24 February 2023

Safeguard Mechanism Taskforce
Via email
safeguard.mechanism@industry.gov.au

Re: Consultation on the proposed design and draft amendments to the Safeguard Rule and related subordinate legislation

On behalf of our members, the Victorian Greenhouse Alliances welcome the opportunity to make a submission on the proposed amendments to the Safeguard Mechanism.

The eight Victorian Greenhouse Alliances are partnerships between local government, statutory authorities, and other organisations driving climate change action across Victoria's municipalities. We have been active for over 21 years, working with our networks to deliver regional mitigation and adaptation outcomes. Our project work is complemented by targeted advocacy, capacity building activities, and regional partnerships. We represent the interest of our member councils and their communities who have expressed a strong desire for meaningful action on climate change.

Many of our members have ambitious goals to reach net zero emissions and reflect science-based targets in their policy positions. Our recent submission to the Victorian Government's review of the state's interim carbon emissions targets reflects this ambition. We urge the Safeguard Mechanism Taskforce to consider this submission, as well as our response to the *Independent Review of Australian Carbon Credit Units,* in parallel with the below recommendations.

1) Set baselines to achieve carbon emissions reductions in line with climate science

The proposed reforms to the Safeguard Mechanism are based on achieving Australia's 43% emissions reduction target on 2005 levels by 2030. The science demonstrates that larger emission reductions are needed sooner if we are to avoid the most harmful impacts of climate change. The Safeguard Mechanism will play a critical role in driving emissions reduction and the baselines it establishes must align with climate science if Australia's current emissions reduction target is to be a floor target and not a ceiling.

Industry must also be supported to prepare for the hard investment decisions that will be required after 2030, when 'low hanging fruit' opportunities for emissions reduction are likely to be exhausted and industrial emissions will be greater than electricity emissions.

Emission limits or baselines should be projected out to at least 2035 and 2040 to provide greater investment certainty and enable proactive investment planning now. Absolute baselines need to be set with future adjustments according to clear criteria. For example, setting baselines every five years would provide certainty but also enough flexibility to recalibrate for new participants/entities.

2) Require genuine carbon emissions reductions before enabling access to offsets

For the Safeguard Mechanism to be effective, it must stimulate genuine cuts in carbon emissions. Emission reductions should be the primary focus of the Mechanism, with the use of carbon offsets a secondary measure to deal with the emissions that are more difficult to abate through existing technologies and changes to industrial processes.

Requirements must be established to ensure that liable entities first reduce their carbon emissions before accessing carbon offsets or other flexible compliance options, otherwise Australia risks exceeding its science-based carbon budget.

Baselines and conditions established through the Safeguard Mechanism should stimulate low carbon business practices by liable entities and incentivise energy efficiency in early years. Research demonstrates that many of these opportunities are profitable for industry but are not currently being implemented.[1]

It is also important that the Safeguard Mechanism takes a whole-of-economy approach. Funding and efforts to reduce emissions in other sectors of the economy should not be undermined by a rise in industrial emissions. Reducing industrial emissions in high polluting sectors is a more cost-effective and equitable way of achieving the urgent emissions cuts that are required this decade, rather than forcing other sectors like households and small businesses to shoulder more of the burden.

3) Increase market participation in the creation of new carbon offsets

The proposed reforms include the creation of Safeguard Mechanism Credits (SMCs) to enable liable entities to offset carbon emissions with credits created through emissions reductions by other entities within the Mechanism scheme. Although SMCs are a more appropriate form of credit, equivalent to emissions produced within the scheme, reducing overall demand for offsets must be prioritised. This can be supported by establishing limits on the total amount of offsets facilities can access, and requiring liable entities to demonstrate genuine efforts to cut emissions before accessing SMCs. Access to Australian Carbon Credit Units (ACCUs) should only occur after emissions reductions and SMC options have been exhausted. Integrity should be a primary consideration of the SMC and ACCU offsets used with the scheme.

Where ACCUs are required, the scheme should be implemented in a way that it provides opportunities for regional entities, such as smaller agri-businesses and councils, to participate in the local ACCU market. Non-liable entities from the community, non-profit, and other sectors should also be incentivised to create ACCUs. Assistance should be provided for a more diverse range of offset projects with segment participation guidelines along sector lines, with separate criteria for industry, local government, non-profits, and others to stimulate a wide range of projects from those new to the sector.

[1] https://www.climateworkscentre.org/resource/australian-industry-energy-transitions-initiative-phase-1-report/

Thank you for considering this submission. We welcome the opportunity to discuss any aspects in further detail.

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  - o Surf Coast Shire
  - o Borough of Queenscliffe
  - o Colac Otway Shire
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  - o Moyne Shire

  - o Barwon Water
  - o Wannon Water
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  - o Hepburn Shire Council

  - o Loddon Shire Council
  - o Macedon Ranges Shire Council
  - o Mildura Rural City Council
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  - Moira Shire Council

  - Murrindindi Shire Council
  - Towong Shire Council
  - Strathbogie Shire Council
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This letter has been approved through the Greenhouse Alliances governance structures but may not have been formally considered by individual members. The submission does not necessarily represent the views of all members.