



## **Australian Climate Roundtable Workshop 2:1**

### **“What does successful transition look like?”**

*August 3, 2020*

*This is a record of the presentations and discussion at a workshop held by the Australian Climate Roundtable with their respective members on 3 August 2020. The views stated were those of the presenters; the ACR will make its own statement on successful transition to a net zero emissions economy in due course following the completion of this series of workshops. Subsequent workshops in this series will address successful transitions in the electricity, manufacturing and agricultural sectors; and the social and regional impacts of the transition to net zero emissions.*

### **A global perspective on Just Transitions, the Paris Agreement, and zero emissions planning**

*Sharan Burrow*

*Sharan Burrow is General Secretary of the International Trade Union Confederation. She served as inaugural president of the ITUC from its foundation in Vienna in 2006 and was re-elected in 2014. She is the first woman to have held either of these positions. The ITUC is the world's peak labour union body and has grown to represent 180 million workers in 162 countries and territories with 333 national affiliates.*

*Prior to her roles at ITUC she was president of the Australian Council of Trade Unions (ACTU) from 2000-2010 and prior to that President of the Australian Education Union. Sharan has led union negotiations on major economic reforms and in labour rights campaigns and has been a consistent and passionate advocate for climate leadership and a Just transition for workers.*

Why Just Transition, and why now?

Just Transition is a campaign frame and a call to action around several issues - it goes much broader than the union movement.

When we first started talking about climate internationally, many people stacked jobs against climate. We can't afford that luxury. We have little time left to respond to and avert climate change. There are indeed no jobs on a dead planet. But it is our survival, not the planet's that is at stake.

Workers and families have already seen many big transitions: technology, international economic integration, more. Mostly these were anything but just.

Today we see the convergence of many crises around inequality, including COVID-19 and climate change. We don't have a choice about facing these crises, but we can decide how we choose to do so.

Recognising Peter Colley of the CFMMEU on the call - the miners have been engaged at most Conferences of the Parties since Bali, advocating for a just transition. Coal has been the first line of this transition issue, everywhere in the world - though not the only frontline, as heavy manufacturing comes to the fore and shows great and necessary opportunity.

In the early days of union engagement with climate we were still most focussed on forestry industry issues. It wasn't easy to start the climate conversation, but we have come a long way.

The Copenhagen COP was disastrous, partly because nobody was talking outside their sectors and governments could not hold each other to account. We lost years internationally. But since then the world's leaders have agreed both to climate goals at Paris and to the Sustainable Development Goals. Both are critical to a new social contract - employment, social protection and more.

Just Transition was reflected in the preamble to the Paris Agreement, and we've been working since to get everyone signed up to the concept. Unions need to be at the table if a transition is going to be organised that works for everyone.

Canada moved first. The Canadian union movement went out into the community and listened to workers about what they wanted.

I always remember Victorian workers who told me "We're not coal workers, we're energy workers, and we want to know what our future is."

We can't leave people behind. If people must transition, they need pension guarantees for the older workers, investment in younger workers and investment in renewing the regions.

Canada and Germany and Spain have coal-focussed Just Transition plans. Everyone cites Germany because it has so much money behind its transition - \$2b/year. Not everyone can do that! In Spain they are guaranteeing a basic income to affected workers; and the workers require a just transition authority to ensure work is coordinated and independent from other considerations.

A just transition authority has become the key institutional ask around the world and in Australia.

In New Zealand Just Transition is not just about coal, but about the end of offshore fossil exploration licenses. The Government is committed to dialogue with workers.

Is this just about fossil fuels? The fossil debate is painful; there is an active argument about gas right now - does it fit in the transition plan, and for how long? But transition goes much wider:

- the property sector, where green buildings and green skills are developing and a new generation of standards is emerging
- Steelmaking, where technological solutions are emerging including hydrogen (though hydrogen must be either green (from clean energy electrolysis) or blue (from fossils with carbon capture and storage, which has not made as much progress as it should have by now)

International competitive issues are critical to the viability of clean industry solutions. Border adjustment policies are going to emerge, particularly given the fraying of the multilateral trade regime.

Every sector needs a transition plan.

Nobody will say they don't want a future for their kids. It's the plan for how to get there that they want confidence in.

ITUC has established a database of just transition plans, and has been feeding in to the European Union's Green Deal. Europe sees a resilient future as combining a social base and sustainability.

Cities around the world have to be living places and parts of a circular economy. Mayors tend to be open to unions at the table and multisectoral dialogue. City demand and supply is hugely significant in relation to manufacturing and agriculture.

Heavy industry has been coming into greater and deserved focus. When I was involved in the New Climate Economy Report several years ago it was relatively light on heavy industry; the more recent Mission Possible report by the Energy Transitions Commission provides a much deeper analysis and a framework for further work.

Worker input is important on resilience to climate impacts as well.

## Q&A with Sharan Burrow:

- Q: How do we keep the conversation going? Community and stakeholders are up for it, but Australia's State and Federal governments have been cautious. Is that similar to other nations?
  - A: We say 'don't wait for governments' but they are really important. What we didn't understand initially is how crucial industry policy is to just transition. Industry policy and competition policy used to clash in Australia and elsewhere, but industry policy is how we got a lot of jobs with good wages. Investment in Australia raised multifactor productivity. We need effective industry policy.
- Q: Are workers suspicious of just transition, because transition never has been just? What lessons from the Canadian experience?
  - A: Don't let language stand in the way. Workers want secure jobs for themselves and their families. We do have to transition - we can't dodge it - and the discussion may be unpleasant but we have to have it. We want the endpoint and a plan to get there, not any one kind of terminology.
  - A: In Canada government was relatively enthusiastic about just transition. The difficult part was not the PM or the Environment Minister. The national bureaucracy was very two steps forward-one step back. But eventually the broad participation in discussions of workers, indigenous landholders made a difference. At the provincial level, Alberta, where much of the oil industry is located, was most difficult. Politics have been very difficult in Canada - the battle over pipelines and land rights.
- Q: How do we get more women's voices involved?
  - A: People want to know that they have a job. Change is nothing new and it is always difficult if that confidence is not there. Women are amazing; in the frontlines of climate fights in Africa and elsewhere, women are in the forefront because they see the implications for their families and children. I read an IPCC report for the first time in 2000 and it was like a horror movie; but the message does not have to convey all the science, just the pathway and confidence for people's lives.
- Q: Is the German \$2b/year that much in context? Could we deal with this relatively affordably in Australia?
  - A: Yes, the German deal is just the biggest. Each transition needs its own costings. Germany's transition work had occasional clashes between unions and environmentalists, but the government wanted to make it work and kept bringing parties together.
- Q: What are the key features of successful transitions?

- A: If you look outside Europe you would have little hope because there are few progressive leaders around the world. Democracy and a new social contract are critical. Just transition on climate *and* technology are critical to that.
- A: You need to ask “What will it take to leave no one behind?” and “what will it take to give people hope?” Having unions at the table is essential. Al Gore once asked if I would like to send a team of unionists to one of his training courses; I asked the CFMMEU to send coal miners - and they did! The participants said “If we’ve got to make this transition, we want to look at how to do it.”
- A: The first round of any conversation about this transition with coal miners is deep seated anger. “My grandfather fought to get this accepted, and it built my town - and now we have to give it up?” It’s a painful discussion but it can’t be dodged. Today where 500m jobs have been wiped out in five months thanks to COVID, we’ve exposed the need for a stable and inclusive future that centres the dignity of work and adequate social protection. We’ve had an ongoing argument with the WTO for decades; we lost fights in the 1990s about putting labour and environmental standards in the foundation of the trade regime. Now that regime is on its knees. Whether it is reformed or replaced, we need to do better.

## **A national perspective on principles for successful transition to zero emissions**

*Tony Wood*

*Tony Wood directs the Energy Program at the Grattan Institute and is a widely recognised energy and climate policy expert. He has extensive executive experience in the energy sector, particularly with Origin Energy. He ran the Clean Energy Projects program at the Clinton Foundation from 2009 to 2014. He worked on the initial Garnaut Review of climate change policy. With his collaborators at Grattan Tony has delivered astute and relevant research and proposals to our climate and energy policy debates for nearly a decade.*

We know how to do transition unsuccessfully - that’s what we’re doing now. If you look at a change management textbook, it says you must have a picture of the future state that people like; a diagnosis of the present state that makes people want to move; and an idea about how to get from one to the other. We’re misfiring now because politics has not been able to craft that compelling narrative. Any population can and will come on board if that narrative is there.

Economics is at the core of a lot of this.

Looking at Australia - we have key features:

- An emissions intensive economy
- Emissions intensive industries that are at risk if other countries move on climate.
- Governance structures that don’t lend themselves to bi-partisan or multi-partisan support
- Political opportunism on all sides at different times

- Bad luck - the timing of recessions and pandemics.

Support for climate action has waxed and waned. Business attitudes were once broadly hostile; more recently they have become largely supportive. Communities and workers have shifted back and forth.

This year we've seen the COVID pandemic and many people have suggested lessons from the response.

- If an issue is really big and really now, governments feel compelled to act and people largely come with them.
  - Climate is largely not like this
- Significant amounts of money have been deployed to maintain jobs and sustain the economy - but there will be a significant debt mountain afterward and questions about financing public spending.

Electricity emissions have been falling, prices have been falling lately, and reliability has been maintained - but governments have been acting as if the opposite were the case.

What contributed to emissions falls? The Renewable Energy Target played a big part; its survival was in part because it was first introduced by a conservative government, and renewables are popular.

Lately this success has led some politicians to argue that we don't need emissions policy. But most of our economy and emissions are not in electricity; emissions have been increasing in many of those sectors.

There is increasing agreement in the community and among State/Territory governments around net zero by 2050, though there is a lack of firm plans to get there.

Language has been one of the impediments to moving forward. When I went to the Hunter Valley a year ago I was told to avoid the phrase 'just transition' because of how it would be interpreted. You need to put some substance into the issue; people in the Hunter, Latrobe etc don't pretend the world won't change, but they are concerned by the vacuum in ideas about how the gap will be filled if fossils wane.

There is a political challenge to influence the political process; but politics is not riven by ideology, economics or policy substance - but by naked opportunism, which is harder to deal with.

If we're not in a political decision-making process right now, what do we do?

In business, you look to other options. Green steel, for instance, is not about jobs and activity today but the jobs of 10-15 years from now. If we have done foundational work and global shifts are propitious we can move fast. If we don't, we won't get opportunities.

We should ask of every policy and investment today, 'does this only make sense in a world that doesn't move on emissions?' For instance, possible proposals for enormous new gas infrastructure.

Workers, communities and local governments need to be involved in the discussion.

If the fundamental economics are no good, you will be pushing uphill and that's a very difficult thing to do.

If the economics are favourable - as we think green steel is in Australia - then you have a chance, though not one that will be handed to us on a plate. There is potential and we can work.

Implications for successful Australian transition:

- We will not have a credible national policy unless Albo believes he can win with one or Somo believes he will lose without one. Neither is the case right now. But there are two or three summers before the next election; what they will bring, and what lessons the leaders draw, will be important.
- The likely path forward is messier, rockier, and less coordinated than we would like. We can achieve a transition, but current policy mechanisms - like underwriting, the Safeguard and Climate Solutions Fund, the Technology Roadmap - are probably what there is to work with and iterate at the Federal level.
- That leaves the States and Territories - where policy is varied and variable
  - Solar Homes in Victoria
  - Renewable Energy Zones in NSW
  - SA diesel backups investment - then reversal of policy by next government
- A coordinated national approach among the States was attempted in 2006-07; in 2019 the NSW Government seemed keen on this again, but has chosen to deal with the Feds instead.
- We will get there, but it will all cost much more than it could have with a more coordinated approach.

I can see green shoots of improvement - I just don't know if they'll survive the summer sun.

### **Q&A with Tony Wood**

- Q: What should we be doing in electricity?

- A: We're doing better than many recognise. The most obvious thing to add would be a carbon price - but we're in 4th and 5th best policy land.
  - A: Transmission reform will help; building on the Safeguard Mechanism is crucial
- Q: Thoughts on NSW REZ policy?
  - A: There are lots of no-commitment expressions of interest in connecting RE projects in the Central West, but not clear how this will be done given current function of the market/network rules. REZ development needs careful coordination with rules and much else.
- Q: What's the best policy approach to export-oriented fossil industries?
  - A: Change in investment will happen where producers anticipate a premium for green or a penalty for black. The latter may be taking shape, given the EU's border adjustment decision.
- Q: In your green steel report you seek to overcome not just an emissions problem (from conventional steel) and an exports problem (something that might approach coal exports), but also decent jobs in coal mining regions. And thereby address a major political problem that was made clear at the last election in how those regions voted. What traction have you seen from the report? (Of course COVID is interfering!) What else have you seen that comes close in focusing on good jobs in the regions?
  - A: We think this is one of the best opportunities associated with hydrogen. There is interest in Newcastle, which has gone through big transitions before with some success. Conversations are starting and are going beyond 'wouldn't it be nice' to the economics of regional advantage and concrete ways to bring it together. That is hard work that needs focussed momentum.
  - A: Federal Labor did not provide a compelling narrative on cutting emissions while growing jobs at the last election.
- Q: What investments should we be making?
  - A: There are probably going to be some white elephants in the Integrated System Plan but we can't tell which they are yet!
- Q: Do you believe investments in the network should have procurement obligations on them which deliver regional diversification strategies and local supply chain opportunities i.e. local steel and local jobs. With the \$billions announced so far on transmission upgrades the project proponents are already saying they will import the steel and the workforce. Won't this just set Australians support for a transition back even further, particularly from an electoral perspective.
  - A: Not that much steel is consumed in Australia - the opportunity is export; but to the extent that we put public money into projects that require steel, requiring content that is local and green may make sense.
- Q: What about the Latrobe Valley? Employment may have come back to average, but this doesn't capture the change in pay and conditions and quality of work.



- A: (from Sharan) The steel report needs to be replicated everywhere. But global market movements will be critical - it will be much harder to sell non-clean products in the coming decade.
  - Europe's integrated policy making is one to watch - potential border adjustment is particularly significant.
  - I wouldn't expect that China and India will be taking the same public line in five years as they are today - they are making tremendous adjustments at home.
  - There's going to have to be massive investment to emerge from the pandemic. Will it be in industries and regions that carry us into the future? Resilience and recovery go together.