
**AIGN Feedback to the Department of Climate
Change, Energy, the Environment & Water
on the
Safeguard Mechanism's Production Variables and
International Best Practice Benchmarks
consultation**

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1 SUMMARY

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to provide a submission to the Department for consideration as the approach to setting international best practice benchmarks for the Safeguard Mechanism is finalised.

- AIGN supports the Government’s commitment to the Paris Agreement and to meeting its goals, recognising the need for increasing ambition to *keep the 1.5°C warming goal within reach and to achieve net-zero emissions by mid-century*.

Prioritise Precision Over Pace: Thoughtful Policy Development for Long-Term Success

- AIGN members continue to express concerns about the overwhelming amount of policy development and implementation the Government has planned for this year. This extends beyond the Safeguard Mechanism reforms and international best practice benchmarks, although it is certainly included.
- The rapid and voluminous schedule of work creates a higher risk of policy misalignment and unintended consequences. Assessing the approach to international best practice benchmarks in the context of this fluid policy landscape will also be challenging for the Government.
- AIGN recommends a single, central responsible agency be tasked with drawing together the many streams of climate policy to ensure consistency, orderly sequencing, and sufficient capacity to deliver good policy outcomes. This may include deferral of some policy processes, to allow time for considered feedback and consideration of policy in the context of other current and emerging policies.

Economic growth in the transition to a net zero economy

- The Government’s intention to promote a thriving economy as Australia transitions to net-zero. The proposed approach to setting international best practice benchmarks must be carefully calibrated to support the competitiveness of investment in Australia, including in critical sectors required for promoting the transition to net-zero in Australia and globally through our export chain. It is vital to the whole economy that investment in critical sectors, sub-sectors, and finished products is supported.
- The proposed approach appears to aim beyond commercial best practice in setting the initial baseline and then requires a decline rate of 4.9% per year thereafter. Without careful alignment, this will not support actual or practical applications of the international best practice principle.
- The design and implementation of international best practice benchmarks are being undertaken amidst extensive policy development. This is relevant in evaluating how the proposed approach will impact Safeguard Mechanism sectors. While the Safeguard Mechanism is supported and accepted as the approach to promoting the transition to net-zero for the covered sectors, AIGN members would welcome a workshop with the Department to review and assess the data in an Australian context – which should ultimately be designed to accelerate the transition to a net zero economy and build upon Australia’s competitive advantages.

2 CONTEXT

AIGN recognises and supports Australia's Paris Agreement-aligned net-zero by 2050 target.

The *Climate Change Act 2022* requires developing policies to have regard to this and related matters (e.g., Australia's emissions reduction targets of 43% below 2005 levels by 2030 and net-zero by 2050), to ensure consistent progress towards limiting global warming.

2.1 Framing domestic policy in an international context

The level of ambition needed to meet Paris Agreement goals will require deep and rapid action across the world. The nature of Nationally Determined Contributions will result in uneven climate action and varying levels of climate-related costs in different jurisdictions. This is expected to be a serious consideration for some years before global convergence around net-zero is reached.

The inherent uncertainty in this space, and the uneven nature of climate action across the world, justifies the Government's attention to maintaining the international competitiveness of entities operating in Australia.

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 action commitments are based is credible, verifiable, and clearly reported.

2.2 Deliberate policy interventions

The Safeguard Mechanism reforms are taking place within a much larger framework of policy interventions to target specific climate-related outcomes in Australia.

To promote the best outcome, the Government must work towards a clearly defined objective across its climate policy suite.

This objective should be to transition the Australian economy to net-zero (in line with the Paris Agreement and the *Climate Change Act 2022*) at the least cost. This will encourage a healthy and thriving economy, which in turn supports the wellbeing of all Australians.

AIGN's policy principles favour a strategic, national approach to climate policy that promotes equity and efficiency. Within a sectoral approach that deploys multiple, smaller policies, cost-effectiveness can only be achieved by maintaining a strong focus on this objective, as well as intentional cross-agency coordination and policy fungibility.

2.3 Meaningful engagement

It is vital to contextualise this consultation process within the Government's overall climate policy development approach. The Government is undertaking an unprecedented amount of climate-related policy development and implementation - in a short timeframe.

Whilst climate action is both urgent and important, so too is the design.

We need to get the design right and develop an efficient, effective policy framework that accelerates the transition to a net-zero economy and avoids policy overlap and omissions.

A fast-tracked consultation approach risks delivering less-than-ideal outcomes.

This concern extends beyond this consultation process, as there is a suite of deadlines across a wide range of policy development and implementation processes in 2024 (see Appendix 1).

AIGN and our members are strongly motivated to participate effectively in these important consultation processes. However, they are unable to dedicate the time needed to achieve this given the short consultation period, the timing of the consultation period (over summer break and when many industry colleagues and departmental contacts are on leave), and the overlapping consultation period for many climate-related policy submissions.

Optimal policy outcomes can only be achieved with sufficient time to design and provide informed feedback.

2.3.1 Prioritising optimal policy outcomes

Allowing sufficient time for consultation, design, feedback, and implementation of new or evolving policies will mitigate risks and promote policies that:

- are harmonised and complementary across the policy suite – including providing clarity around how state-based policies interact with national policies
- promote alignment and equal treatment of cross-cutting issues
- minimise administrative costs for the Government, and transaction costs for stakeholders
- promote effective implementation and accountability, including by clarifying where responsibility for various elements of policy development and implementation resides, and
- achieve efficient and effective emissions reductions at least cost (noting that, even in a least-cost scenario, the level of ambition required to meet Paris goals will impose significant costs).

A whole-of-government approach is needed to evaluate the feasibility of the volume and timeframe of current climate-related policy and implementation plans.

The Net-Zero Economy Agency and the Sectoral Plan process are intended to address this; however, it is noted that there are other concurrent climate-related policy development processes.

Taking the time to develop policies that will operate as intended and ensuring that stakeholders are given sufficient opportunity to engage in their development, will facilitate orderly implementation and a least cost approach.

AIGN recommends a workshop (perhaps lock-in format) to enable stakeholders to better understand the international best practice data sets and provide an opportunity for industry representatives to provide informed feedback to help guide policy development.

3 AIGN FEEDBACK

AIGN's expertise is based on the broad range of experiences of corporate members with direct obligations under the Safeguard Mechanism; our feedback will reflect this perspective.

Detailed comments relating to sector-specific production variables and other particulars will be covered in their respective association and corporate member submissions.

3.1 International Best Practice Benchmarks

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

3.1.1 Defining international best practice

Arguably, ‘best practice’ cannot look the same in every location due to environmental and other factors.

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.

3.1.2 Selecting facilities for setting benchmarks

AIGN members support transparency in policy design and consultation processes.

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.

There are limitations in using consultant-based data and analysis without ground truthing with the relevant sectors. To achieve this further engagement with industry is needed.

3.1.3 Collecting data for benchmarks

AIGN anticipates challenges to forming a view on international best practice 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 data collection and sources, and how comparability issues will be dealt with.

AIGN supports the inclusion of Australian data in calculating international best practice benchmarks.

3.1.4 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.

3.1.5 Production variables for new entrants

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

3.1.6 Baseline decline for new facilities

Careful consideration is required of 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 genuine carbon credit units. It is unknown at this time what impact this may have on Australia’s ability to attract new investment.

Successful transition needs to be supported by a stable policy, including a secure and consistent value and availability of units for compliance purposes. A deep liquid, and importantly, trusted carbon market will be required to support the transition.

Consideration of the commencement of best practice decline rates from the commencement of new facility operations could provide a more practical policy approach to incentivise investment and meet net-zero goals.

3.2 Decarbonisation imperative

In considering the Safeguard Mechanism design, including how to set international best practice benchmarks, it is worth reflecting on the importance of the task the world has agreed to, as confirmed by the Paris Agreement.

Reaching net-zero global emissions by mid-century is a colossal undertaking of vital importance. Analysis at the international level has consistently shown that we will need all available pathways to reduce, mitigate and offset emissions to have a chance of reaching net-zero by 2050.

Any credible option that is affordable, accessible, and scientifically verifiable needs to be deployed.

This strongly supports an approach that does not pick winners or prohibit any sector, commodity, or technology from action that contributes to the pathway to net-zero.

The Government should continue to strongly and publicly endorse all viable options for decarbonisation.

This is especially important given the repeated warnings from the scientific community that [we are not on track to reach Paris Agreement goals](#).

What matters is that atmospheric levels of greenhouse gases are reduced, and further emissions are mitigated or avoided where possible.

The Government must make inroads to promoting community acceptance of options such as offsets, carbon capture and storage, and

other transitional measures to keep the Paris Agreement 2°C and 1.5°C goals within reach.

3.3 Continued consultation

As the Department undertakes this and other consultation processes to develop and finalise many policy tools to support Australia's decarbonisation, AIGN looks forward to ongoing consultation with industry to develop effective, consistent, practical, robust, representative, and transparent international best practice benchmarks as part of a sensible policy suite to support Australia's economic transition.

4 CONCLUSION

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, who bring 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 recognise [AIGN's broad membership base](#).

Our engagement reflects our long-held [climate change policy principles](#) and the common views of our members but does not directly represent any individual industry association or corporate member. As a result, different sectors (and, possibly, sub-sectors and finished products) will have different considerations and priorities around the application of international best practice benchmarks.

Thank you for considering AIGN's feedback. We look forward to future opportunities to engage with the Department.

APPENDIX: CLIMATE POLICY DEVELOPMENT AND REVIEW

AIGN members are actively engaged in a wide range of important consultation processes. These include, but are not limited to:

- Consultation on the independent Carbon Leakage Review being undertaken by Prof. Frank Jotzo and DCCEEW.
- Implementation and finalisation of Safeguard Mechanism reforms, requiring extensive engagement with the Department and the Clean Energy Regulator.
- Consultation on the development of international best practice benchmarks for the Safeguard Mechanism.
- Consultation (led by the Australian Accounting Standards Board) on the development of the relevant standards for the climate disclosure framework.
- Consultation and/or applications to the Powering the Regions Fund and the National Reconstruction Fund.
- Consultation on the Climate Change Authority's wide-ranging work program, including legislated reviews and advice.
- The Net-Zero Plan and the associated six sectoral decarbonisation plans (Net Zero Economy Agency and the Climate Change Authority).
- Consultation on the NGER and ERF Reviews (Climate Change Authority).
- NGERs online data entry model upgrade (EERS) with the Clean Energy Regulator.
- Consultation on the National Climate Risk Assessment.
- Other, related processes specific to their sector, such as the development of the National Hydrogen Strategy, Guarantee of Origin scheme, Net Zero Council initiatives, review of the Offshore Carbon Capture and Storage Regime and the Future Gas Strategy, as well as reforms within the east and west coast electricity markets.
- Other, related State and Territory laws, such as the recently passed *NSW Climate Change (Net Zero Future) Bill 2023*.

There is also an extraordinary amount of work under the Sustainable Finance Strategy in the next 12 months, including:

- Commencing reporting periods for Group 1 entities under the climate-related financial disclosure framework (1 July 2024) – there are many timing concerns for this work (e.g. necessary standards, guidance, and infrastructure may not be available in a timely manner).
- Consultation on broader priorities and options for strengthening transition planning and disclosure of transition-related targets and claims (which will occur while entities will need to devote time to implementation of the climate disclosure framework in 2024).

- Consultation on the development of the sustainable finance taxonomy (March – October 2024).
- Consultation on work to create a labelling regime for investment products labelled as ‘sustainable’ or similar (2024).
- Feedback on sustainability data challenges and priorities for financial sector participants (recommendations to be published to the Government by the end 2024).

Moreover, AIGN corporate members are developing and implementing their corporate net-zero projects across their operations, which is essential to support the Government’s emissions reduction targets in 2030 and beyond.