



**REDUCE, RECLAIM AND RENEW:  
UNITED WORKERS UNION SUBMISSION TO THE  
GAS SUBSTITUTION ROADMAP CONSULTATION**

**JULY 2021**

## Introduction

1. The United Workers Union welcomes the Victorian Government's Gas Substitution Roadmap, and the opportunity to make a submission on this important policy issue.
2. The United Workers Union is a powerful new union with 150,000 workers across the country from more than 45 industries and all walks of life, standing together to make a difference. Our work reaches millions of people every single day of their lives. We feed you, educate you, provide care for you, keep your communities safe and get you the goods you need. Our paramedic members work around the clock to save lives; early childhood educators are shaping the future of the nation; supermarket logistics members pack food for your local supermarket and farms workers put food on Australian dinner tables; hospitality members serve you a drink on your night off; aged care members provide quality care for our elderly and cleaning and security members ensure the spaces you work, travel and learn in are safe and clean.
3. While the questions in the Consultation Paper have assisted our thinking, we do not respond to all of them. Our response is focused on the impact of gas sector transformation on our members that work in the oil and gas industry, manufacturing, and distribution. Given the broad nature of our membership we are also focused on how decarbonisation can work to improve both the living standards of our membership more generally and assist them to exercise more agency in their day to day lives.
4. Climate justice is an issue for our union because working people are bearing the brunt of the impacts of the climate emergency. In the last year, United Workers Union members have had to work through extreme heat, many have had their homes and communities impacted by devastating floods, while others are still waiting for relief payments so they can rebuild their lives after the catastrophic bushfires of 2019.
5. Climate justice is about creating a fair and just society for all workers. We need urgent government action and funding to transform our economy and create good, sustainable jobs.
6. The failure of the Morrison federal government to lead a response to the climate emergency has resulted in working people being left behind. It has resulted in a lost opportunity for our country to innovate and build the jobs that workers, the economy, and the planet needs.
7. United Workers Union members working in oil refineries that are facing impending closures have been abandoned by the federal government and corporations alike. Members desperately need leadership from the federal government to secure quality jobs and fund training so they can have meaningful opportunities to transition to the secure renewable energy jobs of the future.
8. Every day our union members take up the fight against injustice, inequality, corporate greed and power. This fight is no different. We will keep fighting to make sure that the voices of union members are elevated and heard.

### Roadmap Assessment Criteria

9. The United Workers Union supports a just transition: one that delivers secure and sustainable jobs for working people, a transition that creates a more equal society and a transition that is fair for everyone.
10. The key measure of the success of the gas substitution roadmap must be its contribution to meeting emissions reduction targets in a timely fashion.
11. Other important measures of success include, in relation to workforce transitions:
  - no further forced redundancies;
  - no involuntary unemployment among affected workers, including workers at Qenos and ExxonMobil Altona;
  - the maintenance (within the context of paid employment or training) of the existing skills necessary to support the development of new energy technologies; and
  - retraining for all who want it.
12. In relation to households and communities, the important measures of success should include:
  - reduction in energy costs for consumers;
  - improvement in thermal comfort and energy efficiency for households; and
  - the expansion of public and community ownership within Victoria's energy system.

### Strategic Background

13. There are three key pillars to decarbonising the processes that use gas in a way that meets the above assessment criteria. The first is reducing demand for gas, the second pillar is bringing gas and gas-related infrastructure back into public ownership, and the third is building renewable hydrogen capacity. This strategy can be summed up in three words; reduce, reclaim and renew.
14. The underlying assumption of this strategy is that decarbonising gas and the processes that currently use gas is not a mere technological transformation but it also requires meaningful changes to our social relationships.
15. A further assumption we make is that there is significant skills, supply-chain, worker and corporate overlap between the oil and gas industries so just transition measures in a gas substitution roadmap must consider both sectors together.
16. The United Workers Union recognises that much of the critical work in this space requires federal constitutional authority and funding capacity. As such, it's critical that the Victorian government's gas substitution roadmap sets out a broader national vision that can be prosecuted at the Energy National Cabinet Reform Committee.

### Reduce

17. Reducing the overall demand for gas is an important first step. Furthermore, targeting household, residential and smaller commercial users is important as it can free up gas supply for industrial users with more complicated gas substitution and transition requirements. In

addition, the practical intervention that makes the transition both real and positive for ordinary Victorians builds trust that further changes are possible and desirable.

18. The Victorian government has begun the process to transition our households and communities away from relying on gas by incentivising this shift, providing practical support for residential and regional uptake of energy efficiency and electrification upgrades. The United Workers' Union welcomes the hundreds of millions of dollars that the Victorian government has spent on these measures and urges the government to continue and deepen its commitment to programs such as reverse-cycle air conditioning for low income households, and energy efficiency spend in low income, public and community housing amongst other similar programs.
19. Given that 61% of Victoria's gas use rests in the residential and commercial sectors realistically billions of dollars will need to be spent on energy efficient and electrification upgrades without considering any upstream impacts on the electricity generation and distribution systems. While the federal government as a currency issuer would have the fiscal capacity to fund this work directly, it is not feasible to expect the state government to fund this all directly from its limited revenue base. This means that capital investment needs to be directed into this body of work.
20. Mandating that all new housing developments should be gas-free is an important regulatory mechanism that should be mandated. Changing the existing housing stock, however, requires changes to how we relate to each other around electricity.
21. To give an idea of the scale of investment required there are 2,050,000 households in Victoria who are gas customers. *Beyond Zero Emissions* estimates that to properly renovate homes to get to net-zero emissions would cost an average of \$25,000 per household. In total, this would be over \$50 billion for Victoria to transition its overall housing stock. Even discounting for the fact that this work becomes cheaper with scale efficiencies and that there are likely already some net-zero homes, this figure would still likely total somewhere in the tens of billions of dollars.
22. Most United Workers Union members would not be able to come up with a sum of \$25,000 up front to achieve this outcome. This is not just about access to capital but also reflective of the fact that many of our members do not have the privilege of being able to own their own home. Asking working people to bear the risk and burden of a necessary transition is also deeply unfair.
23. A new model of how households access and pay for electricity is required to have these changes occurring at the scale and speed required to meet the challenge. The United Workers Union supports a Managed Energy Services Agreement ("MESA") model as a way forward.<sup>1</sup>
24. The key with the MESA model is that householders would not have to pay upfront for the energy efficiency and electrification upgrades, and nor would they have to pay more in total

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<sup>1</sup> See for further model details *Beyond Zero Emissions, The Million Jobs Plan: A unique opportunity to demonstrate the growth and employment potential of investing in a low-carbon economy*, page 32-3.

in their household costs over the life of the investment. Rather the cost of the upgrades would be paid directly out of the energy savings that derive from the investment.

25. This then opens up the prospect that the state government can act as a source of low interest loans to make this investment possible, which then provides a long-term and stable revenue source for the government. In addition, this is a further opportunity to leverage up the state government’s institutional capacity if this return on investment is funnelled through a purpose built Victorian Just Transitions Authority.
26. While this should create ample opportunity for additional jobs in skilled trades and new business models for electricity retailers, it is important that this new and expanded market in turn provides for high quality union jobs for maximum public benefit. As such the state government should consciously partner with the coalition behind the *Powering Victoria* cooperative proposal. The United Workers Union would further note that this is in line with the cooperative social enterprise provisions of the 2018 Victorian Labor Party Platform.
27. As the percentage of Victorians who rent privately continues its long-term and multi-generational upward trend, it is vital that tenants as well as homeowners have the right to initiate a MESA contract with the associated energy efficiency and electrification upgrades that this entails. Furthermore, tenants should be protected against paying for increased rents based on energy efficiency and electrification improvements that are funded through a MESA contract. If this critical work is left to landlord prerogative and profit then it will prejudice the speed of the necessary work. Tenant rights, therefore, need to be expanded accordingly. Given the electricity bill payer will effectively pay for this work over time, and it will nonetheless increase the value of a built asset, this is only fair in the circumstances.
28. Setting up a MESA system, and done in the manner outlined in the above paragraphs, should create tens of billions of dollars worth of new economic activity in Victoria that can be distributed back to the public via an investment return to the state government and the conscious creation of quality secure, union jobs all while reducing the real demand for gas. In this manner it opens up the possibility of making the reclaim and renew pillars (detailed below) real.
29. While building new energy and renewable infrastructure to transition the residential and commercial sectors away from gas has the capacity to provide thousands of good, secure jobs across Victoria, the flow-on effects of investing in electrifying industry, where possible, from our current gas-powered system is enormous.
30. The government has levers that could be used to promote local industry, including procurement policies which incentivise the creation of good, secure jobs and which require local content, effectively promoting the development of more manufacturing in Victoria.
31. Electrifying industry could improve our existing manufacturing industry as well as provide capability for forms of manufacturing that are not possible with a gas-powered system.
32. Research has shown that the “full electrification of manufacturing, powered by renewable energy, would bring many benefits to Australian manufacturers”<sup>2</sup>, and these include improving energy efficiency, reducing costs, increasing marketability and enhanced

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<sup>2</sup> Beyond Zero Emissions, *The Million Jobs Plan: A unique opportunity to demonstrate the growth and employment potential of investing in a low-carbon economy*, p 45.

productivity and safety. In addition, moving to electrify industry means that we can develop a hydrogen-sector in Victoria which can support the creation of heavy-duty hydrogen-powered transport manufacture, ammonia manufacture and steel manufacture. This would allow for a vibrant export sector, and build good, secure, union jobs in Victoria.

- 33. In order to take advantage of the opportunities presented to make Victoria a hub of advanced manufacturing with export capability, we cannot delay our move to transition to a renewable energy economy. If we wait, the chance to create good, secure jobs may be lost.
- 34. Government has an important role to play to incentivise a move for industry to electrify, to develop the hydrogen industry, and to ensure that the workers and communities who rely on gas are able to be retrained and redeployed in the renewable sector, with decent pay and conditions.

**Reclaim**

- 35. Reclaiming the public and social ownership of key resources and energy systems is vital, including community-owned energy and cooperatives. Funds generated from MESA payments, via a Victorian Just Transitions Authority, should be made available early in the transition process for communities and civil partners to conduct scoping exercises, obtain advice from relevant government departments and agencies, and to implement plans. Not only will this ease the reliance on gas in our communities, but will assist in developing different sources and technologies.
- 36. *Powering Victoria* provides a strong model of how community ownership can be expanded within a MESA framework that reduces household and commercial reliance on gas, and the United Workers Union recommends that this project forms part of the roadmap.
- 37. Given that the price of gas on the Australian east coast is tied to international demand it is highly unlikely that any expansion of supply will materially impact local prices. Adding some additional local supply to what is otherwise part of a global system of supply and demand will be as effective as pushing on a string.
- 38. The United Workers Union recommends that the Victorian government conduct a scoping study of the volume of gas required for discrete inputs in the advanced manufacturing and industrial sector, that is gas that is required as an input that would not otherwise be covered by the electrification of heating processes in the industrial sector.
- 39. As a matter of supply chain management and security, we would recommend that the Victorian government takes direct and public ownership of such gas assets and reserves them for industrial supply chain use at a pricing scale that is more in keeping with the Australian west coast market. This will ensure the security of underlying industrial capacity in the state during a period of otherwise great change.
- 40. Furthermore, such public ownership should not be used for new gas fields but only fields that are already operational and in use. Workers employed in gas extraction and supply must be provided with opportunities for good, secure, clean jobs in their communities but there should not be new projects or significant jobs created in the gas industry, with the Andrews Government instead moving to support the creation of good jobs in renewables, in manufacturing and in the services industries.

41. If the scoping exercise can demonstrate that the Bass Strait field, on the basis that it supplies local industrial capacity only, can last another 10 years this should be the primary acquisition target. This acquisition should only be done on the basis that the cost of remediation is fully factored into any commercial purchase price.
42. Part of the reasoning behind this recommendation is that the Bass Strait project can, therefore, act as a vehicle for the warehousing of jobs, skills and retraining to ensure the private sector has a more ready supply of skilled workers in renewable hydrogen refining.

**Renew**

43. The Victorian Just Transition Authority should also act as a clearing house for public co-investment in renewable energy, green manufacturing and renewable hydrogen refining. Co-investment should also come with a demonstrable public interest return which includes;
  - a. A profit share that returns to the public via the Authority;
  - b. Demonstrable worker voice in the enterprises that receive such funding that includes minimum measures such as a union enterprise agreement, avoiding insecure forms of work, worker representation on enterprise level boards of directors, and/or social enterprise forms such as employee ownership trusts or cooperatives; and
  - c. Strong corporate governance principles on environmental matters.
44. Fair and effective workforce transitions are a necessary precondition to achieving a decarbonised future. Without the skilled workforce to build, operate and maintain the new energy infrastructure then nothing else is possible. This means income support, retraining, job creation, economic diversification, direct public investment in new technologies and job creation.
45. United Workers Union endorses the Consultation Paper’s recognition of the importance of unions, and training and alternative jobs for workers. We strongly recommend that training be provided by TAFE and other not-for-profit facilities such as the Plumbing Industry Climate Action Centre.
46. United Workers Union members have long experienced poorly handled industry restructurings that leave many workers worse off. The workers losing their jobs at ExxonMobil and Qenos are not likely to have a better experience unless there is rapid public policy change. Workers at the recently closed Woolworths Distribution Centre in Broadmeadows are representative of what is likely to happen in this sector without conscious, planned and strategic state intervention. 12 months after the site closure in late 2019 there was an effective unemployment rate of 32% amongst the workforce, and average take-home pay for the workforce had fallen by 59%. In fact, all but one worker had experienced a fall in pay.<sup>3</sup>
47. What happens next is up to the Victorian government. There are only two possible outcomes. Without intervention, thousands of workers will experience a significant decline in their employment and income levels, which will in turn create a decentralised network of hostility to the energy transition mostly concentrated in relatively working-class suburbs.

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<sup>3</sup> See Appendix A to this submission, United Workers Union and ACTU, *Automation, Job Loss and Insecure Work Report* July 2021.

Alternatively, most of these workers will find good, union jobs in a new energy system and this in turn will build support that can make deeper and faster changes more politically feasible. There is no middle ground here.

48. In order to avoid this as the oil and gas industry is decarbonised, substantial planning and coordination will be needed. The United Workers Union recommends that the Victorian government come up with a combined oil and gas industry transition plan given the corporate, workforce and skills overlap that exists within those industries and that this plan should be part of the overall Gas Substitution Roadmap.

49. United Workers Union recommends the establishment of an Oil & Gas Industry Transformation Authority, operating within a larger Victorian Just Transitions Authority, with representation from unions, industry, training bodies, and end-users to plan and implement the decarbonisation of the gas industry and the transfer of people and skills from oil refining to hydrogen refining. The Authority should have particular responsibility for, *inter alia*:

- ensuring the fair transition of workers into new, secure jobs;
- training needs of individual workers and for the workforce more broadly;
- other policies to manage workforce transition, including supported retirement and worker transfer schemes;
- support for new technologies and planning of their implementation (including regional development objectives);
- management of price impacts of gas system replacement for consumers.

50. United Workers Union has consistently supported the establishment of a Victorian Just Transitions Authority, the tasks of which would include ensuring coordination across all government agencies, industry planning, spatial and regional development planning, and education and training to ensure that the development of new industries maximises the opportunities for workers and communities undergoing transition from reliance on the fossil fuel sector. We reiterate the need for such an Authority here: planning for the transformation of the oil and gas industries will be vital to the roadmap’s social and community benefit.

51. Retraining and redeployment of workers are tasks best carried out by organisations that have in-depth understanding of worker needs. In the Latrobe Valley, the Latrobe Valley Authority has funded the Gippsland Trades and Labour Council to provide training and job placement services for workers from major industrial facilities, including Hazelwood power station. In relation to oil and gas industry restructuring, a similar arrangement should be introduced, with relevant unions being funded to establish Workforce Transition Centres, to provide training and job placement services to workers in the industry. These centres would ideally be funded by and work closely with the Oil & Gas Industry Transformation Authority.