



TASMANIAN OIL PRICE VULNERABILITY WORKSHOPS

ROUND 1

4th and 5th May 2011, Hobart

Workshop Notes

Facilitated by John Hepper, (Inspiring Place)

Wednesday 4th May 2011

Participants mainly from industry, business, transport and union sectors.

Session 2 : Big Picture

These notes were taken from facilitating a discussion with all participants.

The big implications of rising oil prices for Tasmania are:

- impact on tourism
- collapse of exports
- reduction in the standard of living
- harder to attract new business investment
- possibly lead to a smaller population
- less federal funding
- less state funding
- impacts on public sector employment
- impact on wages given structural change to Tasmanian industries which may lead to loss of people and skills from the state
- will need to find other fuel sources
- reduction in people's mobility
- need to improve public transport infrastructure and services
- increased food process and decrease in food diversity
- petroleum products will become more expensive.

The potential opportunities may include:

- increased demand for locally produced goods
- potential for bio-fuel production
- concept of Tasmanian 'food bowl' may be realized in longer term given emphasis on local production
- possibility of exporting energy from the State (may arise with loss of some existing energy users).

Session 3 : Implications for the Tasmanian Community

These notes were taken from facilitating four small groups that covered the sector interest of industries and employment, transport and infrastructure, community and environment. There was strong interest in the transport and infrastructure sector and consequently a second group was formed to replace the environment group. The groups were asked to discuss and identify the potential implications for the sector of interest.

Transport and Infrastructure (Group 1)

The potential implications were identified as including:

- Group defined this sector to include freight, public, private, roads/rail, built environment and energy grids
- costs – pass-through – impact on users, consumers and customers
- slow adaption and lead times, extra weight eg. gas (Europe has standards)

- pervasive – transformer oils (high use in electricity infrastructure)
- shift from road/rail – likely to be very long time
- Government budget – costs of buses and supporting infrastructure, subsidised and extra patronage important
- buses – parking, congestion, reliability
- increased urban density however people per m² is low
- slower TT and sea freight to help save fuel
- affect farming and fishing – equipment purchases
- however recognize we have had 300% increase in fuel costs in last 10 yrs
- exchange rate also has effects
- industry competitiveness – direct costs, freight and other costs, exchange rate ~ comparison competitors and substitutes

Transport and Infrastructure (Group 2)

The potential implications were identified as including:

- increased costs in getting from A to B – involves construction and maintenance of infrastructure and the cost of all imported goods
- increased supply risk (sources to China, not Australia)
- increased need for diversity of supply of fuels (including refining processes)
- Euro market developing LNG shipping based on CO₂ emission load and costs
- LNG/CNG activity in Tasmania from 2008 is driven by costs of diesel
- huge capital cost of conversion to new fuels
- HCC have 5 CNG vehicles, back to base, use for short distances
- efficiency improvements in cars and living costs will mitigate impacts on private travel e.g. 3.5 litres/100kms as compared to \$2 per litre
- turn-over of vehicle fleet to newer vehicles (and more efficient) which may create market opportunities, however some uncertainty and need for better knowledge
- impact will be a decline on tourism due to increased sea travel costs and hire vehicles used as touring-based holidays (however opportunity for more efficient hire cars too)
- EV charging infrastructure
- traffic levels on roads and possible need for rail services (electrification).

Industries and Employment (Group 3)

The potential implications were identified as including:

- relative impact on Tasmanian economy in the modeled scenarios reflects the relative fragility of Tasmania's economy now – including the dependence on export markets, lack of domestic demand, shift to low wage employment, dependence on Commonwealth support and lack of economic development opportunities
- in short, Tasmania is already trapped and the oil price shock shuts the door
- need for Tasmania to “get its act together” long before the full negative impact of any oil price shock flows through since the Tasmanian economy is already in a precarious state
- in particular, need for all-round economic development
- need for strategic planning
- need for flexibility and speed in policy response

Community (Group 4)

The potential implications were identified as including:

- % of household income on fuel will increase and this is significant given the high welfare dependency in Tasmania
- important trade-offs regarding the quality of life (fuel poverty)
- decreasing health outcomes related to reduced quality of life
- increased health costs to individuals and health care providers (including mental health)
- possible downward educational impacts (eg. sickness, cost of transport)
- affordable housing vs. livable communities and towns – will there be a choice?
- movement of demographics – inside and outside of Tasmania
- immediate/medium/long term public costs increase and cost shifting (both public and private)
- modal shift – access and mobility affected
- greater risks to existing small and isolated communities
- conversion of prime agricultural land to biofuel and impacts on food security
- increase in seasonal/homegrown locally produced foods
- increased local tourism to support ancillary service industries vs. decrease in interstate/international visitor numbers
- Increase in employment in value-adding/downstream processing of natural resources

Thursday 5th May 2011

Participants mainly from community, local government, environment and education sectors.

Session 2 : Big Picture

These notes were taken from facilitating a discussion with all participants.

The big implications of rising oil prices for Tasmania are:

- erosion of disposable incomes
- reduction in wages
- social exclusion
- import/export transport costs
- regional isolation (eg. commuting costs)
- downward changes in health status (eg. health service)
- implications for the University (as employer/educator) with a decline in international students
- increase in learning/commerce/information will be required
- effect on export markets for time sensitive aqua- and agricultural products
- focus on restructuring economy and business
- change in population densities (re-population of urban centres and possibly rural clusters)
- infrastructure spending (may be more focused on upgrade than new)
- potential for social conflict (greater difference between the haves and the have-nots)
- social difference – fringe vs. centre ~ spatial reorganization
- reliance on aviation fuel which will have freight and tourism implications
- need for energy substitution
- political will to influence change within the community
- much less government spending available
- cost shifting between tiers of government
- how best to communicate this to the Tasmanian people
- fuel substitution issues
- re and de- skilling issues in a “new” society/economy/environment.

The potential opportunities may include;

- new focus on revenue generating opportunities
- potential for positive change
- possible opportunity to export energy
- opportunities for renewable fuels
- more use of rail transport services.

Session 3 : Implications for the Tasmanian Community

These notes were taken from facilitating four small groups that covered the sector interest of industries and employment, transport and infrastructure, community and environment. Three groups were formed - industries and employment, transport and infrastructure and the third group combined community and environment. The groups were asked to discuss and identify the potential implications for the sector of interest.

Industries and Employment (Group 1)

The potential implications were identified as including:

- rethinking the possibilities for all industries in a low income trajectory
- recreating SMEs in agriculture and other sectors, (eg. food production)
- flow-on effects of the decrease in domestic demand
- re-evaluation of the energy pool and possible re-allocation of energy capacity
- possibility of fuel rationing
- opportunities for tourism to attract mainland tourists deterred from overseas destinations
- negative impact on higher education sector –export incomes and also the flow-on effects of spending by resident international students –and the need for UTAS and other research /education centres to re-position
- need to expand Tasmania’s skill set to mitigate impacts and maximize future opportunities

Transport and Infrastructure (Group 2)

The potential implications were identified as including:

- community understanding of the issues, need and urgency (no history of ‘real’ issues)
- experience builds resilience
- perceived links to climate change (which is not all bad ...)
- impacts (\$ shock) will drive changes in efficiency
- Tasmanian use of transport fuel is 1000 litres/person/year total consumption based on 2007 figures
- more household budget on travel driving technical substitution
- problem of 50% illiteracy rate in parts of Tasmania
- people transition (particularly at first) to motorbikes, unsafe car pooling (could be a maladaptive response) so as to achieve “a desire to keep the way of life”
- challenge if disparate 60/40 urban/rural mix – urban area is easier to practically address (options available) with better funding, literacy, local government capability
- impact on food prices – whilst transport costs on eg. potatoes is small (for domestic supplies) but personal transport costs for low income workers is higher (could be a maladaptive response)
- air transport far less efficient than land/sea so modal shifts needed
- total infrastructure costs (eg. housing) have increased reducing disposable income with higher fuel pricescompounding impacts – less holidays, non-core travel, food quality drops
- getting around without oil – range of views from “doing it everyday of the week in urban areas” to “impossible in rural areas”
- urban fringe house prices will fall - tipping point – less capacity to actually adapt
- many optionselectric vehicles, H₂.....but how to do it? – complex issue as have had a good solar option for 40 years now but uptake still low
- very complex and no one solution but stakeholders will need help to become aware and implement change.

Community and Environment (Group 3)

The potential implications were identified as including:

- poverty/social exclusion will only get worse if no action/intervention is taken
- Tasmania already has relatively low wages and will feel this impact regardless of the scenarios
- however there is the potential for looking at positive inclusion with leadership based around co-operation and engagement
- maybe the gap between the rich and poor will widen further (expect this has occurred with the past 300% hike in oil prices)
- critical for leadership – there needs to be programs to inform people and to help recognise that the impact is likely to be permanent and not just fluctuating – people will need to make well informed choices and consider alternatives
- local government may have an expanded role and can learn from other places where action is being taken
- impact on forestry, mining and transport industries
- must not compromise the environment with pursuit of new energy sources – must improve sustainability with accessible renewable fuel
- cheaper housing currently available at the fringe of the urban areas may feel impact and inequity
- will affect participation in many aspects of social life e.g. sport, attending events, holidays
- perception of the Tasmanian economy (national/international) – it will require leadership based on values
- less can be more (re-jigging consumerism and redefining our values may be important steps)
- maybe more domestic (interstate) visitors to Tasmania as overseas options become less affordable
- potential to increase grassroots collaboration e.g. “transition” towns dealing with re-localising communities with energy supply and better energy efficiency.