

AWU Submission

Inquiry into the prudential regulation of investment in Australia's export industries

Date: 30 April 2021



Submission – investment in export industries

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Secretariat
Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

Re: Inquiry into the prudential regulation of investment in Australia's export industries

The Australian Workers' Union ('AWU') is the nation's oldest union, and also one of the largest. The AWU has wide coverage in many blue-collar industries, such as steel, aluminium, chemicals, plastics and building materials manufacturing, oil and gas extraction and processing, metal ore mining, agriculture and civil construction.

As the media release announcing this inquiry notes, prudential practices by banks, insurers and superannuation funds can significantly affect the pipeline of investment into export-exposed sectors where AWU members work. In particular, institutional investors have been targeted through a range of shareholder activism efforts to change the way they deal with gas developments. The AWU maintains industrial coverage across all aspects of the gas supply chain including in extraction, processing and energy generation. The gas sector has been particularly targeted by shareholder activism, for both onshore and offshore gas developments.

Institutional investors have been pressed to disclose and manage climate risk in their portfolio to investors. For example, Rest Super has committed to taking 'further steps to ensure that investment managers take active steps to consider, measure and manage financial risks posed by climate change and other relevant ESG risks' in response to litigation by a member under the transparency provisions of the ASIC Act.¹ Sometimes, activists take shareholder resolutions to directly target commercial decisions of institutions or companies (for example, Woodside Petroleum faced two shareholder resolutions on their climate targets and lobbying approaches).² For institutional investors, activists have sought to make them responsible not only for their own emissions, or the direct emissions of the companies that they lend to, but for the global emissions that result from the use of their product. This is despite the fact that these 'scope 3' emissions are outside of Australia's control and are already subject to international agreements.³

All risks associated with institutional investment decisions should be properly disclosed. However, some shareholder activism is undertaken with a goal of stopping projects altogether. This ignores the complex and multi-faceted ways that gas projects benefit workers, the Australian economy and the global transition to lower emissions.

Australia now exports the largest volume of LNG than any other country in the world, roughly equal with Qatar. LNG has become Australia's 2nd largest energy export after coal and uranium with over AUD\$49.7 billion in value in export; LNG exports are responsible for tens of thousands of blue collar jobs across all mainland states. Australia's LNG exports make up around 22% of the global LNG trade and 20% of global LNG supply capacity.⁴

¹ Rest Super, "Rest Reaches Settlement with Mark McVeigh," February 11, 2020, <https://rest.com.au/why-rest/about-rest/news/rest-reaches-settlement-with-mark-mcveigh>.

² Nick Toscano, "'Breakthrough Moment': Woodside Investors Revolt on Climate Change," The Sydney Morning Herald, April 30, 2020, <https://www.smh.com.au/business/companies/breakthrough-moment-woodside-investors-revolt-on-climate-change-20200429-p54oe8.html>.

³ See, for example, "Media Release: ANZ, NAB Face Shareholder Resolutions on Climate Action," Market Forces, October 1, 2020, <https://www.marketforces.org.au/media-release-anz-nab-face-shareholder-resolutions-on-climate-action/>.

⁴ Department of Industry, Science, Energy and Resources, "Resources and Energy Quarterly December 2020," 2020,

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Around 32,000 Australians are employed directly in oil and gas extraction, while the manufacturing sector employs a further 840,000 workers nationally.⁵ Workers in both of these industries are significantly covered by the AWU. That workforce comprises many of the AWU's high-employing heavy industrial work sites such as BlueScope Steel's Port Kembla Steelworks, Qenos's Botany Polyethylene plants, O-I Glass's Penrith bottling plants, Tomago's Newcastle Aluminium smelter, Orora's NSW packaging sites, AGL's Camden gas-fired power plant, and many more. For these industries (particularly the heavy industrial sector), baseload electricity power remains one of the largest input costs. This includes the milling and export of steel product, alumina and aluminium, chemicals, fertilisers, and building materials manufacture.

Australia's massive gas export industry helps to facilitate investment to meet the burgeoning global demand for LNG. Australian manufacturing sector benefits from this investment through increased gas supply, particularly where domestic gas reservations are in place (as in Western Australia, and to a limited extent in Queensland). Gas makes up around 25% of the global energy mix.⁶ When institutional investors put activists' concerns ahead of the economic realities of the global energy market, they are hurting Australian workers.

However, Australians should be able to benefit from the expansion of Australia's gas industry. consequential. While the benefits of a major gas and oil export industry are obvious, competitively priced gas for the domestic market helps to power the country's broader industrial and consumer sectors. This includes as a significant input cost for manufacturing, its bearing on the wholesale electricity price, and the commercial and residential consumption of energy. **No country – other than Australia – has a gas export industry without a gas reservation program.** Australia built a world-class gas export industry without a national gas reservation program to deliver competitively priced energy. As a result, gas prices across the east coast tripled and industrial manufacturing has contracted under the weight of the associated cost burden. Despite the global collapse in oil and gas prices, the industrial sector still cannot get access to affordable energy prices.⁷

Contrary to the claims of some shareholder activists, gas will remain necessary as part of the Australian and global energy mix into the future – this position is confirmed by Australia's former chief scientist Alan Finkel. Fossil-fuel power stations provide an important ballast to the grid, ramping up and down as more variable energy supplies fluctuate. And as the closure of coal-fired power stations progresses across the country, a switch to gas will help to reduce net emissions – particularly as the development of zero-emissions alternatives such as hydrogen will take some time, perhaps decades. The AWU urges the Committee to acknowledge the complex and damaging impacts that investor responses to activism can have on the availability of finance for gas projects, with consequences for Australian workers across many industries. With the right response, Australia can have a world-class gas industry and support its local businesses with reliable and affordable energy.

The AWU stands ready to assist the Committee in this vital work.

Yours sincerely



Daniel Walton
NATIONAL SECRETARY

<https://publications.industry.gov.au/publications/resourcesandenergyquarterlydecember2020/documents/Resources-and-Energy-Quarterly-Dec-2020.pdf>

⁵ Australian Bureau of Statistics Labour Force data (January 2021).

⁶ Department of Industry, Science, Energy and Resources, "Resources and Energy Quarterly December 2020."

⁷ <https://www.afr.com/companies/energy/sims-questions-out-of-kilter-gas-prices-20200117-p53shn>