



Safeguard Mechanism Reform: Consultation on Proposed Design

The Smart Energy Council welcomes the opportunity to comment on the design of the Australian Government's Big Polluters' Program (the Safeguard Mechanism).

The Smart Energy Council is the peak independent body for Australia's renewable energy, renewable energy storage and renewable hydrogen industries, with around 1000 member companies across the country.

The Smart Energy Council is committed to modernising and decarbonising Australia's economy. The Big Polluters' Program should play a critical role in this endeavour, ensuring Australia's biggest polluters significantly reduce their emissions and laying the foundations for new jobs and industries in regional areas across the country.

Time to Rename Safeguard Mechanism

The Safeguard Mechanism should be called the Big Polluters' Program. It is literally a program to ensure Australia's biggest polluters significantly reduce their emissions. Whether or not it achieves that goal is the fundamental public policy question. If it doesn't reduce emissions, the policy should cease and be replaced by another mechanism. If it does reduce emissions, the program should continue and be continually improved, ensuring its consistency with the *Climate Change Act 2022*.

It is not at all clear what the Safeguard Mechanism is safeguarding. If it is safeguarding the coal and gas industry, particularly new coal and gas, the policy is a fundamental failure and should be discontinued.

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If the intention is to safeguard our climate, the policy should reflect that. If the intention is to safeguard jobs and regional communities, the mechanism should ensure our biggest polluters reduce their emissions in Australia through direct emissions reduction projects that create jobs and new industries in regional communities.

Key Principles

The following principles should underpin the Big Polluters' Program:

- The Big Polluters' Program and the related Powering the Regions Fund should be consistent with the *Climate Change Act 2022*.
- The Powering the Regions Fund should be limited to zero emissions projects or projects that will reduce emissions by at least 43% by 2030, consistent with the *Climate Change Act 2022*.
- Australia's biggest companies and Australia's biggest polluters should reduce their emissions through direct emissions reduction projects in Australia, creating jobs, new industries and economic opportunities in regional communities across Australia. International offsets should be banned under the program and domestic offsets should be limited. In particular, there should be an off ramp for domestic offsets – a clear date from which the use of domestic offsets will be increasingly limited.
- New entrants to the Big Polluters' Program need to enter the scheme at net zero, with new entrants using Safeguard Mechanism Certificates before they can access Australian Carbon Credit Units.
- All new entrants to the Big Polluters' Program should be assessed by the Australian Government under the *Environment Protection and Biodiversity Conservation Act* through a new 'climate change trigger' to assess whether those projects should proceed or the circumstances under which they should proceed. This is another way to ensure the Big Polluters' Program is consistent with the *Climate Change Act 2022*.

- There is a need for a standing review of proposed domestic offset and emissions reduction projects under the Big Polluters' Program to ensure these projects are indeed reducing emissions. Similarly, there is a need for a standing review of greenhouse gas monitoring and reporting, including methane monitoring and reporting, under the scheme.

More Work Needs to be Done

The Smart Energy Council believes the Big Polluters' Program needs to be strengthened now and over time. We also believe we need a Big Polluters' Program. That means all relevant parties need to continue to talk and reach agreement. Given Australia has had to wait almost a decade for decent climate change policies, we can wait a bit longer to finalise this scheme. The new scheme does not need to be in place by 1 July 2023, although that would be preferable.

The Australian Government and Australian Parliament should use this opportunity to review or progress three related measures:

1. The introduction of a climate change 'trigger' in the *Environment Protection and Biodiversity Conservation Act*.
2. A review of the proposed Guarantee of Origin Scheme for renewable energy and renewable hydrogen to ensure it is consistent with the *Climate Change Act* and to ensure it helps, not hinders, the path to at least 82% renewables by 2030. This can be done, at least in part, through the recently announced review of the National Hydrogen Strategy.
3. A review of the Large-scale Renewable Energy Target to see whether it should be increased and extended to lock in a national, legislated target at least 82% renewables by 2030.

Should you wish to discuss these matters further, please contact me at [REDACTED] or on [REDACTED].

Yours sincerely

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