

## CASE STUDY

# Latrobe Valley Authority, Australia

The sudden closure of individual coal-fired power plants and coal mines can lead to strong economic challenges for coal regions. In the Latrobe Valley, Australia, the regional Government established an agency to support unemployed workers, promote economic diversification and growth, foster the resilience of local businesses, and support the regeneration of the supply chain.

## DESCRIPTION

**Location:** Latrobe Valley, Australia

**Type of action:** intermediary for regional transition

**Actors:** state government, local authority

**Financing conditions:** state aid



## KEY POINTS



### APPROACH

- Regional development authority, established by the state government and operated with a bottom-up approach to lead the transition process in the region.
- Setting evidence-based priorities aligned with regional needs and strengths.



### ENABLING CONDITIONS

- Availability of state aid for the authority's operation and development activities.
- Already existing regional knowledge and technology base thanks to long experience in electricity generation.
- Place-based expertise within the authority's workforce.



### CHALLENGES

- Opening up the traditional business community's mind-set – as well as that of other related industry sectors – to innovation.
- Transforming the traditional governmental hierarchy to a more equal and effective distribution of roles.
- Overcoming the region's negative reputation.



### ACHIEVEMENTS

- Building of partnerships and capacity across sectors for re-employment and economic diversification for a strong future.
- Developing a monitoring system for the transition process.
- Collaborating with academic partners.



**CUSTOMISED SUPPORT**

The Authority provides both customised and comprehensive support packages to the local community based on regional needs and opportunities. Beyond responding to the closure of the coal facility, the agency aims to develop an evidence-based innovation strategy highlighting the region's strengths, applying 'smart specialisation' principles and practices.

**Introduction**

Coal is an important factor for Australia's economy; the country is one of the largest coal exporters globally, and coal also plays a key role for domestic power generation (> 64% in 2016). The Australian government is not planning to phase-out coal, but when old power plants get decommissioned, substituting them with new coal-fired power plants in the same region often is not the most economical solution. Thus, the closure of power plants and mines is an ongoing process - with heavy economic challenges for the respective regions.

Latrobe Valley is situated in the south-eastern part of Australia, in the state of Victoria, with a history of high dependency on coal and heavy industries. It used to be one of Australia's carbon hotspots, with its ageing power stations using increasingly out-dated technologies and fuelled by low-quality lignite. In 2017, however, the Hazelwood power plant was unexpectedly shut down due to increasingly large costs required to ensure continued safe and viable operation. As one of Australia's biggest and most carbon-intensive power plants with a capacity of 1,600 MW, Hazelwood supplied 5% of the country's electricity and provided the Valley with a large number of well-paid jobs.

The state government of Victoria realised that the closure of the region's most significant power plant would bring about both social and economic risks. In order to deal with the transition process, the government established an intermediary agency called the Latrobe Valley Authority (LVA). It provides transition support for the workers who have lost their jobs due to the closure of the mine, promotes industry diversification and growth, fosters the resilience of local businesses, and supports the regeneration of the whole supply chain in the face of the inevitable decline of the economic importance of coal for the region. Although the Authority institutionally belongs to the state government, it has strong autonomy in terms of setting priorities and allocating state aid for the transitional process.

The Authority aims to revitalise and re-orient the region. It is working with other state and community agencies to transition the region using a comprehensive community approach. Initial work has been supported with funding of 12 million EUR (20 million AUS) that has enabled the establishment of a partnership with unions, adult education providers and training organisations all working with growth industries to support nearly 1,500 people to find new employment opportunities.

The establishment of an 'Economic Growth Zone', the first in the state, has led to economic incentives including reimbursement of government fees for businesses, a back to work scheme with payments for employment of unemployed people and investment attraction for forward-thinking industry.

In addition, a 25 million EUR (40 million AUS) development program has included two dedicated funds providing direct support to increase business expansion and jobs, as well as support for supply chain businesses directly impacted by the mine closure.

The Authority provides both customised and comprehensive support packages to the local community based on the identification of actual regional needs and opportunities.



Beyond responding to the closure of the coal facility, the agency aims to develop an evidence-based innovation strategy highlighting the region's strengths, applying 'smart specialisation' principles and practices. Core to this goal is to build up collaboration and cooperation amongst industry, higher education institutions, local government and the community, in order to initiate new development together. The strategy also focuses on ensuring that skill development meets industry needs, thereby supporting inclusive growth, capacity-building, and growth of future-oriented jobs in the region.

Overall, the authority employs 40 highly skilled experts from various fields, 90% of whom are local people with long-term experience in the public sector and with strong networks in the community.

### Key challenges

The region has already once struggled with challenges of transition, when the electricity generation and supply was privatised in 1994. The privatisation resulted in high unemployment, and significant loss of workers and skills from the region as the workforce reduced and private contractors were engaged with significant impact on local businesses. Against the backdrop of this negative precedent, a major challenge lay in overcoming the region's adverse economic reputation and instead drawing attention to its opportunities and strengths.

A key difficulty was the suddenness of the Hazelwood power plant closure. Speculations about a closure had been prompted by a statement by the owner to assess the future of the power plant; but, these were contradicted by the Australian government in early 2016. On 3 November 2016, it was announced that the power plant would be closed down less than five months later. At that point, pro-active diversification actions were no longer possible.

Big challenges also existed concerning the governance of the change process. Rather than using traditional governmental leadership to make decisions and prioritise actions, ideas and priorities were instead to be generated locally. This new governance approach required major policy innovation with respect to how regional development was to be managed and supported. To enable this new approach, the Authority received a relatively high degree of autonomy from the state government. Significantly, for example, the Authority reported directly to the Department of Premier and Cabinet, both symbolically as well as in real administrative terms.

At the outset, there was some difficulty in convincing community leaders of the necessity of the Authority's presence and the need to work together to build a new structure of local leadership given the history of the

region and what had been done 'to them' rather than 'with them'. Convincing the local community to move beyond its traditional image and dependency on coal mining and open itself up to other business sectors also posed a challenge. The bottom-up, inclusive and step-wise approach adopted by the LVA slowly but steadily addressed reservations and established the foundations for the necessary cultural change.

### Enabling conditions

The operation of the Authority is funded with 12 million EUR (20 million AUS) from the state government for four years. In addition to the operational budget, funding worth 25 million EUR (40 million AUS) is available to reach the regional priorities through transitional initiatives, e.g. seed funding grants and training programmes to re-focus workers from traditional electricity generation into growth industries including renewables.

The autonomy given to the LVA has enabled a more efficient allocation of government funds to relevant, place-based priorities. A set of evidence-based regional priorities developed through the smart specialisation process has enabled allocation of funds to locally-driven needs and to those fields that are crucial for regional growth and prosperity.

The employees' expertise and their closeness to the community ensured that work was done in a way that is respectful to the local people involved. Their existing connections to different local actors enabled them to foster the building of relationships amongst these actors more quickly, based on trust and existing relationships.

There was an existing coalition of early adopters to the transition away from coal (e.g. the fields of agriculture and horticulture already had their own innovation cluster). The LVA worked with these early adopters as they began their regional innovation strategy activities.

Another area of focus, drawing on the region's long history and infrastructure, has been the utilisation of renewable energy sources. The region was uniquely poised to focus on this sector due to a number of factors, including:

- a skilled workforce in the electricity sector,
- the presence of adequate high voltage electricity grid, and
- quality land, water and climate conditions.

## Achievements

In addition to promoting new governance and power dynamics locally, the Authority is influencing changes in policy and practice across the whole state of Victoria by demonstrating how state government can work together with local communities as equals in partnership, supporting rather than leading. Furthermore, it is also changing the general perception of the region, which is traditionally seen to be structurally weak and reliant on external support – now there is a new focus on the region's strengths, opportunities and growing local action.

To obtain the knowledge necessary to take on an evidence-based approach, the authority is collaborating with the University of Melbourne and Royal Melbourne Institute of Technology University, who provide expertise and facilitate building capacity, relationships and coalitions with local actors through the implementation of the smart specialisation approach. The project team has drawn heavily on policy learning from Europe, experimenting with the Entrepreneurial Discovery Process as both the foundation for rigorous analysis of opportunities, and to mobilise stronger collaboration across the quadruple helix of stakeholders in the region.

In order to maximise its understanding of the transition process, the Authority developed a selection of indicators to collect evidence about systemic change in the community – through the development of the innovation strategy – using a Monitoring and Evaluation framework. As a first step, a vision was created about what the region desired to achieve, which was combined with a set target by the state government and used as a base to measure the progress of the transition process.

Although there are still challenges faced in working with the community to see the benefits of the diversification necessary to shift away from the past (i.e. the coal industry), there has been a shift in local attitudes and understanding of the need for change. Latrobe Valley has a vibrant community with committed leaders who are helping to facilitate the economic development plans and strategies.

With the help of the supporting knowledge from academic partners, the Authority has identified the core fields for regional development, which are:

- renewable energies, due to already available natural resources, workforce and technological capacity,
- food & fibre (agriculture), a significant strategic asset for the region with a cluster organisation that predates the start of the transition process,
- visitor economy (tourism), as the region has the most rapidly developing tourism sector in the country, which is also connected to agriculture and potentially new energy,
- putting special emphasis on challenges in the labour market to identify future skills and training.

## IMPORTANT LEARNING POINTS

Although established by a top-down initiative, the success of the regional development authority is largely due to its bottom-up approach to tackling challenges.

Transitioning the traditional leadership relationship between the government and local level to a locally-driven, place-based partnership with flexible funding and operational agreements was a challenge that has been successfully mastered – and can provide inspiration for future collaborations between state government and local communities in general.

The key success factors for the Latrobe Valley Authority were:

- having a local team who are skilled and are in direct relationships with the affected community
- working continually by building capacity and new projects step-by-step, and putting emphasis on long-term rather than short-term development
- using already existing local clusters and networks as a basis to further expand and address new stakeholders
- working with local businesses that help lead the efforts, growing skills within the community and building collaboration, cooperation and mutually beneficial partnerships between key actors that previously operated in relative isolation.

By collaborating with traditional employment agencies in the region, adult education centres and trade union groups, they have helped workers develop skills, get retraining and transfer opportunities to other sectors.

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## Further reading

### Latrobe Valley Authority

🔗 <http://lva.vic.gov.au/about-the-authority/>

### Smart Specialisation

🔗 <https://s3platform.jrc.ec.europa.eu/what-is-smart-specialisation->

### MSSI-EU Centre

🔗 <https://sustainable.unimelb.edu.au/research/research-projects/gippsland-smart-specialisation-strategy>

### Coal Transitions in Australia

🔗 <https://www.iddri.org/en/publications-and-events/report/coal-transitions-australia>

# Platform for Coal Regions in Transition

The Platform for Coal Regions in Transition is an initiative by the European Commission.

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