
**AIGN feedback on the *Safeguard Mechanism* -
*best practice emissions intensities updates***

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Summary

The Australian Industry Greenhouse Network Limited (AIGN) welcomes the opportunity to engage with the Department of Climate Change, Energy, the Environment and Water (the Department) on the *Safeguard Mechanism - best practice emissions intensities updates (2024)*.

AIGN is a network of industry associations and corporations. AIGN provides a forum for discussion on key climate change issues, providing information and analysis in the consideration of national and international climate change policy and the role industry can play in the transition to net zero emissions by 2050.

AIGN has previously offered extensive feedback on Safeguard Mechanism reforms, which inform this submission. In earlier feedback, AIGN urged the Government to conduct thorough consultations on the details of the reform and to carefully consider the timeline for developing and implementing these reforms, ensuring robust policy design. While acknowledging the Department's efforts and the complexity of certain design elements, AIGN stresses the importance of balancing good policy design with timely implementation, noting the following.

- Ongoing industry engagement is required on the rollout of reforms.
- International best practice benchmarks should support investment competitiveness in critical sectors for Australia's net-zero transition. Benchmarks must consider local conditions and technologies practically deployable in Australia.
- Data held by the Regulator is commercially sensitive and firms must be confident about data security and would value consideration of how long data should be retained and the streamlining of data provision to align with other processes.
- The rationale is unclear for singling out specific sectors for publishing emission estimation methods under NGERs and there should be a consistent application of these requirements.
- Early compliance obligations are likely to emerge under the reformed Safeguard Mechanism, which underscores the need for flexibility mechanisms and access to credible units like ACCUs.
- Ongoing consultation on sectoral application is crucial to ensure balanced emissions reduction efforts without excessive economic impact. Proportional contributions across all sectors requires clarity on the policy approach to sectors not covered by the Safeguard Mechanism.

The Department should note AIGN's broad membership. Several AIGN members have prepared input to this process, covering a range of issues and perspectives from different industry sectors and individual liable entities. AIGN members will direct their industry-specific responses through industry association submissions, while corporate members may make individual submissions highlighting their specific situations. Please consider the AIGN submission alongside input from our members.

Background

AIGN members, who represent a significant portion of entities liable under the Safeguard Mechanism, have a strong history of compliance and voluntary reporting. Since the Safeguard Mechanism Rule was introduced in 2015, AIGN members have invested heavily in developing the necessary expertise to comply with its requirements. This includes setting up emissions databases, conducting annual reporting, managing carbon units, undergoing external audits, and training staff. Their experience positions them well to offer insights on

proposed reforms to enhance the Safeguard Mechanism's efficacy in supporting Australia's emissions reduction objectives.

AIGN has actively engaged with the Department to share their insights and collaborate on redesigning the Safeguard Mechanism to align with Australia's path to achieving net-zero emissions. Several key elements inform AIGN's response to the ongoing reform of the Safeguard Mechanism:

- **International context:** AIGN supports the Government's commitment to the Paris Agreement, recognising the need for increased ambition to keep the 1.5°C warming goal within reach and achieve carbon neutrality by 2050 or sooner. AIGN members are committed to this transition, which requires a whole-of-economy shift to lower emissions while maintaining quality of life and economic prosperity. Establishing the policy architecture to support this transition at the least cost is paramount.
- **Long-term policy stability:** Effective, efficient, and enduring policy is essential for encouraging investment in Australia's low-carbon transition. A stable policy environment ensures sustainable growth for Australia's industrial sector. AIGN expects the Government to reflect increasing emissions reduction ambitions in domestic policy, noting that this can be achieved while maintaining the viability of key industries. Policy stability is supported by extending existing mechanisms rather than replacing them.
- **Supporting ambition:** AIGN members have demonstrated their support for the Paris Agreement through climate policy principles, emissions reduction targets, and net-zero commitments. AIGN encourages the Government to remain mindful of the need to support ambition as it seeks to update the climate policy suite, including the Safeguard Mechanism. Incentives to act can bring forward abatement in some instances, noting that this can be a complex matter, especially for certain industrial emissions sources. The principles and administrative framework should be designed to facilitate this.
- **Timeframe for reforms:** AIGN acknowledges the tight timeframe for consulting, designing, and implementing reforms and encourages the Government to prioritise good policy design while recognising the need to act now to reduce emissions to meet 2030 and 2050 targets. AIGN values ongoing discussions with the Department about how a phased approach could support long-term transformational change required by climate policy goals.

Draft Amendments

The proposed update includes details regarding the treatment of benchmarks and production variables for a range of industries. Given the specificity of these inclusions, those sectors are best placed to respond to the technical elements of the proposed amendments. AIGN's submission reconfirms its feedback provided in iterative consultations since 2023 and encourages ongoing work to engage on the details to ensure that the objectives of the Safeguard Mechanism reforms can be met.

- **International best practice benchmarks:** Detailed comments on sector-specific benchmarks will be addressed in respective association and corporate member submissions. However, in general, setting 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.

There is a need for context-specific approaches when defining international best practices in emissions management. What constitutes 'best practice' can vary depending on environmental factors, technological availability, and local conditions.

Benchmarks for Australia should consider local conditions such as geology, input availability, and technological competitiveness. Further, when benchmarking, facilities need to be comparable. This involves considering technologies and processes that are practically deployable in the Australian context. AIGN stresses the need for reliable and comparable data across facilities and jurisdictions and recommends further engagement with industry to improve data sourcing and understanding.

It remains that the proposed approach appears to aim beyond commercial best practice in setting the initial baseline and requires a decline rate of 4.9% per year thereafter.

- **Revised production variable definitions:** AIGN supports a rigorous process of revising production variable definitions but stresses the importance of continued consultation with industry stakeholders to ensure production variable definitions are practical and reflective of both real-world operations and climate goals.
- **Publication of remaining production variables and a default emissions intensity value:** The publication of remaining production variables and default emissions intensity values should follow a transparent process involving comprehensive industry consultation. AIGN's 2023 submission emphasised the need for detailed engagement to clarify and refine these variables, ensuring they are accurate and representative of industry practices.

AIGN notes that the data held by the Regulator is commercially sensitive and firms must be confident about data security over the long term. It is reasonable for the Department to consider how long some data is held and confidence in the security of the data that is retained.

- **Requirement to publish the methods used by facilities to estimate fugitive methane emissions from coal mining, oil, and natural gas sources:** NGERs serves as Australia's national framework for greenhouse and energy reporting and has well established process for the publishing of methods for estimating emissions from a range of sources. These methods prioritise practicality, cost-effectiveness, and accuracy in data collection, offering reporting entities flexibility to choose the most suitable approach for their operations. The framework undergoes annual reviews by the Department to maintain data integrity and a process to allow for adjustments where necessary based on evidence.

Given the whole-of-economy imperative to meet our Australian emissions reductions ambition it is unclear why it is proposed to single out specific sectors to publish their estimation methods, and not others. Greenhouse gas emissions reporting is complex and requires sophisticated analysis and commentary. AIGN is concerned that the strong history of NGERs is being diluted by unchallenged claims. The yearly NGERs Measurement Determination process, as well as regular legislated reviews, allow changes to be introduced to ensure the framework can (and should) be improved in response to new information and based on peer-reviewed information.

- **Non-manufacturing facilities calculate their revenue in accordance with the Earnings Before Interest and Tax Guidelines (EBIT Guidelines):** As identified in earlier comments, there are likely to be specific details that are best identified by impacted industries and entities. There remains a need for ongoing industry engagement on the application of this amendment to avoid any unintended consequences. The process should involve significant industry input to ensure the guidelines are practical and do not impose undue burdens on non-manufacturing facilities.

Other matters

- **Compliance:** Contrary to expectations of a gradual effect, AIGN members believe the reformed Safeguard Mechanism will have a compliance obligation soon after implementation. Technological barriers

in hard-to-abate sectors will limit options for immediate technology transition, making access to credible units crucial for managing compliance. Flexibility mechanisms will be essential, particularly in the early years. If compliance obligations are not met, penalties and make-good provisions will apply. Access to ACCUs is vital. AIGN suggests continuing to consider precedents from other environmental trading schemes, such as the Renewable Energy Target Scheme and schemes in New South Wales to address these concerns.

- **Sectoral application:** AIGN recommends ongoing consultation on how to best meet Australia's emissions reduction targets. The sectoral approach that is being taken requires careful consideration to ensure our emissions reduction efforts are environmentally effective and economically efficient.

The sectoral approach will be truly proportional only when every sector is also subject to a compliance mechanism to ensure their contributions -including energy, waste, transport, and agriculture, among others.

Conclusion

AIGN is a unique community of highly experienced professionals, bringing together our 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 is reflective of the common views of our members but does not directly represent any individual industry association or corporate members.

AIGN members are best placed to provide detailed, specific feedback relevant to their industries, locations, and other circumstances.

AIGN welcomes future opportunities to engage with the Department.