EIANZ Response to Safeguard Mechanism Review Consultation Paper

18 September 2026

About EIANZ

The Environment Institute of Australia and New Zealand (EIANZ) is the peak not-for-profit, multidisciplinary association of environmental practitioners across Australia and New Zealand. Our members include scientists, ecologists, planners, engineers, lawyers, economists, and policy specialists, many with direct experience in working on climate change risk, emissions mitigation and adaptation. Our members work both to minimise the extent of climate change and to build resilience into environmental projects against the inevitable impacts.

This submission reflects practitioner experience and draws on consultation across EIANZ and has been prepared by the Climate Change Special Interest Section and endorsed by the EIANZ Board. In this submission, EIANZ provides comment on a limited number of the items on which the Department has sort input.

Items on which input is sought

1.1 Initial results indicate that reformed policy settings are working as intended and the Safeguard is on track to deliver its 2030 emissions targets. The review is interested in feedback on any perceived risks for the Safeguard Mechanism and whether it is on track to deliver its legislated outcomes.

- EIANZ supports the reformed policy settings for the Safeguard Mechanism (SM) that have removed "head room" and required progressive and ongoing emissions abatement from large emissions sources in Australia – consistent with the national effort.

- EIANZ would welcome the SM progressively becoming the cornerstone of carbon emissions abatement across Australia. A cornerstone emissions abatement scheme needs to provide emitters with a high degree of policy certainty, but with individual flexibility as to how mitigation will be achieved for individual projects. A cornerstone scheme shouldn't significantly pick winners or unduly call-out individual firms or sectors so that others benefit through a free-ride.
- Based on the available data, EIANZ accepts that the SM is being administered appropriately with substantial compliance from liable parties over the period that the reformed settings have been in place.
- Given the limited period over which the reformed settings have been in place, combined with the significant use of ACCUs to meet liabilities, EIANZ is cautious in assessing the broader climate, economic, social and industry policy success of the SM.
- EIANZ considers it is too early to determine from the information in the discussion paper:
    - Climate effectiveness – that is whether large emitters (as a cohort, or as induvial sectors) as a result of the SM are on a decarbonisation trajectory or will be able to sustain continued acquisition of ACCUs.
    - Economic effectiveness - whether investment in Australian industry as a result of the SM has been affected, whether the added costs of doing business have been passed onto customers, whether the profitability of business is being significantly impacted.
    - Policy effectiveness - how other government climate and industry measures are interacting with the SM.
- Obtaining credible information on these points, at the right time, will be important, but will not be easy due to various affected parties and other stakeholders reflecting self-interest rather than objective analysis. EIANZ recommends that after the SM has been in place for at least four years an independent review of the scheme on climate, economic, social and industry outcomes be carried out by a respected and largely independent body (eg Productivity Commission).

1.2 Are Safeguard policy settings and Government support mechanisms suitable for developing and deploying emissions reduction technologies for the industrial sectors? Are there any remaining barriers to undertaking on-site abatement, including sector-specific barriers? Are there any important areas that are not covered by government policy or programs?

- EIANZ notes that government climate and industry policy includes (outside of the SM) various measures that support:
  - existing energy intensive industry;
  - promotes the proving up of forward-looking industries with low greenhouse gas emissions to replace existing high emissions industry; and
  - associated economic and regional development.

EIANZ considers the SM should be established as the cornerstone policy and that other measures should complement, not compete or conflict with, its functions. As the SM gains in traction, it should be possible that the overall emissions reduction policy landscape becomes progressively simpler. Complementary policies should have well defined (and time-limited) objectives.

- EIANZ's position is that Scope 3 emissions should be included in the assessments of potential impacts of new and expanded projects. This includes assessment of emissions associated with the combustion of exported coal and gas. These emissions are part of the global net zero challenge. It is appropriate for government to properly consider these emissions, the associated international legal risks and the economic implications of potentially regionally stranded assets in its climate programs. EIANZ supports the development by Australia of a clear position on its role in large emitting international supply chains to complement its progressive reduction of emissions from large domestic emitters. A copy of the EIANZ Scope 3 supplementary position statement can be found at: https://www.eianz.org/document/item/7403

1.3 Are new policy measures for ACCU use needed to accelerate industrial decarbonisation? If policy measures are needed, what would be the best way to reduce reliance on ACCU use without unduly disrupting the carbon market and when should any such measures start? Are requirements to submit carbon abatement plans needed to improve transparency and help inform future supply and demand for ACCUs and SMCs? How would any such requirements complement or duplicate corporate climate disclosure requirements?

- As noted above, because of the high dependence on use of ACCUs to date and that emission reduction targets are comparatively in the early stages, it is probably too early in the reformed SM to understand the true impact (including the use of ACCU) of the SM on climate, economic, industry and regional outcomes because. As such an independent and learned review after four years of scheme implementation is recommended. EIANZ supports substantial continuation of existing arrangements until such a review has been completed.
- The paper notes the importance that ACCUs play in the safeguard mechanism but also notes:
  - *Scheme objectives require that there is a 'material incentive' for on-site abatement and that gross emissions must fall each year on a 5-year rolling average basis. A facility that surrenders ACCUs totalling more than 30% of its baseline must explain what is preventing it from reducing emissions on-site.*
  - *These guardrails are in place to support investment in on-site abatement at Safeguard facilities. With unrestricted ACCU use, the ratio of on-site emissions reductions and ACCU use is determined by the market. This means businesses can defer on-site action and invest instead in abatement in uncovered sectors. Australia has a world-leading offsets scheme. ACCUs are an essential part of Australia's climate policy framework. But access to a significant supply of lower-cost ACCUs could delay the on-site abatement needed to deliver Australia's future climate goals. (p13)*

In short, if ACCUs are too cheap and readily available, this works against industries reducing their direct emissions. The paper proposes three options for reducing reliance on ACCUs:

  - *Quantitative limits: a limit on the volume of ACCUs surrendered as a proportion of a facility's baseline, gross emissions or exceedance.*
  - *Discounting: a requirement to surrender more than 1 ACCU for each tonne of baseline exceedance, whether generally or after a threshold.*

- *Qualitative restrictions, in particular vintages: a limit on the method type or vintage of ACCUs used for safeguard compliance.*

- EIANZ sees, with the selection of any of these options, the potential for considerable debate and conflict over the determination of (arbitrary) limits, roll-over periods or discounts to be applied. However, discounting has comparative benefits as it has some similarities with an economic tax that still encourages the broader biodiversity benefits of ACCUs.

- There is a key consideration missing in the table which complicates the use of ACCUs. This is that with some ACCUs it is also possible to generate credits on the Nature Repair Market and then to use those credits as a future biodiversity offset. This provides useful biodiversity and project development benefits and some industries are likely already planning for this. This ability to stack credits and to produce biodiversity offsets provides a greater incentive to use ACCUs. **EIANZ urges the Department to more overtly recognise and work through, in the use of ACCUs, the interplay between the SM (which wants to sensibly limit ACCU use) and biodiversity protection (which benefits from stacking with the carbon component). A possible approach is to have a two-tiered discounting system where the discount is higher for ACCU only offsets and lower for stacking.**

1.19 Should the Safeguard Mechanism cover a larger portion of national emissions?

- EIANZ supports SM as being a cornerstone emissions mitigation policy. It supports the broadening (including more sectors and both transport and agriculture sectors.) and deepening (including lower thresholds) of the SM with time. The challenge, however, is the practical selection of breadth and depth parameters.

- Decisions made for future SM policy need to be based upon realistic forward-looking projections of Australia's large emitting businesses and sectors. By 2035 government policy is that there will be a largely decarbonised electricity grid, and a progressive electrification of the economy. We recommend broadening and deepening the SM to include businesses and sectors with medium to long-term emissions exposures (and decarbonising both transport and agriculture sectors appear to present medium to long term challenges for the nation).

Contact Details

For further information, please contact:

Environment Institute of Australia and New Zealand
Email: office@eianz.org
Phone: +61 3 8593 4140
Web: www.eianz.org