ALGA
Australian Local Government Association

Future Made in Australia Community Benefit Principles: draft public guidance

Submission to the Department of Industry, Science and Resources

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Building Better Communities.

Introduction

The Australian Local Government Association (ALGA) is the voice of local government in Australia, representing 537 councils across the nation. ALGA was established in 1947 and throughout its history has been actively involved in issues of national significance affecting local government and local communities.

In structure, ALGA is a federation of state and territory local government associations. This submission should be read in conjunction with any separate submissions received from state and territory associations as well as individual councils.

The imperative to mitigate a changing climate and its impacts is driving transition across Australian communities, particularly in regional, rural and remote areas where transition away from fossil fuels and dependent industries – in combination with other demographic and population changes – sees the need for a strategic and coordinated approach across all three levels of government.

ALGA advocates for the roles, resourcing and capacity needs of local governments in the face of nationally significant economic and industry transitions. ALGA is an observer to several ministerial councils which are relevant to industry transformation. These include Energy and Climate Ministerial Council and Environment Ministers Meeting.

Local government and industry transformation

Local governments play a vital enabling role in community development and prosperity. Councils are democratically elected and are the first port of call for communities; they maintain deep local knowledge, serving communities in perpetuity.

They build relationships, elicit the community's vision, needs and desires and turn it into reality, through strategic planning, and delivery of essential infrastructure and services that enable local economies to prosper.

These roles are critical in shepherding collaboration, strategic planning ahead of time, and delivery of considered legacy benefits that make new industries more likely to prosper.

The Australian Government's Industry Net Zero Sector Plan (p.12) states: "Achieving the industrial net zero transition will be complex. It will need careful regional planning, a skills ready workforce and reliable and affordable access to renewables energy." Local governments play critical roles in all these enablers.

A note on community benefit in the context of emerging industries

Community benefit in the Future Made in Australia (FMA) context has transferrable lessons from other major industry transformations, namely, renewables rollout. However, there are distinctions.

While renewable energy projects typically have a proven business case for ongoing profitability and can reliably deliver community benefits, such as a per-megawatt-hour contribution, many prospective FMA-supported projects are still at the innovation or demonstration stage. With the Australian Government underwriting the risk associated with nascent enterprises, at least in the immediate future, there is an imperative to share the benefits of successes with the host communities. The right mix of community benefits is also contextual, and differs across industries, technologies, and places with different market access.

As a result, community benefits may focus more on direct project outcomes, such as upskilling local workers and engaging local contractors, rather than longer-term financial returns flowing to the community. It is important that these community benefit principles be reviewed periodically with on-the-ground actors, including local governments, to ensure they remain fit-for-purpose as industries mature, profitability changes, technologies emerge or decline, and broader contextual factors evolve.

Community benefits as part of a positive long-term legacy

When local governments are involved as a genuine partner it can create real outcomes for the communities. The community benefit principles should embed recognition of local government's unique enabling role into decision making for FMA support.

Beyond advising on design and delivery of community benefits, local governments are the guardian for community infrastructure, assets and services. Where community benefits require ongoing maintenance, companies need to produce a plan and budget for how relevant maintenance/operations of benefits will be executed **into perpetuity**. If these plans require local government to manage the asset or service, companies need to have formal agreements with those councils before the assets or services are delivered. This is crucial for protecting the financial sustainability of councils and the ongoing value of the community benefits.

ALGA supports the emphasis of Principles 3 and 4 on genuine, early, collaborative and culturally appropriate engagement with Traditional Owners and First Nations communities, and to support sharing in the benefits of net zero transition.

Recommendation 1 (high priority): Community Benefit Principle 3 must recognise the criticality of local government by introducing a "threshold requirement" for demonstrating early, continuous and genuine engagement by a proponent with the local government/s in the region they seek to operate in.

Recommendation 2: Community Benefit Principle 3 should be positioned first, with jobs (Principle 1) and workforce skills (Principle 2) being positioned as key components to, "achieve positive outcomes for local communities" (per Principle 3).

Recommendation 3: Any community benefits requiring ongoing maintenance or operation must require a formal plan for how that will be delivered and maintained. Where councils are requested to play a role, an agreement on the roles and plans for cost recovery and maintenance costs should be established in documentation as a threshold requirement.

ALGA recognises and agrees on the importance of companies being transparent and compliant in respect to taxation. However, compliance with taxation should be a given, not a principle of good conduct underpinning investment support. There is opportunity to broaden Principle 6 to signal expectations in respect to "good" company behaviour and establish expectations from an early stage. This sets the standard and precedent for future industry development from early stages.

The Developer Rating Scheme, which is under development to support practice improvement within the renewable energy development industry, has involved deep collaborative input from a range of stakeholders to define areas where good practice can be assessed and is relevant for the broader social license for net zero. DISR should engage with the Department of Climate Change, Energy, Environment and Water (DCCEEW) and Equifax on these elements to inform future iterations of the FMA community benefit principles on good conduct.

From a local government perspective, Principle 6 should include demonstration of good environmental, social, and governance practice on a holistic basis. Areas that local governments want to see proactive consideration of by companies and emerging industries include, and are not limited to:

- Taking responsibility for designing and procuring to reduce waste, and having a plan for reusing, repurposing and recycling resources. Where residual waste must go to landfill, councils should be able to recover these costs.
- Having a procurement strategy to source non-renewable resources (e.g. sand, gravel) in a way that reduces overwhelming demand on local sources.

- Having a strategy for reducing impact on local water and sewage systems.
- Having a plan for managing demand on energy networks and installing own renewables.
- Where relevant, having a housing strategy in place to avoid 'boom and bust' impact of construction workforce on local housing markets.
- Where relevant, having community and road infrastructure agreements in place which scope potential impacts on roads and implement impact mitigation ahead of development.

Recommendation 4: Make Principle 6 more ambitious than focusing solely on compliance with taxation requirements. The principle should set expectations and incentivise good company behaviours in areas that tangibly impact local communities, local government assets and operations. This will support good conduct from early stages of industry development and contribute to broader social license of net zero.

Further government work required to support FMA Community Benefit Principles

Community benefit and legacy contributions by industry are important for paving the way for industry transformation to make local communities better off. However, industry cannot fully shoulder the responsibility for social license associated with industry change, and local governments are similarly unable to do so without support from other levels of government.

Circular economy should be in-scope for FMA support

Circular economy should be supported in the FMA agenda. This could include support for technologies, market development, infrastructure investment, and research and development which supports the circular economy. The Australian Government's *Circular Economy Framework* has already specified priority resource streams that are ideal for increasing reuse, refurbishment, and recycling.

The Productivity Commission's Inquiry into Circular Economy highlights the importance of recognising circular economy activities across Commonwealth investment vehicles where they support mutual policy outcomes. In this case, circular economy industries and initiatives present opportunities for job creation, reskilling, emissions reduction, and value adding to exported products. As a bold and ambitious future-defining agenda, it would be a loss for Future Made in Australia to overlook the material productivity gains possible through circular economy design. The alignment of objectives between FMA and circular economy should be recognised and implemented as such.

Local government has long-held concerns on the lifespan of land-fill sites across the nation, and critical investment in a circular industries and supply chains would be a step in the right direction.

Regional strategic industry transition plans

A strategic approach to FMA investments across regions would help to capitalise on the opportunities for co-location, industrial ecology, shared hard infrastructure, and pre-empting cumulative impacts and potential ruptures to social license for new industries.

Regional strategic industry plans should provide an up-to-date account for how new industries and initiatives supported by FMA are progressing, the emerging opportunities, and the cumulative impacts to be collaboratively managed. A consolidated plan would support community and investor confidence in the FMA agenda. These plans would serve to:

- Improve awareness of industry developments and changes, and what a community might expect in future.
- Identify the opportunities and cumulative impacts at regional, rather than project by project scale.

- Provide a trustworthy and up-to-date account of how the community is better off from new industries in their region.
- Provide a place to acknowledge and address how the negative impacts are experienced in different parts of the community/region and how these can be addressed collaboratively.

Proof of Concept: Spain's Just Transition Governance Framework

Spain's Just Transition Governance Framework is widely regarded as one of the most advanced globally and it demonstrates that collaborative, multi-level strategic planning smooths transition and social license. It was developed to manage the impacts of phasing out coal and nuclear and is now evolving to support the phase-in of renewables. There are transferrable lessons for the FMA agenda.

- Local governments are recognised and engaged as in co-governance under the Framework; situated as co-designers and delivery partners of Just Transition Agreements (JTAs) to smooth the exit from coal and transition into renewables.
- JTAs are tailored to the needs of specific regions, supporting economic diversification, reskilling, and local development.
- JTAs inform access to grants for municipal projects, entrepreneurship, environmental restoration, and cultural initiatives.

Spain is now proposing to adapt its successful JTA model for the phase-in of renewables and other decarbonisation technologies via Just Renewable Transition Agreements (JTRAs). JRTAs will involve all levels of government, renewable companies, and local communities in co-designing projects, identifying local impacts and ensuring benefit-sharing.

The FMA Community Benefit Principles can support project-by-project benefits but would ideally be positioned in a broader regional planning approach which enables community benefits to be designed to maximise one another.

Capacity support for local governments

New and emerging industries relevant to the FMA agenda often form in regions experiencing significant transformation. Local governments in these regions often take on significant additional responsibilities and workload associated with strategic economic planning, advising governments and companies, community engagement, and brokering connections. These roles are often an additional impost to core functions.

DISR and Treasury should connect with other relevant Commonwealth initiatives associated with net zero – such as the National Reconstruction Fund/Net Zero Fund, Net Zero Economy Authority, the Capacity Investment Scheme, the Clean Energy Finance Corporation and others – to understand the capacity demands on councils for grappling with transformation in their local government areas. Capacity and capability support should be offered to help councils, enabling them to do their best work in enabling complex changes with their communities.

Recommendation 5: Include circular economy technologies, infrastructure, supply chains, and skills development as eligible for FMA support.

Recommendation 6: The Commonwealth, with state, territory and local governments, should do strategic planning on a regional level for how FMA-supported projects will benefit and impact communities on a cumulative basis. These plans should be reported on periodically.

Recommendation 7: Where there is significant local/regional industry change that impacts on a community and LGA, local government must be supported with additional funding, including staffing capacity, to take up increased demand on their services.

Thank you again for the opportunity to provide input. Please contact Eleanor Robson (Policy Director – Environment) for any further information you may require.

Sincerely,

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