



11 August 2023

International Best Practice Benchmarks Consultation

Safeguard Mechanism Team

Department of Climate Change, Energy, the Environment and Water

<https://consult.dcceew.gov.au/safeguard-mechanism-international-best-practice-benchmarks>

Dear Madam/Sir,

Comments on Safeguard Mechanism International Best Practice Benchmarks (consultation paper and draft guidelines – July 2023)

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to provide a brief submission to the Department on the consultation paper and draft guidelines for setting international best practice (IBP) benchmarks for new Safeguard Mechanism facilities.

About AIGN

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

In considering this written submission and other contributions to this conversation, please be aware of AIGN's broad membership base. Our engagement reflects our long-held climate change policy principles; AIGN does not speak directly for our industry associations or our corporate members.

This submission provides high-level, principles-based feedback, while AIGN members are best-placed to provide detailed specific feedback relevant to their industries, locations, and other circumstances.

International and domestic context

AIGN recognises Australia's net-zero by 2050 target in line with the Paris Agreement. The *Climate Change Act 2022* requires developing policies to have regard to this and related matters (e.g., Australia's emissions reduction target of 43% below 2005 levels by 2030), to ensure consistent progress towards the world's goal of limiting global warming.

The level of ambition needed to meet Paris Agreement goals will require deep and rapid action across the world. The inherent uncertainty in this space justifies the Government's attention to maintaining the international competitiveness of entities operating in Australia, including in the development of international best practice benchmarks. AIGN recognises the need to strike a careful balance to satisfy multiple priorities.



Setting international best practice benchmarks

AIGN refers the Department to the submissions of AIGN members and encourages the Department to continue engaging with industry experts as the best practice benchmarks are developed.

While the concept of international best practice is attractive and has widespread support, defining and implementing it in a way that suits a diverse group of industries and facilities is challenging.

Some AIGN members have raised concerns that the proposed framework may struggle to provide the flexibility to allow project proponents to manage year-on-year emissions reduction obligations with technologies and processes that deliver step-change emissions reductions. Among the issues to consider, AIGN puts forward the following for consideration:

- **Defining international best practice**

Arguably, ‘best practice’ cannot look the same in every location. Many relevant factors come together to determine the design of a facility, including site-based environmental and geological factors, the commercial availability of energy sources and other materials, as well as availability of technology, and what plant design works in a designated location.

This is particularly challenging because it could be argued that, should locations in Australia be unable to reach a certain standard, they are not suitable for development.

- **Selecting facilities for setting IBP benchmarks**

AIGN members have a strong interest in consulting with the Department during the process of selecting facilities. Facilities need to be fundamentally comparable. For example, a benchmark should take into consideration technologies or processes that cannot be collectively deployed (stacked). A technology that is not available or problematic to deploy in Australia could also pose challenges.

- **Collecting data for IBP benchmarks**

AIGN anticipates challenges to forming a view on IBP to include the availability of, and access to, reliable data, as well as the comparability of data across facilities and jurisdictions (including the basis of reporting if different emissions measurement approaches are used).

AIGN members would like to engage further with the Department to support the sourcing of data, to understand how the data will be collected and where it will be drawn from, and how any comparability issues will be dealt with.

AIGN supports the inclusion of Australian data in calculating IBP benchmarks.

- **Adjustments for Australian conditions**

Australian international best practice benchmarks should give due consideration to conditions in Australia. These may include geology, the availability of inputs, location-specific factors, competitiveness of inputs and technologies, and availability of technologies.

- **Production variables for new entrants**

AIGN members are interested to understand the process for a first-of-its-kind entrant, where production variables are not yet defined for an activity. Further industry consultation on how IBP benchmarks will be set in such cases would assist in clarifying the draft guidelines.

- **Baseline decline for new facilities**

Careful consideration is required to consider how best to integrate new entrants into Australia’s emissions reduction goals. As we rapidly transition to net-zero, a sensible approach to establishing



current international best practices and setting the annual decline rate for new facilities is required. This will recognise that going beyond best practice with linear year-on-year decline rates for new entrants is highly unlikely to be achievable through the integration of new technology (at least initially) and will therefore require the purchase and surrender of appropriate carbon units. It is unknown at this time what impact this may have on Australia's ability to attract new investment. However, it is clear that a deep and liquid, and importantly trusted, carbon market will be required to support the transition.

- **Continued consultation**

As the Department undertakes this process to develop and finalise IBP benchmarks, AIGN looks forward to ongoing close consultation with industry to develop effective, consistent, practical, robust, representative, and transparent benchmarks.

- **Incentivising decarbonisation**

AIGN acknowledges the need to achieve deep and rapid emissions reductions; we welcome the Government's commitment to improving policy stability to encourage investment. IBP benchmarks are intended to set a high bar for future industrial development in Australia, and a stable, long-term policy framework should be complemented by support measures to help industry decarbonise. It is important for Government to take a holistic approach to the development of different elements of its climate policy suite. AIGN supports further consultation with industry on how meaningful support can be delivered that encourages early decarbonisation, maintains international competitiveness, and sustains a thriving economy and community.

AIGN welcomes the opportunity for ongoing consultation in the development of this policy.

Regards,

M. Niederkofler
Senior Policy Adviser | AIGN

and

S.J. Smith
Chief Executive | AIGN