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Clean Energy Finance Corporation
Expert Review

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LATROBE CITY COUNCIL SUBMISSION ON CLEAN ENERGY FINANCE CORPORATION

Latrobe City Council appreciates the opportunity to provide input about the proposed Clean Energy Finance Corporation (CEFC). Latrobe City Council will comment mainly on the key theme of the importance of working with other government and market organisations.

Background

Latrobe City has been identified as a community likely to be exposed to significant structural adjustment pressures as a result of the introduction of the Clean Energy Future package. It is anticipated that the introduction of the package 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.

A study by Compelling Economics, commissioned by Council in late 2008, showed that electricity generation accounts for around 21% of Latrobe City's Gross Regional Product and reinforced that the sector is the backbone of the local economy. 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). The Compelling Economics work also showed that for every ten jobs in the electricity sector an additional eight jobs were sustained in the local economy. This means that direct and indirect jobs from the electricity sector total 5,600 (or approximately 20% of all jobs within Latrobe City).

A successful transition to a low carbon future is critical to Latrobe City as the area 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, and indeed Australia'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.

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. Given our local economy and community are heavily reliant on this sector for employment we believe our community is also vulnerable.

In what we believe is a local government Australian first, Latrobe City Council has developed a policy that will assist our community to successfully transition to a low carbon future. The development of *Positioning Latrobe City for a Low Carbon Emission Future* has allowed Council to identify the expected implications of Government greenhouse gas emission mitigation policies on Latrobe City. The policy proposes transition arrangements, including interventions and support mechanisms, to enable Latrobe City to optimise its transition.

Council's policy contains 30 actions, of which most are purposely generic to enable implementation to commence prior to the Government's final plan being adopted. Council has invested over \$150,000 and significant resources in the proactive work undertaken to date. The policy is underpinned by three themes:

- Pursuing and realising opportunities
- Contingency planning
- Working together

Latrobe City Council Input to Proposed Approach

Latrobe City Council has for a number of years 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 wellbeing 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.

While Council does not have a formal view on the final design of the CEFC, we do support the transition arrangements highlighted in the broad architecture of the carbon price mechanism. Council's view is that a smooth transition for the Latrobe Valley is vital to protecting our community from an adverse economic shock. In short, whilst Latrobe City Council supports international and Australian efforts to address climate change, we also seek to ensure that our economy and community continue to prosper in a low carbon emissions future.

Latrobe City Council believes that the CEFC should work closely with other government and market organisations to ensure the creation of sustainable renewable energy and related business in Latrobe City. We anticipate that this would have the effect of creating jobs and contributing to the successful transition of our region, particularly in light of possible job losses resulting from closure of power generation businesses. It would also help meet our community's

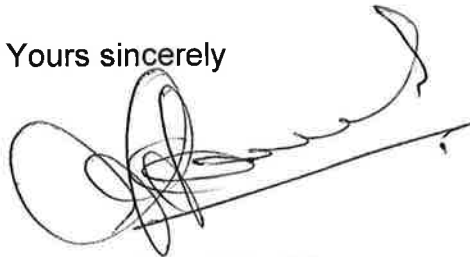
expectation that the Australian Government will make a serious effort to support research and development for renewable energy options in the region most affected by the Clean Energy Future policies.

Given the objective of the CEFC is to overcome capital market barriers that hinder the financing, commercialisation and deployment of renewable energy, energy efficiency and low emissions technologies, we welcome the opportunity to discuss how it might specifically assist Latrobe City to encourage investment in these areas in this region. We would encourage the CEFC to quickly identify local firms and projects utilising relevant technologies, as well as manufacturing businesses that focus on producing the inputs required, and ensure that assistance is provided as needed.

I appreciate the discussion the Government has had with Latrobe City Council to date, and I would welcome the opportunity to provide further comment on behalf of Latrobe City Council. I appreciate the Government's commitment to ongoing engagement with our local community, and I would be pleased to facilitate such engagement in the future.

If you require further information, please contact Julia Agostino, Manager Regional Partnerships on (03) 5128 5759 or via email Julia.Agostino@latrobe.vic.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'CR ED VERMEULEN', written over a horizontal line.

CR ED VERMEULEN
Mayor