OXFORD ECONOMICS AUSTRALIA

Regional Economic Transition Analysis – Latrobe Valley

Final report

December 2025

Disclaimer

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics Australia has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

To discuss the report further please contact:

Emily Dabbs

Head of Macroeconomic Consulting, ANZ

edabbs@oxfordeconomics.com

Level 6, 95 Pitt St Sydney, Sydney, 2000, NSW

Tel: +61 424 389 909

EXECUTIVE SUMMARY

KEY FINDINGS

Latrobe Valley's resource base and energy infrastructure give it a unique advantage.

Electricity, gas, water, and waste services remain central to Latrobe's economy (~16% of value added), reflecting its legacy as Victoria's power generation hub, supported by extensive grid infrastructure, brownfield assets, and skilled energy workers.

Mining and supporting industries continue to underpin the region's industrial profile, alongside major employers in health, education, and public administration, which sustain workforce demand.

Latrobe's role as Victoria's transmission backbone, its proximity to the Gippsland Offshore Wind Zone, and existing energy infrastructure position it for emerging net zero opportunities.

Around 650 fossil fuel jobs are expected to be lost by 2035, with 350 workers retiring and 300 workers likely to undergo a workforce transition.

Around 96% of fossil fuel workers requiring transition are potentially able to pursue a pathway into similar roles over the next decade, noting challenges for highly specialised mining roles.

Just 4% of fossil fuel workers requiring transition are likely to move into a skill adjacent role, though this would increase if the Loy Yang A closure date is brought forward. Reskilling will be a critical component for workers to capture these opportunities.

High growth roles are concentrated in health and education, presenting limited opportunities for the fossil fuel workforce. However, priority investment opportunities would align well with the current skillset of the workforce.

The Latrobe Valley has key investment opportunities across offshore wind, transport and logistics and food and fibre manufacturing.

Latrobe Valley can specialise in generator and gearbox overhauls, HV transmission works, and long-term operations and maintenance services for offshore wind once projects are operational from 2032.

Its proximity to Gippsland producers, combined with available industrial land and potential for cold-chain facilities, supports near-term opportunities in food and fibre processing, packaging, and exports.

The Gippsland Logistics and Manufacturing Precinct (GLAMP) in Morwell provides a foundation for intermodal freight, clean transport hubs, and regional consolidation of Gippsland's food and fibre exports.

Employment demand in Latrobe Valley is sufficient to absorb fossil fuel workers, but the disparity in wages and skill levers poses a risk.

There is sufficient job availability in the region to absorb displaced fossil fuel workers, but relatively weaker growth in industrial roles compared to other parts of the workforce presents a risk to fossil fuel workers.

Strong vocational attainment within the fossil fuel workforce may be a comparative advantage for industrial investment.

The higher wage levels combined with lower rates of education and generalist skill competencies compared to the broader workforce may pose challenges for workforce transitions.

Public services will continue to underpin workforce gains, while logistics and renewables are expected to emerge as key employment drivers.

Growing labour force participation in Latrobe Valley has supported workforce expansion, even as population growth remains slower than the state.

The Latrobe Valley is expected to add between 3,000 to 6,000 jobs over the next 10 years depending on the pace of the energy transition.

Traditional industries in Latrobe Valley are in gradual decline, with industrial and retail employment easing as a share of the workforce. Though, considerable opportunities in renewable energy exist if there is strong renewable deployment in the region.

Overcoming investment barriers will be critical to diversifying the industrial base and ensuring the success of reskilling and redeployment levers.

Clear policy signals, streamlined approvals, and long-term offtake agreements can build investor confidence and reduce project lead times.

Targeted investment in grid, freight, intermodal, and cold-chain infrastructure, alongside leveraging GLAMP and Gippsland ports, can lower costs and expand logistics capacity.

Workforce transition programs through TAFE Gippsland, apprenticeships, and clean energy training can reskill Latrobe Valley's industrial workforce for energy, logistics, and food processing roles.

INTRODUCTION

NZEA has engaged Oxford Economics to support evidence-based action in transition-affected regions.

Project Overview

The Net Zero Economy Authority (NZEA) commissioned this project to understand opportunities presented by the net zero transition for regional communities. There are a number of regions central to Australia's energy system and industrial base that face disproportionate exposure to structural shifts as emissions-intensive activities decline. The Hunter, Central Queensland and Latrobe Valley were prioritised for this project due to the size and complexity of their region and economies, but the analytical framework can be deployed in other regions. These regions also present opportunities to lead in clean energy generation, advanced manufacturing, and resource-based value-adding, provided that the right policy, investment and workforce conditions are in place. The project seeks to inform strategic planning and intervention by forecasting how regional economies will evolve under different decarbonisation scenarios.

Oxford Economics was engaged to deliver a structured, scenario-led analysis across three core domains. These include forward-looking forecasts of industry and labour market change, an assessment of each region's comparative advantages and investment potential, and a detailed examination of transition pathways for fossil fuel and related workers. The analytical framework integrates AEMO's 2025 transition scenarios with regional planning assumptions, closure timelines, and infrastructure settings to ensure alignment with real-world transition drivers. Regional priorities and economic exposures have been informed by the NZEA's own statistical framework, which identifies both downside risks and economic opportunities across Australia's key regions.[1] The analytical framework used within this project can be deployed across other NZEA priority regions beyond the Hunter, Central Queensland and Latrobe Valley.

The project aims to generate region-specific insights that can support practical decision-making across multiple levels of government. By quantifying the scale and timing of industrial change, identifying investment barriers, and mapping reskilling needs, the work creates an evidence base that links long-term economic modelling with near-term policy and program levers. This enables a more coordinated approach to managing transition risk while positioning each region to attract and retain high-value activity.

This work provides a foundation for coordinated, place-based action across governments, industry and communities. Outputs will support the NZEA's role in shaping policy, allocating resources, and engaging stakeholders on transition risks and opportunities. By identifying emerging demand for labour and skills, sectoral growth trajectories, and enablers of investment readiness, the project aims to assist in sequencing investment, workforce support and infrastructure development. Ultimately, the analysis will help ensure that transition efforts are locally grounded, forward-looking, and capable of delivering resilient and inclusive economic outcomes.

Project Components

The project was structured into three core analytical components to align with NZEA's transition objectives. Each stream was applied consistently across the Hunter, Central Queensland, and Latrobe Valley regions. Separate reports were developed for each component in each region to ensure depth, comparability, and regional specificity. In addition, a summary report has been developed synthesizing the key insights across all three project components.

Regional Economic Forecasts

This stream provides scenario-based projections of industry composition, employment, and skills demand across 5, 10, and 25 years. These forecasts are based on AEMO's 2025 transition scenarios and represent regional futures based on current trends and industrial structures within the region. Outputs include identification of sectors likely to decline, grow, or emerge, the timing of major structural shifts, and profiles of key workforce cohorts.

Regional Investment Analysis

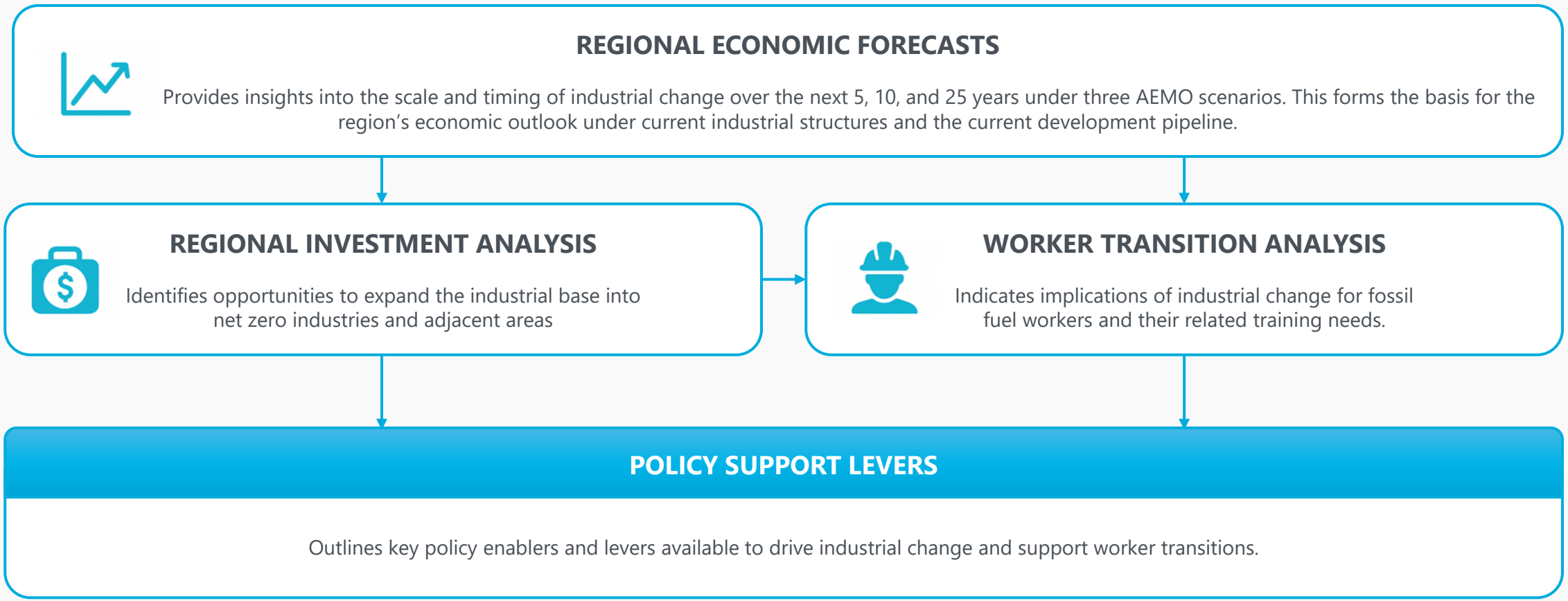
Focusing on each region's strategic position, this stream identifies comparative economic advantages, evaluates barriers to investment, and highlights opportunities to attract net zero aligned industries. It also outlines region-specific enablers such as infrastructure, workforce capability, and resource availability that could support long-term industrial development beyond what is identified in the *Regional Economic Forecasts* report.

Worker Transition Analysis

Centred on transition-affected workers, this stream delivers occupational pathway mapping, retraining requirements, and an assessment of local training system capacity. It also provides targeted support strategies to address cohort-specific barriers and enable workforce mobility within the regional economy. The analysis considers both the likely future economic structure of the region as identified in the *Regional Economic Forecasts* report and opportunities identified in the *Regional Investment Analysis* report.

Our analytical framework brings together three interconnected streams of analysis to identify policy levers that could support the region's transition.

Regional economic transition analytical framework



Source: Oxford Economics

This report presents findings into the challenges and opportunities facing Latrobe Valley's net zero transition and implications for supporting workforce transitions.

Purpose of this Report

This report provides an integrated analysis into the economic, investment, and workforce dimensions of the Latrobe Valley's transition to net zero. It forms part of the Net Zero Economy Authority's (NZEA) regional analysis program and supports its broader mandate to coordinate an orderly, inclusive and place-based transition. The focus is on bringing together forward-looking economic forecasts, assessments of regional investment opportunities, and analysis of workforce transition pathways to provide a consolidated evidence base for decision-making.

The report draws on findings from each of the *Regional Economic Forecasts* report, *Regional Investment Analysis* report and *Worker Transition Analysis* report. It highlights the timing and scale of structural change likely to occur in the Latrobe Valley economy based on current development pipelines and industrial structures, identifies the most viable opportunities to attract and grow net-zero-aligned and other relevant industries to support a thriving Latrobe Valley, and outlines the workforce supports required to enable an inclusive transition for affected communities. The forecasts produced within the *Regional Economics Forecasts* report are underpinned by the Australian Energy Market Operator's (AEMO's) energy transition scenarios* and do not include any crowding-in investment from the areas identified in the *Regional Investment Analysis* report.

Findings from this report will inform strategic planning, investment prioritisation, and workforce development across government, industry and communities. The outputs are designed to help NZEA and relevant stakeholders anticipate the interconnected challenges and opportunities facing the Latrobe Valley, and to align policy, investment, and support measures accordingly. These findings are intended to be validated by NZEA with regional stakeholders.

The structure and methodology bring together a single picture of the region's economic transition challenges and opportunities. The regional economic forecasts assess the Latrobe Valley's likely economic path based on current industrial structures and the current development pipeline, the investment analysis identifies opportunities for growth and change aligned with net zero priorities, and the workforce transition analysis integrates both dimensions to map the opportunities and needs of affected workers and communities. While each stream provides depth in its own right, this report brings them together to create a single, region-wide narrative and provides a basis for validation with local communities. The analysis is forward-looking and designed to inform medium and long-term decision-making to ensure the Latrobe Valley's transition is resilient, inclusive, and economically sustainable.

Report Structure

The report is structured around four core analytical components: analysis of the Latrobe Valley's economic outlook, identification of priority investment opportunities, assessment of workforce transition pathways, and consideration of the policy supports and recommendations required to enable an orderly transition. Each of these components provides a distinct perspective on the region's transition, and together they offer an integrated view of how the Latrobe Valley can navigate structural change while maximising opportunities for growth and community resilience.

THE LATROBE VALLEY'S ECONOMIC OUTLOOK: This section provides a forward-looking assessment of the Latrobe Valley's likely economic trajectory under different transition scenarios. It draws on industry composition, employment forecasts, and skills demand projections to highlight sectors expected to grow, decline or emerge based on the industrial structure and current development pipeline.

PRIORITY INVESTMENT OPPORTUNITIES: This section identifies the Latrobe Valley's comparative advantages and the most viable opportunities to attract and develop net-zero-aligned and other industries. It considers enabling conditions such as infrastructure, resource availability, and workforce capability, and highlights barriers that may delay or limit investment.

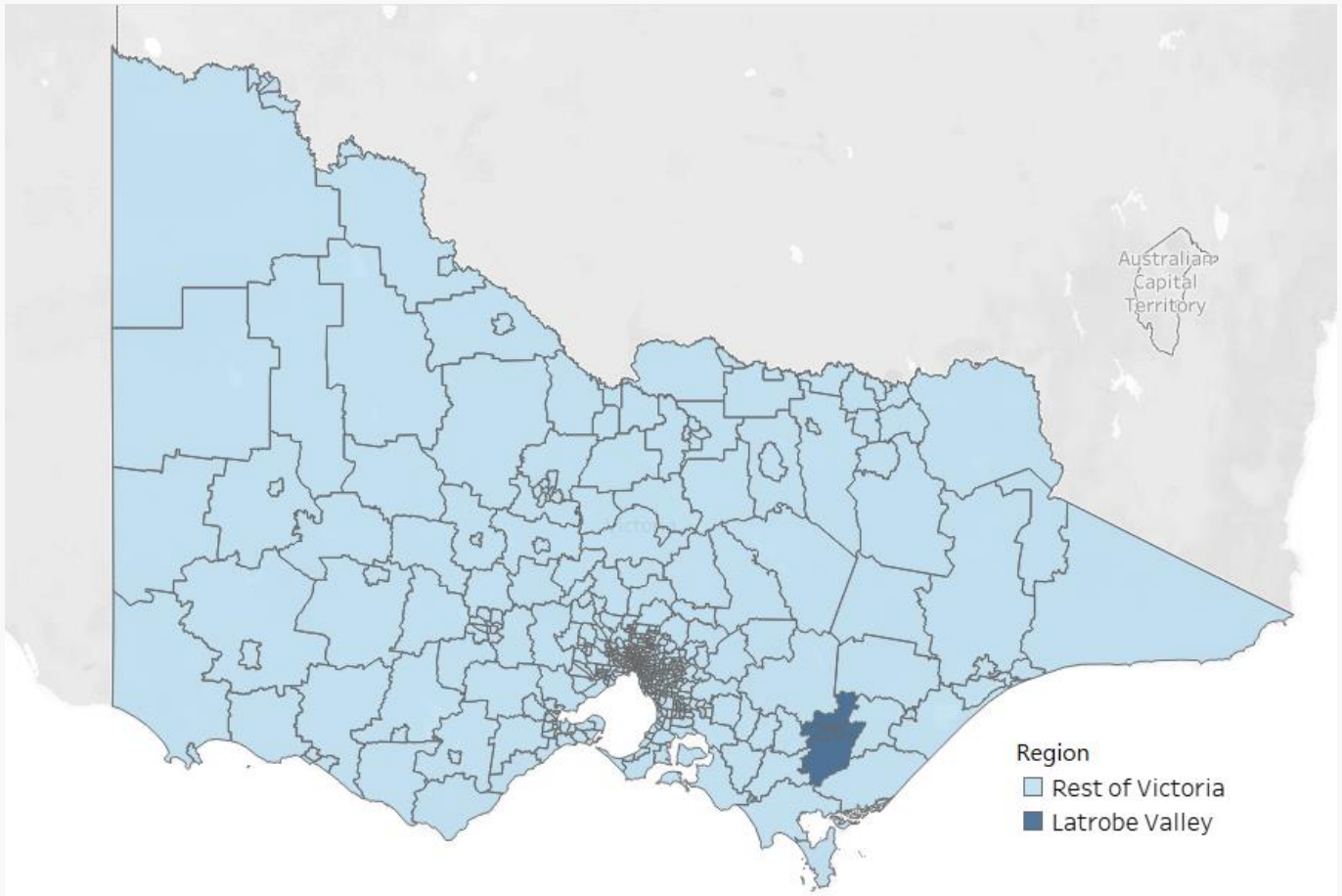
WORKFORCE TRANSITION PATHWAYS: This section examines the implications of industrial and investment change for the Latrobe Valley's workforce. It maps potential occupational pathways for affected workers, identifies retraining and mobility requirements, and assesses the region's capacity to support workers through transition.

APPENDICES: This section provides technical detail on the definitions, approaches and data sources used within the analysis of this report.

*The transition scenarios produced by Deloitte Access Economics as part of AEMO's Draft 2025, Inputs, Assumptions and Scenarios Report outline possible demographic, economic and decarbonisation pathways for Australia. These scenarios focus on the pace of the transition, particularly in the energy sector, to support AEMO's long-term energy consumption forecasts. While the forecasts do not explicitly capture the method of decarbonising, the net zero pathway constraint means that emissions-intensive industries are most affected.

The analysis in this report is focused on the Latrobe Valley which is defined as the combination of six SA2 regions.

Latrobe Valley map



Latrobe Valley SA2 listing

State	Working Zone Name	SA2 Name	SA2 Code
VIC	Latrobe Valley	Churchill	205041094
VIC	Latrobe Valley	Moe - Newborough	205041095
VIC	Latrobe Valley	Morwell	205041096
VIC	Latrobe Valley	Traralgon - East	205041493
VIC	Latrobe Valley	Traralgon - West	205041494
VIC	Latrobe Valley	Yallourn North - Glengarry	205041098

Source: Net Zero Economy Authority, Australian Bureau of Statistics
***Note:** All analysis in this report is confined to the Latrobe Valley region. Gippsland, which extends south from Latrobe Valley to the coast, is treated as a separate Working Zone and is not included in the core analysis. Where Gippsland is referenced, it relates to specific projects outside Latrobe Valley that nonetheless influence the region's employment outlook. Gippsland has also been considered in identifying priority project types for Latrobe Valley through comparative advantage and policy alignment assessments. Unless otherwise specified, all employment figures refer exclusively to Latrobe Valley.*

PRIORITY INVESTMENT OPPORTUNITIES

Latrobe Valley has comparative advantages in electricity generation, mining, healthcare and education with potential in aerospace and manufacturing.

Comparative advantage summary

Segment	Industry	LQ*	Growth**	Skilled labour***	% of economy ****	Infrastructure and endowments
Established advantage	Education and Training	1.27	1.0%	1,989	5%	• TAFEs and Federation University • Major hospitals and clinics
	Healthcare and Social Assistance	1.16	2.0%	4,100	11%	• Gippsland REZ, grid access, Gippsland basin
Net zero opps.	Electricity, Gas, Water and Waste	4.14	1.0%	1,476	16%	• Coal reserves & logistics
	Mining	1.39	-3.2%	174	11%	• Potential Clean Hydrogen Industrial Hub, Morwell Innovation Centre
Latent potential	Manufacturing	0.83	0.5%	1,070	5%	• Gippsland Logistics and Manufacturing Precinct (GLaMP)
	Professional, Scientific & Technical	0.31	1.7%	915	3%	• Offshore wind zone and agriculture • Aerospace technology precinct
Enabling industries	Admin. and Support Services	1.07	1.3%	274	1%	
	Construction	1.04	0.6%	1,854	9%	
	Agriculture, Forestry and Fishing	0.96	0.6%	356	3%	• Fertile soil, paper mill and timber in adjacent regions
	Transport, Postal and Warehousing	0.91	2.2%	170	2%	• Freight rail and regional airport
	Other Services	0.70	0.9%	950	2%	
	Information, Media & Telco	0.68	0.5%	253	2%	
	Wholesale Trade	0.64	2.1%	218	2%	
	Financial and Insurance Services	0.55	0.7%	397	4%	
Population serving	Public Administration and Safety	1.20	1.7%	1,684	8%	
	Accommodation and Food Services	1.16	1.2%	555	2%	
	Retail Trade	1.06	0.7%	794	4%	
	Rental, Hiring and Real Estate	0.74	0.7%	259	12%	
	Arts and Recreation Services	0.63	1.5%	213	0%	

Source: ABS; REMPLAN; Oxford Economics Analysis

** Location quotient of employment in 2025 relative to national levels; **Employment growth forecast 2025-2035 - step change scenario; *** Defined as workers in industry with skill level 3 and above; ****Defined as the percentage of regional GVA*

Description

The Latrobe Valley is one of Victoria's most important industrial centres, historically anchored by its role as the state's energy hub. Electricity, gas, water and waste services account for around 16% of regional value added, supported by extensive grid infrastructure, coal reserves, and logistics links. Mining also remains significant, underpinned by long-standing expertise in extraction and rehabilitation. Alongside this, healthcare and education are major employers, with Federation University, regional TAFEs, and large health services sustaining skills, training, and service demand.

The region's industrial and infrastructure profile positions it strongly for net zero transformation. Existing transmission networks, skilled workers, and the nearby Gippsland Basin enable diversification into renewables such as offshore wind, geothermal, and large-scale battery storage. Waste-to-energy projects[2] and the conversion of agricultural and forestry by-products into bioenergy and biofuels also present opportunities. Rehabilitation of former coal mines[3] provides scope for environmental restoration and redevelopment into renewable energy precincts, or new industrial uses.

Latrobe Valley retains a skilled industrial workforce and established training institutions that provide a base for advanced manufacturing and defence. Although employment in traditional manufacturing is forecast to stay stable (0.5%/year) by 2035, the region has capacity to pivot towards higher value activities such as precision engineering, and defence equipment manufacturing. The Aerospace Precinct[4] at Latrobe Regional Airport offers scope for testing, R&D, and small-scale production, supported by partnerships with Federation University, TAFE, and industry.

Beyond manufacturing and defence, the region's comparative advantages extend across agriculture, forestry, and food and fibre. Fertile land, established processing capability, and proximity to key transport corridors provide opportunities for value-added production, including dairy, horticulture, and timber products. Combined with emerging waste-to-energy projects, these sectors position Latrobe Valley to diversify its economy while contributing to Victoria's broader net zero objectives.

Latrobe Valley has key investment opportunities in offshore wind, food & fibre product manufacturing and transport & logistics.

Project type	Lead Times*	Job Contribution	Policy	Comparative Advantage	Average Rating**	Description
Offshore wind farms	Long Term	4.00	4.00	5.00	4.33	Strong coastal wind resources and legacy grid infrastructure. Broad policy support, but with recent project uncertainty.
Food and fibre product manufacturing	Short Term	2.00	5.00	5.00	4.00	Established agricultural base in Gippsland region supports expansion. Existing precinct.
Transport and logistics	Medium Term	4.00	4.00	4.00	4.00	Road and rail links connect to Melbourne and Gippsland ports. Planned precinct.
Carbon capture and storage (CCS)	Long Term	5.00	4.00	3.00	4.00	Suitable geology for CO_2 storage near Loy Yang. Currently limited projects outside of CarbonNet.
Hydrogen	Medium Term	5.00	3.00	3.00	3.67	Planned pilot projects planned and proximity to upcoming generation projects. However, projects not focused on green hydrogen and Latrobe Valley not designated as a hydrogen hub.
Energy from waste facilities	Long Term	4.00	4.00	3.00	3.67	Existing industrial land and local waste but community concerns, policy and feedstock barriers
Renewables component manufacturing	Short Term	5.00	3.00	3.00	3.67	Potential local content requirements for nearby OSW projects. Little existing industry.
Circular economy manufacturing	Short Term	1.00	5.00	4.00	3.33	Industrial base can enable recycling and material recovery ventures.
Defence maintenance/sustainment	Short Term	5.00	2.00	3.00	3.33	Upcoming Aerospace Technology Precinct but limited direct industry presence to date.
Urea and ammonia production	Short Term	4.00	3.00	3.00	3.33	Applicability as fertiliser input for surrounding region, but limited policy support.
LCLFs, biofuels and biochemicals from waste streams	Medium Term	3.00	4.00	3.00	3.33	Strong forestry residues and agricultural waste feedstocks.
Defence manufacturing	Short Term	3.00	3.00	3.00	3.00	Upcoming Aerospace Technology Precinct but limited direct industry presence to date.
Solar farms	Medium Term	1.00	5.00	3.00	3.00	Good grid access and existing projects, but few employment opportunities.
Battery energy storage systems (BESS)	Medium Term	1.00	4.00	4.00	3.00	Strong applicability based on grid integration and generation projects.
Green metals	Medium Term	3.00	3.00	2.00	2.67	Few notable mineral deposits in the region aside from coal.
Geothermal heating and power	Long Term	2.00	2.00	4.00	2.67	High comparative advantage due to existing aquifer, but limited applications to date.
Mine rehabilitation	N/A	3.00	1.00	4.00	2.67	Extensive coal mines will require rehabilitation, but little discussion in policy.
Onshore wind farms	Long Term	1.00	4.00	2.00	2.33	Several onshore farms planned, but substantially smaller than planned OSW projects.
Minerals processing	Short Term	2.00	3.00	1.00	2.00	Some mineral sands resources present, but little utilisation to date.
Data centres	Short Term	1.00	2.00	2.00	1.67	Largely unviable because distance from metro demand creates latency disadvantages, despite ample water and energy reserves; limited long-term jobs contribution beyond construction.
Pumped hydro energy storage	Long Term	2.00	1.00	1.00	1.33	Limited topography.

**Note that lead times are not considered when deriving a project type's rating or the subsequent prioritisation. Details and categorisation are retained here for illustrative purposes.*
***Additional detail on methodology to derive scores is present in report appendices.*

Key opportunities Weakest 1 2 3 4 5 Strongest

Latrobe Valley can become Victoria's engineering and servicing hub for offshore wind, leveraging its industrial base and workforce.

Summary of opportunity – Offshore wind farms

Victoria has legislated ambitious targets of 2 GW offshore wind by 2032, scaling to 9 GW by 2040 in the Gippsland Offshore Wind Zone. While the turbines and offshore construction will occur on Gippsland's coast, Latrobe Valley's proximity, industrial land, and deep engineering base position it as the onshore hub for operations, maintenance, and heavy engineering services. Latrobe Valley cannot expect large-scale activity until at least 2032, but longer-term diversification potential is significant, particularly in O&M, heavy maintenance, transmission tower works, and advanced component servicing. Enabling transmission projects are also expected to add to employment. This complements existing strengths and provides a pathway for transition away from coal.

Latrobe Valley advantages

- Established heavy engineering firms with capability in generators, gearboxes, and ancillary equipment. Skilled transitioning workforce in mechanical, electrical, and operational trades.
- Proven transmission infrastructure expertise from SEC heritage and private industry (e.g. tower construction).
- Strong utilities and grid backbone (VicGrid REZ connection, AusNet, AEMO integration).
- Industrial precincts (Morwell Innovation Precinct, GLAMP) offering land, utilities, and co-location opportunities.

Actions to realise opportunity

- Position Latrobe Valley as Victoria's offshore wind O&M/engineering hub.
- Secure investment in training and accreditation for HV technicians, turbine specialists, safety officers.
- Ensure VicGrid's Victorian Transmission Plan explicitly supports Latrobe-based O&M and servicing centres.
- Build partnerships with OEMs and Tier-1s to integrate Latrobe Valley firms into servicing and component contracts.
- Market Latrobe Valley's heavy engineering capacity as complementary, not competing, with OEM supply chains.

Estimated economic impacts*

	Offshore Wind Farms**	
	Construction	Ongoing
Investment	$7,822m	$192m p.a.
GVA	$1,499m	$53m p.a.
Employment	1,466 jobs	198 jobs p.a.

Key project examples

- Great Eastern
- Star of the South
- Kut Wut Bratauallung
- Orsted Developments for offshore wind farms
- VicGrid Transmission Plan – enabling Latrobe Valley to act as grid hub for REZ + offshore wind.

Key opportunity areas

Immediate priorities (2025-2030)

1. Upskill Latrobe Valley's workforce for offshore wind servicing and safety compliance.
2. Secure state recognition of Latrobe Valley as instrumental in the provision of local content to nearby offshore REZ's.
3. Attract anchor tenants/OEM service partnerships into Morwell or GLAMP.

Medium-term opportunities (2030-2035)

4. Establish facilities for generator and gearbox overhauls (>$2m per overhaul every ~2 years).
5. Transmission tower fabrication and servicing linked to VicGrid upgrades.
6. Logistics and warehousing support for component staging and replacement.

Longer-term opportunities (post-2035)

7. Full-scale O&M base for turbines (servicing, marine support, HV equipment).
8. Advanced manufacturing niches (secondary steel, cable termination, switchgear).
9. Recycling/re-use of blades, cables, and steel as assets age.

** Expected investment CAPEX, and Construction and Ongoing employment impacts are taken as averages from publicly available project information. Expected Ongoing investment and GVA impacts are inferred using ratios. See more details in the Appendix.*
*** These estimates reflect the typical total direct investment, GVA and Employment impacts of an offshore windfarm. Note that for such windfarms off the Gippsland coast, we estimate that only 7% of these Construction jobs and 69% of Operational jobs are likely to be sourced from the Latrobe Valley. This was estimated based on an assessment of which ports are likely to be used, as well as an estimate of the relative employment in relevant industries in Latrobe Valley compared to the wider region.*

Latrobe Valley can leverage Gippsland's agricultural base to become a food & fibre manufacturing hub, creating near-term jobs and long-term export growth.

Summary of opportunity – Food and fibre product manufacturing

Latrobe Valley's proximity to Gippsland's agricultural heartland (dairy, meat, horticulture, and timber) positions it as a natural hub for food and fibre product manufacturing. With industrial land, strong utilities access, and transport connections, Latrobe Valley can support value-added processing, packaging, and cold-chain logistics that strengthen the region's export profile. This opportunity builds on immediate regional strengths, supports diversification away from coal, and can be realised earlier than offshore wind.

Latrobe Valley advantages

- Located close to Gippsland's major agricultural producers, reducing transport costs and spoilage.
- Existing and planned industrial land and utilities infrastructure (e.g., Morwell Innovation Precinct, GLAMP).
- Workforce with transferable industrial and processing skills from energy and manufacturing.
- Proximity to Melbourne markets and export ports.
- Policy alignment: Victorian strategies emphasise regional food manufacturing precincts and value-adding for exports.

Actions to realise opportunity

- Leverage Morwell Innovation Precinct for training, R&D, and industry partnerships in food technologies.
- Activate GLAMP and nearby industrial land for food processing, cold storage, and packaging.
- Develop training and skills programs for food processing, packaging, and quality assurance.
- Attract anchor tenants (large food processors and exporters) to secure long-term demand.

Estimated economic impacts*

	Food and Fibre Product Manufacturing	
	Construction	Ongoing
Investment	$300m	$108m p.a.
GVA	$79m	$36m p.a.
Employment	528 jobs	110 jobs p.a.

Key project examples

- Morwell Innovation Precinct – R&D, training, and skills support.
- Morwell Food Manufacturing Precinct – with the potential to support 1,700 jobs once fully operational
- GLAMP – logistics and cold-chain integration with food exports.
- Bioenergy from food/agricultural waste – aligned with Gippsland Bioenergy Map.
- Producer partnerships – with Gippsland dairy, beef, horticulture and timber industries.

Key opportunity areas

Immediate priorities (2025–2030)

1. Position Latrobe Valley as Gippsland's food processing and packaging hub.
2. Develop cold storage and packaging facilities for dairy, meat, and horticulture.
3. Build partnerships with local producers to aggregate supply and reduce costs.

Medium-term opportunities (2030–2035)

4. Expand into advanced processing (cheese, milk powders, meat products, frozen/packaged horticulture).
5. Integrate food logistics and intermodal transport at GLAMP to streamline supply chains.
6. Link food and fibre processing with circular economy (bioenergy from waste streams).

Longer-term opportunities (post-2035)

7. Position Latrobe Valley as a specialised food export hub for high-value Asian markets.
8. Attract advanced manufacturing in fibre/bioproducts (timber-based packaging, bioplastics).
9. Develop innovation partnerships with universities/TAFE for food technology and R&D.

** Expected investment CAPEX, and Construction and Ongoing employment impacts are taken as averages from publicly available project information. Expected Ongoing investment and GVA impacts are inferred using ratios. See more details in the Appendix.*

Latrobe Valley can become Gippsland's central freight hub, leveraging GLAMP to capture food logistics, intermodal freight, and low-carbon transport opportunities.

Summary of opportunity – Transport and logistics

The Gippsland Logistics and Manufacturing Precinct (GLAMP) in Morwell positions Latrobe Valley as a potential regional freight and logistics hub, strategically located between Gippsland's food and fibre producers and metropolitan export markets. Opportunities include intermodal freight consolidation, cold-chain logistics, and low-carbon freight solutions such as hydrogen or EV depots. While the state supports regional rail freight upgrades, aligned action is required to deliver them in the Latrobe Valley, particularly given there is currently no freight service along the Gippsland line. Leveraging its industrial land, grid infrastructure, and workforce, GLAMP presents a practical near-term diversification pathway.

Latrobe Valley advantages

- Strategic location at the junction of Gippsland's producers (dairy, meat, horticulture, timber) and Melbourne's ports/markets.
- GLAMP precinct offers zoned industrial land, infrastructure.
- Existing energy and industrial base supports cold storage, packaging, and advanced logistics facilities.
- Workforce with transferable skills from power generation, transport, and industrial operations.
- Policy alignment: State investment into regional freight corridors and Renewable Energy Zones

Actions to realise opportunity

- Achieve policy alignment for enabling rail corridor work with DTP.
- Develop a modern intermodal rail–road terminal at GLAMP to consolidate freight flows.
- Invest in cold-chain and temperature-controlled storage to support Gippsland food exports.
- Secure anchor tenants (major logistics operators, food exporters, recyclers) to underpin throughput.
- Formalise partnerships with producers and exporters to reduce costs and improve supply chain resilience.

Estimated economic impacts*

	Transport and Logistics	
	Construction	Ongoing
Investment	$575m	$115m p.a.
GVA	$153m	$34m p.a.
Employment	312 jobs	266 jobs p.a.

Key project examples

- Gippsland Logistics and Manufacturing Precinct, Morwell
- Cold-chain and food logistics hub: aggregation and packaging facilities for dairy, meat, horticulture exports.
- Low-carbon freight precinct: hydrogen/EV depot pilots leveraging Gippsland REZ clean energy.
- Intermodal freight terminal upgrades: connecting Latrobe Valley to Melbourne ports and reducing backhaul inefficiencies.

Key opportunity areas

Immediate priorities (2025–2030)

1. Secure investment into GLAMP rail–road terminal and intermodal upgrades.
2. Expand cold storage and packaging for food & fibre logistics.
3. Anchor tenant attraction and long-term contracts with logistics operators.

Medium-term opportunities (2030–2035)

4. Establish hydrogen and EV truck depots for clean freight solutions.
5. Integrate waste-to-energy/recycling operations to support circular supply chains.
6. Develop advanced intermodal facilities for containerised exports.

Longer-term opportunities (post-2035)

7. Position Latrobe Valley as Gippsland's central freight hub servicing multiple industries.
8. Link GLAMP to broader Victorian Freight Network and Inland Rail connections.
9. Integration with offshore wind servicing.
10. Expand food and fibre value-added manufacturing precincts alongside logistics.

** Expected investment CAPEX, and Construction and Ongoing employment impacts are taken as averages from publicly available project information. Expected Ongoing investment and GVA impacts are inferred using ratios. See more details in the Appendix.*

Latrobe Valley's transition depends on tackling infrastructure, skills, and regulatory barriers, while leveraging its industrial base to drive growth.

Key barriers

Commercial and market risk

Investors remain cautious due to uncertain demand signals, global competition, and fluctuating commodity/energy prices.

Policy and regulatory uncertainty

Complex approval pathways, overlapping responsibilities, and shifting policy priorities create uncertainty for proponents.

Infrastructure gaps and constraints

Energy, water, transport and port/logistics infrastructure require significant upgrades to support emerging industries.

Specialist skills in short supply

Specialist technical and trade skills are in short supply, while competition for labour across sectors creates retention challenges.

Key enablers

Commercial certainty

Clear demand signals and long-term offtake arrangements can anchor investment.

Governance and regulatory certainty

Streamlined approvals and coordinated policies at federal, state, and local levels provide confidence.

Infrastructure and utilities access

Repurposing existing industrial assets and strategic new investment strengthen the Latrobe Valley's comparative advantage.

Workforce transition and R&D potential

A strong existing industrial base, transferable trade skills, and local research partnerships position the region to adapt and innovate.

Description

The Latrobe Valley region has significant strengths for industrial transition, but progress relies on addressing barriers in commercial certainty, infrastructure, skills, and regulatory processes. Growth across offshore wind, transport and logistics, and food product manufacturing requires de-risking through clear demand signals, streamlined approvals, modernised infrastructure, and a skilled workforce pipeline.

In offshore wind, barriers include high input costs, uncertain grid connection pathways, and the complexity of licensing and approvals[24], while opportunities lie in leveraging Latrobe Valley's transmission backbone and heavy engineering capability for turbine servicing and generator overhauls.

In transport and logistics, gaps in intermodal capacity, road bottlenecks, and cold-chain infrastructure raise costs and limit scalability, but the region's proximity to Melbourne and Gippsland producers provides a strong base for precinct development and fleet decarbonisation pilots.

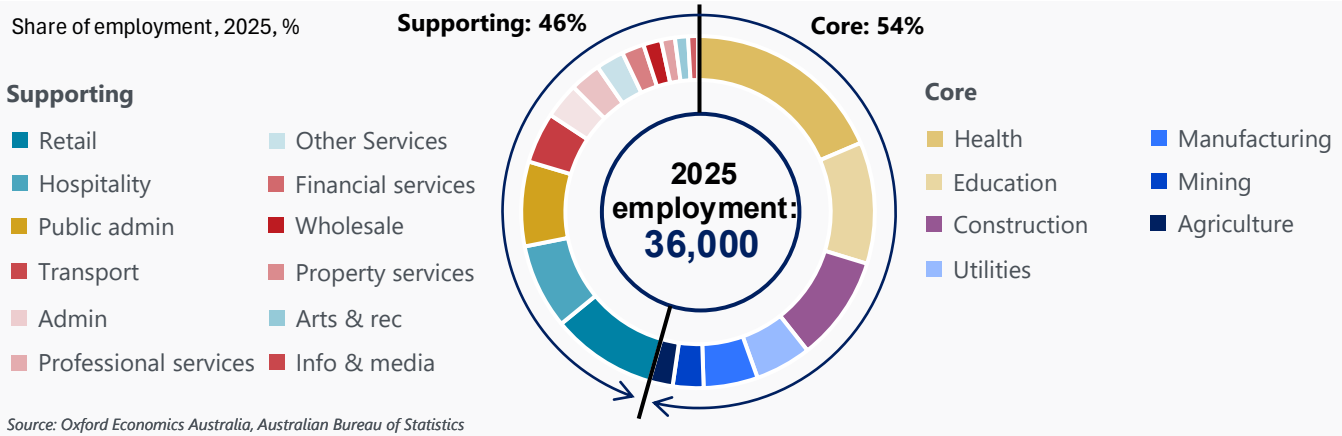
In food product manufacturing, utilities constraints, trade-waste management, and skills shortages slow investment, but co-location opportunities at the Morwell precinct, access to Gippsland's agricultural hinterland, and demand for low-carbon, value-added exports offer a pathway to growth.

Region-wide, barriers include grid congestion, fragmented governance, and competition for skilled labour, while enablers include industrial land, transferable energy-sector workers, strong research institutions, and policy signals such as Renewable Energy Zones, circular economy strategies, and food manufacturing precinct funding. Clearer alignment of state and national transition goals will be critical to positioning the Latrobe Valley as a leader in clean energy, logistics, and value-added manufacturing.

LATROBE VALLEY'S ECONOMIC OUTLOOK

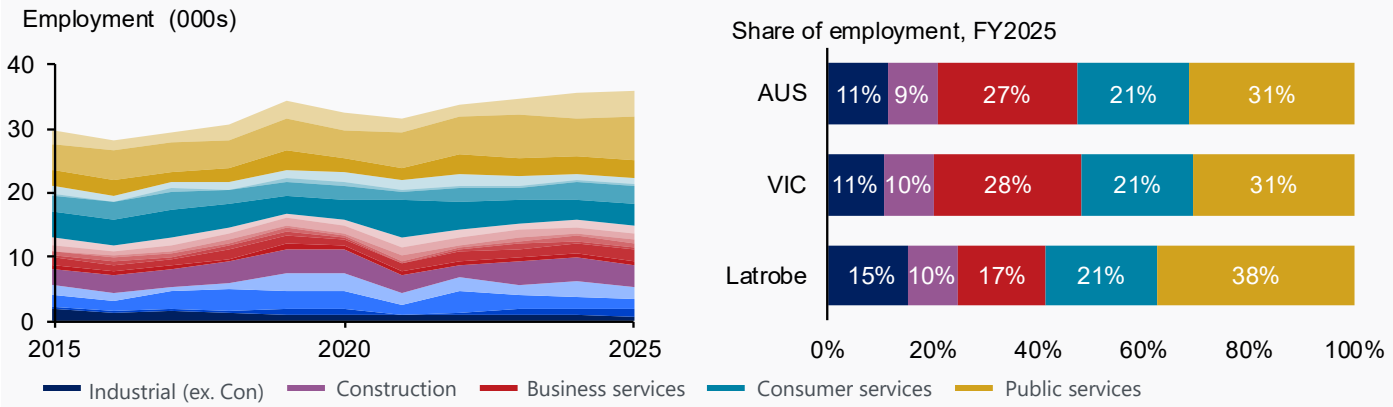
Latrobe Valley's workforce is still shaped by heavy industry, though growth is increasingly driven by public services.

Latrobe Valley current employment makeup, FY2025



Source: Oxford Economics Australia, Australian Bureau of Statistics

Latrobe Valley employment share and makeup relative to VIC & Australia in FY2025



Source: Oxford Economics Australia, Australian Bureau of Statistics

Latrobe Valley economic structure

Core* employment sectors account for 54% of jobs in Latrobe Valley, with the remaining 46% in supporting sectors, those interconnected with the core sectors and servicing local households. Overall, the labour market is more heavily oriented toward public services than it has been historically, with a smaller but still material industrial base.

The largest employing industries—health, education and construction—have all increased their workforce share in the past decade. Health has seen the strongest growth, from 13% to 19% by 2025, driven by demographic change and public investment. Public services overall – which also includes education and public administration - have risen from 30% to 38% of the current workforce.

Latrobe's workforce composition has shifted markedly over the past decade. Industrial employment (excluding construction) has declined from 19% to 15%, driven by declines in the agricultural workforce (from 6% to 2%), in line with national trends away from farming. Retail employment has also fallen, from 13% to 10%, reflecting limited population growth. This has contributed to a broader reduction in consumer services, whose share of the workforce has dropped from 27% to 21%.

Key sub-industries supporting current employment include electricity supply, construction services, public administration, preschool and school education, hospitals and social assistance. Manufacturing is a smaller employer at an estimated 1,800 workers in 2025, with a more specialised base in pulp and paper product manufacturing and food product manufacturing which each employ around 500 workers.

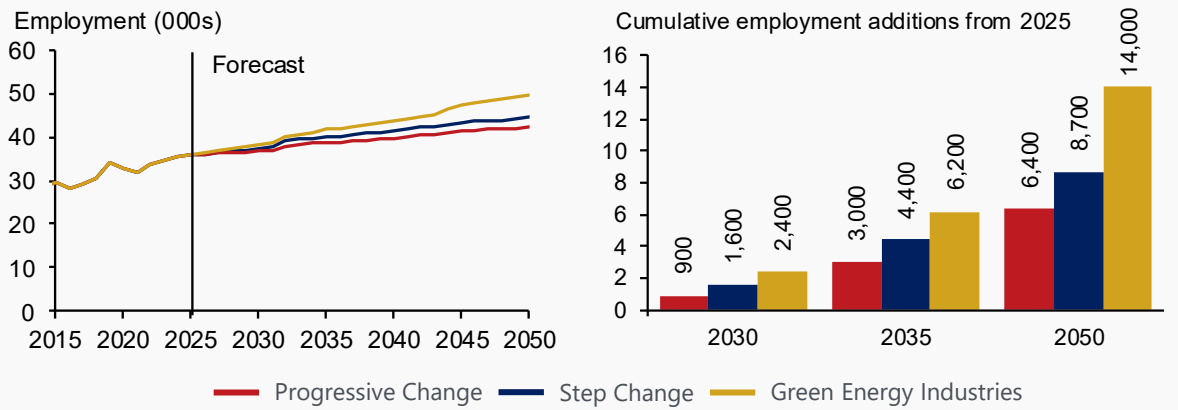
Relative to Victoria and Australia, public services make up a larger local share of the workforce and exposure to mining is over eight times the Victorian average. Business services are underrepresented, with professional services at 3% of local employment compared with 10% in Victoria, and financial services at 2% compared with 4% in Victoria. This reflects a more homogenous and concentrated workforce compared to the state more broadly.

**Core sectors refers to Mining, Agriculture, Construction, Manufacturing, Utilities, Health, Education and Public Administration.*
Public services includes Health, Education & Public Administration & Safety.
Consumer services includes Retail Trade, Accommodation & Food Services, Arts & Recreation and Other Services.

Business Services includes Wholesale Trade, Transport & Warehousing, Information & Media, Financial Services, Property Services, Professional Services and Administration Services.
Industrials excluding Construction includes Agriculture, Mining, Manufacturing & Electricity, Gas, Water & Waste Services.
***Note:** Employment figures are rounded to the nearest thousand.*

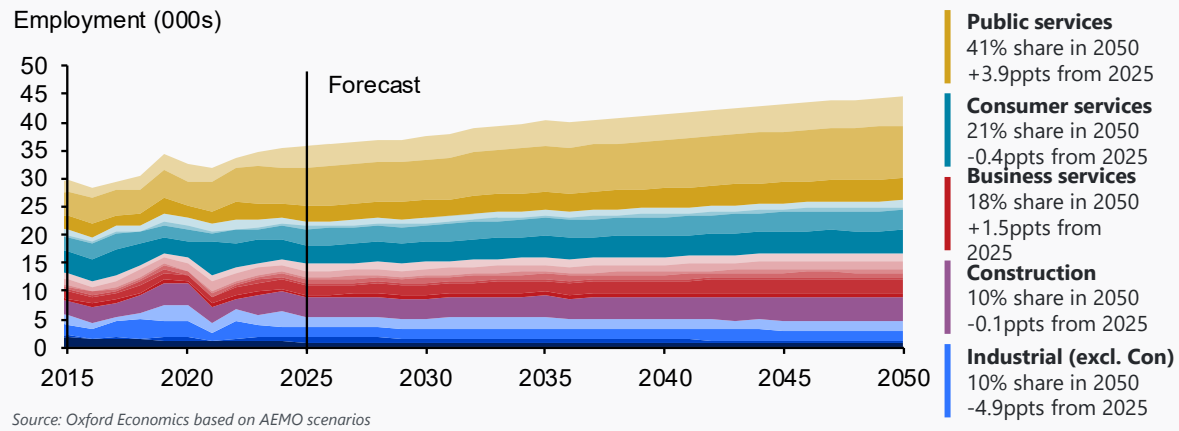
Latrobe Valley's workforce will continue to grow, albeit at a slower pace, as it becomes less reliant on traditional heavy industry and increasingly anchored in public services.

Latrobe Valley workforce outlook by scenario



Source: Oxford Economics based on AEMO scenarios

Latrobe Valley employment make-up under Step Change



Source: Oxford Economics based on AEMO scenarios

Latrobe Valley workforce outlook

Latrobe Valley's workforce growth is expected grow over the next 25 years though at a slower pace than the last decade. Low population growth and the shift away from traditional heavy industry drive a slow down in employment growth. This outlook does not include future industrial growth opportunities identified in the *Regional Investment Analysis* report.

Over the next 10 years across all transition scenarios the region adds jobs. Employment lifts from 36,000 today to 39,000 under Progressive Change and 40,000 under Step Change by 2035, and to 42,000 under Green Energy Industries. These paths translate to net gains of about 3,000, 4,400 and 6,200 jobs by 2035. The scenario shapes timing and composition rather than direction, since each pathway delivers growth from a stable base supported by ongoing activity outside coal. Public services - including health, education and public administration - increase their share from 38% of the workforce in 2025 to about 41% by 2035, driven predominately by health and public admin. This reflects the influence of the aging population, with Latrobe Valley having a relatively older population compared to Victoria and Australia.

Beyond 2035 the mix of jobs changes more significantly as coal assets reach closure dates and renewable deployment scales at different speeds under each scenario. Mining and utilities step down from roughly 8% of jobs today to about 4% by 2050. This decline in industrial jobs is predominantly driven by decreases in mining as demand for thermal coal falls with the closure of power stations and weaker overall demand. The decrease in coal power station jobs is partially offset by renewables under Step Change and more than offset under Green Energy Industries. Construction employment remains relatively stable at close to 10%, supported by infrastructure and clean energy projects even as new housing demand eases with slower population growth.

Unemployment is expected to move back toward the pre-pandemic baseline of around 7% by the end of the decade, then hold broadly steady through to 2035. Output tracks a similar profile to employment. Lower value added from coal is expected to be offset by employment and productivity gains in the rest of the economy, reflecting deeper services activity and a lift in investment aligned with the transition pipeline.

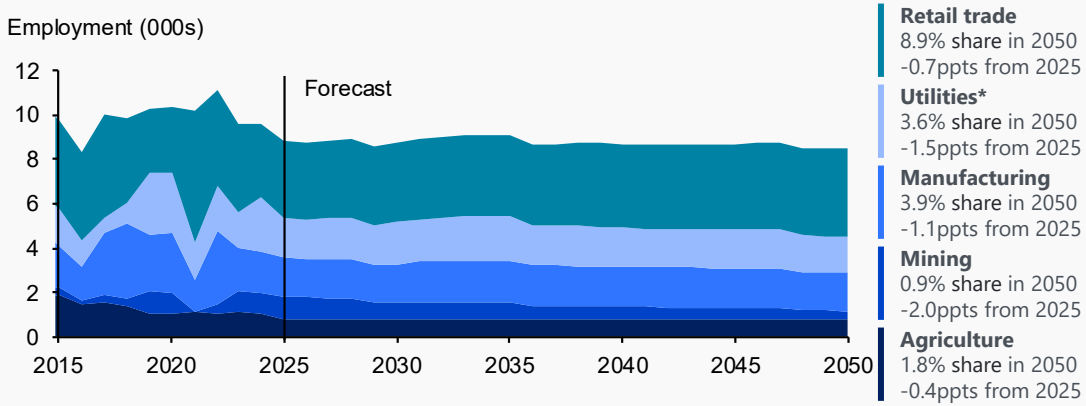
The scale and pace of change depends on how quickly clean energy industries are established and scaled as well as the extent to which the Latrobe Valley workforce can capitalise on opportunities in the wider Gippsland region.

Public services includes Health, Education & Public Administration & Safety.
Consumer services includes Retail Trade, Accommodation & Food Services, Arts & Recreation and Other Services.
Business Services includes Wholesale Trade, Transport & Warehousing, Information & Media, Financial Services, Property Services, Professional Services and Administration Services.

Industrials excluding Construction includes Agriculture, Mining, Manufacturing & Electricity, Gas, Water & Waste Services.
***Note:** Employment figures are rounded to the nearest hundred*

As coal phases down, major offshore wind and solar projects could increase the Latrobe Valley's long-term utilities workforce.

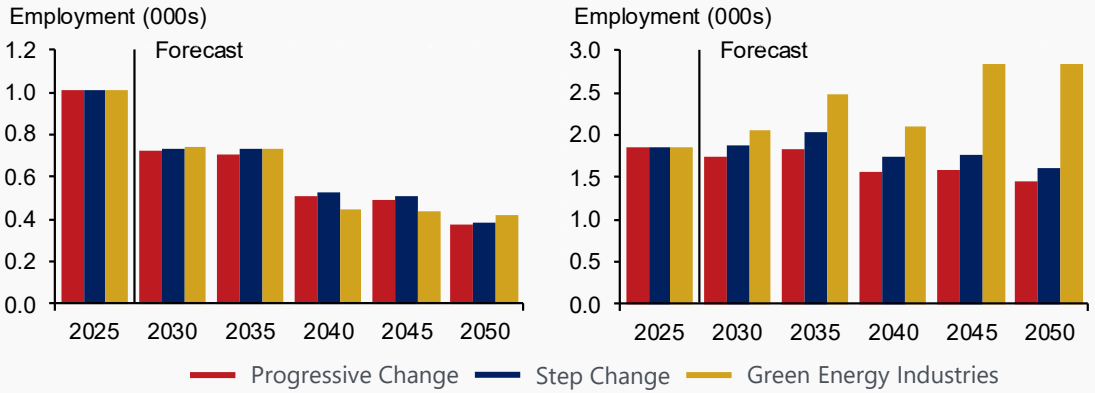
Industries in decline under Step Change



Source: Oxford Economics based on AEMO scenarios

Mining workforce outlook

Utilities workforce outlook



Source: Oxford Economics based on AEMO scenarios

**Utilities includes electricity and gas supply activities as well as water and waste services.*
Note: *Employment figures are rounded to the nearest hundred.*

Outlook for industries in decline

Traditional industries in Latrobe Valley are in gradual decline, with industrial and retail employment easing as a share of the workforce. Retail, a major regional employer, has contracted in line with limited population growth and historic trends. Considerable opportunities in renewable energy exist under scenarios where there is strong renewable deployment in the region. This results in industrial jobs under Step Change and Green Energy Industries sitting much higher than under the Progressive Change scenario where renewable deployment is limited.

Coal and gas assets are scheduled to close progressively from 2028, with utilities employment rising to 2035 through renewables investment and the continued operation of Loy Yang and Jeeralang. After 2035, job losses from closures are partly offset by renewable energy growth across the Gippsland and Gippsland Coast Renewable Energy Zones.

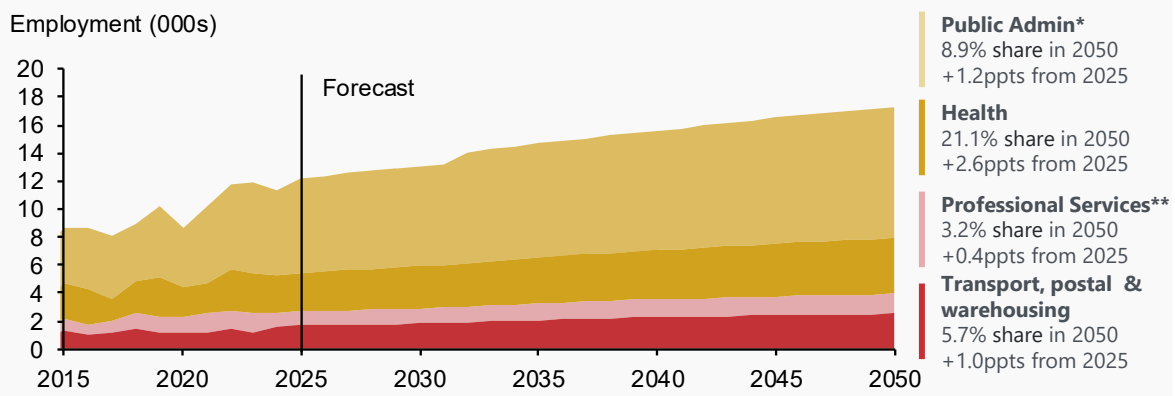
Renewable capacity is set to expand materially over the next five years. By 2030, Latrobe Valley is expected to add 800 MW of renewable generation and 320 MW of battery storage under Step Change. Under Green Energy Industries, additions reach 3,700 MW by 2050, led by large-scale projects such as the 2,200 MW Star of the South offshore wind farm and the 500 MW Hazelwood North Solar Farm. Further onshore wind, solar, offshore wind and related transmission projects will support utilities employment across all scenarios as coal retires. Offshore wind presents a more complex regional employment picture. While many specialised operations roles are likely to be filled locally, most construction activity will be deployed out of the Port of Hastings. Latrobe Valley is estimated to account for only 7% of the wider construction workforce. Of nearly 10 GW of proposed offshore wind projects, only two are expected to proceed in the next decade and only under Green Energy Industries, though broader expansion beyond 2035 is expected, providing ongoing employment opportunities in the utilities sector.

While employment in utilities is expected to decline under Progressive Change and Step Change, it is forecast to grow quite significantly under Green Energy Industries. This represents a strong opportunity for workers in Latrobe Valley, particularly those currently employed in industries most impacted by the transition. Total employment in utilities could reach 2,800 by 2050 under the Green Energy Industries scenario compared to 1,800 today. The Gippsland and Gippsland Coast REZs are expected to have 22.5 GW of power capacity by 2050 under the Green Energy Industries scenario, double what is expected under the Step Change and Progressive Change scenarios, predominantly driven by a larger roll out of solar assets, reaching 9 GW by 2050.

Note: *The impact of employment from the renewable rollout on transmission operation and construction is captured through interlinkages between sub-industries.*

Public services will continue to underpin workforce gains, while logistics is expected to emerge as a growing area of employment for Latrobe Valley.

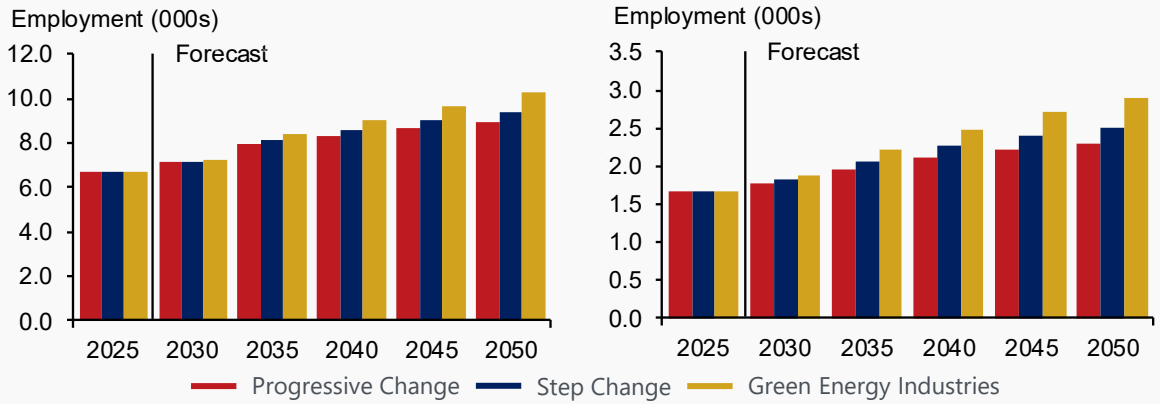
Growth industries under Step Change



Source: Oxford Economics based on AEMO scenarios

Health workforce outlook

Transport, postal & warehousing workforce outlook



Source: Oxford Economics based on AEMO scenarios

Growth industries workforce outlook

Latrobe Valley's workforce is expected to continue shifting towards public services, expand upon the currently underrepresented business services sector and increase the role of transport and warehousing, underpinned by a few key projects currently in development.

The health sector is expected to add the largest number of jobs in Latrobe Valley - 1,500 additional jobs over the next 10 years – driving its workforce share to 20% by 2035. Growth will be fueled by the planned expansion of health infrastructure - notably the $675 million New West Gippsland Hospital, expected to support a further 500 direct jobs in the health sector when completed in 2031. In the longer-term, demand for health services will continue to increase as the population ages. The age distribution in Latrobe Valley is particularly older compared to the national average which will continue to drive the pace of growing employment in the health industry.

Public administration* (+500), transport, storage & warehousing (+400) and education (+400) will also be key contributors to growth to 2035. Public administration stands to gain from the aging population, driving demand for social services and assistance. The growth rate of employment in education is expected to slow due to subdued population growth. However, given the current size of the education industry in Latrobe Valley, 11% of the total workforce, it will continue to create additional jobs in the region. Conversely, professional services, which only represents 3% of current employment (1,000 workers), is expected to grow relatively rapidly, continuing historic trends as the economy shifts towards services. Although smaller in absolute scale transport, storage & warehousing is expected to represent a significant growth area for Latrobe Valley supported by the development of the Gippsland Logistics and Manufacturing Precinct (GLaMP) and the Icon Morwell precinct.

Beyond 2035, health and public administration are expected to continue driving growth, adding 2,800 and 1,200 jobs respectively by 2050 compared to today. By 2050, public administration, health, and professional services will all expand their share of the Latrobe Valley workforce. Together, they will increase their workforce from around 29% today to over 33% of the Latrobe Valley's jobs by 2050. Strong growth in these sectors will offset the impacts of fossil fuel industry decline to drive overall growth in the Latrobe Valley workforce.

This outlook does not include future industrial growth opportunities identified in the *Regional Investment Analysis* report.

**The Public Administration industry includes government legislative, executive and judicial activities as well as military defence.*
*** Professional Services includes scientific research, architecture, engineering, computer systems design, law, accountancy, advertising, market research, management and other consultancy, veterinary science and professional photography.*
***Note:** Employment figures are rounded to the nearest hundred.*

WORKFORCE TRANSITON PATHWAYS

We have estimated 300 fossil fuel workers are likely to undertake a workforce transition by 2035 based on the current make up of the workforce and changes to demand over time.

Method for quantifying the workforce transition need

650
fewer fossil fuel roles

Under the *Step Change Scenario* the expected loss of fossil fuel roles is 650 due to closures in fossil fuel generators and mines*.

350
workers likely to retire

Around a third of the current fossil fuel workforce is aged 55+. We assume that these workers exit the labour market in the 10 years to 2035, reducing the size of the workforce likely to undertake workforce transitions to 300**.

300
workers likely to undertake a workforce transition

Most of the workers likely to undergo a transition into a new role are in key specialist roles (73%), followed by highly transferable roles (26%) and a small number of other specialist roles (1%).

Key specialist roles - 73%
Largest 10 roles with skills highly relevant to fossil fuel activities including drillers, miners & shot firers, metal fitters & machinists, structural steel construction workers, chemical, gas, petroleum & power generation plant operators, structural steel & welding trades workers, electricians, other building & engineering technicians, other miscellaneous labourers, production managers and earthmoving plant operators

Other specialist roles - 1%
Other roles with skills highly relevant to fossil fuel activities

Highly transferable roles - 26%
Back office functions and transferable on-site functions

Source: Oxford Economics based on AEMO Step Chance scenario

**Roles lost to 2035 include only the Yallourn closure, alongside a gradual decline in demand for fossil fuel workers. The closure of Loy Yang A in 2035 is expected to result in job losses from 2036, although there is a risk this is brought forward, in which case the loss of fossil fuel roles would be much larger.*
***While these 350 workers are expected to leave the workforce over the next decade, many may be impacted in the short-term with the closure of Yallourn in 2028.*

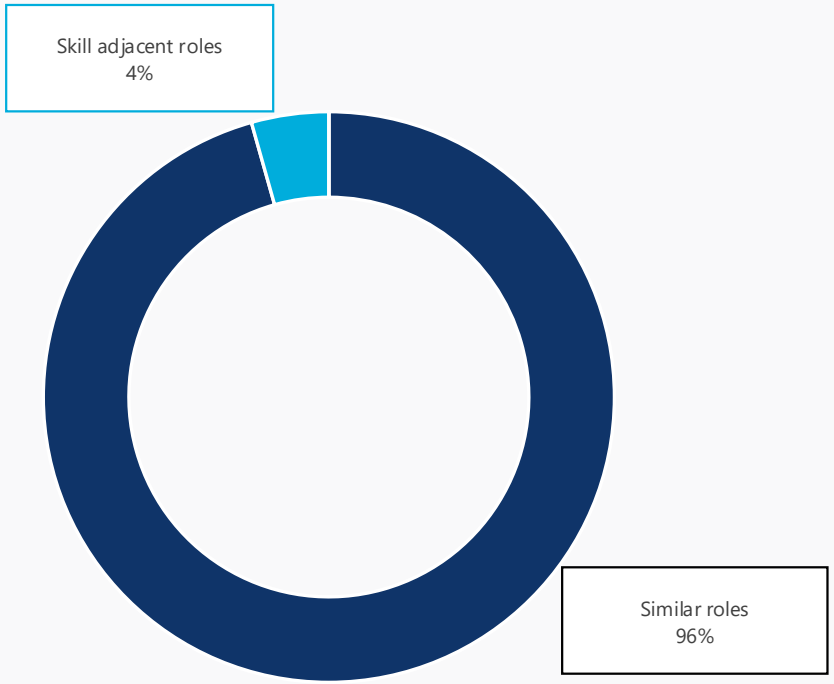
There are four pathways that fossil fuel workers can take as they transition to other roles in the Latrobe Valley economy.

Transition pathway	Similar roles	Skill adjacent roles	Growth roles	Workforce exits
	Similar roles are those that are the same or nearly identical to other roles within the regional workforce.	Skill adjacent roles are roles where qualifications and/or skills have similarities to other roles within the regional workforce.	Growth roles are those with strong demand in the region where specialist skills and qualifications are not well aligned to fossil fuel workers' skill sets.	A proportion of fossil fuel workers will continue to retire each year, exiting the workforce naturally as they enter retirement.
Support measures	**Transition support** will enable workers to identify the types of roles they are suitable for and the industries these roles are often in. This support often takes the form of employment services or financial assistance. Supporting workers into equivalent roles where their qualifications and skills are aligned should be prioritized as this pathways has the lowest investment requirement. Emphasis should be placed on growing and stable industries to provide longer-term role security for transitioning workers.	Supporting workers to identify and undertake **reskilling and upskilling** opportunities that align with current skills and qualifications will enable workers to transition to a skill adjacent role. Minimal training is needed to bridge the gap between a worker's current role and an identified skill adjacent role which can reduce pressure on the education system. Reskilling & upskilling should focus on pathways that minimise time out of employment and educational resources needed, while offering access to stable employment that leverages workers' existing skills and experience.	**Retraining** pathways should highlight qualifications that lead to roles in growing or stable industries to support long-term job security and living standards for at-risk workers. Significant training will be needed to retrain at-risk roles requiring investment from the worker, their employer and the region's education system. There are two key components of retraining support – the provision of training through educational pathways, and support to enable at-risk roles to identify new employment opportunities.	Workers exiting the workforce due to retirement will not require workforce transition support. In some cases, these workers may need financial advice to support their retirement decisions and planning*.
Additional considerations	Regional demand will determine how many workers can access transition support. Where a surplus of similar roles exists, prioritisation should be given to reskilling & upskilling over retraining.	Where workforce supply exceeds demand for workers in skill-adjacent roles, retraining may be required.	Retraining will also be required where there is a surplus of workers with similar and skill-adjacent roles.	Consideration should be given to the types of roles that tend to have older age cohorts and how this will impact workforce support pathways.

Notes: The workforce transition methodology appendix presents a decision tree outlining how fossil fuel workers can be assessed to ensure they receive the most appropriate employment support for their transition.
** A review of retirement support policies and requirements is outside the scope of this project.*

Employment demand in similar and skill adjacent roles is sufficient to absorb fossil fuel workers undergoing workforce transitions, but reskilling is needed for specialised roles.

Fossil fuel workforce transition pathways



Source: Oxford Economics

Headline analysis of transition pathways

Similar roles across other industries present a significant opportunity for the transition of fossil fuel workers, with the potential to absorb the majority of workers displaced by the sector's decline. Many fossil fuel workers possess transferable skills that enable them to remain within their current occupations or transition into closely related roles in different industries such as infrastructure, utilities and industrial services. There may be some challenges early in the forecast period when demand from other industries is relatively muted but many roles begin transitioning with the closure of Yallourn power station. Highly specialised roles, particularly relating to mining, have limited opportunities to move into similar roles, while all highly transferable roles are expected to find opportunities outside the fossil fuel industry.

Skill adjacent roles are not the primary pathway for most fossil fuel workforce transitions, but are critical for some highly specialised roles and also remain a viable alternative capable of absorbing a portion of the transitioning workforce. Roles that are specialised in mining related activities generally fall into this category. In addition, these roles may appeal to workers seeking greater job security or better alignment with emerging industry needs. Pursuing this pathway is likely to require support regarding reskilling into different specialist skills areas and upskilling in generalist skills such as digital engagement, planning & organising and communication. This may need to include activities to recognise on-the-job experience within the qualifications framework and comply with required competencies in new specialist areas through accredited training providers.

Growth roles are not a critical pathway for fossil fuel workforce transitions, as similar and skill adjacent roles are more likely to absorb the majority of displaced workforce. However, competition from new entrants may limit access to similar and skill adjacent roles for transitioning workers. As such, facilitating pathways into high-growth occupations remain an important element of transitioning pathways consideration. Given that growth roles often exist in entirely different industries, fossil fuel workers are unlikely to be able to utilise their specialised skills directly. As a result, support is likely required to equip fossil fuel workers with necessary skills and qualifications to transition into these opportunities. Under a *Step Change* scenario, high growth roles are concentrated in high skill health roles, alongside lower skill roles in administrative support and hospitality. Professional services also present opportunities for engineering-related positions. Priority investment areas for the region also present important growth opportunities for fossil fuel workers, as these industries are well aligned to the fossil fuel workforce skillset.

Note: Roles lost to 2035 do not include the closure of Loy Yang A in 2035 which is expected to result in job losses from 2036. If these job losses are included in the analysis we would expect that a much larger proportion of impacted workers would need to transition into skill adjacent roles, and there is a risk that there is not enough capacity outside the fossil fuel industry to absorb these workers ultimately requiring reskilling to capture growth roles in the economy.

Wage disparities are a significant barrier to workforce transition opportunities, exacerbated by the mismatch of fossil fuel workers' skills and qualifications with the broader workforce.

Workforce barrier analysis

Regional barriers to workforce transition for fossil fuel workers appear to be relatively limited, with sufficient capacity to absorb displaced workers and enable their mobility. There are numerous opportunities for these workers to transition into other industries, particularly construction and utilities sector, with strong demand by 2035. Furthermore, the region is well equipped with training facilities, which can support workers who require upskilling or reskilling as part of their career transition. While diversification challenges are also present, these are mitigated by job availability. However, geographic mobility might be a barrier, fossil fuel workers tend to commute shorter distances than the broader workforce average, largely because their current roles are based at fixed sites near regional towns. Many live locally due to historical concentration of employment in Latrobe Valley, which could limit their ability or willingness to travel for new opportunities.

Role-specific barriers present more significant challenges, particularly when considering the alignment between required skill level and income expectations. The fossil fuel workforce displays a varied skill profile. While some groups have sufficient foundational and generalist skills set to support a smooth transition, the majority of workers moving into skill adjacent roles are likely to need reskilling. Engineering and managerial workers are usually highly skilled, whereas trades workers and machine operators generally score lower in skill assessment compared to the broader workforce average, particularly other miscellaneous labourers, with skill level almost 2 point lower than the average regional workforce. This could limit the direct transferability of their skills to other sectors without targeted training. Furthermore, the fossil fuel workforce typically earn significantly higher wages, largely due to their specialised skills and industry productivity. The wage gap is a potential barrier to transition pathways as many alternative roles may offer lower wages. There is also a degree of competition between displaced fossil fuel workforce and new entrants into the job market, which may further limit the opportunities. However, the current number of graduates entering these fields remains moderate, suggesting this pressure is manageable in the short term. Employment type is unlikely to pose a barrier, with most of fossil fuel workers employed full-time, aligning with the workforce average.

Demographic barriers can present challenges to workforce mobility. The fossil fuel workforce in Latrobe Valley is likely to experience demographic barriers when transitioning into other roles and industries, particularly in relation to age. A significant portion of these workers fall into older age groups, which may make reskilling or changing careers more difficult for some individuals. However, the share of workers requiring assistance are relatively low, suggesting limited need for targeted support measures during transition. Additionally, the representation of First Nations people in the workforce is minimal, though tailored support measures may still be necessary to meet specific needs of this cohort.

Workforce barrier assessment by barrier type

Barrier type		Barrier assessment
Regional	Job availability	Low
	Diversification of roles	**High**
	Workforce willingness to commute	**High**
	Training availability	Low
Role	Skills*	**High**
	Qualifications*	**Medium**
	New graduates supply**	Low
	Wages	**High**
	Employment type	Low
Demographic	Age	**High**
	First Nations	Low
	Disability	Low

Source: Oxford Economics

**Ranking compares the fossil fuel workforce skills and qualifications to the broader workforce.*
***based on SA4 and OE workforce supply modelling*

Diversification and retraining are currently the key levers to overcoming workforce transition barriers, with redeployment having been used to support the closure of Hazelwood.

Barriers

Demographics

- The Latrobe Valley's fossil fuel workforce is older, predominantly male with limited numbers of workers with a university education, which matches the profile of those at risk of longer unemployment duration.
- Evidence from the Hazelwood closure indicates that, even with policy supports, a share of affected workers struggled to re-enter employment, underscoring the need for tailored redeployment and transition measures for older cohorts.

Qualifications & wages

- Fossil fuel workers have marginally lower education levels on average, with workforce education primarily centred around VET and on-the-job training. Despite having lower levels of formal education, they currently receive above-average wages.
- Workers transitioning, being redeployed, reskilling or retraining, may not find comparable wages due to the high levels of compensation present in the fossil fuel industry.

Assessment of current levers

Latrobe Valley's transition began with the closure of the Hazelwood Power Station in 2017, which saw the state government, with the support of its federal counterpart, introduce a suite of policies that covered economic diversification, redeployment and retraining.

The state government has primarily focused on economic diversification coordinated by the Latrobe Valley Authority (LVA) in the years since the closure and rehabilitation of Hazelwood was completed, having invested $1.6 billion in programs and infrastructure since 2016. Future retraining and redeployment efforts are primarily being run through the owners of the individual power stations and associated mines with support from the state government. AGL (Loy Yang A) has committed $50 million to a Structured Transition Agreement, and Energy Australia (Yallourn) has committed $10 million to provide career planning and transition support. There is currently no indication of redeployment programs equivalent to the Latrobe Valley Worker Transfer Scheme, which offered early retirements at the region's other power stations to older workers to redeploy younger workers.

Retraining efforts have been further supported by the Australian Government with *Fee-Free TAFE*, the *Clean Energy Training Investment Fund*, and the *New Energy Apprenticeships* stream of the *Key Apprenticeship Program*, which target critical skills in identified industries of interest for the region, as well as broader national skill priorities. Furthermore, if an *Energy Industry Jobs Plan* is recommended, it may obligate employers to offer transition assistance. This will be complemented by *Regional Workforce Transition Plans* for all fossil fuel workers not covered by the *EIJP* and will be delivered by local officers who connect workers to training, jobs, and support services.

Additional support to address barriers

Historically, diversification efforts in Latrobe Valley have been well supported with the Victoria Government's establishment of the Latrobe Valley Authority** (LVA). Looking forward, Regional Development Victoria has assumed the economic development responsibilities held by the LVA. The region is prioritising investments in new energy industries via the revived State Electricity Commission ($1 billion initial capital for 4.5 GW), and legislated offshore-wind targets by 2035 are intended to create replacement energy jobs in Gippsland.

There has been a continued commitment to workforce transition support and retraining, which is well supported by current policy, with the Net Zero Economy Authority conducting assessments for an *Energy Industry Jobs Plan* when power stations are scheduled to close, alongside additional funding commitments from two of the three power stations in the region. Redeployment was used historically to help workers of the closing Hazelwood Power Station in 2017, but recently has received less policy attention, leaving fewer policy-supported opportunities for workers to transition into equivalent roles at power stations with later closure dates.

The staggered closure of the remaining power stations and associated mines provides an opportunity for redeployment to be utilised as it was when the Hazelwood power station was shut through the Worker Transfer Scheme ($20 million), which redeployed 90 workers. A review of the Worker Transfer Scheme and its potential effectiveness for managing power station closures could inform future retraining and redeployment efforts.

**Industrial employment is made up of employment in agriculture, mining, manufacturing, utilities and construction.*
***The LVA was abolished in February 2025. Regional Development Victoria will continue to support the region's economic development through the Latrobe Valley and Gippsland Transition, Implementation and Outlook plans.*

TECHNICAL APPENDIX

ECONOMIC FORECASTING METHODOLOGY

The forecasts in this report align to AEMO's scenarios which capture key uncertainties and material drivers of a range of possible futures.

The scenarios presented in this report are grounded in the Australian Energy Market Operator's (AEMO) *Draft 2025 Inputs, Assumptions and Scenarios Report* (IASR)[2], which is currently in its final consultation phase.

The three scenarios – *Progressive Change, Step Change and Green Energy Industries* - are designed to encompass a broad spectrum of plausible futures for Australia's energy sector, capturing key uncertainties and material drivers in an internally consistent manner. They reflect the policies that Australian governments have committed to for transitioning the economy to net zero emissions by 2050. Each scenario delineates a distinct pace of transition to net zero, influenced by global, national, and sectoral factors, leading to variations in future energy system requirements while aligning with Australia's emissions reduction policy objectives. The scenarios consider the growth trajectory of the Australian economy, including population trends and economic activities across industrial, commercial, manufacturing, mining, transportation sectors, and emerging commercial loads such as data centres. They also identify opportunities for emerging energy technologies that could impact Australia's decarbonisation pathway and export economy, including hydrogen production, green iron and ammonia products, and biomethane.

AEMO's scenarios are aligned with the International Energy Agency's (IEA) 2024 World Energy Outlook (WEO) scenarios to anchor them to global narratives on developments and commitments to the Paris Agreement. This alignment ensures consistency with global economic settings and temperature goals, providing context for Australia's share in meeting various temperature outcomes and guiding multi-sectoral modelling regarding fossil fuel export projections, energy efficiency, and electrification uptake rates and limits across scenarios.

AEMO has engaged in extensive stakeholder consultation to develop these scenarios, incorporating feedback from a diverse range of sectors to ensure the scenarios are robust and reflective of various perspectives. The final 2025 IASR, incorporating insights from this consultation process, was finalised during the preparation of this research report, however as analysis was already underway this report utilises the draft scenarios.

An overview of the high-level narrative for each scenario is provided below and detailed assumptions are included in the technical appendix.

Low scenario - Progressive Change

- Low economic demand and industrial transformation
- The transition proceeds more slowly and reactively under current policy settings, reflecting only existing federal and state commitments without major new initiatives.
- Fossil fuel industries decline due to market and technological pressures rather than policy direction. There is limited economic diversification or new clean industries in regional areas, and minimal development of emerging fuels like hydrogen or biomethane.

Central scenario - Step Change

- Moderate economic demand and industrial transformation reflecting long term average trends
- Australia follows a coordinated and firm transition to net zero emissions by 2050, with electricity playing a central role in decarbonisation and significant deployment of renewable energy, storage, and electrification across sectors.
- Fossil fuel industries decline in a planned manner, with regional opportunities emerging through transmission expansion, Renewable Energy Zones (REZs), and moderate development of hydrogen to support industry and domestic use.

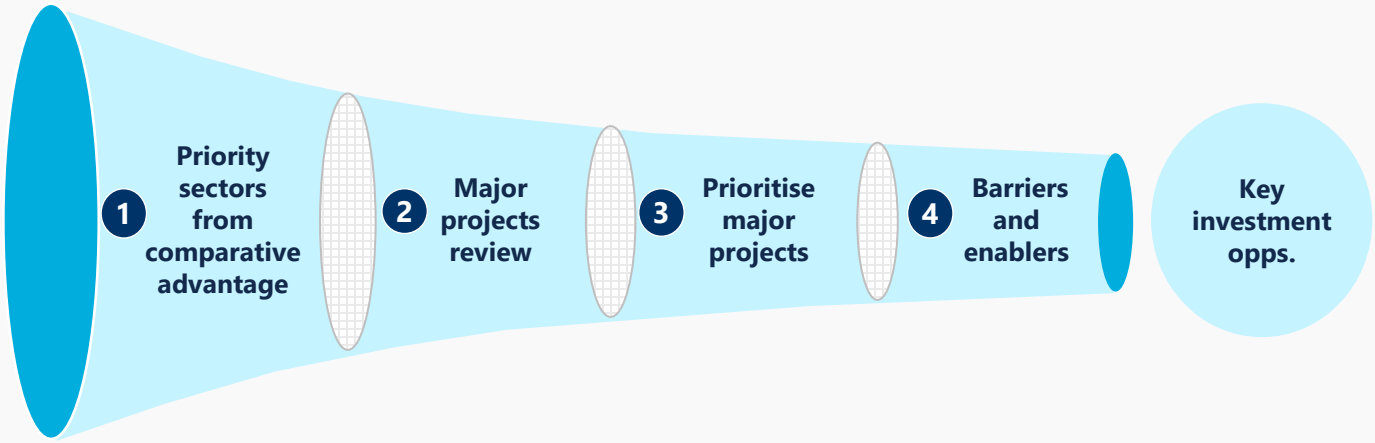
High scenario - Green Energy Industries

- High economic demand and industrial transformation.
- Australia undergoes a rapid and coordinated transformation to become a clean energy economy, underpinned by strong global and domestic climate ambition aligned with a 1.5°C pathway.
- Large-scale renewable energy and hydrogen production are co-located in regional Renewable Energy Zones, supported by major transmission investment and value-added clean exports (such as green iron and ammonia), though this shift brings significant disruption for fossil fuel communities.

INVESTMENT ANALYSIS METHODOLOGY

A four step process was used for identifying and prioritising opportunities.

Investment opportunities methodology



Output

Priority sectors
- Established advantages
- Net zero opportunities
- Sectors with latent potential

21 opportunities identified by
- Value
- Likelihood of realisation
- Job creation potential
- Alignment with net zero industries

Top 3 opportunities ranked by
- Economic impact
- Jobs
- Comparative advantage
- Lead times
- Policy alignment

Top 3 opportunities
- Barriers
- Enablers
- Constraints
- Key actions to unlock investment

Key investment opportunities for NZEA to focus on and prioritise in each region

Description

The methodology for identifying investment opportunities in Latrobe Valley builds on the region's comparative advantages while aligning with national net zero objectives. It begins by identifying priority sectors where Latrobe Valley has structural strengths and growth potential,. These sectors reflect both the region's established industrial base and its capacity to transition into globally competitive industries.

The next step is a review of Latrobe Valley's major projects pipeline to develop a long list of 21 opportunities. Each is assessed against economic value, likelihood of realisation, and job creation potential, ensuring the pipeline captures projects that can deliver economic transformation and are commercially and technically feasible.

This is then narrowed to the top three opportunities with the greatest impact. Selection is based on economic contribution, alignment with the Latrobe Valley's comparative advantage, job creation potential, lead times, and policy consistency. This ensures the region focuses on opportunities that are both ambitious and achievable.

Finally, the methodology considers the barriers and enablers shaping delivery. These include demand signals and offtake agreements, access to enabling infrastructure such as energy, water, and ports, policy and regulatory clarity, and availability of specialist workforce skills. Understanding these factors highlights the key actions required to unlock investment and accelerate delivery.

The outcome is a focused set of two to four priority opportunities for Latrobe Valley, supported by evidence of their economic potential, enabling requirements, and policy alignment. These opportunities form the basis for targeted investment attraction and coordinated delivery across government, industry, and the community.

Project types have been prioritised based on multi-domain criteria, tailored to the specific conditions of the Latrobe Valley.

Comparative advantage alignment

Denoted by a qualitatively derived comparative advantage score out of 5:

1. No alignment with regional strengths or capabilities
2. Minimal alignment; limited local advantages
3. Moderate alignment with some key strengths (e.g. workforce or land)
4. Strong alignment with multiple comparative advantages
5. Excellent alignment; leverages core regional assets and priorities

Project lead times*

Based on a region-specific rank of project types by expected lead time (defined as the time between project inception and construction commencement):

Short Term: Lead time of less than 3 years

Medium Term: Lead time of between 3 and 5 years

Long Term: Lead time of greater than 5 years

Typical job contributions

Based on a quintile rank of project types by expected job-year contribution within 10 years of construction starting:

1. Fewer than 600 jobs; short-term or low-quality employment
2. 600–1,600 jobs; limited regional employment impact
3. 1,600–2,800 jobs; moderate and/or specialised workforce impact
4. 2,800–4,400 jobs; strong job creation with varied roles
5. 4,400+ jobs; transformative workforce impact across skill levels

Government policy alignment

Derived from a review of government documents, as well as a review of the Major Projects Listing.

1. Not mentioned at local, state or commonwealth level; no relevant projects identified in region
2. Mentioned once at a local, state or commonwealth level; or projects identified in region
3. Mentioned twice at a local, state or commonwealth level; or projects identified in region
4. Mentioned three times at a local, state or commonwealth level; or projects identified in region
5. Mentioned at local, state and commonwealth level; and projects identified in region.

Methodology

Project types were prioritised using an equally weighted average of three index scores: comparative advantage, job contribution, and government policy alignment. Each index was scored out of 5 using a tailored methodology. The final score provides a comparative view across project types for the Latrobe Valley.

Comparative advantage was assessed qualitatively, based on factors such as resource endowment, industrial base, infrastructure readiness, workforce availability, and regulatory context. Given the variability across project types, no single indicator set was universally applicable. The assessment relied on structured expert judgement, informed by the most relevant metrics for each case.

Job contribution scores were based on estimated job years, combining construction and ongoing employment over a 10-year operational period. Estimates were drawn from project-level data, supplemented with desktop research where necessary. Final scores were assigned by ranking each project type into quintiles.

Policy alignment scores reflected the presence of each project type in local, state, and federal policy documents, and in Latrobe Valley's major project pipeline.

A separate **lead time analysis** was conducted to support the evidence base. Lead times (from inception to construction) were estimated using proprietary modelling for energy projects and desktop research for others. While not included in scoring, these estimates informed comparative advantage assessments and delivery timelines.

**Note that lead times are not considered when deriving a project type's rating or subsequent prioritisation. Details and categorisation are retained here for illustrative purposes.*

GVA and employment effects have been estimated based on construction and operational spend, employment and local content proportions.

Estimating GVA and employment effects

As indicated in the investment opportunity section of this report, for each project type, estimates of the construction and annual ongoing spend, employment contribution, and GVA contribution were derived.

Average construction spend, and direct construction and annual ongoing employment impacts are taken as averages from publicly available project information. Where possible, this was sourced from the major project list (that is, the estimates derived reflect the averages of proposed and upcoming projects across the Hunter Region, Latrobe Valley and Central Queensland region). ongoing spend was not sourced from projects due to a lack of data. In cases where a low number of projects were identified across these regions, desktop analysis was undertaken to identify comparable projects from either outside these regions domestically, or where this was not possible, internationally. To estimate the construction and ongoing GVA and ongoing Spend, several data were acquired, including:

- An estimate of the construction spend.
  This was sourced using averages from the major project list. In cases where there were not enough projects on the major project list, estimates of construction spend were sourced from other projects domestically.

- An estimate of the ratio between construction and ongoing spend.
  Desktop research was undertaken for each project type to identify the approximate ratio between construction and ongoing spend using exemplar projects. Once again, domestic projects were prioritised, but where data was not available, international projects were used in their place.

- Estimated profiles on the proportional distribution of construction and ongoing spend (note: separate profiles for construction and ongoing) across 1-digit ANZSIC industries for each project type.
  For each prioritised project type, this was inferred using a combination of: 1) detailed cost breakdowns and technical documentation on construction and ongoing spend where available, and; 2) professional judgement based on available documentation where quantitative estimates were not readily available.

- Estimated domestic local content proportions assumptions at a 1-digit ANZSIC industry level for each prioritised project type
  Likewise, for each prioritised project type, the proportion of local content in the estimated spend in each ANZSIC industry was derived. That is, the proportion of spend that was not spent on sourcing inputs from overseas.

- Ratios between the gross output and GVA of 1-digit ANZSIC industries at a national level
  These were sourced using industry value-added coefficients (GVA per dollar of output), applied with the domestic A-matrix (direct allocation of imports).

Using these data, we first estimated for each prioritised project type the average annual ongoing spend. Then, construction and ongoing spend was decomposed into ANZSIC 1-digit industries, and local content proportion assumptions were made. Finally, gross output to GVA ratios were used to infer GVA contribution. We further note that we have not considered either indirect (supply chain) or induced (employee spending-driven) GVA or employment effects due to the small regions under consideration.

WORKFORCE TRANSITION METHODOLOGY

Identifying appropriate transition pathways draws on three sources of information.

Skillsets demanded by the workforce

Skills analysis will identify transition pathways by highlighting viable alternative occupation pathways for fossil fuel workers. Viable pathways are defined as pathways where an occupation's **specialist, generalist** and **foundational** skills are equivalent to or greater than another occupation's skills.

Specialist skills

- Minimum education requirements are based on the Australian Qualifications Framework (AQF) level.
- The field of education is based on the most common field by industry occupation pair.

Generalist

- Are classified as a set of the required proficiency levels in core skills focused on generalist thinking and work-based learning experiences.

Foundational skills

- Are the basis upon which all other skills are built and are common across all occupations. Generalist skills (e.g. reading and numeracy).

Qualifications held within roles

Analysis of identified viable job pathways will be complemented with an assessment of the level and fields of education (**specialist skills**) held by fossil fuel workers.

Level of education (LOE)

- Data on the level of education that fossil fuel workers possess, e.g. Census data on highest educational attainment, will be analysed to confirm alignment with occupations' minimum education requirements.
- Seek data will be used to confirm the LOE that viable job pathways typically ask for, to determine if there are deviations in minimum educational requirements and actual education requirements demanded by employers.

Field of education (FOE)

- Analysis will be undertaken on the distribution of FOE by industry occupation pairs using the Census to understand the implications for viable job pathways on workers who have equivalent industry occupation pairings but a different FOE.

Historic movement patterns

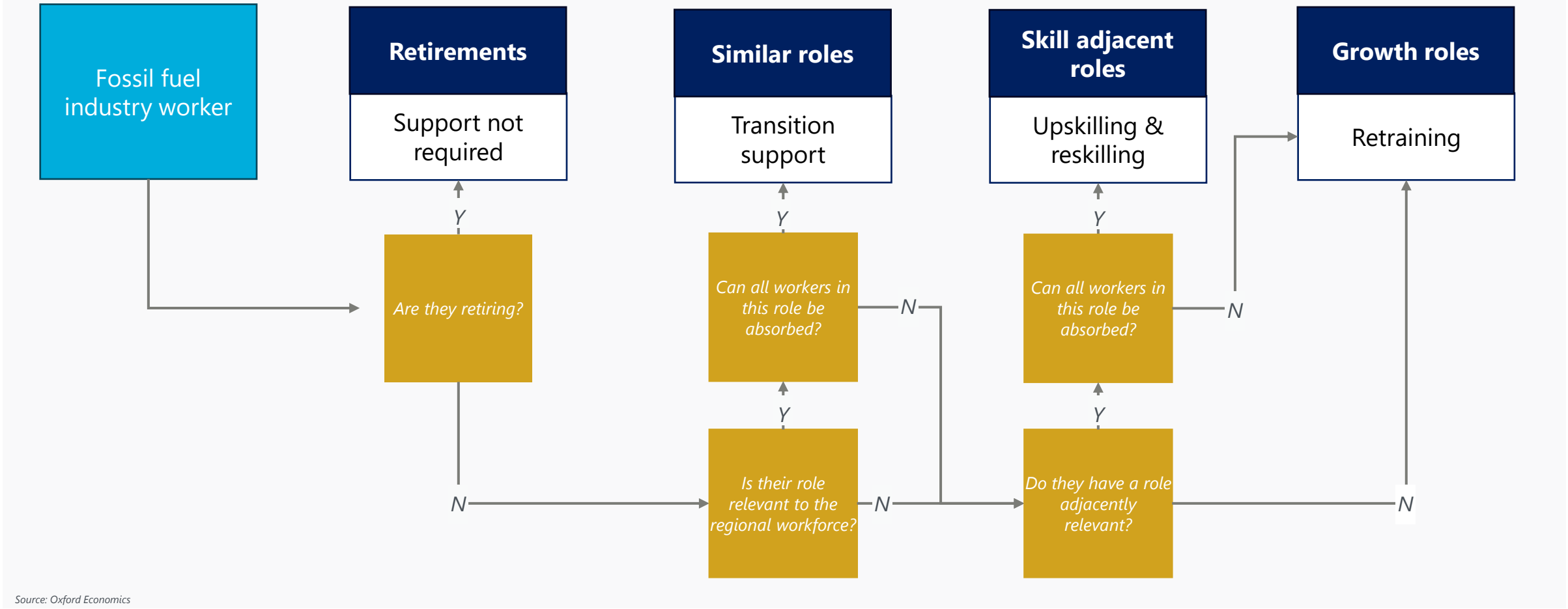
To corroborate that transition pathways are appropriate and viable for fossil fuel workers, Oxford Economics will undertake an analysis of historic movements of fossil fuel workers out of industry.

Historic movements of fossil fuel workers

- Seek data will be used to identify the known pathways by occupation industry pairs that fossil fuel workers have moved into successfully in the past and the propensity for them to do so.
- Historical movements will be tested against occupation industry pair transition pathways identified in the skillsets and qualifications analysis.
- Where viable job pathways have been determined based on our skills framework, and an analysis of actual qualifications held by fossil fuel workers, but there is limited evidence of historic job movements analysis of potential barriers limiting these pathways will be undertaken.

Identifying the workforce transition pathway that fossil fuel workers are most likely to need is based on a decision tree framework.

Fossil fuel worker, workforce transition pathway decision tree



Source: Oxford Economics

Contacts

EUROPE

Oxford (Headquarters)
Tel: +44 (0)1865 268 900

London
Tel: +44 (0)20 3910 8000

Belfast
Tel: + 44 2892 635400

Milan
Tel: +39 02 8295 2521

Frankfurt
Tel: +49 69 96 758 658

Paris
Tel: +33 (0)1 78 91 50 52

Stockholm
Tel: +46 (0) 8 446 887 65

AFRICA AND MIDDLE EAST

Cape Town
Tel: +27(0)21 863-6200

Dubai
Tel: +971 56 396 7998

AMERICAS

New York
Tel: +1 (646) 786 1879

Philadelphia
Tel: +1 (646) 786 1879

Mexico City
Tel: +52 155 5419-4173

Boston
Tel: +1 (617) 780 2265

Chicago
Tel: +1 (847) 993-3140

Los Angeles
Tel: +1 (424) 303 3449

Toronto
Tel: +1 (905) 361 6573

ASIA PACIFIC

Singapore
Tel: +65 6850 0110

Sydney
Tel: +61 (0)2 8458 4200

Hong Kong
Tel: +852 3974 8842

Tokyo
Tel: +81-(0)3-4588-2798