Australian Industry Greenhouse Network

AIGN submission

Climate Change Authority

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1 Summary

AIGN supports Australia's obligations under the Paris Agreement to help limit global warming and raise climate ambition over time, so the world reaches net zero emissions by mid-century. Australia's path to net zero must strike a balance between ambition, investment, and competitiveness, ensuring that all sectors contribute to these goals.

This will be the most significant and fastest economic transformation since the Industrial Revolution. This will create new jobs and new industries, and Australia is well-positioned to capitalise on this, but it will require sustained innovation and investment across all sectors.

Technology neutral

A technology-neutral, economy-wide policy framework is necessary to establish consistent, credible, and enduring signals that support the least-cost abatement while maintaining competitiveness and energy security. Currently, overlapping industry-focused schemes (e.g., grants, concessional finance, production-based subsidies) as well as state-based approaches (e.g., feed-in tariffs and other incentives) lack policy neutrality and impede facilitation of least-cost abatement at scale.

Policy alignment

Ensuring alignment across policy instruments is a key near-term priority, particularly the Safeguard Mechanism, any future sectoral decarbonisation policies under the Net Zero Plan, potential measures to address carbon leakage, and the sustainable finance framework (including the climate-related financial disclosure framework and sustainable finance taxonomy). Good coordination can avoid misalignment, duplication and high compliance burdens.

Economy-wide approach

A high-integrity, consistent policy and compliance framework will lead to a credible and efficient carbon price. The Safeguard Mechanism provides this for covered entities, but the overall investment signal becomes compromised by disordered expectations related to parallel initiatives (e.g., state-based requirements, taxonomy screening criteria). Policy makers should ensure industry policy objectives (e.g., subsidies to encourage investment) and climate policy objectives (e.g., least cost abatement) provide consistent investment signals and do not inflate marginal abatement costs.

Interjurisdiction coordination

Policy alignment between state and federal governments is a key enabler of facilitating efficient decarbonisation. This is related to the point above but is worth emphasising. AIGN members' resources are stretched, as they engage in climate policy and related processes with federal and (often multiple) state governments, redirecting resources away from decarbonization initiatives.

Integrated fiscal and climate change policy

Integrating climate policies with the broader fiscal and investment landscape is crucial to promoting decarbonisation. Transparent and sensible financial disclosures, along with a facilitative taxonomy, should complement existing emissions policies to support investment, rather than creating alternative compliance routes or de facto regulatory requirements.

2 Introduction

The Australian Industry Greenhouse Network (AIGN) is an association of industry and business organisations representing a broad cross-section of the Australian economy, including many of the nation's largest energy producers, energy users, and exporters.

Our members are committed to achieving net zero emissions in Australia in line with the Government's policy and the objectives of the Paris Agreement, which aims for a coordinated global effort to address climate change urgently.

AIGN supports policy approaches that are effective, economically efficient, and equitable, facilitating a smooth transition for all sectors of the economy.

The Government must continue to develop a suitable policy architecture to support all sectors in transitioning at the lowest cost, in line with the Paris goals.

We believe a harmonised approach across federal, state, and territory jurisdictions is essential to achieving our emissions reduction targets while maintaining investment stability and minimising sovereign risk. The transition to a net-zero economy is complex and ambitious, requiring collaborative management and open dialogue. AIGN corporate members are on the front lines of this transition; association members are valuable sources of expertise on the specific needs and challenges of their respective industry sectors as they move toward a net-zero future.

2.1 Providing evidence-based feedback

AIGN is concerned that the short timeframe for this important consultation (four weeks) limits stakeholders' ability to provide detailed, evidence-based feedback.

The Climate Change Authority's (CCA) Annual Progress Reports are a legislated requirement and provide an ideal opportunity for regular (annual), well-informed, cross-industry consultation and working groups to refine and test policy direction and gaps.

There is much insight to be gained from broadening the CCA's bilateral consultation approach to multilaterals and creating a genuine iterative process that allows sufficient time to outline policy priorities or focus areas, seek industry feedback, and then, importantly, come back to industry for feedback on draft reports. This will not only provide an opportunity to develop broader, more well-informed reports but also offer an opportunity to garner support (or understand points of difference) for the policy proposals contained within them.

With the CCA's report due to be provided to the Minister in just a few weeks, it does not provide sufficient time for productive consultation and in-depth consideration of, and consultation on, the substantive issues raised by stakeholders.

2.1.1 Coordinated interjurisdictional consultation

Coordinated interjurisdictional consultation processes are also required to align the various government agencies seeking feedback on the same policy and/or interrelated policies. For example, the interim reports for the Productivity Commission's inquiries into productivity, the

draft report for the NEM Review of wholesale market settings, and the Treasury's consultation on guidelines for preparing transition plans as part of its climate-related financial disclosure framework are all concurrently seeking feedback. Each of these is a critical and complex process in which AIGN members have a strong interest. The overlapping timelines stretch the capacity of industry and other stakeholders to engage effectively, risking less comprehensive input on all fronts.

A more coordinated approach to scheduling major consultations would improve the quality of stakeholder engagement and the robustness of policy outcomes. This consultation, for example, could have served as an input into the Productivity Commission's work, where there is considerable overlap. It is also worth noting that providing input on the CCA's specific questions on issues such as renewable energy infrastructure and the Safeguard Mechanism will be influenced by the need to consider that the Government may adjust these policy environments in response to the Productivity Commission's work.

3 Identifying opportunities to improve the coverage and effectiveness of Australia's climate change policy framework

The Australian Government has committed to providing its 2035 Nationally Determined Contribution (NDC) to the Paris Agreement process in September this year, informed by the Net Zero by 2050 Plan and underpinning sector plans that were progressively developed in 2024 and 2025.

Setting Australia's 2035 target requires a thorough understanding of the country's economic opportunities and challenges related to the transition to net zero. AIGN calls on the Net Zero Plan and its sector plans to include detailed, sensible and technology-neutral proposals to address gaps and challenges and support decarbonisation in Australia.

3.1 NGER and Safeguard Mechanism provide a strong base

Support for the net zero transition has been consolidated in recent years. It is reflected in Australia's climate policy suite, including the Climate Change Act, Safeguard Mechanism reforms, investment programs like the Powering the Regions Fund and National Reconstruction Fund, and upcoming initiatives such as the Guarantee of Origin scheme and the hydrogen production tax incentive. Enshrining emissions reduction targets in law and providing clear national targets and a trajectory supports long-term investment certainty, which is essential for the investment planning required to achieve net zero emissions by 2050.

A strong reporting framework underpins these policies. The National Greenhouse and Energy Reporting Scheme (NGERS) supports the integrity of industry's climate actions. The climate-related financial disclosure framework, which is currently in its first reporting cycle, will contribute to this integrity (noting the first year of reporting is being complicated by transitional issues as reporters, auditors and their associates are literally 'learning by doing' due to the dearth of detailed guidance currently available).

3.1.1 Australia's reporting framework must remain evidence-based and consistent

NGERS is a carbon dioxide-equivalent (CO2-e) reporting framework. This is a strength and aligns with international reporting conventions under the United Nations Framework Convention on Climate Change (UNFCCC) and related instruments such as the Paris Agreement. Importantly, it enables comparability between different greenhouse gases. This allows emission reductions to be evaluated based on atmospheric impact – it makes no difference to the atmosphere where emissions reductions originate. This approach supports the goal of providing consistent signals to facilitate transition-aligned investment and abatement.

3.1.2 Safeguard Mechanism

The Safeguard Mechanism imposes penalties for failure to reduce emissions. Covered entities are offered a range of options to achieve compliance, leading to a general expectation that their net emissions will align with the rules and requirements of the policy. Indeed, the Government has confirmed that the Safeguard Mechanism is working to bring down emissions from covered entities.

The Safeguard Mechanism reforms began applying from July 2023, so facilities are still early in the compliance cycle; measurable on-site emissions reductions will take time to be realised, given capital planning and project delivery lead times (including slow approvals). The ability of the Safeguard Mechanism to successfully drive long-term abatement will depend on policy stability, inter-jurisdictional coordination, and consistent investment signals for transitional projects. However, the move to production-adjusted baselines, which allows facilities to improve their emissions intensity, is expected to deliver genuine onsite efficiency gains over time.

This consultation process is not the only one considering potential changes to the Safeguard Mechanism. The Productivity Commission is proposing an expansion of coverage. A proposal of this nature should be approached in the same methodical and evidence-backed way applied to all proposed new policies or reforms.

The practical and administrative realities of potentially expanding coverage to smaller entities and/or into additional sectors should be weighed against the materiality of the percentage of additional emissions that would be covered. Ultimately, the overall priority should be to encourage abatement at least cost, and to support transition-aligned investment and innovation.

Expanding coverage of the Safeguard Mechanism could be a net positive for both the environment and the economy. Australia will need to take advantage of all viable decarbonisation opportunities to reach its ambitious 2035 target and achieve net zero emissions by 2050. However, decisions about the design of the Safeguard Mechanism must be contemplated in the context of the full policy suite.

While the Safeguard Mechanism is currently fit for purpose, the scope of its covered emissions remains largely unchanged since its commencement in 2016. The 2023 reforms introduced substantial changes that require covered facilities to move toward accelerated pathways to net zero emissions. The Safeguard Mechanism remains the primary policy lever the Government can adjust as carbon constraints tighten. This is concerning for covered entities, as it can be inferred that they are expected to carry a disproportionate burden of Australia's future mitigation.

For covered entities, taking on a proportional share of Australia's mitigation needs is a significant undertaking. For example, with a 4.9% annual baseline decline rate and international best practice emissions intensity settings, some gas facilities will need to commence operations at up to 98% below current industry averages by 2030!

The Safeguard Mechanism should form part of a broader policy suite that delivers proportional emissions reductions across the economy, a principle that must be confirmed in the upcoming review. Whether the Government pursues separate sectoral measures or adopts an economy-wide approach to improve efficiency and access to least-cost abatement, it is vital that all sectors contribute fairly. Safeguard Mechanism facilities are already moving at pace, and their efforts should be complemented, not compounded, by the contributions of the broader economy.

3.2 An economy wide approach will be required

Many AIGN members are NGERS reporters and covered by the Safeguard Mechanism (SGM). The SGM is the only policy that legally enforces obligations on liable entities to contribute to Australia's emissions reduction effort, with penalties in place for non-compliance.

AIGN members continue to maintain compliance with both schemes, engaging in good faith with the Department and the Regulator on policy development, review and implementation.

However, achieving Australia's net zero target will require policy measures that drive abatement opportunities across all sectors of the economy.

While sectors covered by the Safeguard Mechanism are already subject to defined emissions reduction requirements, other significant sources of emissions are yet to be addressed through emission caps. Quite simply, Australia will not achieve net zero goal until this is addressed. A proportional distribution of effort is necessary to maintain fairness, economic efficiency, and social licence for the transition.

AIGN members support policies that enable greater integration of renewable energy, uphold technology neutrality, and deliver efficient abatement outcomes. Technology-neutral approaches create diverse and viable transition pathways, encourage investment in abatement, and minimise compliance and infrastructure costs while maintaining policy integrity. Strengthening Australia's decarbonisation policy architecture to provide balanced support across a wider range of solutions, including renewable generation, carbon capture and storage, firmed gas-powered generation, low-carbon hydrogen, and liquid fuels, will help accelerate the transition while preserving flexibility and resilience.

As Australia moves to set its 2035 emissions reduction target in line with the Paris Agreement's goals and commitment to raising ambition over time, addressing these sectoral policy gaps will become increasingly important. A balanced, economy-wide framework, grounded in technology neutrality, clear market signals, and coordination between governments, will be crucial to delivering on our national commitments while preserving competitiveness and enabling a just and orderly transition.

4 Realising Australia's net zero ambition and economic dividend

Achieving net zero by 2050 is an ambitious goal that requires consistent and efficient policy signals across all levels of government. More coherent frameworks would allow Australia to meet its emissions reduction targets more cost-effectively, while also supporting productivity growth and emerging 'green' industries.

Inaction is not an option. Addressing climate change is both a business and societal imperative, but success requires that the costs of transition are shared proportionally across the economy. A comprehensive, whole-of-economy policy suite is needed to ensure fairness, efficiency, and social licence.

Key challenges to effective and efficient transition include:

Competitiveness and carbon leakage risks: The Safeguard Mechanism places obligations on covered entities, while international competitors may face weaker or no carbon constraints. Without robust competitiveness safeguards, there is a risk of lost investment and carbon leakage. Until there is greater global convergence in climate ambition, Australia must maintain policies that protect the competitiveness of trade-exposed industries.

Policy overlaps and duplication: Multiple and sometimes inconsistent reporting obligations (e.g. NGERS, Safeguard Mechanism, climate finance disclosures, transition plans, and ESG frameworks) increase compliance costs and create uncertainty. Streamlining reporting, for example, by using NGERS data as the single trusted source would reduce duplication and support more efficient compliance.

Fragmentation across jurisdictions: States and territories are pursuing separate climate and energy policies, which add complexity and administrative costs. In the electricity and transport sectors, overlapping incentives and targets risk inefficient capital allocation, duplicative subsidies, and inconsistent compliance requirements.

Competing incentives in the electricity sector: federal and state-based renewable energy and emissions reduction targets, publicly funded capacity investments, and market-based contracts can all influence project viability. If not well-coordinated, this can lead to inefficient capital allocation, duplication of subsidies, or congestion in network infrastructure. This is reflected in the NEM Review Expert Panel's proposal to use these policies (as captured in the AEMC Targets Statement) as input to determine the pace and scale of reform that their proposed reforms will support.

Overlap between emissions and finance policy frameworks: Divergent definitions (e.g., under the Safeguard Mechanism, sustainable finance taxonomy, and green investment labelling) risk distorting investment decisions. For example, gas-fired firming generation may be considered essential for reliability planning but is ineligible in taxonomy definitions.

Slow approvals and infrastructure coordination: A large-scale transition requires streamlined approvals for all transition-aligned projects, not just clean energy, alongside the timely development of transmission, storage, port, and pipeline infrastructure. Current processes are slow and fragmented, creating bottlenecks that hold back investment.

Technology prescription risks: While technology-neutral policies preserve flexibility and efficiency, some measures prescribe specific solutions, distorting investment decisions and undermining least-cost abatement pathways.

By addressing these challenges and strengthening national coordination, Australia can realise both its net zero ambition and its economic dividend, ensuring a competitive, resilient, and fair transition.

5 Develop best-in-class approval pathways

AIGN supports reforming and streamlining approval processes to ensure an efficient and high-quality system. Faster approvals are necessary to support meeting Australia's ambitious climate targets, as current timelines mean it would be logistically impossible to deploy enough decarbonisation projects to achieve net zero emissions by 2050.

Timelier approval processes for zero and low-carbon energy investments must be complemented by a similarly streamlined system for industrial and resource projects. For example, Australia's critical minerals developments are essential to the net zero transition, such as building the components for clean energy and infrastructure projects. The Government's Critical Minerals Strategy acknowledges the role of the resources industry in the net zero transition; the success of the Strategy must be secured through approvals reform.

Long and uncertain planning and approvals processes delay emissions reductions and increase the overall cost of the transition to net zero. They also present challenges for fulfilling climate policy requirements (e.g., under the Safeguard Mechanism or transition plans) when infrastructure required for compliance is subject to slow, indeterminate approval pathways. Delays are caused by:

- Complex regulatory layering proponents often face overlapping and sometimes conflicting federal, state and local approval regimes (e.g., heritage, planning, biodiversity and Indigenous engagement frameworks)
- Inconsistent decision-making within and across jurisdictions
- Under-resourced government agencies
- Lengthy appeals processes, extended time taken for decision-making, and post-approval challenges and appeals

The need for reform is urgent. If project timeframes remain misaligned with emissions reduction targets and funding windows (e.g., under the Capacity Investment Scheme or the Powering the Regions Fund) Australia risks undermining its economic base and energy reliability, as well as the achievement of mitigation objectives. Reforms should include:

- Rationalise overlapping processes and avoid duplication between environmental and climate policy processes. The Safeguard Mechanism, designed to decarbonise covered sectors efficiently, should be the default system to ensure the net-zero alignment of relevant projects.
- Clearly define lead regulators and responsibilities. Approvals are primarily handled at the state level, with some involvement from the federal government in relation to EPBC Act requirements. AIGN supports accrediting state assessments and approvals, with the federal government assuring state processes.

- Make greater use of strategic planning and approvals processes and establish early engagement processes that provide greater certainty for proponents.
- Improve coordination and resourcing across agencies.

6 Trust in public institutions

The Government has a crucial role in maintaining the integrity of its climate policy framework, including NGERS, the Safeguard Mechanism and the carbon unit schemes (i.e., Australian Carbon Credit Units – ACCUs). Misperceptions persist that these policies lack integrity. Critics often misinterpret or narrowly define relevant data to reach these conclusions.

NGERS is internationally regarded as a high-integrity reporting framework. It incorporates a robust, science-based methodology and an in-built continuous improvement process to ensure emissions estimation methods evolve in line with the latest evidence. Similarly, the independent Chubb Review affirmed the soundness of the ACCU Scheme's design and intent, and the Government is now implementing reforms to enhance transparency, integrity, and public confidence. Given the critical role these frameworks play in supporting credible emissions reductions and informing investment decisions, the Government must more actively defend the integrity and rigour of its climate policy suite in public discourse.

The CCA asks in its issues paper about enhancing reporting on the Safeguard Mechanism 'to build community confidence and enabling better oversight.' It is unclear what the CCA means by 'enabling better oversight' of the Safeguard Mechanism, as the Clean Energy Regulator has ample data to maintain excellent oversight of the policy's performance.

The Government should work on building community confidence by correcting misinformation and skewed interpretation of the data presented – especially in view of the high volume of information the pubic already has access to. Given the relatively low public interest in examining Safeguard Mechanism data when it is released, AIGN does not believe there is a lack of publicly available information.

Detailed information is already available to the public, which the Clean Energy Regulator presents clearly and consistently.

7 Conclusion

Thank you for the opportunity to provide input to the Climate Change Authority's advice to the Government on its 2035 emissions reduction target.

Australia's decarbonisation pathway to achieve net-zero emissions by 2050 can enable the economy to remain internationally competitive, with streamlined policy approaches that promote investment in critical, transition-aligned projects. The supply of low-emissions and reliable energy is a key enabler of decarbonisation for both society and industry. Promoting clean energy must be balanced with strengthening key resources and manufacturing industries to maintain a thriving economy while transitioning to net-zero in line with our obligations under the Paris Agreement.

AIGN welcomes future opportunities to engage with the CCA and the Government on these matters.