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### **Safeguard Mechanism (Crediting) Amendment Bill 2022 [Provisions]**

The Australia Institute welcomes the opportunity to provide a submission to the Environment and Communications Legislation Committee regarding the Safeguard Mechanism (Crediting) Amendment Bill.

The Bill would allow for a new type of emissions credit, a Safeguard Mechanism Credit (SMC), which polluters covered by the Safeguard Mechanism could generate by reducing emissions below a counterfactual baseline. These credits could be banked to facilitate pollution in the future or traded to facilitate pollution by other facilities.

The Australia Institute has already raised concerns that the architecture of the Australian Government's key climate policy is being rushed through parliament and these concerns remain. The draft legislation to establish Safeguard Mechanism Credits (SMCs), the subject of this Inquiry, has been released before the Government has even finalised its consultation on the overarching Safeguard Mechanism reforms.

Focusing on technocratic details of the Safeguard Mechanism distracts from the fundamental issue that the Government has failed to provide evidence of how the Safeguard Mechanism will reduce emissions meaningfully and manage the overwhelming emissions from new entrants to the scheme. SMCs also risk providing a perverse incentive for existing high-polluting facilities to stay operating for longer than they may otherwise.

The Australia Institute's submission to the Inquiry consists of two previous submissions to the Safeguard Mechanism Reform and the Safeguard Mechanism (Crediting) Amendment Bill. These submissions demonstrate that the scheme, as it is being proposed, risks safeguarding the fossil fuel industry and obstructing legitimate decarbonisation. The submissions also propose an optional penalty payment as an alternative to low quality offset units and as a means to fund genuine decarbonisation across the Australian economy.

The Australia Institute would be happy to provide the Committee with further information.

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# **Safeguarding fossil fuels**

## **Submission to the Safeguard Mechanism Reforms Consultation paper**

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**The Safeguard Mechanism has to date safeguarded polluters.  
Extensive reforms are required to ban new gas and coal  
entrants, limit the use of carbon credits and develop an  
alternative fixed price payment to be directed by the  
Commonwealth to build climate solutions.**

**Alia Armistead  
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**September 2022**

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## Summary

The Safeguard Mechanism has been operating since 2016 to try to cap emissions across Australia's highest polluting industrial facilities and 'safeguard' emissions reductions achieved through its sister policy, the Emissions Reduction Fund (ERF).

This policy has failed in both respects. Firstly, the emissions covered by the Safeguard Mechanism have grown during its operation. Secondly, most of the Australian Carbon Credit Units (ACCUs) purchased by the ERF have been low integrity – that is, they do not represent real or additional carbon abatement.

In practice, the Safeguard Mechanism has safeguarded polluters. This needs to change and it's a welcome and necessary step by the Government to remove excess 'headroom' and tighten facility baselines in line with Australia's long-term ambition to reach net zero. However, the proposed reforms fall short.

The Australia Institute is concerned the changes will only drive further demand for low integrity carbon credits while keeping the door wide open for new entrants to the Safeguard Mechanism (new gas and coal mining projects).

The Consultation Paper proposes for safeguard facilities emissions to reduce by 28 percent from 137 Mt CO<sub>2</sub>e in 2020-21 to 99 Mt CO<sub>2</sub>e by 2030, maintaining the same proportional share of national emissions from now to 2030. This is a modest level of ambition for Australia's highest polluting facilities.

The carbon budget for the Safeguard Mechanism is currently shared by the 212 facilities covered under the scheme. However, if new projects emitting more than 100,000 tonnes CO<sub>2</sub>e annually begin operating before 2030, the carbon budget must either be shared amongst a larger number of facilities (forcing steeper and more expensive emissions reduction requirements on existing facilities) or greater emissions reduction efforts will be needed from other sectors of the economy.

The Consultation Paper has not shown how emissions from expected large new projects will be accommodated. The total proposed abatement from the Safeguard Mechanism to 2030 is 170 Mt CO<sub>2</sub>e. The potential (Scope 1) emissions from a North West Shelf Extension alone could be around 53 Mt CO<sub>2</sub>e between commencement and 2030. Emissions from just five new gas and coal projects to 2030, including the North West Shelf, total almost 100 Mt CO<sub>2</sub>e and could negate more than half of the Safeguard Mechanism's total abatement.

It is unclear how the emissions budget will be balanced with new entrants. While it is possible that emissions from existing facilities that close before 2030 have a similar emissions profile to the new mines, gas wells and factories that might choose to begin polluting before 2030, there is no reason to expect that such a coincidence will occur.

The Government should release the list of new coal and gas projects (or the amount of emissions from such projects) that were assumed to occur when the feasibility of the 43 percent target was being modelled and how this is managed in the Safeguard Mechanism. If the Mechanism is not changed to limit new gas and coal entrants, consideration should be given to adopting the 'Climate Trigger' amendment to the Environmental Protection and Biodiversity Conservation Act.

Currently facilities have unconstrained access to offset their excess (above baseline) emissions with ACCUs. Such an approach does nothing to drive decarbonisation and risks undermining the emissions reduction goal as there is strong evidence that most ACCUs do not represent real or additional abatement.

While the current Chubb Review into the integrity of ACCUs could play an important role in ensuring that ACCUs purchased by safeguard facilities represent real and additional abatement, the exposure draft Rule for the revised Safeguard Mechanism will be published before the Chubb Review has even been completed.

Regardless of the findings of the Chubb Review, there should be a limit on the quantity of ACCUs that facilities can purchase, to drive investment in new technologies and processes to reduce reliance on fossil fuels. Such limits have been applied in the past, like under the Carbon Price Mechanism which limited offset usage to 5 percent of total emissions.

The creation of new Safeguard Mechanism Credits (SMC) risks creating another low integrity carbon market like ACCUs. SMC's face questions around additionality if over-achievement is easily reached and given that 74 percent of covered facilities are *already* voluntarily committed to reaching net zero. The Australia Institute recommends the delay of any SMC development until after the Chubb Review is complete and actioned.

A ban should also be placed on the use of international units, which do not contribute to Australia's decarbonisation and only prolong the transition. This is especially important since Australia is already at the back of the pack in the OECD when it comes moving away from fossil fuels.

Currently safeguard facilities purchase ACCUs to offset above baseline emissions. Given the extensive evidence of integrity concerns with ACCUs, and given that any

improvements to the integrity of ACCUs will increase their cost (and potentially shorten their supply) an alternative voluntary 'fixed price' penalty payment could be established.

Such a fixed price payment, set at \$25 a tonne which is below the current ACCU spot price, would provide certainty for major emitters, a significant source of revenue to the Commonwealth, and reduce pressure on the Clean Energy Regulator to approve low integrity ACCUs to meet rapidly growing demand. Instead of purchasing 126 million ACCUs (what Reputex claim will be available on the market), facilities could pay the fixed price penalty and the Commonwealth would raise \$3.15 billion.

Currently the methods used to generate ACCUs are a poorly designed form of industry policy. The Commonwealth could instead focus on industry policy that will help build the climate solutions needed for Australia's transition. Investing in battery or electric car/bus manufacturing, energy efficiency and renewable energy would help lower emissions and build a skilled workforce necessary for decarbonisation.

The establishment of a voluntary fixed price credit scheme, with revenues flowing to the Commonwealth rather than to the carbon credit industry, would create the opportunity to develop a far more cohesive industry policy rather than simply forcing polluters to buy low quality carbon credits at high prices.

The Safeguard Mechanism will be critical to meeting Australia's 2030 target. In turn, the principles of integrity, transparency and impact should form the foundation of the redesign of the Safeguard Mechanism if the public and industry are to have confidence that it will fairly and legitimately reduce emissions.

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# Introduction

The Safeguard Mechanism was implemented in the wake of the successful economy-wide Carbon Price Mechanism. The Mechanism was meant to cap emissions in the highest polluting industrial, mining and waste sites across Australia while its sister policy, the Emissions Reduction Fund (ERF) purchased abatement in the agriculture and land use sectors.

In practice this has not occurred. According to Reputex emissions from the most high polluting facilities, covered by the Safeguard Mechanism have increased by 7 percent since it began.<sup>1</sup> While the Clean Energy Regulator has more conservative numbers, it still shows an increase over the lifetime of the Safeguard Mechanism from 131 million tonnes (Mt) of carbon dioxide equivalent (CO<sub>2</sub>e) in 2016-17 to 137 Mt in 2020-21.<sup>2</sup>

Emissions covered by the Safeguard Mechanism are projected to continue growing to 2030 under a business-as-usual scenario meaning that the mining, industrial and waste facilities covered by the policy will soon overtake electricity to become the largest segment of Australia's national emissions.<sup>3</sup>

Former Minister for Energy and Emissions Reduction Angus Taylor defended the failure of the policy to reduce emissions, saying:

“The Safeguard Mechanism was never meant to be a tool to force businesses to reduce their emissions...It was set up to avoid growth in industrial emissions overwhelming reductions achieved through government's voluntary incentive scheme the emissions reduction fund”.<sup>4</sup>

However, given that it has been estimated that up to 80 percent of the emission reductions claimed to have occurred under the 'voluntary incentive scheme' of the ERF might not

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<sup>1</sup> Reputex Energy (2021) *The Economic Impact of the ALP's Powering Australia Plan*, [https://keystone-alp.s3-ap-southeast-2.amazonaws.com/prod/61a966013f3c53001f975016-REPUTEX\\_The%20economic%20impact%20of%20the%20ALP's%20Powering%20Australia%20Plan\\_Summary%20Report.pdf](https://keystone-alp.s3-ap-southeast-2.amazonaws.com/prod/61a966013f3c53001f975016-REPUTEX_The%20economic%20impact%20of%20the%20ALP's%20Powering%20Australia%20Plan_Summary%20Report.pdf)

<sup>2</sup> Clean Energy Regulator (2022) *Safeguard facility reported emissions 2020-21* <https://www.cleanenergyregulator.gov.au/NGER/The-safeguard-mechanism/safeguard-data/safeguard-facility-reported-emissions/safeguard-facility-reported-emissions-2020-21>

<sup>3</sup> Reputex Energy (2021) *The Economic Impact of the ALP's Powering Australia Plan*

<sup>4</sup> Mazengarb (2021) *Taylor concedes key government policy was never intended to cut emissions*, <https://reneweconomy.com.au/taylor-concedes-key-government-policy-was-never-intended-to-cut-emissions/>



represent real or additional abatement, it is not clear that the Safeguard Mechanism has lived up to even the low expectations of Angus Taylor.

Despite the poor track record of the Safeguard Mechanism, the Labor Party's pre-election modelling identifies the policy as its primary lever for reducing Australia's emissions and meeting the newly legislated 2030 climate target of 43 percent emissions reductions below 2005 levels.

The ambition is modest. The Consultation Paper identifies a national carbon budget for Australia of 4,381 Mt of CO<sub>2</sub>e between 2021 and 2030. Of this carbon budget, safeguard facilities are expected to have a 28 percent share of the carbon budget, 1,227 Mt CO<sub>2</sub>e.

The *Safeguard Mechanism Reforms Consultation Paper* outlines ideas for reforming the Safeguard Mechanism so that it might reduce emissions and contribute to achieving the 2030 target. That said, the Consultation Paper does include options for intensity based targets rather than absolute emission reduction targets which means that absolute emissions from facilities covered by the policy could continue to increase. The Consultation Paper includes no limits on new entrants to the Mechanism. The Consultation Paper also includes no limits on the use of existing carbon credits and opens the door to the creation of potentially low-integrity credits.

The Consultation Paper only provides limited reforms to improve the Mechanism and the Australia Institute proposes a number of other ways this can be done.

# Safeguarding Fossil Fuels

Despite the stated goal of the Safeguard Mechanism to help Australia reduce its emissions, it is surprising that the Department is yet to provide any modelling or analysis of the emissions from the large number of new coal and gas projects currently seeking to commence operation before 2030. Given the determination of the proponents of fossil fuel projects to open large new facilities whose emissions will be far more than the 100,000 tonnes per year threshold of the Safeguard Mechanism there is a significant risk that new entrants will overwhelm the budget and place greater burden on either other covered facilities or other parts of the economy. They might also prevent the achievement of the legislated 43 percent target.

The Consultation Paper says that safeguard facilities have an emissions budget of 1,227 million tonnes CO<sub>2</sub>e to 2030 between 2021 and 2030. If this budget is to include more than the existing 212 facilities currently covered by the Mechanism, existing facilities will have to comply with steeper baseline declines to compensate for new entrants. The Consultation Paper proposes an emissions ‘reserve’ built into baseline decline rates for existing facilities to allow for emissions from new entrants. However, whether such a ‘reserve’ is created at the commencement of the new scheme or if emissions from existing facilities are reduced as new polluters are allowed to enter the scheme, the result is still the same: emissions from new facilities will increase the cost to the rest of the economy of meeting the 43 percent target.

Neither the Government nor the Department has made any case for why allowing new coal and gas facilities, for example, to open up before 2030 will make it easier or cheaper to meet the 43 percent legislated target.

The International Energy Agency (IEA) Executive Director Fatih Birol warned in 2021 that “If governments are serious about the climate crisis, there can be no new investments in oil, gas and coal, from now – from this year”.<sup>5</sup> Limiting dangerous climate impacts requires greater ambition than what is currently committed. If Australia can do more to reduce emissions, then it should do more.

Fossil fuel expansion has been the leading cause of emissions growth in the Safeguard Mechanism to date. RepuTex modelling commissioned by the Carbon Market Institute (CMI)

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<sup>5</sup> Harvey (2021) *No new oil, gas or coal development if world is to reach net zero by 2050, says world energy body*, <https://www.theguardian.com/environment/2021/may/18/no-new-investment-in-fossil-fuels-demands-top-energy-economist>

says that emissions growth to date has been “powered by the coal mining and oil & gas industries, particularly the rapid expansion of LNG export capacity”.<sup>6</sup>

The continuation of this trend will pose significant challenges for emissions reductions. Currently, Australia has 114 new coal and gas projects in the pipeline.<sup>7</sup> The Scope 1 emissions from just a handful of new fossil fuel projects shows why this is a serious risk.

**Table 1: Scope 1 emissions from new fossil fuel projects**

	Scope 1 emissions - tonnes CO <sub>2</sub> e From operation to 2030
<b>North West Shelf Extension</b>	53,515,000
<b>Scarborough-Pluto</b>	18,900,000
<b>Waratah Coal - Galilee Coal Project</b>	15,855,523
<b>Mount Pleasant Optimisation Project</b>	4,272,000
<b>Narrabri underground coal mine stage 3</b>	6,683,636
<b>TOTAL</b>	<b>99,226,159</b>
<b>Safeguard Mechanism proposed abatement</b>	<b>-170,000,000</b>

Source: WA EPA, Whitehaven Coal, Climate Analytics and others<sup>8</sup>



Given the total proposed abatement from the Safeguard Mechanism to 2030 is 170 Mt CO<sub>2</sub>e, emissions from these few projects to 2030 totals almost 100 Mt CO<sub>2</sub>e and could negate more than half of the Safeguard’s total abatement.

<sup>6</sup> RepuTex Energy (2022) *Potential Futures for Australia’s Safeguard Mechanism*, <https://www.reputex.com/research-insights/report-modelling-potential-futures-for-australias-safeguard-mechanism/>, p. 44

<sup>7</sup> Department of Industry, Science and Resource (2021) *Resources and Energy Major Projects: 2021*, <https://www.industry.gov.au/data-and-publications/resources-and-energy-major-projects-2021>

<sup>8</sup> Western Australian EPA (2022) *North West Shelf Extension Project* [https://www.epa.wa.gov.au/sites/default/files/EPA\\_Report/EPA%20Report%201727%20-%20North%20West%20Shelf%20Extension%20Project%20-%20assessment%20report.pdf](https://www.epa.wa.gov.au/sites/default/files/EPA_Report/EPA%20Report%201727%20-%20North%20West%20Shelf%20Extension%20Project%20-%20assessment%20report.pdf)  
Climate Analytics (2021) *Warming Western Australia* [https://climateanalytics.org/media/climateanalytics\\_scarboroughpluto\\_dec2021.pdf](https://climateanalytics.org/media/climateanalytics_scarboroughpluto_dec2021.pdf)  
Whitehaven Coal (2022) *Responses to matters from the Narrabri underground mine stage 3 extension project IPC hearing*, <https://www.ipcn.nsw.gov.au/resources/pac/media/files/pac/projects/2021/12/narrabri-underground-mine-stage-3-extension-project-ssd-10269/additional-material/220225-in-applicant-submission-to-the-commission.pdf>  
Waratah Coal Pty Ltd v Youth Verdict Ltd: MRA050-20 & EPA 051-20, *Queensland Land Court joint expert report - economics*. Uncontested calculation based on ERM (2021) Galilee Coal Project Greenhouse Gas Assessment and uncontested figures in Joint expert report - climate.

The risk of fossil fuel expansion undermining the effectiveness of the Safeguard Mechanism is even more prominent considering that fossil fuel projects typically emit more than estimated during approval processes. Research has shown that 1 in 5 fossil fuel projects under the Safeguard Mechanism has released more greenhouse gases than was originally estimated when projects were requesting approval – some projects like Origin Energy’s Australia Pacific Liquefied Natural Gas pipeline have emitted up to 20 times more.<sup>9</sup>

Labor’s 2030 target is not an aspirational target but a forecast outcome from policy implementation. Minister Bowen has stated: “43 percent is the modelled aggregate impact of all our policies, not just an ambition or an objective or goal...we will deliver a 43 percent emissions reduction...with the policies we have announced”.<sup>10</sup>

If this is indeed the case then the Department should release the list of new coal and gas projects (or the amount of emissions from such projects) that were assumed to occur when the feasibility of the 43 percent target was being modelled.

If the Safeguard Mechanism is to deliver the emissions abatement target that was recently legislated the Government must have high confidence that new entrants into the scheme will not jeopardize the 2030 target. Facilities that are expected to both exit and enter the scheme between now and 2030 must be quantified before new baselines for existing facilities are set. Significantly, if the Government intends to allow new fossil fuel projects, an insufficient ‘reserve’ in the baselines for existing facilities will prevent the Safeguard Mechanism achieving the desired abatement.

Where the Safeguard Mechanism fails to limit new gas and coal production entrants, the proposed ‘Climate Trigger’ to the Environmental Protection and Biodiversity Conservation (EPBC) Act could succeed.<sup>11</sup> The Climate Trigger amendment proposed by the Australian Greens treats new gas and coal projects that would emit over 100,000 tonnes of CO<sub>2</sub>e like nuclear projects under the EPBC Act, where the Minister is forced to reject the project’s approval.

## **SAFEGUARDING THE REDESIGN PROCESS**

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Concerns over ACCUs purchased by the ERF are not new and have been raised since the scheme’s inception by numerous independent experts and have been widely reported in the

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Todoroski Air Sciences (2022) Mount Pleasant Optimisation Project Greenhouse Gas Assessment – Revised Fugitive Emission Estimates

<sup>9</sup> Australian Conservation Foundation (2022) *Emissions blowouts rampant in Australia*, <https://www.acf.org.au/emissions-blowouts-rampant-in-australia>

<sup>10</sup> The Australia Institute (2022) *Federal Climate Ministers Debate*, <https://australiainstitute.org.au/event/federal-climate-ministers-debate/>

<sup>11</sup> Senate (2022) *Environment Protection and Biodiversity Conservation Amendment (Climate Trigger) Bill 2022*

media.<sup>12 13 14</sup> Most recently, the former chair of the Emissions Reduction Assurance Committee, along with a number of independent academics, have released research demonstrating that up to 80 percent of ACCUs issued in Australia do not represent real or additional abatement.<sup>15 16 17</sup>

In March this year, the United Nation Secretary General Antonio Guterres established the High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities to investigate the varying levels of robustness of net zero claims and methods. Dr Bill Hare, the only Australian on the High Level Expert Group, has looked at Australia's ERF and concluded that "every single [ERF] method we've looked at has serious problems".<sup>18</sup>

These concerns are currently being investigated under the Government's *Independent Review of ACCUs*, led by former Chief Scientist Professor Ian Chubb (the Chubb Review).

The Chubb Review's Terms of Reference will review ACCU method development, including "whether method development and review processes are appropriate and effective", and assess integrity concerns with Human Induced Regeneration, Carbon Capture and Storage, Avoided Deforestation and Landfill Waste Gas methods.<sup>19</sup>

Minister Bowen's announcement of the Chubb Review into the integrity and governance of ACCUs states: "Maintaining the integrity of this carbon crediting system will also ensure a reliable supply of high-quality domestic offsets is available to support the reduction of Safeguard Mechanism baselines over time."<sup>20</sup>

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<sup>12</sup> Burke (2016) *Undermined by adverse selection: Australia's Direct Action abatement subsidies - CCEP Working Paper 1605* <https://ccep.crawford.anu.edu.au/publication/ccep-working-paper/7618/underminedadverse-selection-australias-direct-action-abatement>

<sup>13</sup> Taylor (2015) *Greg Hunt hasn't a lot to show for \$660m spent on reducing greenhouse emissions* <https://www.theguardian.com/environment/2015/may/01/greg-hunt-660m-spent-reducing-greenhouseemissions>

<sup>14</sup> Burke (2016) *Direct Action not giving us bang for our buck on climate change* <https://theconversation.com/direct-action-not-giving-us-bang-for-our-buck-on-climate-change-59308>

<sup>15</sup> Macintosh et al. (2022) *The ERF's Human-induced Regeneration (HIR): What the Beare and Chambers Report Really Found and a Critique of its Method* <https://law.anu.edu.au/research/publications?nid=51424>

<sup>16</sup> Macintosh, Butler & Ansell (2022) *Measurement Error in the Emissions Reduction Fund's Human-induced Regeneration (HIR) Method* <https://law.anu.edu.au/research/publications?nid=51434>

<sup>17</sup> Macintosh (2022) *The Emissions Reduction Fund's Landfill Gas Method: An Assessment of its Integrity* <https://law.anu.edu.au/research/publications?nid=51444>

<sup>18</sup> ABC RN Breakfast (2022) *UN probes business climate plans* <https://www.abc.net.au/radionational/programs/breakfast/un-probes-business-climate-plans/13858214>

<sup>19</sup> Bowen (2022) *Independent Review of ACCUs*, <https://minister.dcceew.gov.au/bowen/media-releases/independent-review-accus>

<sup>20</sup> Ibid

John Connor, CEO of CMI, stated in support of the Chubb Review: “the priority must be to make sure our carbon credits and their governance are fit for purpose.”<sup>21</sup>

The Chubb Review will provide its report and recommendations to the government by the end of December 2022. However, the Safeguard Mechanism Consultation Paper states that a detailed policy proposal and ‘exposure draft Rule’ will be released by the end of November. These timelines are combined in Figure 1.

**Figure 1: Timeline for changes to the Safeguard Mechanism**



Source: Safeguard Mechanism Reforms consultation paper

This timeline does not allow for the outcomes of the Chubb Review to be seriously considered before the Safeguard Mechanism legislation is drafted. Integrity or governance issues identified by the Chubb Review could undermine the credibility of the Safeguard Mechanism and its ability to contribute to achieving the 2030 emissions reduction target of 43 percent.

## FORCING LEGITIMATE EMISSIONS REDUCTIONS

The Safeguard Mechanism requires facilities to ‘manage excess emissions’ above their designated baselines by purchasing Australian Carbon Credit Units (ACCUs). Historically, other options have also been available to manage above-baseline emissions, including applying for a new baseline or a multi-year monitoring period.

Because baselines have in the past been set higher than actual emissions for many facilities, the Safeguard Mechanism has to date only created small demand for ACCUs. For example, in 2020-21, 284,063 ACCUs were surrendered by safeguard facilities and only 79,282 ACCUs were surrendered by facilities without multi-year monitoring baselines (which allows facilities to smooth out emissions over years).

If facilities do not reduce their absolute emissions as baselines decline an increasing portion of their emissions will be ‘above baseline’ and therefore must be managed by purchasing ACCUs. The reformed safeguard will therefore increase demand for ACCUs.

<sup>21</sup> Carbon Market Institute (2022) *CMI welcomes ACCU review as carbon market reaches milestone and pivot point*, <https://carbonmarketinstitute.org/2022/07/01/cmi-welcomes-accu-review-as-carbon-market-reaches-milestone-and-pivot-point/>

RepuTex modelling commissioned by the CMI estimates that there is enough ACCU supply to cover two-thirds of the abatement expected from the reformed Safeguard Mechanism:

This pool of new ACCUs [126 million] represents 74 percent of the Safeguard Mechanism's estimated cumulative abatement task to 2030 – before any internal emissions reductions by industry and below-baseline crediting, or any investment in new ACCU generating projects...<sup>22</sup>

However, it is important to note that this assertion that there will be sufficient supply (to keep the price of ACCUs low) was made on the assumption that the Chubb Review will not make any significant recommendations to improve the integrity of ACCUs. If improved integrity measures are to be built into the methods that generate ACCUs then it could impact supply and lead to higher prices for ACCUs and higher costs to businesses who exceed their baselines.

Leaving issues of integrity and price aside, the hierarchy of mitigation suggests that offsets such as ACCUs should always be seen as a 'last resort'. For example, the global Science-Based Targets Initiative (SBTI), which helps organisations set targets in line with 1.5 degrees, specifies that carbon credits cannot be counted as emissions reductions towards short- or long-term science targets, but should only be used after organisations have reduced emissions by more than 90 percent.<sup>23</sup>

Allowing facilities unrestricted access to ACCUs has the effect of displacing emissions reductions from within the industrial sector to other sectors of the economy. The majority of ACCUs are created through vegetation management, with 55 percent of ACCUs issued to date generated by vegetation methods and an additional 10 percent through savanna burning. If facilities covered by the Safeguard Mechanism do not reduce their absolute emissions (as opposed to simply buying offsets), there will be an ongoing increase in demand for ACCUs beyond 2030 to 2050 while claiming to reach net zero emissions.

Consideration should be given to limiting the use of ACCUs per facility, similar to the regime imposed by the Clean Energy Future package. This was set at 5 percent limit (based on absolute emissions of the respective entity/facility).<sup>24</sup>

Unrestricted access to ACCUs will not just place ever-increasing pressure on other sectors to generate new and additional abatement to offset industrial emissions but also delay the necessary transition that is already occurring in other countries.

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<sup>22</sup> RepuTex Energy (2022) *Potential Futures for Australia's Safeguard Mechanism*

<sup>23</sup> Science Based Targets (2021) SBTI Corporate Net-Zero Standard, <https://sciencebasedtargets.org/net-zero/>

<sup>24</sup> Australian Parliamentary Library (2011) *Securing a clean energy future: some economic aspects* [https://www.aph.gov.au/about\\_parliament/parliamentary\\_departments/parliamentary\\_library/pubs/rp/rp1112/12rp05](https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/pubs/rp/rp1112/12rp05)

Australia Institute research by leading energy analyst Dr Hugh Saddler found that Australia's overall energy transition performance has been worse than the other 22 OECD economies and Russia.<sup>25</sup> Failing to decarbonise through an over-reliance on carbon credits will only make Australia's net zero transition lengthier and harder.

## MOST FACILITIES ARE ALREADY COMMITTED TO NET ZERO

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Companies operating facilities covered by the Safeguard Mechanism have consistently raised concerns about the cost and challenge associated with reducing emissions under stricter baselines, calling for lenient treatment or financial assistance to meet their liabilities.

The Australian Petroleum Production and Exploration Association (APPEA) recently affirmed their expectations that changes to the Safeguard Mechanism ensure special treatment for export-oriented facilities: "The federal government's commitment to provide tailored treatment to ensure that export-focused businesses are not competitively disadvantaged is important to help ensure the nation decarbonises while keeping our economy strong and resilient".<sup>26</sup>

However, the majority of facilities are already covered by voluntary net zero commitments. RepuTex modelling by CMI says "Widespread exemptions may also be inconsistent with corporate voluntary commitments, with 74 percent of facilities (83 percent of covered emissions) having already established net-zero targets".<sup>27</sup>

If voluntary net zero claims are legitimate then facilities should not struggle to meet declining baselines, nor be given lenient treatment or significant financial assistance to meet their emissions liabilities.

Additionally, safeguard facilities should not be allowed access to international credits. Allowing access to cheap international offsets to substitute local abatement will disincentivise facilities from actually reducing emissions and further distance Australia from reaching its net zero target by 2050.

Allowing access to international credits also brings into question how genuine the Australian Government is being in "supporting climate action in the Indo-Pacific region" through the development and use of carbon offsets through schemes such as the Indo-Pacific Carbon

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<sup>25</sup> Saddler (2021) *Back of the Pack* <https://australiainstitute.org.au/post/new-analysis-australias-energy-transition-among-worst-in-oecd>

<sup>26</sup> Battersby (2022) *Australia advances emissions reduction plans*, <https://www.upstreamonline.com/politics/australia-advances-emissions-reduction-plans/2-1-1280667>

<sup>27</sup> RepuTex Energy (2022) *Potential Futures for Australia's Safeguard Mechanism*, p. 52



Offset Scheme (IPCOS).<sup>28</sup> Pacific nations have long been frustrated and disappointed over Australia's refusal to stop new production of fossil fuels.<sup>29 30</sup> Australia has not only ignored pleas for climate action by the Pacific, but it also continues to pursue and subsidise fossil fuel projects both domestically<sup>31</sup> and in the Pacific.<sup>32</sup>

Safeguard Mechanism Credits (SMCs) proposed in the Consultation Paper are supposed to incentivise greater action by allowing facilities to bank over-achievement which they can use or trade with under-achieving facilities. SMCs require strong governance frameworks guiding their issuance and use or risks integrity issues like ACCUs. There are also questions raised around additionality if over-achievement is easily reached, and if most facility-owners are committed to reaching net zero. The development of SMCs should only commence after the Chubb Review is complete and actioned.

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<sup>28</sup> Department of Industry, Science, Energy and Resources (n.d.) Supporting climate action in the Indo-Pacific region, <https://www.industry.gov.au/policies-and-initiatives/international-climate-changecommitments/supporting-climate-action-in-the-indo-pacific-region>

<sup>29</sup> Lyons (2022) *Australia at odds with neighbouring nations on new coal and gas projects at Pacific Islands Forum*, <https://www.theguardian.com/world/2022/jul/12/australia-at-odds-with-neighbouring-nations-on-new-coal-and-gas-projects-at-pacific-island-forum>

<sup>30</sup> Lyons (2022) *'Far from adequate': former Pacific leaders group urges Australia to increase 43% emissions cut*, <https://www.theguardian.com/world/2022/jul/08/far-from-adequate-former-pacific-leaders-group-urges-australia-to-increase-43-emissions-cut>

<sup>31</sup> Armistead, Campbell, Littleton & Parrott (2022) *Fossil fuel subsidies in Australia (2021-22)* <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2021-22/>

<sup>32</sup> Jubilee Australia (2021) *Hot Money: Australian Taxpayers Financing Fossil Fuels* <https://www.jubileeaustralia.org/resources/publications/hot-money-2021>

## Alternative options

Declining baselines will mean that, unless safeguard facilities take real measures to reduce emissions, they will have an emissions liability that increases each year.

As discussed above, it is likely facilities will aim to meet their emissions liability by purchasing low-integrity ACCUs at the lowest possible price.

There is no direct linkage between Australia's greenhouse accounts (National Inventory Report (NIR)) and the ERF. The NIR independently monitors and records emissions and removals from sources and sinks; to be clear the NIR *does not* include allowances or offsets even if they are issued by the Commonwealth Government as ACCUs are.

This means that, when ACCUs with low or no integrity are issued, they have no impact on the NIR or Australia's mitigation commitments. The link to the NIR only arises (indirectly) when ACCUs have integrity and represent genuine abatement. The ACCUs' impact will then be picked up such as through additional tree coverage appearing in the satellite imagery used to inform the NIR.

For the avoidance of any doubt: if a coal mine buys an ACCU generated by a farmer who has promised not to chop down a tree that was never actually going to be chopped down, then despite the fact that the Commonwealth Government is willing to issue an ACCU to the farmer, and despite the fact the coal mine can meet its obligations under the Safeguard Mechanism, there will be absolutely no change in what is recorded in Australia's NIR (which forms the basis of both our international commitments and the legislated 43 percent target).

In short, the rest of the world doesn't care if we print and sell low integrity offsets to ourselves, it only cares about what happens to our actual emissions. If the Safeguard Mechanism relies heavily on low quality offsets, it will do nothing to help Australia meet its legislated or international obligations.

Facilities purchasing ACCUs that result in no genuine abatement only provides material benefit to the suppliers of low integrity credits, carbon market aggregators, investors, and brokers - companies profiting through the generation and sale of ACCUs - and for facilities by 'negating' their emissions liability. This money could instead be used to invest in initiatives to genuinely reduce emissions through legitimate means.

## INVESTING IN INDUSTRY POLICY

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The Safeguard Mechanism should be designed to provide an incentive for firms to reduce their emissions. Currently firms who cannot or will not reduce their emissions to meet their baseline are required to pay a penalty price, currently set at the price of ACCUs.

Given the high and uncertain price of ACCUs,<sup>33</sup> the significant questions about the integrity of the current ACCU supply, and the inevitability that any changes that lead to an increase in the integrity of carbon credits will lead to an increase in the price of those credits, it is sensible that the Government develop a fixed price option for firms that do not meet their emission reduction obligations under the Safeguard Mechanism.

While in theory the purchase of an ACCU, as opposed to the payment of a voluntary fixed price to the Commonwealth Government, has the advantage that the ACCU delivers emission reductions as well as a price signal to polluters to change their behaviour, in practice as there is no direct link (and possibly no link at all) between some ACCUs and the emissions recorded in the NIR. There is therefore no economic or environmental benefit in requiring Australian industry to pay for high price, low integrity carbon credits.

Indeed, while there is no lasting benefit to the Australian economy or environment in paying a landholder not to chop down a tree, or a farmer to stock fewer cows in a paddock, there are significant economic and environmental benefits to be had from using the revenue from a voluntary fixed penalty price payment to the Commonwealth to invest in decarbonisation elsewhere in the economy.

Australia's carbon emissions per dollar of GDP are high by global standards and in the decade since the carbon price was removed there has been little in the way of policy to drive decarbonisation of existing industries or to develop the low carbon industries likely to thrive in the coming century.<sup>34</sup>

The 126 million ACCUs that Reputex estimate could be used by firms to meet their safeguard obligations will likely cost polluters around \$3.8 billion at a \$30 ACCU spot price (assuming that new integrity measures don't drive the price significantly higher).

However, if the same facilities that might purchase 126 million ACCUs instead voluntarily elected to pay a \$25 fixed penalty price to the Commonwealth then it would have \$3.15 billion to spend on decarbonisation projects elsewhere in the economy, ranging from supporting the manufacture and rollout of electric busses, batteries and renewable energy to helping firms of all size improve their energy efficiency.

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<sup>33</sup> Clean Energy Regulator (2022) *Australia carbon credit units (ACCUs)*

[https://www.cleanenergyregulator.gov.au/Infohub/Markets/Pages/qcmr/june-quarter-2022/Australian-carbon-credit-units-\(ACCUs\).aspx](https://www.cleanenergyregulator.gov.au/Infohub/Markets/Pages/qcmr/june-quarter-2022/Australian-carbon-credit-units-(ACCUs).aspx)

<sup>34</sup> Saddler (2021) *Back of the Pack*

Indeed, the Commonwealth could also broaden the funding pool to include the remaining uncommitted \$1.8 billion in the ERF.

In effect, the methods involved in generating ACCUs under the ERF and the Safeguard Mechanism are a form of poorly designed industry policy which has driven the rapid expansion in the profitability of firms specialising in carbon accounting but has yet to deliver significant reduction in emissions.

Other forms of industry policy, such as investment in manufacturing, energy efficiency, and renewable energy are likely to drive not just greater emissions reductions but also nurture the skills and professions to build the solutions for a low carbon economy. While the current carbon accounting rules make promising to not chop down trees and not stock so many cattle very profitable, they do nothing to help Australia rapidly transition.

The establishment of a voluntary fixed price credit scheme, with revenues flowing to the Commonwealth rather than to the carbon credit industry, would create the opportunity to develop a far more cohesive industry policy than simply forcing polluters to buy low quality carbon credits at high prices.

As Prime Minister Albanese told the National Press Club in August this year “It’s how we seize the transformative opportunity of Australia as a clean energy superpower”.<sup>35</sup> If we want to fulfil the Prime Minister’s pledge for a “new generation of advanced manufacturing and value-adding” with “Australian workers, Australian technology, Australian research and Australian resources taking the world to net zero”, then we need the industry policy to make this happen. The Safeguard Mechanism presents this opportunity.

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<sup>35</sup> Prime Minister Albanese (2022) *Building a Better Future* <https://www.pm.gov.au/media/building-better-future-national-press-club>

# Recommendations

1. Place a moratorium on all new coal and gas projects.
2. Quantify emissions associated with closing safeguard facilities and possible new projects to ensure new baselines for existing facilities are sufficiently ambitious.
3. Limit any use of ACCUs to meet facilities' emissions liabilities and hold off on the development of the Safeguard Mechanism Credits until all recommendations of the Chubb Review are addressed and integrity is restored to Australia's carbon market.
4. Implement a hierarchy of mitigation to ensure ACCUs are used as a 'last resort' and facilities invest in real emissions reductions, this can include a limit on the use of ACCUs by each facility (at a cap of 5 percent).
5. Consider the introduction of a voluntary fixed penalty price of \$25 a tonne for above baseline emissions. This can be invested with new industry policy to build climate solutions such as battery and bus manufacturing, energy efficiency and renewable energy.

# Trade with no cap

## Submission to draft legislation for Safeguard Mechanism Credits

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***Expected emissions from new gas and coal projects could overwhelm any abatement from the Safeguard Mechanism.***

***The proposed Safeguard Mechanism legislation fails to clarify how new entrants will be managed and does not address integrity and additionality concerns around offsetting units.***

***The proposed legislation should not be introduced or further developed until the independent review into the integrity of carbon credits is finalised and previous consultation on the Safeguard Mechanism has been responded to.***

**Polly Hemming**

**Richie Merzian**

**Alia Armistead**

**October 2022**

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# Summary

The proposed legislation to establish Safeguard Mechanism Credits (SMCs) should not be further developed until:

- The Government has responded to concerns raised in the initial consultation on the Safeguards Mechanism.
- The Chubb Review into the integrity problems of the existing carbon credit system has been finalised and recommendations acted upon.

These processes still need to address key concerns such as:

- How to deal with new entrants –Currently there is no limit to new high-polluting facilities entering the Safeguard Mechanism. The introduction of SMCs turns the Mechanism into effectively a cap-and-trade scheme with no cap. This is concerning given there are 69 new coal projects and 45 new oil and gas projects listed on the Office of Chief Economist Major Projects list. Just two gas projects and the 22 coal projects currently seeking EPBC approval intend to emit almost 120 million tonnes of carbon pollution to 2030, compared to the estimated abatement of the Safeguard Mechanism of 170 million tonnes.
- The integrity problems that necessitated the Chubb Review.
- The additionality of SMCs - 74% of covered facilities are already committed to reaching net zero. An additional incentive (like SMCs) will not be additional if these facilities are already on a genuine pathway to decarbonise.

Australia's climate policy needs to move away from debate about carbon credits and offsets and towards actions that will actually decarbonise the economy. There are abundant opportunities to do this at little cost or even with economic benefit. A moratorium on new coal and gas projects, electrifying publicly-owned bus fleets and incentivising energy efficiency in commercial buildings to name just a few.

Such initiatives could be funded by an alternative fixed-price payment for above-baseline emissions. Rather than purchasing low-integrity ACCUs or SMCs an alternative voluntary 'fixed price' penalty payment could be established. Such a fixed price payment, set at \$25 a tonne - below the current ACCU spot price - would provide certainty for major emitters, a significant source of revenue to the Commonwealth, and reduce pressure on the Clean Energy Regulator to approve low integrity ACCUs to meet rapidly growing demand.





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# Introduction

The Australia Institute welcomes the opportunity to comment on the *Safeguard Mechanism Reforms (Crediting) Amendment Bill 2022* (the Bill). The Bill would allow for a new type of emissions credit, a Safeguard Mechanism Credit (SMC) which polluters covered by the Safeguard Mechanism could generate for emissions reductions. These credits could be banked to facilitate pollution in the future or traded to facilitate pollution by other facilities.

In our view the Bill should not be introduced or developed further. This consultation is not being conducted in good faith. The draft legislation to establish Safeguard Mechanism Credits (SMCs), the subject of this consultation, has been released before the outcomes of the Department's consultation on the *Safeguard Mechanism Reforms: consultation paper*.

The Consultation Paper outlined a broad range of policy options for the future Safeguard Mechanism and the use of SMCs, but did not say how either would actually operate after the reforms, nor how new fossil fuel projects were compatible with reducing Safeguard facilities' emissions. The architecture for SMCs also details possibilities for how they will be used, but without detail. These issues render this consultation illegitimate, as SMCs cannot be adequately evaluated for their merit, or otherwise, without knowing how the Safeguard Mechanism will eventually operate. For example, SMCs may lack integrity and be subject to exploitation by facilities if baselines are not determined in a way that removes all 'headroom'.

In relation to this Bill, the problems raised in our earlier submission to the *Safeguard Mechanism Reforms Consultation Paper*<sup>1</sup> remain:

- Australia's existing carbon credit system is deeply flawed and riddled with integrity problems. Due to the low integrity of the existing system, it is currently under review by a panel lead by former Chief Scientist Ian Chubb. No steps should be made towards creating new kinds of credits until this review is completed and its recommendations have been implemented.
- The creation of SMCs builds an opportunity and incentive for high-polluting facilities covered under the Safeguard Mechanism to exploit their baselines. It is not clear from the Bill how it will address the perverse incentives for facilities considering closure and for potential new entrants in establishing high-emitting projects.
- It remains unclear how new entrants to the Safeguard Mechanism will be treated and accommodated. Without specifying how new entrants will be limited or how the 1,227 million tonnes (Mt) carbon dioxide equivalent (CO<sub>2</sub>e) carbon budget for the

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<sup>1</sup> Armistead et al (2022) *Safeguarding fossil fuels: Submission to the Safeguard Mechanism Reforms Consultation paper*, <https://australiainstitute.org.au/report/safeguarding-fossil-fuels/>

Safeguard Mechanism to 2030 will be re-distributed when they enter, the advent of SMCs effectively creates a cap-and-trade scheme with no cap.

This is demonstrated through the estimated emissions from just two new gas projects and the new coal proposals currently seeking approval under the Environmental Protection and Biodiversity Conservation (EPBC) Act, which would produce almost 120 Mt of domestic emissions from their anticipated start date to 2030.<sup>2</sup> By comparison, the Department anticipates only 170 Mt CO<sub>2</sub>e of abatement from existing Safeguard facilities to 2030 – more than two-thirds of this could be negated by fossil fuel developments.

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<sup>2</sup> Predominantly Scope 1 emissions, with a small percentage of Scope 2 emissions included in this definition.

# New Safeguard facilities

Currently there is no limit to new high-polluting facilities entering the Safeguard Mechanism. The introduction of SMCs turns the Mechanism into effectively a cap-and-trade scheme with no cap. This is concerning given there are 69 new coal projects and 45 new oil and gas projects listed on the Office of Chief Economist Major Projects list.<sup>3</sup>

The domestic emissions from just a handful of these projects are almost enough to overwhelm the proposed abatement from the Safeguard Mechanism, as shown in Table 1 below:

**Table 1: Domestic emissions from new fossil fuel projects**

	Domestic emissions - tonnes CO <sub>2</sub> e from operation to 2030
<b>North West Shelf Extension</b>	53,515,000
<b>Scarborough-Pluto</b>	18,900,000
<b>22 new coal proposals in EPBC process (see appendix)</b>	44,147,124
<b>TOTAL</b>	116,562,124
<b>Safeguard Mechanism proposed abatement</b>	<b>-170,000,000</b>

Sources: WA EPA, Whitehaven Coal, Climate Analytics.<sup>4</sup> See Appendix

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Table 1 shows that just two of the major oil and gas proposals, North West Shelf Extension and Scarborough-Pluto, could emit over 70 Mt CO<sub>2</sub>e Scope 1 from production start to 2030. There are 43 other oil and gas projects in the major projects list. If all 22 coal mines listed in the Appendix were to proceed according to their submitted documentation, they would produce around 18.4 Mt CO<sub>2</sub>e of Scope 1 and 2 emissions annually and a total of 613 Mt CO<sub>2</sub>e over their project lives.

The Safeguard Mechanism has a proposed carbon budget to 2030 of 1,227 Mt CO<sub>2</sub>e and a mandate for existing facilities to reduce emissions under the forthcoming reforms. Given

<sup>3</sup> Department of Industry, Science, Energy and Resources (2021) *Resource and energy major projects list*, <https://www.industry.gov.au/publications/resources-and-energy-major-projects-2021>

<sup>4</sup> Western Australian EPA (2022) *North West Shelf Extension Project* [https://www.epa.wa.gov.au/sites/default/files/EPA\\_Report/EPA%20Report%201727%20-%20North%20West%20Shelf%20Extension%20Project%20-%20assessment%20report.pdf](https://www.epa.wa.gov.au/sites/default/files/EPA_Report/EPA%20Report%201727%20-%20North%20West%20Shelf%20Extension%20Project%20-%20assessment%20report.pdf)

Climate Analytics (2021) *Warming Western Australia*

[https://climateanalytics.org/media/climateanalytics\\_scarboroughpluto\\_dec2021.pdf](https://climateanalytics.org/media/climateanalytics_scarboroughpluto_dec2021.pdf)

the total proposed abatement from the Safeguard Mechanism to 2030 is 170 Mt CO<sub>2</sub>e, emissions from a few projects could negate a large share of the Safeguard's total abatement.

# Carbon market integrity

The Bill will create the high-level architecture for a new class of carbon credits – the Safeguard Mechanism Credit (SMC). This comes at a time when the only other financial product in the carbon market, the Australian Carbon Credit Unit (ACCU), is currently being investigated due to integrity concerns.

The Government's *Independent Review of ACCUs*, led by former Chief Scientist Professor Ian Chubb (the Chubb Review), will look at integrity issues with the most popular methods used for ACCU creation, as well as how they are regulated. Importantly, it will also examine the governance arrangements which centre on the role of the Clean Energy Regulator (CER), which will also play a role in managing SMCs.

The Chubb Review will provide its report and recommendations to the government by the end of December 2022. This timeline does not allow for the outcomes of the Chubb Review to be seriously considered and addressed before this Bill is introduced.

The rushed development of SMCs risks creating another low integrity credit like ACCUs. To date, the Department has not indicated how it intends SMCs to be used by facilities and how integrity will be assured. No further work should go into the Bill until this process to assure ACCU integrity is finalised.

The Australia Institute recommends holding off on the development of SMCs, including consideration of this Bill, until all recommendations of the Chubb Review are addressed, and integrity is instilled in Australia's existing carbon market.



## Abatement additionality risks

The use of SMCs also raises questions of additionality both in the context of existing facilities and new entrants.

According to Reputex, 74% of covered facilities are already committed to reaching net zero.<sup>5</sup> An additional incentive (like SMCs) should not be required to encourage greater abatement if the facilities are owned or managed by companies that are already on a decarbonisation pathway.

The Bill also raises the possibility for facilities that exit the Safeguard Mechanism by reducing emissions below the 100,000 CO<sub>2</sub>e threshold to continue generating SMCs. This could incentivise facilities that would otherwise close to continue to operate to generate SMCs.

For new entrants to the Safeguard Mechanism, there is a potentially perverse incentive. Prospective new facilities with high levels of potential carbon pollution (like high-CO<sub>2</sub> content gas fields) could be rewarded by generating SMCs if they receive a baseline that can be easily met with the latest technology and best practice.

This raises the outstanding and largest issue with the Safeguard Mechanism – the unlimited entry for new high-polluting facilities.

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<sup>5</sup> Reputex Energy (2022) Potential Futures for Australia's Safeguard Mechanism, <https://www.reputex.com/research-insights/report-modelling-potential-futures-for-australias-safeguardmechanism/> p. 44

# Conclusion: The need for an alternative to carbon credits

Australia's climate policy needs to move away from debate about carbon credits and offsets and towards actions that will actually decarbonise the economy. There are abundant opportunities to do this at little cost or even with economic benefit. A moratorium on new coal and gas projects, electrifying publicly-owned bus fleets and incentivising energy efficiency in commercial buildings to name just a few.

For the current discussion of facilities covered by the Safeguard Mechanism, The Australia Institute's submission to the earlier consultation paper details an alternative fixed-price payment for above-baseline emissions.

Currently, Safeguard facilities purchase ACCUs to offset above-baseline emissions without restriction, with the expectation that this will be extended to SMCs. Given the extensive integrity concerns with ACCUs and the expected increase in ACCU price if integrity is restored following the Chubb Review, in addition to potentially reduced ACCU supply, an alternative voluntary 'fixed price' penalty payment could be established.

Such a fixed price payment, set at \$25 a tonne - below the current ACCU spot price - would provide certainty for major emitters, a significant source of revenue to the Commonwealth, and reduce pressure on the Clean Energy Regulator to approve low integrity ACCU methodologies to meet rapidly growing demand.

This funding could be spent on decarbonisation projects elsewhere in the economy, ranging from supporting the manufacture and rollout of electric busses, batteries and renewable energy, to helping firms of all size improve their energy mix. This proposal could operate until such time as the Chubb Review concludes and integrity is restored in the carbon market.

# Appendix: emissions from new coal proposals

There are at least 22 coal projects currently seeking approval under the Environmental Protection and Biodiversity Conservation (EPBC) Act that would be covered by the Safeguard Mechanism. This is not a complete list of proposed coal projects in Australia – there are likely to be others that have either not commenced the EPBC process or are expansions of existing mines that will seek modification of an existing EPBC approval.

**Table 2: Coal projects seeking new EPBC approval likely covered by Safeguard Mechanism**

Project Name	State	Annual product coal (mt)	Average Annual Scope 1 & 2 Emissions (t CO <sub>2</sub> -e)	Life of mine Scope 1 & 2 Emissions (t CO <sub>2</sub> -e)	Start date	Emissions to 2030
<b>Moolarben OC3 Extension Project</b>	NSW	8.2	549,000	5,490,000	2026	2,196,000
<b>Glendell Continued Operations Project</b>	NSW	4.5	433,000	6,502,698	2024	2,598,000
<b>Mount Pleasant Optimisation Project</b>	NSW	12.4	530,000	14,170,000	2022	4,240,000
<b>Narrabri Underground Stage 3 Extension</b>	NSW	11	1,480,000	33,980,000	2031	0
<b>Ravensworth UG Mod 10 - Ashton Integration</b>	NSW	5.6	427,000	3,416,000	2024	2,562,000
<b>Boggabri Mod 8 - Increase in depth of mining</b>	NSW	8.2	690,000	14,320,000	2033	0
<b>HVO North Open Cut Coal Continuation</b>	NSW	17.6	1,342,000	33,550,000	2025	6,710,000
<b>HVO South Open Cut Coal Continuation Project</b>	NSW	14.4	1,098,000	16,470,000	2030	0
<b>Peak Downs Continuation Project</b>	QLD	9	513,581	47,763,033	2023	3,595,067

Lake Vermont Meadowbrook Project	QLD	7	393,671	8,857,597	2023	2,755,697
Caval Ridge Mine Horse Pit Extension	QLD	6.1	371,200	11,136,003	2025	1,856,000
Ensham Life of Mine Extension Project	QLD	4.5	508,184	8,639,130	2028	1,016,368
Middlemount Coal Mine - Southern Open Cut Extension Project, QLD	QLD	4	255,612	5,879,076	2022	2,044,896
Valeria Coal Project	QLD	15	460,000	17,020,000	2024	2,760,000
Baralaba South Project	QLD	3.5	138,000	2,760,000	2023	966,000
Winchester South	QLD	11	556,000	15,600,000	2022	4,448,000
Saraji East Mining Lease Project	QLD	7	813,516	16,270,325	2024	4,881,096
Meandu Mine King 2 East	QLD	8.8	253,000	2,783,000	2024	1,518,000
China Stone	QLD	38	4,707,000	235,350,000	NA	0
Alpha North (Galilee Coal Project)	QLD	40	2,304,495	84,512,423	2030	0
The Range Project	QLD	5	301,137	7,829,562	NA	0
Blackwater Mine South Coking Coal Project	QLD	8	230,000	20,700,000	2031	0
<b>Totals</b>		<b>250</b>	<b>18,354,396</b>	<b>612,998,847</b>		<b>44,147,124</b>

Sources: Project documents submitted to state and Federal assessment processes and existing Safeguard Mechanism reporting

The estimates in Table 2 are based on a rapid assessment of project documents submitted to state and federal agencies. They represent a best guess at the emissions of these projects should they proceed. Many have stalled for several years and may never be developed. Where a project has stalled beyond its latest proposed start date, no start date has been estimated and no emissions to 2030 calculated. Projects may proceed at a different production rate than listed in the documents consulted depending on final approval conditions, geology and mine economics. The Australia Institute would welcome feedback from companies and assessment agencies to help refine these estimates.

Note that some of these estimates include both Scope 1 and 2 emissions. Acknowledging that the Safeguard Mechanism applies only to Scope 1 emissions, Scope 2 emissions are a limited portion of these calculation.