

**Senate Standing Committee on Environment and Communications**  
**Legislation Committee**  
Answers to questions on notice  
**Environment and Energy portfolio**

**Question No:** 98  
**Hearing:** Additional Estimates  
**Outcome:** Agency  
**Program:** Clean Energy Finance Corporation (CEFC)  
**Topic:** Safeguard mechanism  
**Hansard Page:** 45  
**Question Date:** 27 February 2017  
**Question Type:** Spoken

**Senator Xenophon asked:**

Senator XENOPHON: This is a question to the minister, and you may have to take it on notice. When Direct Action was established, there was a safeguard mechanism—which I am familiar with, given that I moved the amendments. That safeguard mechanism foreshadows a ratcheting-up of energy efficiency in terms of the baseline being set in terms of issues of energy efficiency, in terms of emissions intensity. Would the ministerial directive have any degree of funding for a coal-fired power station if it were above the anticipated baseline in the safeguards mechanism? It is a technical question. You may wish to take it on notice.

Senator Birmingham: If we have got something to add on notice, we will certainly do so.

Senator XENOPHON: I am not expecting you to answer it now.

Senator Birmingham: It is a technical question. I think the issue you highlight there—they could be related but would not necessarily have to be related to in terms of where a mandate was set for the CEFC versus how baselines might work under the operation of the Emissions Reduction Fund and associated legislation. But certainly we can have a look at that.

Senator XENOPHON: Are you saying that the safeguard mechanism proposes an increasing tightening of emissions intensity and that the ministerial directive could go outside that tightening baseline to fund something through the CEFC that actually pollutes more than what the safeguard mechanism is anticipating?

Senator Birmingham: No. I am simply making the observation—and I suspect it would hold for current arrangements—that the CEFC mandate, as currently written, does not depend upon other factors within the operation of the Emissions Reduction Fund, and that they operate, in a sense, as stand-alone arrangements. That is not to say that the government would not—because I am confident we would—be looking to give an element of consistency in our approach across all of those different areas which would clearly be part, I would have thought, of any thinking that comes out of the 2017 review of how to meet the 2030 emissions reduction targets.

**Answer:**

***Electricity Safeguard Mechanism***

A sectoral approach is taken to grid-connected electricity generators under the Emissions Reduction Fund Safeguard Mechanism. The sectoral baseline is set at 198 million tonnes carbon dioxide equivalent per annum. Individual power station baselines do not come into effect unless the sectoral baseline is exceeded.

Under these settings, the emissions intensity of a new coal-fired power station (or any other power station) would not be relevant to the sectoral baseline, because the sectoral baseline is expressed as the absolute emissions of grid-connected elements of the sector. A new

coal-fired power station would add emissions in itself but the overall effect on sectoral emissions and implications for exceeding the sectoral baseline would depend on the broader sectoral context. For example, whether a new power station was replacing an existing, less-efficient power station or whether it was a pure new capacity addition in response to increased demand.

The Government will consider the role of the safeguard mechanism and research and development and innovation in the context of the 2017 review.

***CEFC investments***

The matters the CEFC is permitted to invest in are outlined in its Act and mandate.