

Climate Action Network Australia
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25 January 2023

Senate Standing Committee on Environment and Communications

Dear Committee members,

Submission to the Senate Standing Committee on Environment and Communications - Inquiry into the *Safeguard Mechanism (Crediting) Amendment Bill 2022*

Climate Action Network Australia (CANA) welcomes the opportunity to participate in the inquiry into the *Safeguard Mechanism (Crediting) Amendment Bill 2022*.

CANA is a member-based organisation made up of over 150 climate-focused civil society organisations advocating for Australia's rapid transition to a zero-emissions country. We seek a fair Australia, free of climate pollution, where people and nature are protected from dangerous climate change.

We are encouraged by the Albanese Government's improvement of climate policy to date. The Government's legislation of the Climate Bill 2022 and update of its Nationally Determined Contributions under the Paris Agreement has enshrined our nation's commitment to reduce climate emissions by at least 43 per cent by 2030. These are great first steps that need to be with ambitious policy to ensure that we do not exceed 1.5°C of warming.

Strengthening the Safeguard Mechanism is now essential in achieving the emissions reduction needed to reach these targets. Facilities represented by the Safeguard Mechanism have produced over 700 million tonnes of harmful CO₂ equivalent emissions since the Safeguard Mechanism's inception in 2016 and currently, these facilities account for nearly a third (28%) of Australia's national emissions. As such, any reform of the Safeguard Mechanism needs to deliver genuine emissions reduction, help decarbonise heavy industries, and ensure that any new coal and gas projects do not undermine Australia's emissions reductions goals.

The *Safeguard Mechanism (Crediting) Amendment Bill 2022* seeks to introduce Safeguard Mechanism Credits into the existing scheme to assist facilities to offset their emissions (together with Australian Carbon Credit Units). This Bill has the potential to determine the effective operation of the *National Greenhouse and Energy Reporting (Safeguard Mechanism) Amendment (Reforms) Rules 2023* and the broader policy framework for regulating Australia's biggest industrial emitters. The *Safeguard Mechanism (Crediting) Amendment Bill 2022* is an important opportunity to strengthen the Safeguard Mechanism to prioritise genuine emissions reduction.

Our recommendations aim to ensure that the *Safeguard Mechanism (Crediting) Amendment Bill 2022* secures genuine reductions in emissions by polluting facilities. The use of offsets to abate climate emissions was designed to

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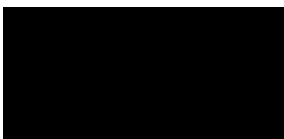
be a last resort, for dealing with the small share of emissions that cannot be avoided or reduced. Unfortunately, at the moment, paying for offsets is the first and only thing too many big companies are doing about their harmful emissions. Our recommendations include an emissions reduction hierarchy built into the scheme that requires use of Safeguard Mechanism Credits ahead of Australian Carbon Credit Units. The current and proposed settings, which allow unfettered access to Safeguard Mechanism Credits and Australian Carbon Credit Units, will not provide strong incentives to deploy technologies and change practices for polluting facilities to genuinely reduce emissions.

As such, Climate Action Network Australia makes the following recommendations:

1. Safeguard Mechanism Credits and Australian Carbon Credit Units must be made available to facilities only after facilities have implemented practical and genuine steps to reduce harmful emissions;
2. Facilities must use Safeguard Mechanism Credits first, given their higher integrity and more direct equivalence in emissions reduction, before facilities are allowed access to Australian Carbon Credit Units;
3. There must be restricted access to Safeguard Mechanism Credits and/or Australian Carbon Credit Units, with percentage access determined by the technology and practices available to a facility's sector;
4. New facilities entering the Safeguard Mechanism must be required to meet their baselines with access only to improved practices and technologies and Safeguard Mechanism Credits, that is without the use of Australian Carbon Credit Units.

We would welcome the opportunity to work further with the Senate Standing Committee on Environment and Communications on the *Safeguard Mechanism (Crediting) Amendment Bill 2022*.

Sincerely,



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Climate Action Network Australia