

Welcome to the

Safeguard forum



Acknowledgement of Country







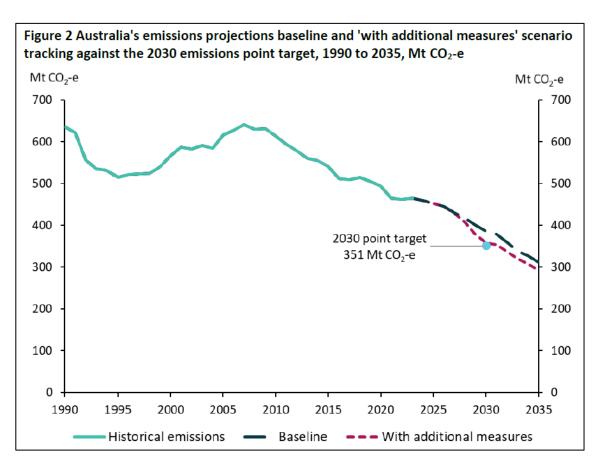
Strategic implications of the Safeguard reforms

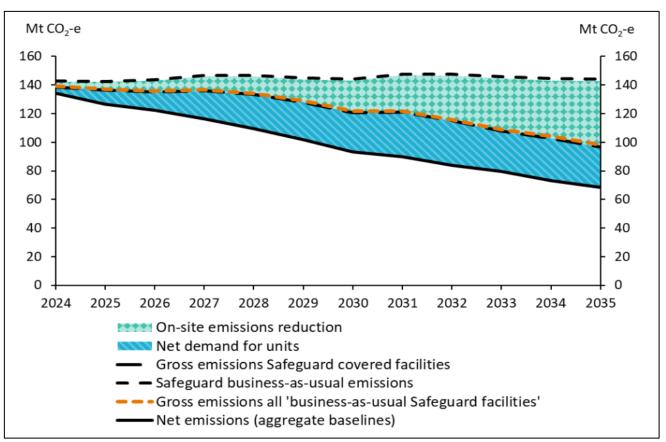
September 2024





Australia's commitment to the 2030 43% emissions reduction is a legislated international commitment







Safeguard Mechanism compliance leverages existing tools and infrastructure

Key dates

31 October 2024

- NGER reports (including safeguard production data)
- Exemption declarations
- TEBA declarations
- Explanation of multi-year monitoring period (MYMP) performance

15 November 2024

MYMP applications

30 January 2024

Safeguard Mechanism credit unit applications



National Greenhouse and Energy Reporting

Safeguard data publication

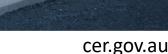
Flexible compliance options

Emissions reduction will be key to meeting Safeguard obligations

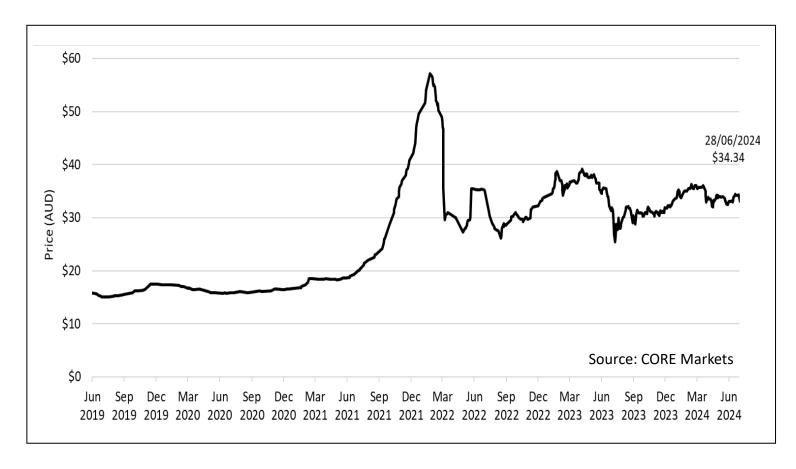
- Emissions reduction is a key strategic issue.
- Business improvements and efficiencies are a critical starting point but will not to be enough in the longer term.
- Early action on transformational emissions reductions strategies is equally important.







Safeguard facilities will play a pivotal role in the integrity of the ACCU Scheme







Communication, engagement and transparency are key aspects of implementation

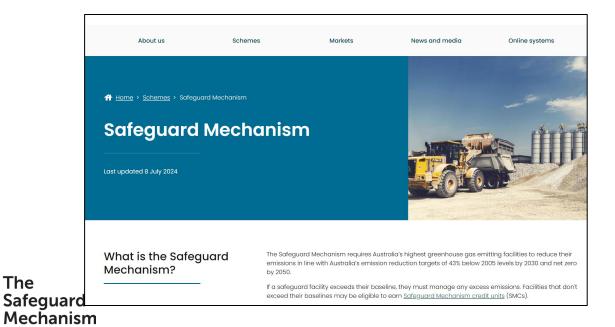
Transparency is key

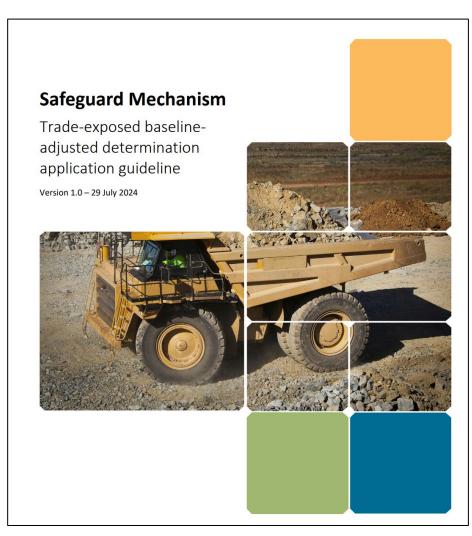
- Annual publication of Safeguard data:
 - facility-level compliance outcomes
 - aggregate scheme performance

Compliance and enforcement priority

The

focus on accuracy of data and management of excess emissions





Key messages

- Australia's commitment to the 2030 43% emissions reduction is a legislated international commitment
- Safeguard Mechanism compliance leverages existing tools and infrastructure
- Emissions reduction will be key to meeting Safeguard obligations
- Safeguard facilities will play a pivotal role in the integrity of the ACCU Scheme
- Communication, engagement and transparency are key aspects of implementation







Contact

www.cer.gov.au enquiries@cer.gov.au 1300 553 542

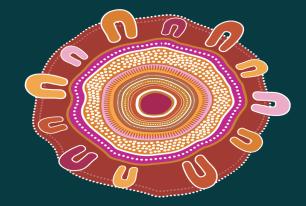
C E The Safeguard Mechanism



The policy landscape

September 2024

DCCEEW.gov.au



We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past and present.

Overview

Safeguard Mechanism

Net Zero and Sector Plans

Net Zero Economy Agency

Other related policies and programs

- Improving the ACCU Scheme
- Powering the Regions Fund
- Carbon Leakage Review
- Future Made in Australia
- Guarantee of Origin Scheme

Safeguard Mechanism

- Near term focus on ensuring that the scheme is operating as intended, including in meeting the emissions reduction objectives.
- The Climate Change Authority provides independent advice to the government on the performance of the Safeguard Mechanism against its emissions reduction objectives. Including:
 - providing advice about whether emissions covered by the scheme are declining consistently with emissions reduction objectives.
- Scheme policy settings will be reviewed in 2026-27 to examine their effectiveness and will include the setting of the default baseline decline rate aligned to the 2035 emission reduction target and Nationally Determined Contribution.



Net Zero Planning – key components

- The Government is developing a national plan to achieve net zero by 2050.
- In developing the Plan, the Government is taking a sectoral planning approach. The Net Zero Plan will be supported by six sectoral plans, which are being:
 - Developed through engagement with industry, environment groups, experts, unions, the community and all levels of government.
 - Informed by analysis and advice from the independent Climate Change Authority on Sectoral Pathways (now public) and on the 2035 target (due 2025).
 - Synthesised to determine whole of economy effects by the Department of the Treasury.
 - Coordinated by DCCEEW to ensure alignment, to feed into the whole of economy net zero plan, and to reflect circular economy opportunities.
- The Plans will outline how each sector will contribute to net zero and inform decisions on our 2035 target and Nationally Determined Contribution.

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Scope of the Sectoral Plans

Net Zero Plan



Energy/ Electricity

Supply of electricity, liquid fuels, and gas



Industry

Alumina and aluminium, waste, chemicals and plastics, iron and steel, cement, food and beverage, synthetic greenhouse gases



Resources

Oil and gas extraction, processing, liquefaction, coal mining and processing, mining and processing of metallic and non-metallic minerals, resource exploration and support service



Built Environment

Residential, commercial and public buildings as well as urban open spaces and water infrastructure



Agriculture & Land

Livestock, cropping, onfarm energy use, forestry and land use



<u>Tr</u>ansport

Light and heavy road transport, rail, maritime, aviation, including trans port infrastructure's embodied emissions

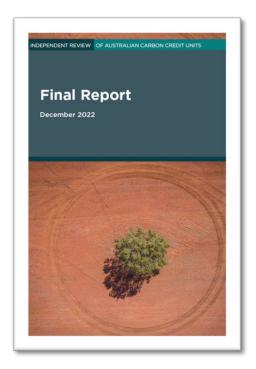
The Net Zero Economy Authority

- The Net Zero Economy Bill has passed Parliament, allowing the Net Zero Economy Authority to commence. It will play an important role in ensuring that Australia has a fair, orderly and effective transformation to a Net Zero world.
- Its role will include:
 - Catalysing investment in new industries and jobs, particularly in emissions intensive regions.
 - Supporting workers impacted by the net zero transition, particularly workers in coal-fired power stations and dependent mines, to transition to new opportunities.
 - Helping coordinate policy and program design and delivery for an orderly and positive net zero economic transformation
 - Building community understanding, confidence and engagement with net zero economic transformation
- The Net Zero Economy Authority will help to maximise the economic benefits of the net zero transition and support regional Australia and its workers to share in the opportunities the transformation will bring.

Improving the ACCU Scheme

The Review concluded ACCU Scheme is sound and recommended some changes to ensure its integrity and alignment with evolving best practice.

- **Lesson 1 Improving governance**. Interim arrangements have been introduced to separate the key functions of integrity assurance, regulation and administration.
- Lesson 2 Maximising transparency. Legislation changes have been made to increase data publication
- Lesson 3 Innovation in method development. Moving to an interim proponent-led method development process.
- Lesson 4 Supporting greater participation and benefits for rural and remote communities, particularly First Nations people. Further consultation is anticipated for 2025 which will look at building capacity for participation in the scheme



The Powering the Regions Fund

Over \$620 million of the \$1.4 billion available has been awarded to 17 projects.

Successful projects include investments in alternative fuels, energy efficiency, renewables and electrification in sectors such as steel, cement, aluminium, alumina and chemicals.

Safeguard Transformation Stream (STS)

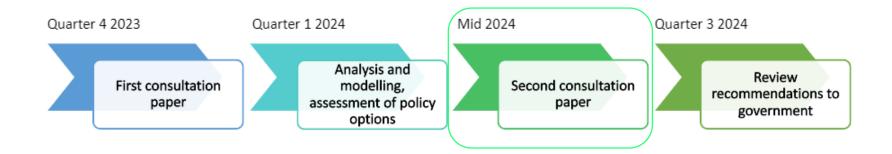
- Open to trade-exposed facilities covered by the Safeguard Mechanism to support investments which reduce on-site scope 1 (direct) emissions.
- The program guidelines are available on business.gov.au
- Round 1 closes on 1 November 2024.

Industrial Transformation Stream (ITS)

- Open to NGERS reporting industrial facilities in regional areas to reduce Scope 1 (direct) and Scope 2 (indirect) emissions.
- The program guidelines are available at arena.gov.au
- Round 1 focuses on industrial heat and off-road transport.

Carbon Leakage Review

- In the context of the Safeguard Mechanism reforms, the Government announced a review into carbon leakage. The Carbon Leakage Review is:
 - Assessing the risk of carbon leakage; and
 - Considering policy options, including a border carbon adjustment.
- The Review will focus on:
 - An assessment of the carbon leakage risks,
 - Development of policy options to address carbon leakage, and
 - An assessment of the feasibility of an Australian Carbon Border Adjustment
 Mechanism, particularly in relation to steel and cement (including clinker and lime).



Future Made in Australia

- The Government is securing a Future Made in Australia by leveraging our world-class resources and building new clean energy industries over the next decade through:
 - building new clean energy industries aligned with our ambition to become a renewable energy superpower
 - strong sustainability outcomes through timely and robust environmental and indigenous heritage assessments
- Future Made in Australia has two streams:
 - Net Zero Transformation Stream renewable hydrogen, green metals and low carbon liquid fuels
 - Economic Resilience and Security Stream critical minerals and clean energy manufacturing

Key budget initiatives under FMA

\$1.7 billion for the Future Made in Australia Innovation Fund to be administered by ARENA targeting green metals, batteries and low carbon liquid fuels.

A Hydrogen Production Tax Incentive of \$2 per kilo of eligible renewable hydrogen and \$4 billion for Hydrogen Headstart.

\$17.1 million for the delivery of the 2024 National Hydrogen Strategy.

\$18.1 million for the Green Metals Foundational Initiatives to support industry and research collaboration circular economy options for metals

\$134.2 million to accelerate environmental and cultural heritage approval decisions.

Over \$1.5 billion to support manufacturing of clean energy technologies, including:

- \$1 billion for the Solar Sunshot program
- \$549 million to support battery manufacturing

Guarantee of Origin scheme

- A voluntary, government-led certification of emissions to support trade in clean energy products by issuing:
 - Product GO a certificate issued using an international-aligned emissions accounting framework for products.
 - Verifies emissions across the supply chain of a product
 - REGO a certificate for renewable electricity generated in Australia building on the Renewable Energy Target.
- Product GO will commence with hydrogen and its derivates such as ammonia, and expand to other clean products i.e. low carbon liquid fuels and green metals.



Summary

- Australia's transition to net zero will be guided by the Net Zero and Sectoral Plans.
- The Safeguard Mechanism will be a key driver for emissions reduction in the industrial and transport sectors.
- This will be complemented and be enabled by other Australian Government initiatives.
- Australia's transition to net zero emissions will support the competitiveness of our industries and economy.

Contact us

Safeguard Mechanism: Safeguard.Mechanism@dcceew.gov.au

Net Zero and Sectoral Plans: <u>NetZeroTaskforce@DCCEEW.gov.au</u>

Independent Review of ACCUs: <u>ACCUmethods@dcceew.gov.au</u>

Powering the Regions: PRF@dcceew.gov.au

Carbon Leakage Review: carbonleakagereview@dcceew.gov.au

Guarantee of Origin: GuaranteeofOrigin@dcceew.gov.au

dcceew gov.au



Safeguard Mechanism

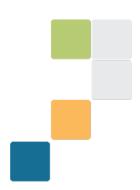
Overview and key updates for scheme compliance

September 2024



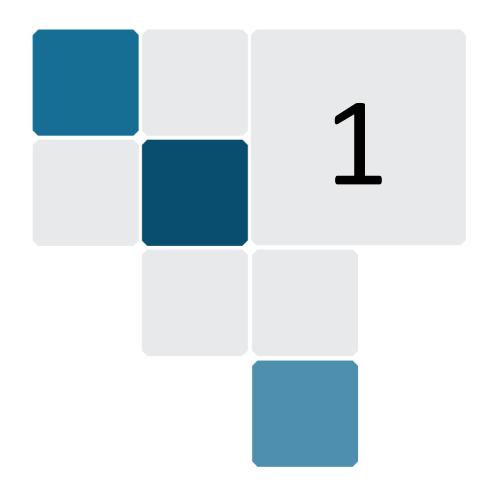


Agenda



- **01** Overview
- **02** Managing exceedance
- **03** Compliance and key dates

C E The Safeguard Mechanism

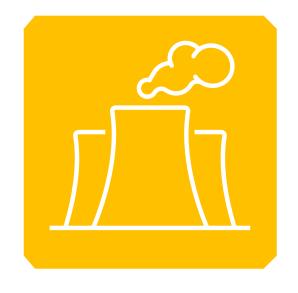


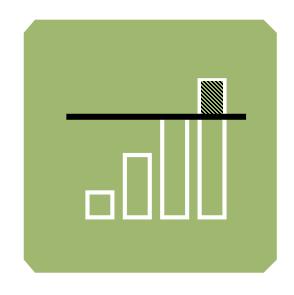
The Safeguard Mechanism

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The National Greenhouse and Energy Reporting (NGER) scheme and the Safeguard Mechanism







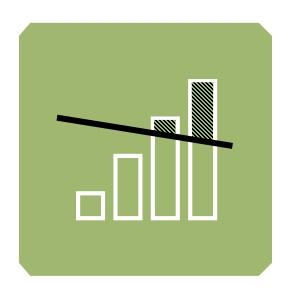
NGER reports

Large emitters

Baselines



The reformed Safeguard Mechanism







Declining baselines

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Contribute to national targets

Safeguard Mechanism credit units

New baseline requirements

From 1 July 2023 three main types of baselines apply to Safeguard facilities:

Standard baseline

- Production adjusted framework
 - Government defined production variables (PVs)
 - Existing facilities: hybrid emissions intensity (EI)

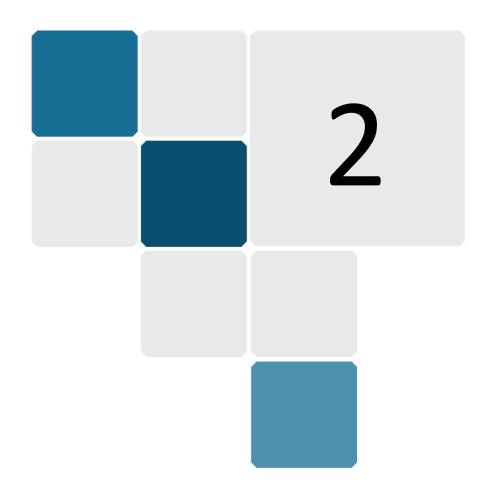
Landfill baseline

Retains the same framework

Sectoral baseline

Retains the same framework





Managing exceedances

Overview and process

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Managing exceedances

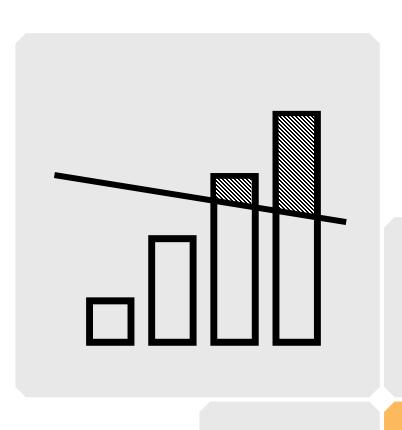
Settle exceedance:

- Surrender Australian carbon credit units (ACCUs) or SMCs.
- Apply for a multi-year monitoring period (MYMP).
- Apply for an exemption (very limited circumstances).

Baseline adjustments:

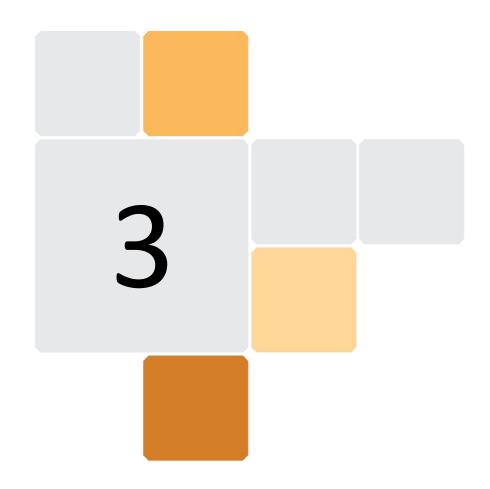
- Apply to borrow up to 10% of following year's baseline.
- Apply to become a trade exposed baseline adjusted (TEBA) facility.





Compliance and key dates

Overview





Compliance

Enforcement powers are available to the CER where a Safeguard facility responsible emitter fails to take action by **1** April **2025**.

Civil penalties can be significant.

Anti-avoidance measures prevent a business from defining, or redefining, a facility with the intention of avoiding Safeguard Mechanism obligations (*NGER Act 54B*).



Key dates

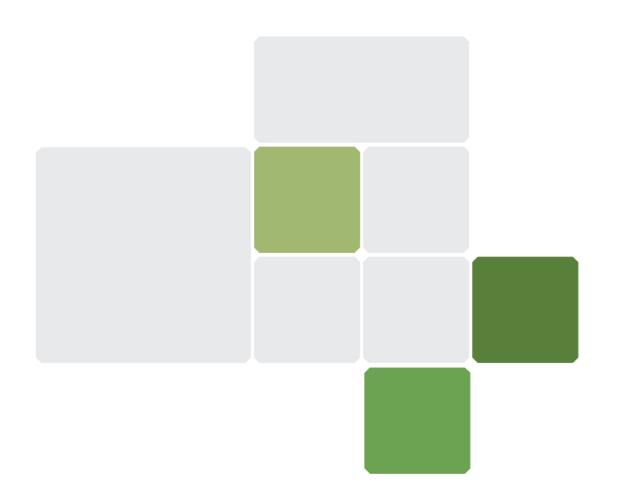
Complete by	Activity
31 October 2024	Deadline to submit 2023-24 NGER reports including 2023-24 Safeguard production data.
	Deadline to submit 2023-24 TEBA applications.
	Deadline to submit 2023-24 exemption applications.
15 November 2024	Deadline to submit 2023-24 MYMP applications.
30 January 2025	This is the latest date we recommend you apply for SMCs.
28 February 2025	Deadline to submit 2023-24 borrowing applications.
31 March 2025	Deadline to surrender ACCUs or SMCs to avoid excess emissions by 1 April 2025.
15 April 2025	Deadline for CER to publish 2023-24 Safeguard data.
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Morning Tea

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Safeguard compliance

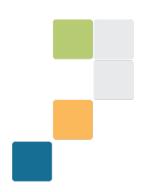
Surrendering carbon credit units

September 2024



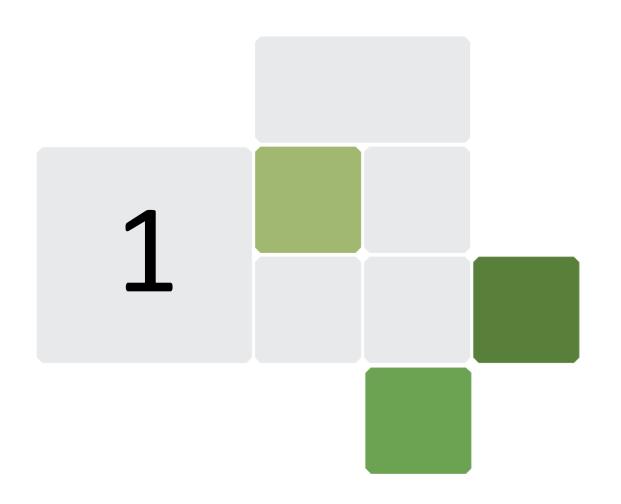


Agenda



- **01** Obtaining carbon credit units
- **02** Surrendering carbon credit units





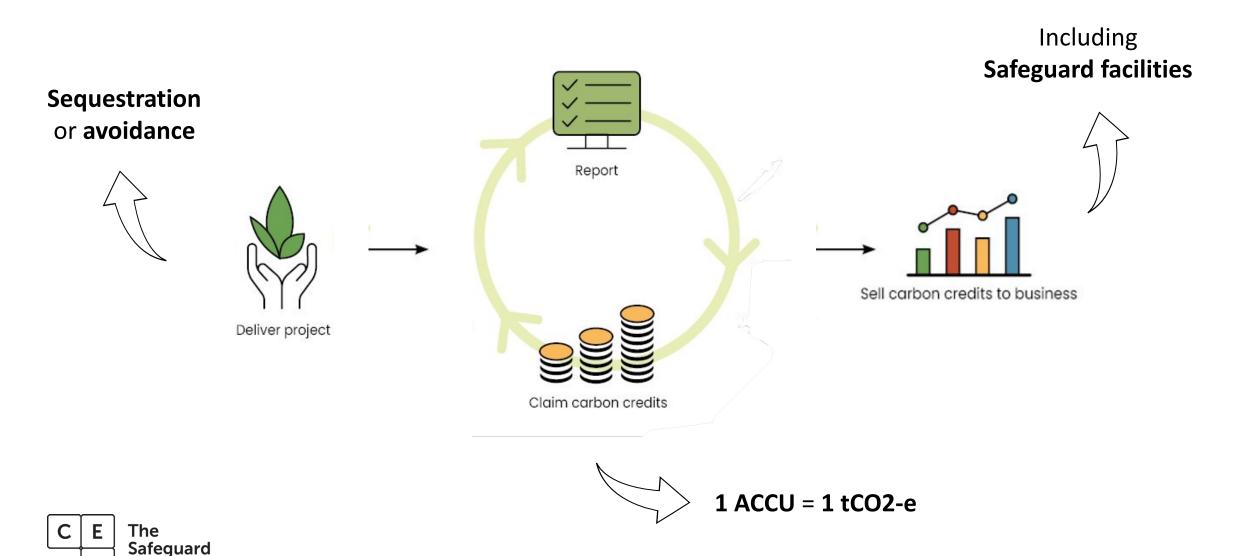
Obtaining carbon credit units

ACCUs and SMCs

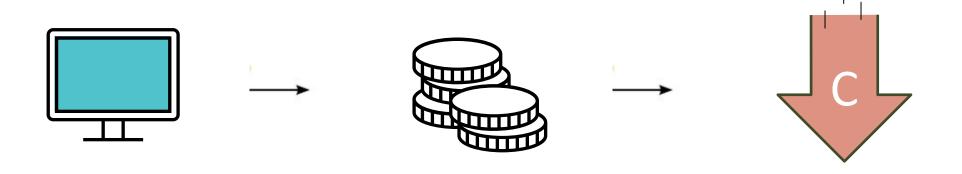
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Australian Carbon Credit Units (ACCUs)

Mechanism



Cost containment measure (CCM)



Apply to purchase ACCUs from the CCM

Purchase ACCUs \$75 + CPI + 2% (per annum)

Surrender ACCUs to reduce net emissions

C	E	The Safeguard Mechanism
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Safeguard Mechanism Credit units (SMCs)

Tradeable credits

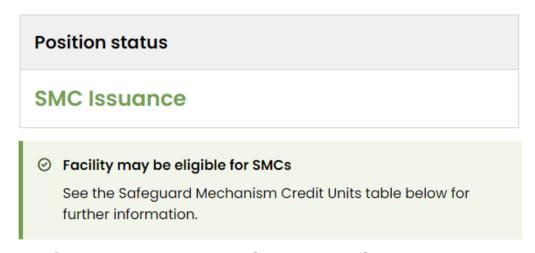
• 1 SMC = 1 tCO2-e below baseline

Surrendered to meet safeguard obligations





Apply for SMCs



- Position statement available in Online Services
- Forms and guidance coming soon

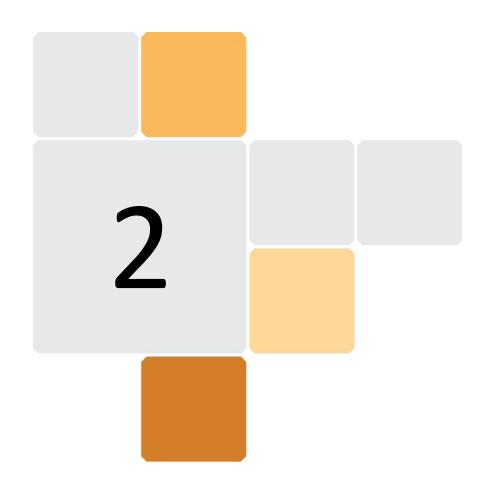
Safeguard Mechanism Credits





Surrendering carbon credit units

ACCUs and SMCs





Surrender ACCUs and SMCs



Responsible emitter submits form in Online Services

CER initiates transactions in ANREU

Authorised representatives complete surrender

Position statement updated in Online Services





Contact

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The ACCU Scheme

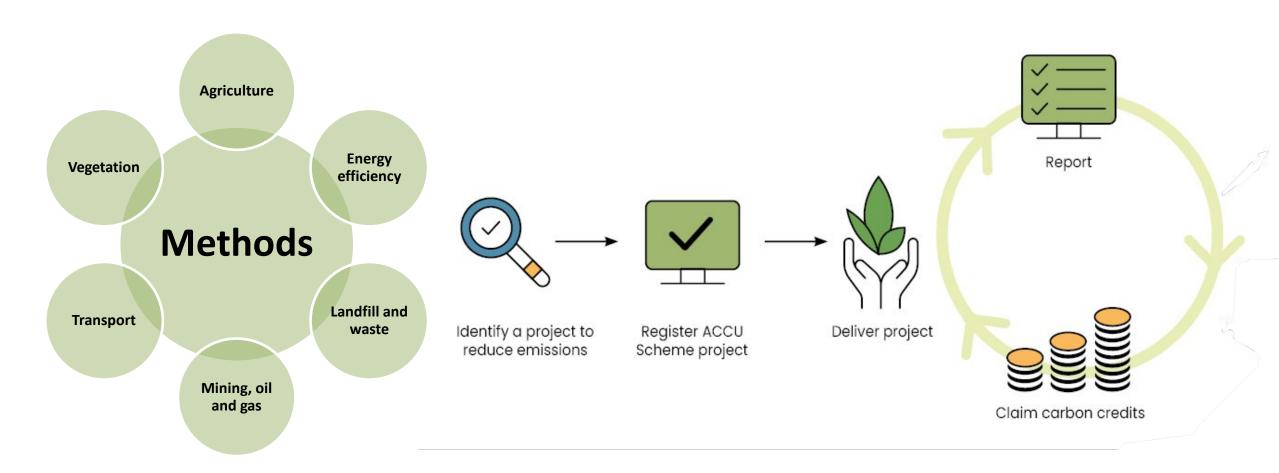
Participation and ACCU integrity

September 2024



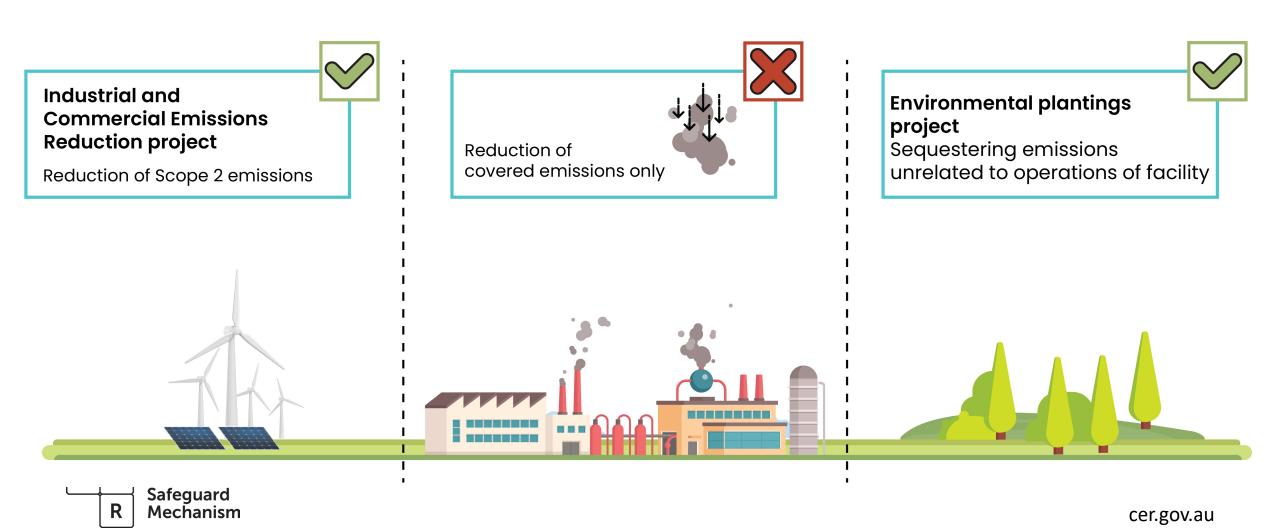


Where do you start?



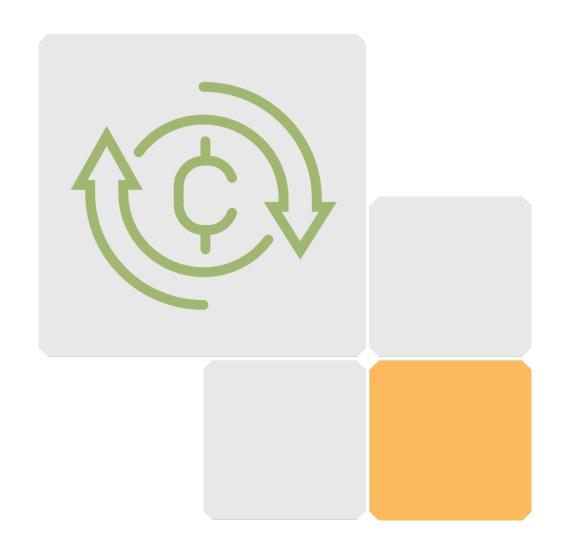


What can and can't you do?



Where can you go to buy ACCUs?

- ACCU project register CER website
- CMI Marketplace
 - carbonmarketinstitute.org/organisations
 - Search for Carbon Brokers and Carbon Traders



Can you have confidence in the integrity of ACCUs?

ACCU Review (Dec 2022)

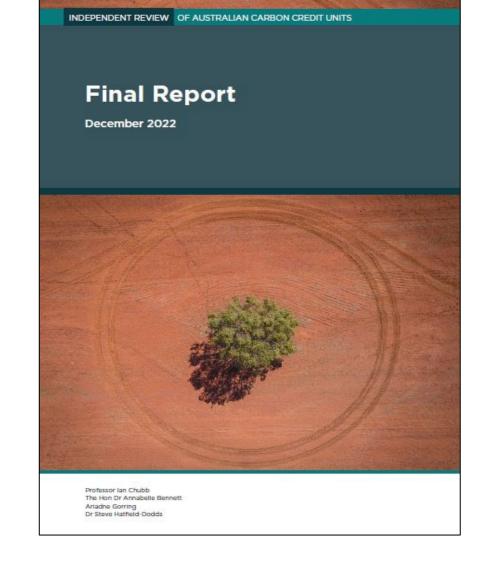
ACCU Scheme arrangements are sound.

Climate Change Authority's Review (December 2023)

ACCU Scheme is fundamentally well designed.

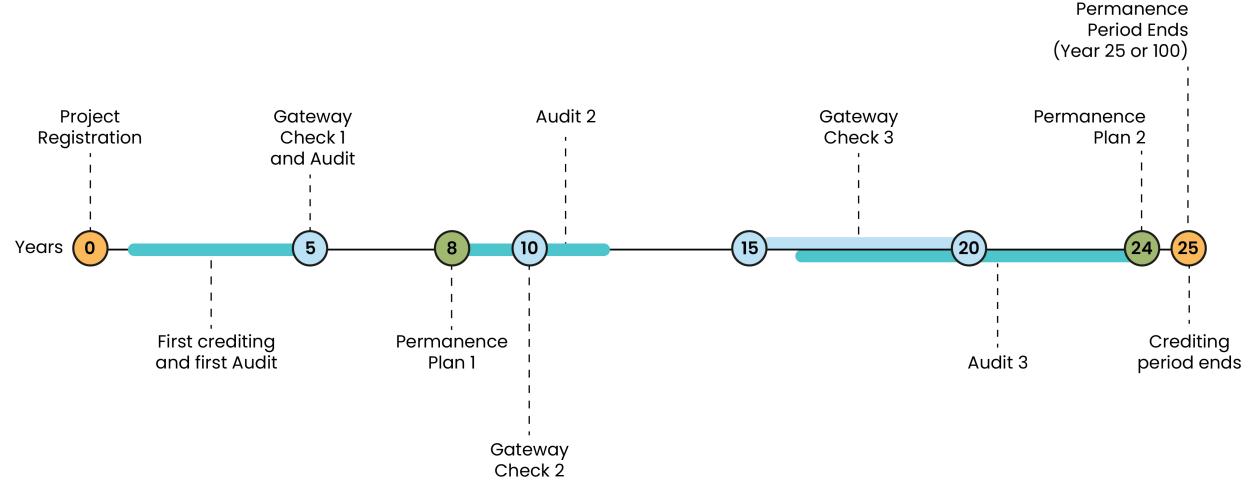
ANAO Performance Audit Report (April 2024)

The CER's administration of the ACCU Scheme is effective and ANAO made no recommendations to CER.

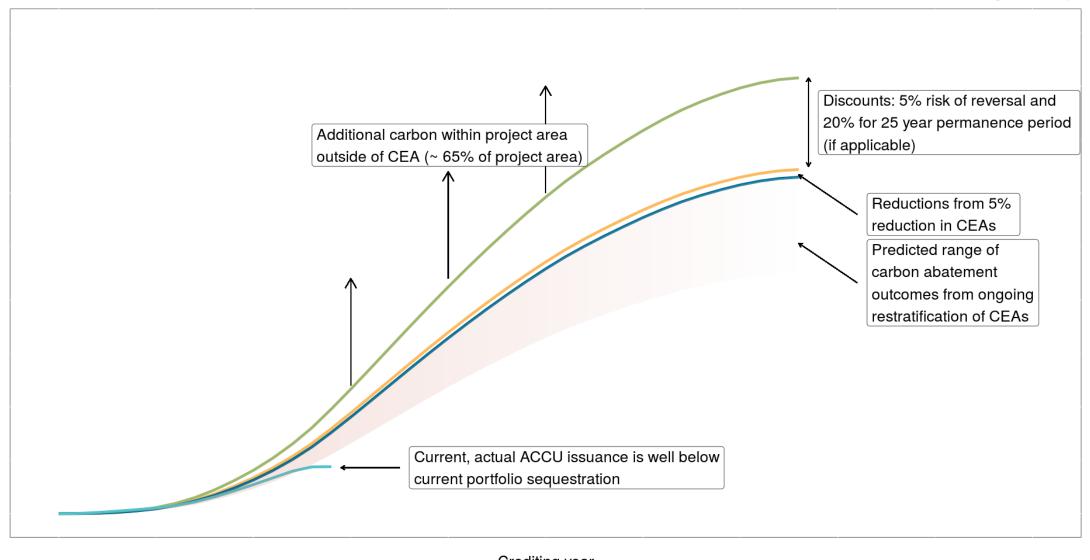




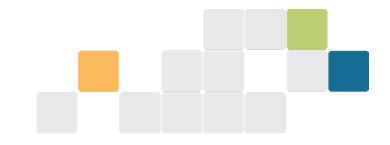
What is the CER's role to maintain integrity?



What is the Government's role to maintain integrity?



What is your role to maintain integrity?





Get involved in developing new ACCU Scheme methods



Comply with the principle of free, prior and informed consent



Identify opportunities for project activities to generate co-benefits



Improve the transparency of your projects





Contact

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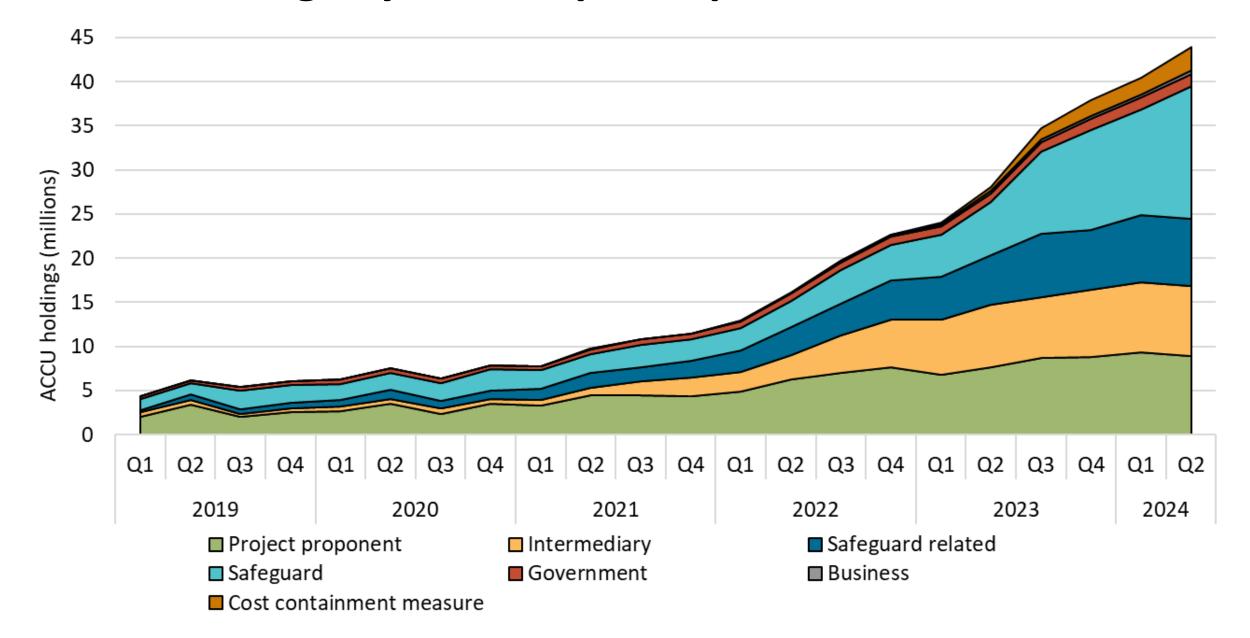
Overview of Australia's carbon markets

September 2024

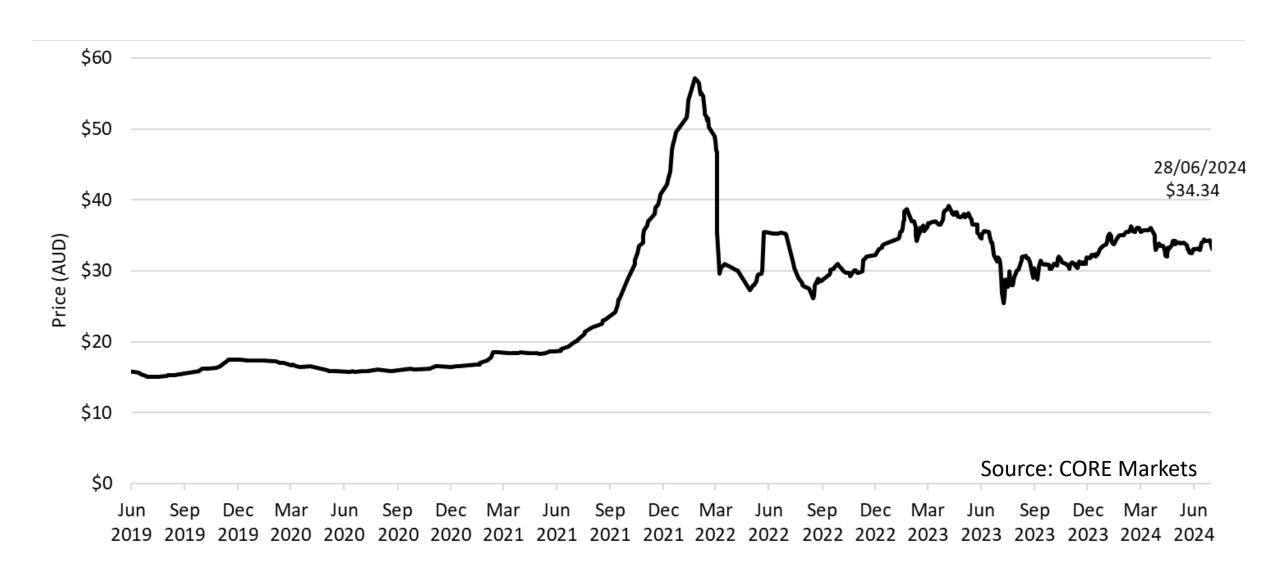




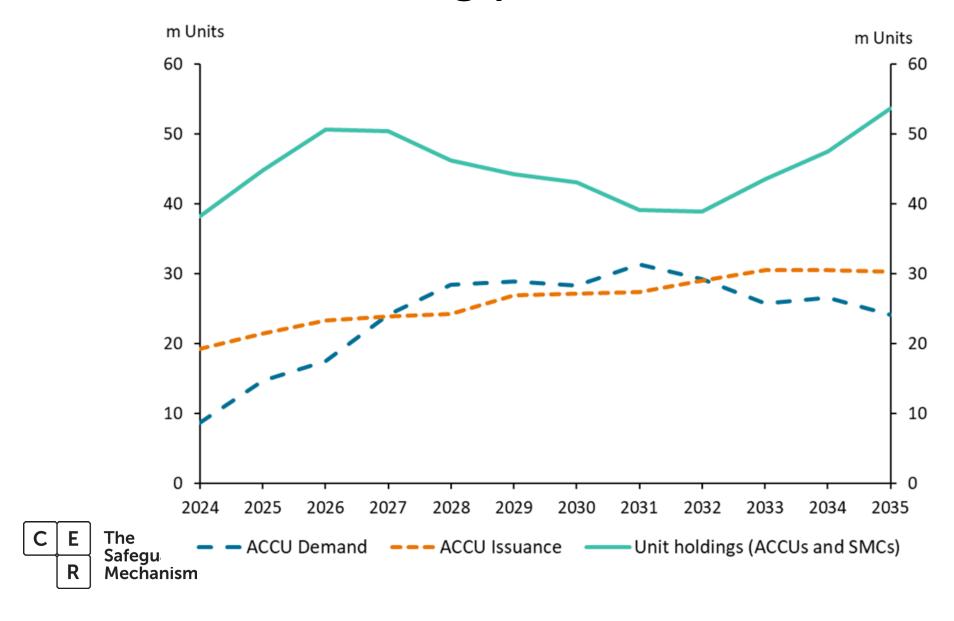
ACCU holdings by market participation



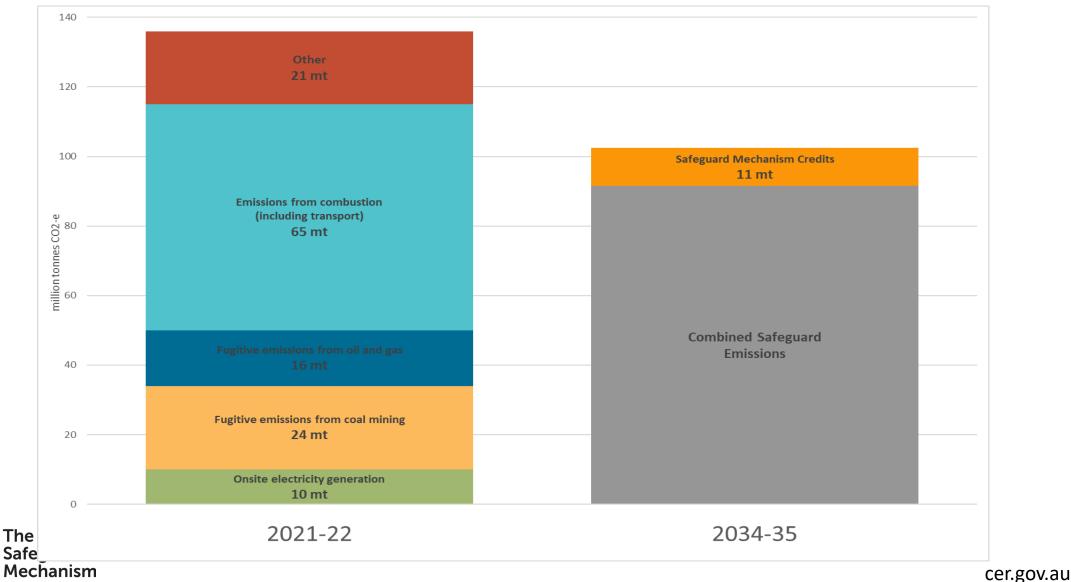
ACCU volume weighted average spot price



2023 ACCU Modelling (DCCEEW Emissions Projections)



Safeguard emissions and projected SMCs



Key messages

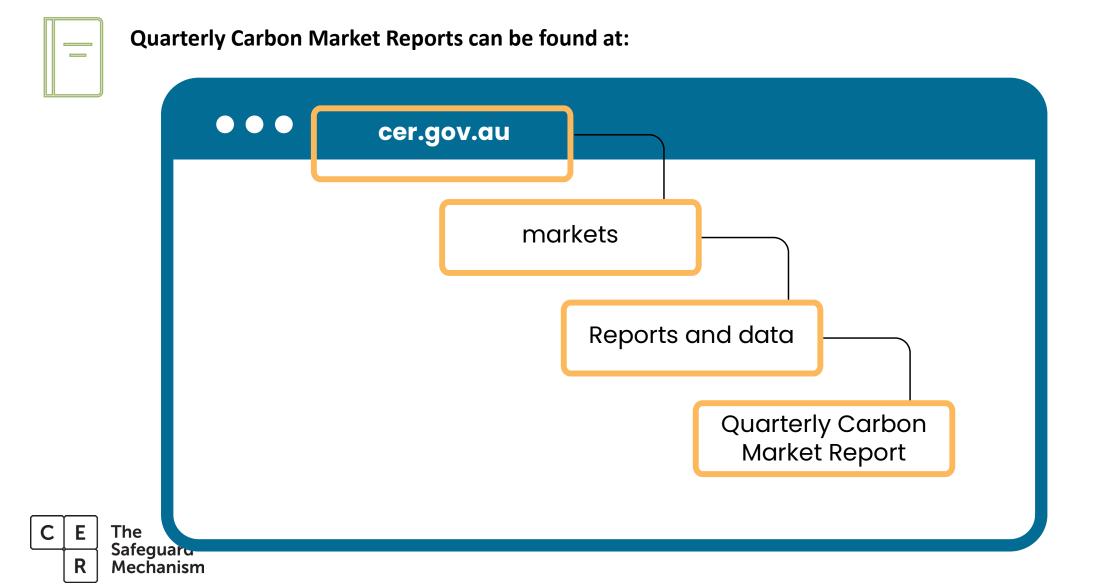
Act now to firm up your ACCU supply

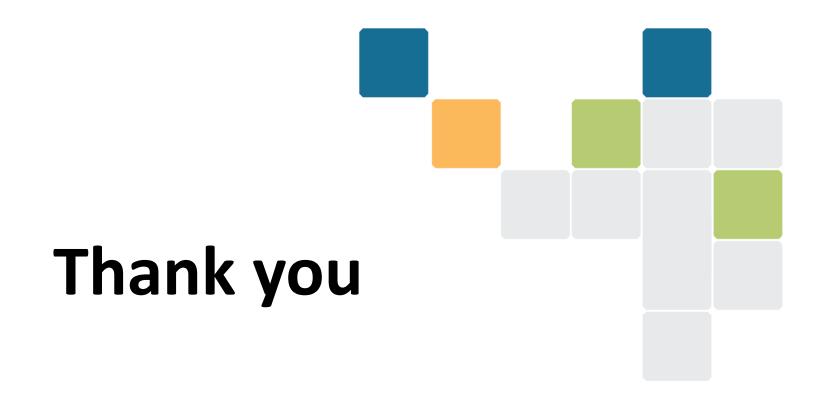
At source emissions reductions are critical

3 Early planning and investment

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Further Information





Contact

www.cer.gov.au enquiries@cer.gov.au 1300 553 542

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