problems than it solves.
- recession of course isn't healthy or sustainable either.

Another myth is that **mining** is the backbone of the Australian economy. As any number of analyses from **The Australia Institute** reveal:

- less than 5% of jobs (even in the Hunter Valley) are in mining
- all the mining taxes and royalty revenues in the country generate less than 5% of government revenue
- in cases like this one (Alcoa) the majority of profits go offshore.

More importantly the **economic costs of pollution** from coal mining: impacts on health, water and climate - economic costs that able to be externalised to the company are borne by the community.

Today in Australia the business of energy generation, distribution and supply is suffering a number of **disruptive forces** which are critical to the future of this coal mine and power station:

- In Australia at present these disruptive forces are contributing to an "**energy death spiral**" as generators and distributors endeavour to maintain the value of their assets.
- As we increase wind and solar, increase energy efficiency, and more customers generate their own energy and use less, there are less customers to pay the guaranteed margin the distributors and electricity prices continue to rise.
- In response more and more people install more solar and make their home and businesses more energy efficient using less energy from the network forcing prices up further.
- That's not going to change - coal generation is already uneconomic.

**Ben Caldecott**, from the University of Oxford's Smith School of Enterprise and the Environment visited Australia earlier this year - he runs the "stranded assets" programme at the Smith School.

In December last year the Smith School published ***Stranded Down Under?***, *Environment-related factors changing China's demand for coal and what this means for Australian coal assets*. The paper investigates how China's demand for coal is changing as a result of factors including environmental regulation, developments in cleaner technologies, local pollution, improving energy efficiency, changing resource landscapes and political activism. It looks at how that evolving demand picture translates into impacts on coal and coal-related assets in Australia – a country that is a large and growing coal exporter to China. It suggests that despite recent growth in China's imports of coal from Australia, other factors are all likely to reduce China's growth in coal imports below levels currently expected.

To illustrate that proposition, it's interesting to observe that last Thursday it was reported by Fred Pearce in *New Scientist* via *Associated Press* that Beijing is planning to ban coal burning in its 6 central districts from 2020. Last September, the government in China announced a prohibition on new coal-fired power plants around Beijing, Shanghai and Guangzhou. The central government recently listed environmental protection as one of the top criteria by which leaders will be judged and of course today we have about 280 million Chinese operating under a carbon price and emissions trading scheme.

In the *Financial Times* this week: **Al Gore and David Blood**, co-founders of Generation Investment Management wrote:

- there are good reasons to divest from coal assets on harmful social and environmental outcomes linked with emissions.
- divestment from coal assets is also a smart investment decision for purely financial reasons
- coal is facing stricter regulations, also competition from increasingly low cost renewables, especially solar PV;
- they reject the argument that coal will remain an important energy source due to its abundance, ease of extraction, and current low cost,
- they maintain that increasing action by businesses and governments to limit carbon emissions and the advent of disruptive technologies will quickly erode these advantages.

The extension of this trend is the international push towards “deep decarbonisation” of the global economy. As **Michael Molitor** and others have outlined, the only way that we will be able to deliver the levels of growth required to sustain a population of 9 billion by mid-century.

An important report by the **Australian Energy Market Operator** was reported in *The Australian* yesterday. The critical points we should understand from the report are:

- for the first time in the history of the electricity market (1998) electricity use has plunged so much that no new coal or gas baseload power generation will be needed over the next decade
- electricity use will fall over the next three years because of the decline of energy-intensive industries, including the decline of Victoria's Point Henry aluminium smelter and energy efficiency measures.
- EnergyAustralia, which owns the Yallourn brown-coal power station, has warned that big baseload coal plants are facing hundreds of millions of dollars in redundancy and mine rehabilitation costs
- five power stations the size of Yallourn could be closed down and consumers wouldn't know the difference. The lights would not go out.
- The Queensland government is trying to sell both the Stanwell Corp and CS Energy generation companies, but the AEMO data suggests that the entire CS Energy portfolio of nearly 3GW would not be needed in a decade's time.
- no new capacity is required in any National Energy Market region to maintain supply-adequacy over the next 10 years,

We should also note as that report is released that it was also announced this week that in July 2014, 43 percent of South Australia's power came from wind. None of this is good news for Alcoa as the company searches for a “commercial transaction” to divest itself of its Anglesea coal mine and power station asset.

#### **10 reasons to be hopeful that we will overcome climate change - *The Guardian* 30 July 2014**

1. Barack Obama has made it one of his defining issues
2. China has ordered coal power plants to close
3. The cost of solar has fallen by two thirds
4. People are taking their money out of fossil fuels
5. Bangladeshi women are being retrained as solar technicians
6. **Renewable energy** will soon take the lion's share of new power
7. European homes are using **15% less energy** than they were in 2000
8. Cutting **emissions** has become a business imperative
9. **Oil** is becoming much more expensive to find
10. **Electric car sales** are doubling each year

Unfortunately Australian politicians, with a few notable exceptions, are blissfully unaware of these trends and our country fails to understand the opportunity they offer - economically, let alone environmental or socially.

This global situation is the “perfect storm” for assets like the Anglesea brown coal mine.

- it's brown coal; inefficient energy production
- one steam turbine
- 40% of market gone with the shut down of Point Henry
- closures at Ford and other high volume energy consumers in Geelong have further reduced the market

The reality is that this mine and its power station are already stranded assets;

- like **Hazelwood** in the Latrobe Valley
- like the thermal power station at Port Augusta now replaced with large scale solar
- like **Integra** near Singleton in the Hunter Valley that closed in May,
- like **Ravensthorpe** in the Hunter Valley that closed in March

... the value of coal is plummeting.

I understand that Alcoa has suggested that it has had “multiple expressions of interest” to purchase this dinosaur technology, but I wouldn't be holding my breath for a sale - I'll bet they're not.

My contention this morning is that in parallel to our concern about the potential for the continued operation of a brown coal-fired power station in the middle of Anglesea; we should be equally concerned about the continued **non-operation** of the coal mine. About the risk that is posed if a buyer is not found, if the mine is not maintained properly as Alcoa's interests in the region decline. As with the Hazelwood mine that was it passed to GDF Suez, not maintained properly and caught fire in February. Perhaps Alcoa will simply walk away and hand the asset back to the state - there are thousands of examples of used-up mines across our country, that despite licence agreements have never been rehabilitated. Where is the **Contingency Plan** to bulldoze the mine, spread the overburden back over the site, perhaps bury the stockpiled human biosolids from Warrnambool and Werribee sewage treatment plants as a carbon source and rehabilitate the area as a community asset?

Individuals will lose their jobs if this mine closes - that's unfortunate. What is also unfortunate in our country is that we continue to maintain a “legacy of entitlement” culture that says that because it's been this way for forty years I'm entitled to have it stay this way.

This aversion to change is not serving us well. If we hadn't learned and changed we'd still have lead in paint, cars without seat belts and we'd all be smokers. This aversion to change is debilitating, it's inward-looking and unproductive, and ultimately debilitating. Australia needs to develop a “*lust for change*”.

We need a **new economy** in Victoria: a smart, sustainable economy to deliver economic, employment and environmental value. So that our state enjoys economic strength, thriving businesses and the growth of jobs for future not the jobs of the past.

So, shut it down as soon as possible, but work out what to do with it after that, now!