

7 September 2018

Safeguard and Industrial Policy Section
Department of the Environment and Energy
safeguard.mechanism@environment.gov.au



Dear Madam/Sir,

Exposure draft amendments to the *National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015*

Thank you for the opportunity to provide comment on the exposure draft amendments to the *National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015*. AIGN appreciates the overall intent of these changes, arising from the 2017 review of climate change policies, includes making the safeguard mechanism simpler for liable entities to fulfil compliance obligations.

About AIGN

AIGN is a network of industry associations and individual businesses which contribute to the climate change policy discussion and see value in joint industry action on climate change to promote sustainable development.

In considering our submission, the Department should note AIGN's broad range of members, and give regard to specific corporate and sector matters raised in their respective submissions.

AIGN's policy principles continue to form the basis of our input into climate change policy development. It is essential for the viability of our members and the industries they represent, that effective, efficient and enduring policies are put in place to support investment and orderly transition to a low-carbon economy.

SGM Amendments

The current flexibility arrangements such as the multi-year averaging and the resource variability are important elements of the scheme and AIGN is pleased to note that these have been retained.

AIGN supports the overall objectives of simplifying the operation of the safeguard mechanism and bringing baselines up to date with current circumstances.

However, we note that the proposed amendments will not cater for all circumstances – noting that emissions intensity is not always linear with production. It also may be problematic to determine production variables and defaults for standalone or small numbers of like-for-like facilities.

AIGN appreciates the Department's consultative approach to date and notes that this will be essential in the implementation of the proposed amendments.

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Detailed stakeholder engagement required

AIGN appreciates the intention to offer a greater level of flexibility and simplicity in the administration of the safeguard mechanism.

However, as highlighted by industry in the early consultation on the proposal as for default emissions factors, these will be far from straight forward to determine (operationalise). Deep and engaged consultation with industry will be necessary if the Department is to develop default factors that have relevance and are workable.

The operating environments of their facilities are not homogenous; their unique characteristics must be taken into consideration as default production variables and emissions intensity values are developed. AIGN members look forward to thorough consultation on matters relating to these issues.

Notification and publication requirements

AIGN notes that the Clean Energy Regulator will be required to publish information about future demand for Australian Carbon Credit Units (ACCUs). Our members note with some concern that the ACCU market currently lacks the depth and liquidity to meet potential future carbon liabilities. In AIGN's view, publishing demand information is not sufficient. The Regulator should also publish information relating to ACCU supply to counterbalance demand information. The development of a deep and liquid ACCU market does not only require prospective investors in projects that can earn ACCUs. Liable entities need to have confidence that their liabilities can be met for their investments in Australia to remain viable – both by domestic and credible international units.

Thank you for the opportunity to provide input on the exposure draft amendments to the safeguard rule.

AIGN welcomes future opportunities to engage with the Department; please feel free to contact Susie Smith (CEO), with any further questions regarding this submission (susie.smith@aign.net.au).

Yours sincerely,

Susie Smith

Chief Executive, AIGN