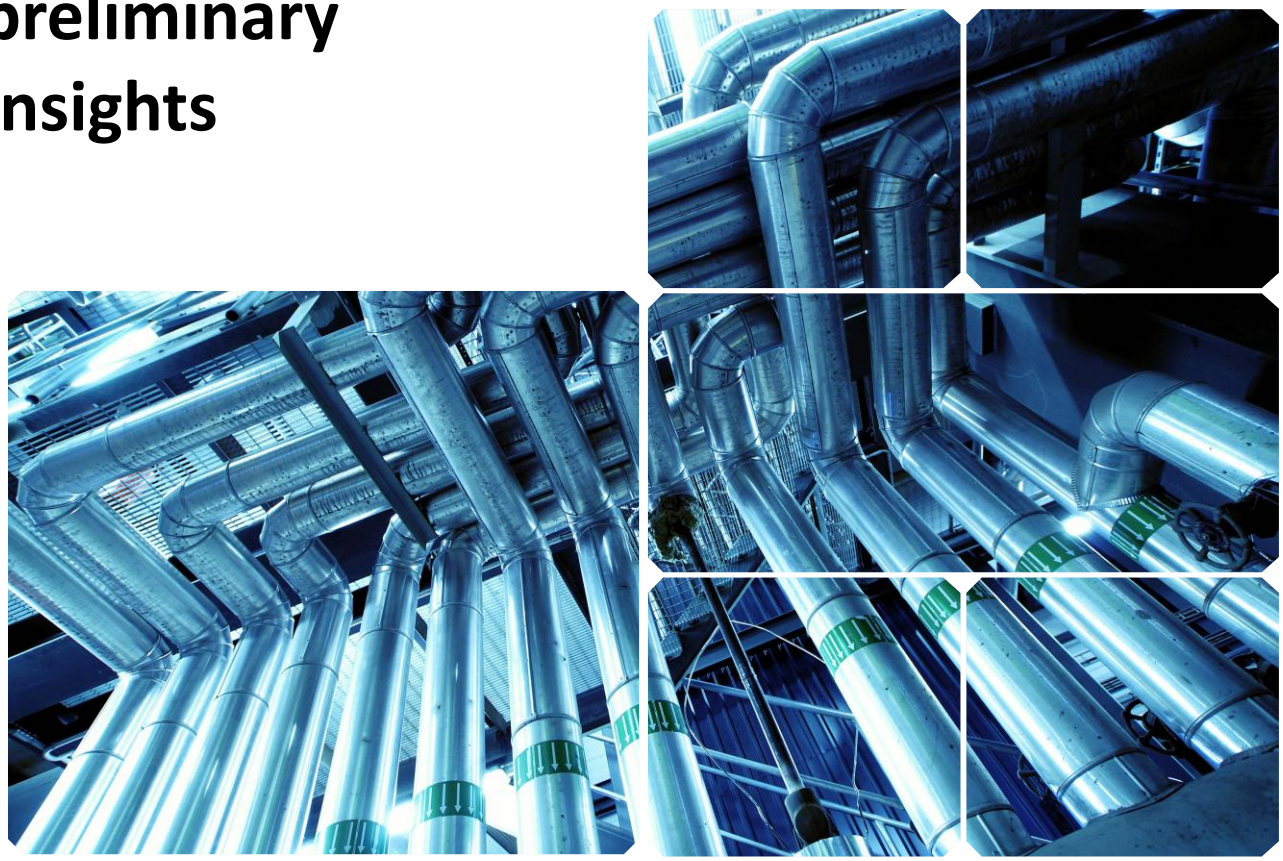
Australian Government
Clean Energy Regulator

2024–25 safeguard preliminary insights



The Safeguard Mechanism

Overview of the Safeguard Mechanism

The Safeguard Mechanism applies to the responsible emitters of facilities that emit more than 100,000 tonnes of carbon dioxide equivalent (tCO_2-e) in a year. These facilities operate across a range of sectors including coal mining, metal ore mining, oil and gas extraction, manufacturing and transport. The greenhouse gas emissions of these facilities are reported each year under the National Greenhouse and Energy Reporting Scheme.

The Safeguard Mechanism sets limits, known as baselines, on the greenhouse gas emissions of covered facilities. A facility's annual baseline is set using a production-adjusted (intensity) baseline framework. This means baselines increase and fall with production. A facility's baseline is calculated based on the sum of the quantity of production for each production variable (PV) multiplied by the relevant emissions intensity value(s). Under the reformed mechanism, these baselines generally decline by 4.9% each year to make sure net emissions fall in line with legislated targets.

If a facility's emissions are under their annual baseline, its responsible emitter may be eligible for Safeguard Mechanism credit units (SMCs).

If a facility's emissions are over their baseline, its responsible emitter is required to manage these excess emissions. Responsible emitters have several available options for managing excess emissions, including surrendering Australian carbon credit units (ACCUs) and SMCs, or accessing a range of flexibility measures if they meet the eligibility criteria. Flexibility measures include:

- trade-exposed baseline adjustment (TEBA) determinations
- multi-year monitoring period (MYMP) declarations
- borrowing adjustment determinations.

The use of ACCUs and SMCs to manage excess emissions is an important design feature of the Safeguard Mechanism. It allows responsible emitters to meet their legislative obligations while facilities transition to technology that reduce emissions at the source.[1]

See our website for more information on the Safeguard Mechanism.[2]

[1] https://cer.gov.au/schemes/safeguard-mechanism/managing-excess-emissions
[2] https://cer.gov.au/schemes/safeguard-mechanism

2024–25 initial update

Preliminary data

Disclaimer

The information in this document is preliminary and will be subject to change.

The preliminary data is based on reports submitted to the Clean Energy Regulator (CER) under the National Greenhouse and Energy Reporting (NGER) Scheme.[3] Reports for the 2024–25 period were due by 31 October 2025.

The annual NGER data is used to identify facilities covered by the Safeguard Mechanism and to calculate each covered facility's baseline and net position number for the relevant reporting period.

Responsible emitters have until 31 March 2026 to meet their 2024–25 safeguard compliance obligations, either through the surrender of ACCUs and/or SMCs or with the use of flexibility measures.

Each year, the CER conducts an assurance program to ensure the accuracy and completeness of NGER data. Where errors are identified, the CER may require resubmission of NGER reports.

These processes and the outcome of applications for flexibility measures can result in changes to key safeguard statistics such as:

- covered emissions
- baseline numbers
- net positions
- the number of SMCs likely to be issued.

The CER will publish comprehensive and finalised data and insights for the 2024–25 safeguard compliance period by 15 April 2026.

The publication of preliminary data provides important indicative information on scheme outcomes each year. Under the Climate Change Act, the CER provides preliminary data to the Climate Change Authority (CCA) for their Annual Progress Report[4] on climate policies. The Minister for Climate Change and Energy must have regard to the report when advising Parliament about the effectiveness of policies including the Safeguard Mechanism in the Annual Climate Change Statement.

The preliminary data for the safeguard compliance period is reported below. The data does not fully take into account the approval of any ongoing flexibility measure applications, such as TEBA applications. It is

[3] https://cer.gov.au/schemes/national-greenhouse-and-energy-reporting-scheme
[4] https://www.climatechangeauthority.gov.au/annual-progress-report

important to note that the final data that will be published by 15 April 2026 will change after the CER's assessment of NGER reports and applications for flexibility measures.

For the 2024–25 safeguard compliance period:

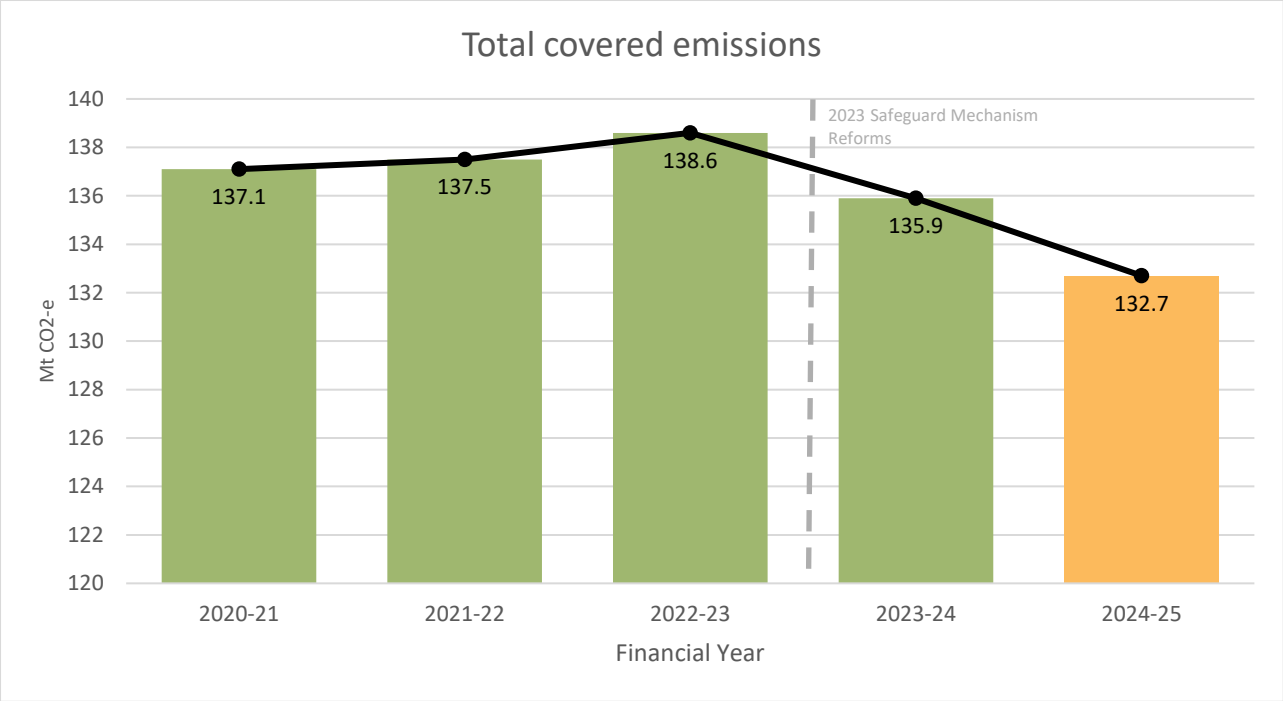
- 207 facilities were covered by the Safeguard Mechanism, somewhat lower than 219 facilities covered in the 2023–24 reporting period. Yearly changes in the number of facilities covered by the Safeguard Mechanism are often reflective of facilities rising and falling above and below the 100,000 tCO2-e Safeguard threshold.
- Covered emissions reduced by 2.4% from 135.9 million tonnes of carbon dioxide equivalent (MtCO2-e) in 2023–24, to 132.7 MtCO2-e in 2024–25.
- Cumulative baselines reduced by 7.3% from 136.1 MtCO2-e in 2023–24, to 126.1 MtCO2-e in 2024–25. As the baseline decline rate continues to add each year, this will continue to place downward pressure on emissions.
- Responsible emitters of 59 facilities reported covered emissions below their baseline and may be eligible for an approximate total of 7 million SMCs. This would be a decrease in SMC eligibility of 15.7% from the 8.3 million issued in 2023-24.
- Covered emissions for 143 facilities[5] exceeded their baselines, totalling 13.7 MtCO2-e in potential excess. Total excesses have increased by 48.9% from 2023–24, up from the 9.2 MtCO2-e in total excess in 2023-24. Responsible emitters can manage excesses in a variety of ways, including by surrendering ACCUs and/or SMCs, or accessing flexible compliance measures.
- One new emissions intensity determination (EID) application was made for 2024–25.
- Responsible emitters of 9 facilities have applied to access flexibility measures, including:
  - 7 new TEBA applications.
  - 2 new MYMP applications.
- No new borrowing adjustment determination applications have been received. Applications remain open until 28 February 2026.
- No applications for exemption declarations were received.

[5] This figure includes facilities for which surrenders of prescribed carbon units have been made to reduce the net emissions number. Accounting for those surrenders, the figure was 140 as at the time of preparation of this report.

Initial insights for 2024–25

The second year of the reformed Safeguard Mechanism has shown further encouraging signs, with a 3.2 $MtCO_2$-e reduction in covered emissions from 2023–24. This follows the 2.7 $MtCO_2$-e reduction that occurred for the 2022–23 period.

Figure 1 - Year-on-year comparison of total covered emissions[6]



A gradual and predictable decline in production-adjusted baselines each year is a key design feature of the reformed Safeguard Mechanism.

There have been positive indications from some safeguard facilities that have provided evidence of onsite abatement activities taking place. This includes commercialised nitrous oxide (N_2O) tertiary abatement, carbon capture and storage (CCS), equipment upgrades and the use of lower-emissions fuels.

Allocating investments and implementing the technologies required to decarbonise may take time. MYMPs provide responsible emitters with a period of multiple financial years to implement long-term emissions reduction activities.

To be eligible, the responsible emitter must demonstrate that it will conduct activities to reduce the emissions-intensity of the facility's production variable(s) within a specified multi-year period. These activities must lower the facility's total covered emissions for that period below its total baseline.

Despite early signs, significant decarbonisation initiatives are yet to be adopted at a large scale across many safeguard facilities. There remain significant challenges including the commercialisation and cost of new technologies. Further innovation, technology development and investment will be required. To keep pace with declining baselines, responsible emitters must make continued and sustained progress, through scaling up abatement efforts.

[6] Yearly data is subject to change due to resubmissions of NGER data.

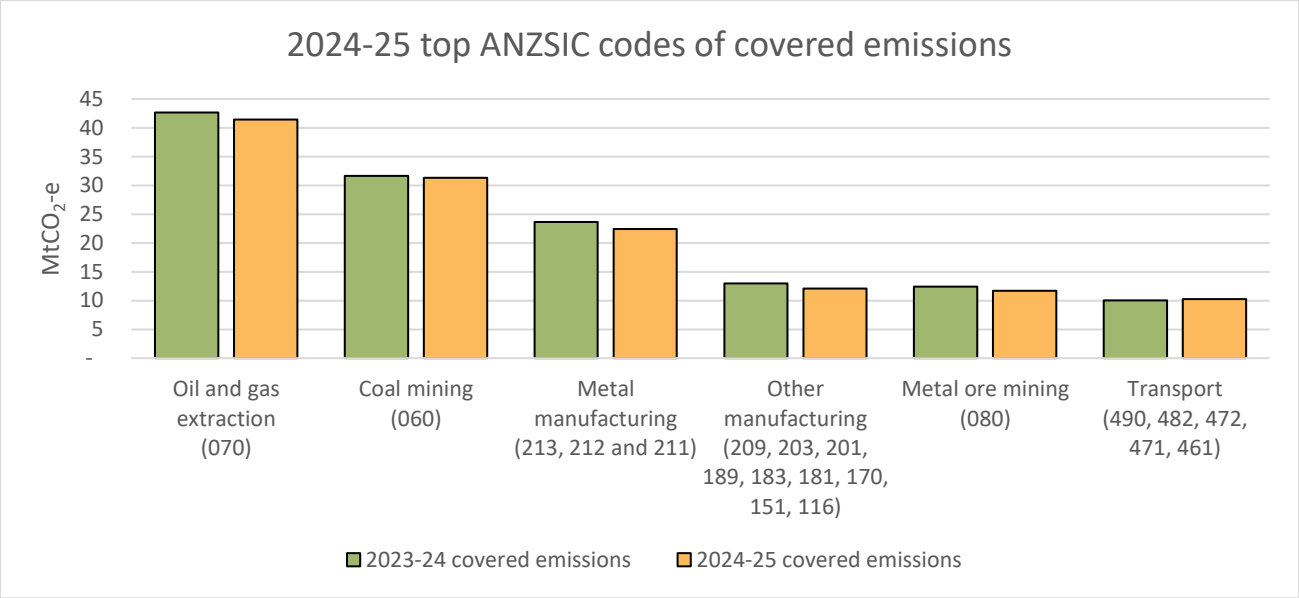
It is important to recognise that the covered emissions reduction observed for 2024–25 reflects a combination of onsite decarbonisation initiatives and the operational circumstances of facilities. This includes facility openings and closures, shifts in economic conditions, world events, and changes in product demand.

These variables can all impact production levels and abatement activity, with corresponding impacts on covered emissions. For example, some covered emissions during 2024–25 could be lowered due to factors such as temporary industrial faults, safety closures, and price-driven production fluctuations.

Conversely, positive market conditions in the back end of 2024–25 may have contributed to the observed increase in production in some sectors, such as some metals mining. This can contribute to the higher covered emissions.

For 2024–25, the sectors of with the largest proportions of covered emissions remained consistent with previous years. The main emitters were oil and gas, coal mining, metal manufacturing, other manufacturing (including cement manufacture) and metal ore mining facilities.

Figure 2 - Breakdown of covered emissions by sector



For 2024–25, the baseline decline has led to a preliminary 15.7% reduction in SMC eligibility, and a 48.9% increase in total exceedance across the scheme. These figures highlight that ACCUs and SMCs will remain a vital part of compliance strategies. Responsible emitters in an excess position now have until 31 March 2026 to manage that excess through the surrender of SMCs and ACCUs or through the use of flexibility measures.

Some facilities' baselines will be adjusted through a TEBA or borrowing adjustment. TEBAs assist facilities that have a trade-exposed production variable, where the cost of complying with the Safeguard Mechanism would exceed 3% of the facility's revenue or earnings before interest and taxes (EBIT).

TEBA facilities receive a discounted baseline decline rate for up to 3 years (with a minimum decline rate of 1% for manufacturing facilities and 2% for non-manufacturing facilities).

The CER is currently assessing 7 TEBA applications, and 17 facilities have TEBAs in place from the previous year.

A facility with a borrowing adjustment can borrow from its baseline for the following financial year to increase its baseline for the current year. The baseline for the following year is decreased by the borrowed amount plus interest.

No new borrowing adjustment applications have been received to date, but applications remain open until 28 February 2026.

The reformed Safeguard Mechanism is still in its early stages. This document presents a point-in-time snapshot of the scheme's performance. The large range of factors that impact facilities covered emissions means a complete understanding of trends and the overall effectiveness of the scheme will only emerge from longer-term retrospective analysis. The CCA's 2025 Annual Progress Report will provide further insights into Safeguard Mechanism trends. [7]

Following the compliance deadline on 31 March 2026, the full results for the Safeguard Mechanism 2024–25 reporting year will be published by 15 April 2026.

[7] https://www.climatechangeauthority.gov.au/annual-progress-report