



AUSTRALIAN
INDUSTRY
GREENHOUSE
NETWORK

25 January 2023

Committee Secretary
Senate Standing Committees on Environment and Communications
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Dear Committee Members,

Comments on *Safeguard Mechanism (Crediting) Amendment Bill 2022 [Provisions]*

AIGN welcomes the opportunity to provide a brief submission to the Standing Committee on the Environment and Energy (the Committee) on the *Safeguard Mechanism (Crediting) Amendment Bill 2022* (the bill).

About the Australian Industry Greenhouse Network (AIGN)

AIGN is a network of industry associations and individual businesses. Our focus is on collaborative discussions on key climate change issues, providing a forum for information sharing and analysis. AIGN is a unique community of highly experienced professionals, which bring together their collective knowledge and expertise in international, national, and local climate policy.

In considering AIGN's written submission and other contributions to this conversation, the Committee should note AIGN's broad membership base; and note that these responses represent our long-held climate change policy principles. AIGN does not speak directly for its members or the industry sectors that they represent.

Comments on the Amendment

The Australian Government is reforming the Safeguard Mechanism as part of its whole-of-economy plan to reduce emissions to meet the legislated emissions reduction targets. A stated intent of the reforms is to provide a policy framework that enables businesses to find the lowest cost abatement, wherever it occurs.

The proposed changes include reducing Safeguard Mechanism baselines and enabling Safeguard facilities that stay below their baselines to generate tradable credits, known as Safeguard Mechanism Credits or SMCs.

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The purpose of the Bill is to enable the crediting element of the reforms.

The Bill will amend the National Greenhouse and Energy Reporting Act 2007 (NGER Act) and Australian National Registry of Emissions Units Act 2011 (ANREU Act) to establish the framework for creating SMCs, covering how credits are issued, purchased, and included in Australia's National Registry of Emissions Units. These credits each correspond to a tonne carbon dioxide equivalent of emissions (or difference in emissions compared to a facility's baseline) and can be traded and used by other facilities to reduce their net emissions.

To maintain the integrity of Australia's offsets framework under the Carbon Credits (Carbon Farming Initiative) Act 2011 (CFI Act), and because facilities covered by the Safeguard Mechanism will be eligible to receive SMCs, the Bill contains amendments to enable eligible offsets projects at Safeguard-covered facilities to be phased out.

The Bill also includes amendments to address inconsistencies in the framework for protecting information under the CER Act and the NGER Act. These amendments implement Recommendation 14 of the Climate Change Authority's 2018 Review of the NGER Act.

AIGN supports the amendment bill in principle. This bill is an important step towards delivering the policy framework for Safeguard Mechanism facilities in Australia's transition to a net zero economy. Enabling the strict use of credible carbon offsets can bring forward and smooth the transition to a net zero economy for these facilities.

AIGN notes that:

The Bill includes a number of provisions for the Minister to make legislative rules prescribing certain matters. Consultation will be undertaken in developing or amending any such legislative rules, and the usual disallowance processes apply.

Whilst the practicality of this provision is recognised, AIGN emphasises the importance of meaningful and timely consultation before any changes are made. This is important to provide confidence in the market. AIGN recognises the other necessary administrative changes to establish a robust governance system for the treatment of SMCs.

Context

The scale of ambition required to meet the net-zero target by 2050 or sooner (and to continue beyond that point) is substantial. Globally, industry has been contending with this reality, and how to address the task at hand, for many years. AIGN members are among those focused on transitioning to a new way of doing business, of decoupling economic growth from emissions growth and finding opportunities in decarbonisation pathways.

An increasing number of corporations are expressing this focus in goals and targets aimed at reducing emissions in alignment with the goals of the Paris Agreement. This momentum is aligned with the Australian Government's 2030 and 2050 targets.

When it comes to designing policy to raise ambition and reach net-zero by 2050, it is important for the policy suite to be capable of reflecting the very different ways decarbonisation activity looks in different industries (and, indeed, in different entities and/or facilities).

Many businesses that operate facilities covered by the Safeguard Mechanism have made long-term climate commitments that match or surpass Australia's climate targets.



However, for many Safeguard-liable facilities, it is not possible to reduce emissions in a linear fashion – in other words, the expected gradual decline in Safeguard Mechanism baselines is unlikely to be matched by equilateral year-on-year emissions reductions at each facility but rather will be completed by periodic technology driven step-changes.

These changes typically require substantive capital investment, engineering approvals, and likely a temporary shutdown to facilitate the building and integration of new equipment, and the subsequent restart and recalibration, to achieve a step-change reduction in emissions.

Industrial abatement projects take time, planning, and access to capital to be realised. Even in a year where emissions have not reduced significantly, an entity is likely to have committed resources and capital towards achieving its own corporate target, which will ultimately contribute to Australia's collective climate ambition.

Access to units like ACCUs and SMCs will support ambition and smooth the transition to net zero at a facility level. It is important that there are robust governance arrangements in place to underpin the credibility of these units.

The intent is to facilitate the achievement of Australia's emissions reduction targets by encouraging entities to bring forward their action and drive genuine abatement. AIGN supports the measures in this Bill that will enable industry to do this work – access to credible units is not a prop to avoid action, but a tool to support ambition.