



AUSTRALIAN  
INDUSTRY  
GREENHOUSE  
NETWORK

## **AIGN Submission**

# **NSW EPA Draft Climate Change Assessment Requirements and Draft Greenhouse Gas Assessment Guide for Large Emitters**

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## 1 INTRODUCTION

AIGN welcomes the opportunity to contribute to the NSW Environment Protection Authority's (EPA) consultation on its draft Climate Change Assessment Requirements (CCARs) and draft Greenhouse Gas Assessment Guide for Large Emitters.

AIGN has a broad membership base with a range of expertise in various sectors of the economy.

In considering this submission, please take note of AIGN's broad range of members and resultant wide diversity of views on greenhouse and energy policy.

## 2 ABOUT AIGN

The [Australian Industry Greenhouse Network](#) (AIGN) is a network of industry associations and individual businesses.

AIGN provides a forum for discussion on key climate change issues, offering information and analysis in the consideration of national and international climate change policy development, as well as the role industry can play in the transition to net-zero emissions by 2050.

AIGN supports an evidence and principles-based approach to climate policy development; one that prioritises environmental and social integrity, and economic efficiency; focuses on developing enduring policies; delivers broad coverage to ensure the responsibility of reducing emissions is equitably shared; and creates an environment in which Australia's trade competitiveness is supported.

[AIGN's policy principles](#) form the basis of our input into climate change policy development.

## 3 CONTEXT

It is important to AIGN members, and the industries they represent, that effective and enduring policies are in place to support investment and efficient transition to a net-zero economy.

This is the best way to support Australia to meet its emissions reduction and other climate targets in line with the Paris Agreement.

To support national greenhouse gas emissions reduction targets and the efficient transition to a net zero economy, actions at the state level should be designed to support an overall national climate policy approach.

The EPA has an important role in supporting a streamlined national approach that employs the right policy signals to achieve net-zero emissions while maintaining a robust economy.

### 3.1 Investment Stability

In AIGN's view, Australia must set and maintain conditions that support growth in a thriving economy transitioning towards a sustainable pathway, in line with Australia's net-zero by 2050 target.

Such conditions will influence the pace and direction of climate policy, economic activity, and investment in Australian industry in the coming decades.

Institutional stability (particularly in the form of predictability of policies and regulations) is essential to attracting the kind of investment growth needed to increase renewable energy generation and other technologies to support clean growth and meet Paris Agreement goals.

## 3.2 Economic Overview

Australia is an export-based economy and has historically been a destination for industry and manufacturing, largely because of comparative advantages in natural resources, affordable energy, and a stable political environment.

In recent years, Australia has lost the advantage of cheaper energy and has faced additional headwinds with attracting investment due to high labour and capital costs.

In the context of the growing importance of reducing emissions, Australia has an opportunity to take advantage of global demand in a world that will increasingly require low-carbon natural resources and manufactured goods.

Australia has the potential to be an attractive investment destination, meeting our emissions reduction goals while nurturing a thriving economy and ensuring the security and reliability of our energy supply and critical infrastructures.

Importantly, Australia competes globally for capital and must position itself positively to attract investment. Our abundance of natural resources must be complemented by a stable and supportive policy environment to attract the scale of investment that will be required to meet our Paris Agreement commitments.

## 3.3 Investment and Trade Competitiveness

Policy uncertainty adds sovereign risk to investment decisions and can act as a significant disincentive.

Long-term policy stability is highly desirable to potential investors, requiring bipartisanship across a range of issues, including climate and energy policy.

Without this, a commercial business investment must look viable under several potential future policy scenarios (which is, of course, a challenging criterion to meet).

If incremental adjustments to the policy suite accrue over time and compliance complexity builds, it can erode the integrity of a strategic, long-term approach to cultivating a vibrant economy.

In the face of increasing uncertainty, investors become less likely to make significant capital investments in a jurisdiction. Over time, this could result in ageing assets and diminished innovation, culminating in a stagnating economic landscape.

## 4 GUIDING PRINCIPLES

To promote coherence in Australia's climate policy suite, AIGN members advocate for a set of guiding principles under which policy should be developed.

Bipartisan policy coherence in the form of a streamlined regulatory framework would increase confidence in Australia as a promising investment destination, reinforcing the achievability of Australia's net-zero by 2050 target.

Analysis of the likely impact of the CCARs and GHG Assessment Guide must consider the interaction with federal policies and be complementary and consistent rather than duplicative or inconsistent.

### 4.1 Alignment with Paris Agreement

AIGN supports Australia's Paris Agreement-aligned net-zero by 2050 target, and the *Climate Change Act 2022*.

This Act requires policy development to have regard to Australia's commitments under the Paris Agreement and related matters to ensure consistent progress towards limiting global warming and supporting decarbonisation ambition.

## 4.2 International Competitiveness

The level of ambition needed to meet Paris Agreement goals will require deep and rapid action across the world.

The nature of the Paris Agreement will result in uneven climate action and varying levels of climate-related costs in different jurisdictions. This is expected to be the case for some years before global emissions converge to around net-zero.

The inherent uncertainty in this space, and the uneven nature of climate action across the world, warrant efforts to maintain the international competitiveness of entities operating in Australia.

## 4.3 Whole-of-Economy Approach

Meeting the goals of the Paris Agreement and Australia's emissions reduction targets will require unprecedented ambition and effort.

AIGN strongly supports a policy approach that promotes decarbonisation ambition across the whole economy, so all sectors contribute to Australia's mitigation effort.

## 4.4 Interrelatedness and Oversight

The amount of policy development and implementation being concurrently undertaken, both at the national level and across jurisdictions in Australia, requires coordination and optimisation.

Consultation and policy development processes need to be sequenced and carefully managed for alignment and harmonisation to achieve objectives.

Environmental and approvals reform should be undertaken with close coordination between State/Territory and Federal Governments to support the scale of economic transformation needed to achieve net-zero by 2050.

Currently, the timeline of approvals can be the rate-limiting step for some projects which are essential for Australia's transition and ambition.

## 4.5 International Linkage

To support economic efficiency and the genuine reduction of atmospheric levels of greenhouse gases, AIGN supports Australia's linking with the international carbon market to promote the achievement of Paris Agreement goals.

Under the Paris Agreement, international markets are being developed to be robust and credible.

Access to a stable supply of credible offsets is a crucial transitional measure to facilitate abatement in hard-to-abate sectors.

## 5 FEEDBACK ON CONSULTATION MATERIALS

It is generally agreed that a successful transition to a net-zero economy in line with the Paris Agreement will require an unprecedented scale of project development. This needs to be supported by a reformed project approvals process to significantly streamline the approval, construction, and operationalisation of projects. AIGN members have reported that, with current approvals timelines, projects may not be deployed in the necessary timeframe to achieve net-zero by 2050.

## 5.1 Streamlining Policy and Regulation

AIGN strongly advocates for a streamlined policy environment in Australia to support investment, decarbonisation, and Paris Agreement goals. Streamlining is crucial to facilitating investment in support of this objective.

AIGN encourages coordination across the climate policy landscape. The NSW net-zero target, for example, should be viewed and implemented in the broader context of the Paris Agreement, the national net-zero target, and the national climate change policy framework.

### 5.1.1 Project approvals

The EPA can promote streamlining and ultimately investment in the transition to net zero by coordinating with other State/Territory and Federal counterparts and colleagues to improve the project approvals process.

Without revision, the timelines for approvals are likely to exceed the timeline for investment.

The approval process should be revised to facilitate the meaningful assessment and mitigation of potential project impacts within clearly designated (and adhered to) assessment timeframes. This will provide project developers with certainty to incentivise the large capital investments required.

## 5.2 Greenhouse Gas Regulation Approach

AIGN recognises the need to strike a careful balance to satisfy multiple priorities and to ensure that the underlying data on which domestic climate policies and our international climate commitments are based is credible, verifiable, and reported.

In the interests of consistency and streamlining, all jurisdictions (including NSW EPA) should ensure harmonisation with national greenhouse gas regulation, including using information and understanding the impacts of the National Greenhouse and Energy Reporting Scheme (NGERS) and the Safeguard Mechanism.

### 5.2.1 National Greenhouse and Energy Reporting Scheme

Australian industry greenhouse gases are nationally reported and regulated.

AIGN members disclose emissions information via the National Greenhouse and Energy Reporting Scheme (NGERS: an internationally recognised emission and energy reporting framework that forms the basis for much of Australia's current climate mitigation policy.

NGERS has been in place since 2008, undergoing regular reviews to update and refine methodologies as appropriate.

It provides a strong foundation for the management of greenhouse gas emissions.

State Governments and related agencies access and utilise this data to support their climate policy frameworks; alignment with NGERS is essential.

### 5.2.2 Safeguard Mechanism

Emission limits from large industrial facilities are managed via the Safeguard Mechanism. The Mechanism has recently undergone substantial reform to support its share of Australia's net-zero by 2050 target.

With the implementation of these reforms, the Safeguard Mechanism now requires covered facilities to meet ambitious emission reduction targets (expressed as facility-specific declining baselines).

The Clean Energy Regulator expresses it thus:

*“The Safeguard Mechanism requires Australia’s highest greenhouse gas emitting facilities to reduce their emissions in line with Australia’s emission reduction targets of 43% below 2005 levels by 2030 and net zero by 2050.”<sup>1</sup>*

This occurs through the application of decline rates:

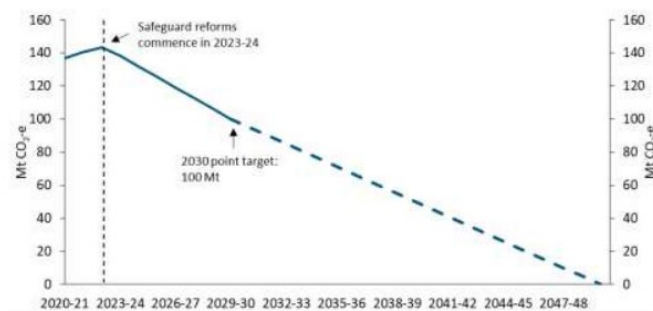
*“Standard and landfill facility baselines decline by 4.9% each financial year through to 30 June 2030”<sup>2</sup>*

The following table shows the decline rate applied to baselines using an ‘emission reduction contribution’ factor representing the total baseline decrease since 1 July 2023:

Financial year	Decline rate	Emission reduction contribution
2023–24	4.9%	95.1%
2024–25	4.9%	90.2%
2025–26	4.9%	85.3%
2026–27	4.9%	80.4%
2027–28	4.9%	75.5%
2028–29	4.9%	70.6%
2029–30	4.9%	65.7%
2030–ongoing	3.285%	62.4%

In January 2023, the Commonwealth Department of Climate Change, Energy, the Environment and Water published a position paper on the Safeguard Mechanism reforms, including a graph to demonstrate the baseline trajectory of facilities covered by the Safeguard Mechanism.<sup>3</sup>

Figure 2.2 Indicative emissions decline trajectory to net zero by 2050



The Safeguard Mechanism has introduced steep penalties for not decarbonising at the pace set out by the annual decline rate for facility baselines.

These facility baseline reduction targets can be achieved through onsite emissions reduction, technology transformation, or by offsetting any residual emissions above the annually declining facility baseline.

If a facility is in excess as of 1 April following the relevant monitoring period, then:

- A penalty unit (currently \$313) per tonne above the facility baseline is applied; and
- For each day that facility remains in excess an additional 100 penalty units per day will be applied.

In addition, the Clean Energy Regulator may also issue an infringement notice equal to the lesser of:

- One-third of the maximum penalty that a court could impose; or
- 150,000 penalty units (currently \$47 million).

Applying additional state-based emissions compliance obligations to Safeguard facilities is an unnecessary cost and administrative burden for these businesses and the NSW government.

<sup>1</sup> <https://cer.gov.au/schemes/safeguard-mechanism>

<sup>2</sup> <https://cer.gov.au/schemes/safeguard-mechanism/safeguard-baselines>

<sup>3</sup> [https://storage.googleapis.com/files-au-climate/climate-au/p/prj23cd662ff4387d8c254ae/public\\_assets/Safeguard%20Mechanism%20Reforms%20Position%20Paper.pdf](https://storage.googleapis.com/files-au-climate/climate-au/p/prj23cd662ff4387d8c254ae/public_assets/Safeguard%20Mechanism%20Reforms%20Position%20Paper.pdf)

AIGN urges the EPA to recognise the detailed evidence base and incentive to decarbonise represented by these policies in its approach to project approvals and to align its policies with the national framework.

Importantly, the EPA's regulatory approach to Safeguard Mechanism facilities must be cognisant of the legal obligations they are subject to.

### 5.3 Inter-Jurisdictional Approach

Reaching net-zero by 2050 will require diverse objectives to be met. While the mitigation of greenhouse gas emissions is vital, other objectives are also critical. These include building climate resilience, managing climate risk, and supporting adaptation to a changing climate.

There is a strong role sub-national government can play in both the assessment of climate risk and resilience and the collation and provision of centralised data for the physical impacts of climate change.

#### 5.3.1 National regulation

Reducing greenhouse gas emissions is a global matter, which is reflected in the consensus view of nation states around the world represented by the Paris Agreement. It is therefore appropriate for mitigation to be addressed at the national level.

AIGN notes that the CCARs and guide refer to NGERs and the Safeguard Mechanism and encourages the EPA to avoid adding duplicative requirements on project proponents.

The EPA should coordinate with the Clean Energy Regulator on information relating to the management of emissions from proposed projects.

#### 5.3.2 State regulation

While the mitigation of greenhouse gas emissions is best managed at the national level, other crucial policy areas are most effectively managed sub-nationally.

These include climate risk, resilience, and adaptation issues, as well as managing local impacts related to pollutants.

The NSW Government (including agencies such as the EPA) has a vital role to play in leading the development of measures to address these areas of the climate policy suite (e.g. project approvals reform, infrastructure projects, and data provision).

AIGN members are keen to support the EPA's work on the streamlining of project approvals to enable the achievement of state and federal decarbonisation objectives.

## 6 CONCLUSION

Thank you for the opportunity to provide input to the NSW EPA as it develops its Climate Change Assessment Requirements and Greenhouse Gas Assessment Guide for Large Emitters.

AIGN welcomes future opportunities to engage with the EPA.