



Australian Government

Department of Climate Change, Energy,
the Environment and Water

The Safeguard Mechanism and carbon pricing in Australia

Presentation for Joint Indonesia-Sweden-ADB-CFMCA
Workshop

International Experience in Carbon Pricing and Taxation

Session III: Carbon Trading: Economic Mechanisms and
Market Dynamics

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Carbon pricing in Australia – history and frameworks

- National Greenhouse and Energy Reporting Scheme
 - A single national framework for reporting and disseminating company information about greenhouse gas emissions, energy production and energy consumption
- Australian Carbon Credit Unit (ACCU) scheme
 - Offsets framework established in 2011, also known as the Carbon Farming Initiative
- Carbon Pricing Mechanism
 - Operated from 1 July 2012 to 30 June 2014 and then repealed
 - Allowance prices were fixed (initially \$23/tonne) but intended to transition to ETS
- Safeguard Mechanism
 - Commenced on 1 July 2016 as ‘baseline’ scheme, with baselines to reflect business-as-usual
 - Reformed mechanism commenced on 1 July 2023, with crediting and reductions in baselines expected to deliver over 200 million tonnes of emissions reductions by 2030

A brief history of Australian climate policy

(pre-Safeguard Mechanism)

- December 1992** • Australia ratifies UNFCCC
- March 1999** • Australian Government releases discussion paper on emissions trading
- April 2001** • Renewable energy target commences
- December 2006** • Government establishes Prime Ministerial Task Group on Emissions Trading
- September 2007** • *National Greenhouse and Energy Reporting Act 2007* is legislated
- December 2007** • 13th UNFCCC COP in Bali, Indonesia
- May 2009** • *Carbon Pollution Reduction Scheme (CPRS) Bill 2009* introduced
- August & Dec 2009** • CPRS Bills rejected by Senate
- December 2009** • UNFCCC COP 15 held in Copenhagen
- March 2011** • *Carbon Credits (Carbon Farming Initiative) Bill 2011* introduced
- November 2011** • Clean Energy legislation passed
- July 2012** • Carbon Pricing Mechanism comes into effect
- August 2012** • Australia and EU agree to link ETSS
- November 2013** • Government introduces 'Carbon Tax Repeal' Bills
- April 2014** • Government releases Emissions Reduction Fund White Paper
- July 2014** • 'Carbon Tax Repeal' Bills passed by Parliament

The Carbon Pricing Mechanism

- The Carbon Pricing Mechanism operated from 1 July 2012 to 30 June 2014
- Can be thought of as a cap-and-trade scheme where allowance prices would have been fixed for the first three years
 - Allowances (carbon units) would have been sold at fixed price for first three years
 - Carbon units would have been auctioned after end of fixed price period
 - Some carbon units allocated for free to emissions-intensive trade-exposed industries, based on their production
- Carbon Pricing Mechanism repealed but some associated legislation and frameworks remain
- Offsets framework (originally known as the Carbon Farming Initiative, now referred to as the ACCU scheme) amended in 2014

The Safeguard Mechanism

- The Safeguard Mechanism is the Australian Government's policy for reducing greenhouse gas emissions at Australia's largest industrial facilities
- It sets legislated limits—known as baselines—on the net emissions of covered facilities
 - Covers around 215 facilities with emissions more than 100,000 tonnes CO₂-e
 - Including mining, oil and gas, manufacturing, transport and waste facilities
 - Facilities can surrender ACCUs or Safeguard Mechanism Credits to bring down their net emissions
- Does not include grid-connected electricity generators.
- Significant reforms (including crediting) commenced July 2023

A brief history of the Safeguard Mechanism

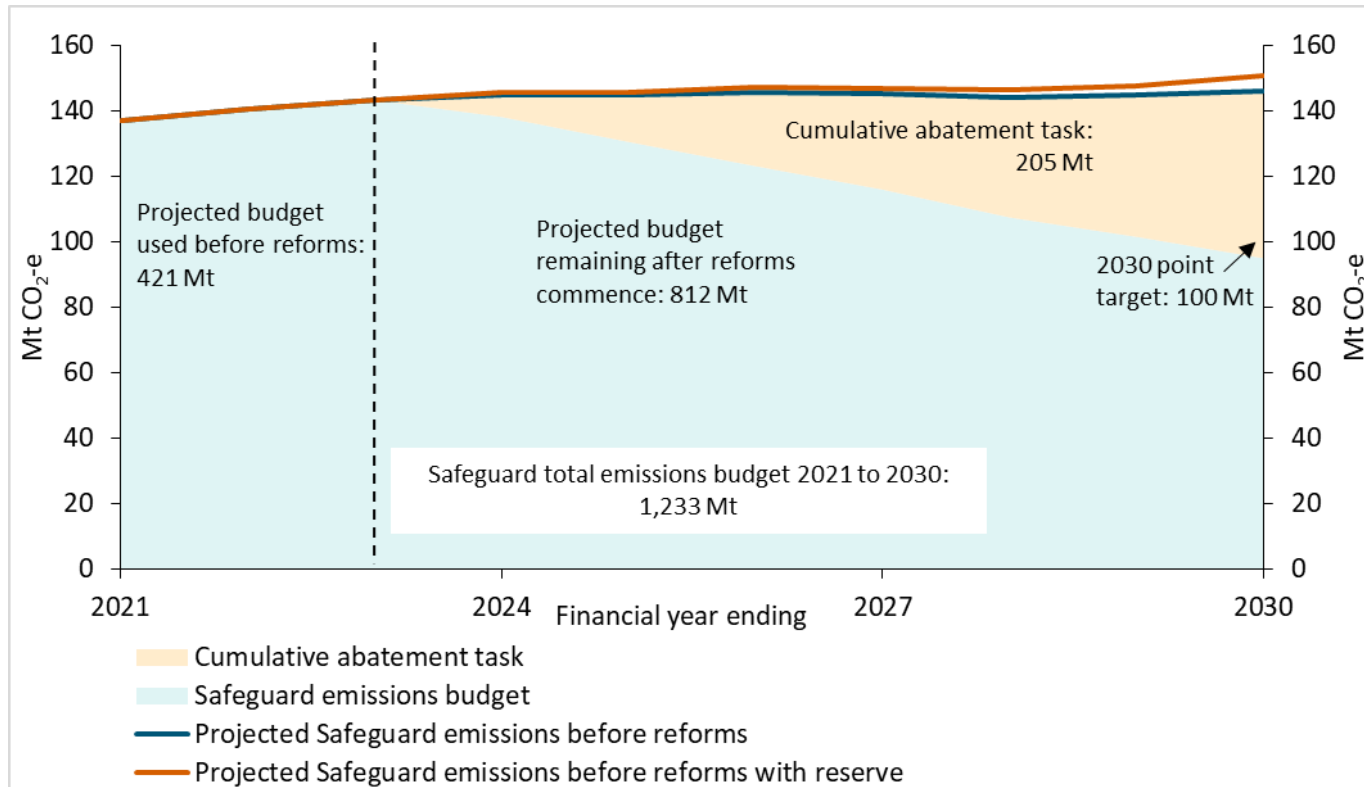
- November 2014** • Carbon Farming Initiative Amendment Bill 2014 passed by Parliament, including legislation to establish Safeguard Mechanism
- October 2015** • Safeguard Mechanism Rule made, containing details of arrangements such as how to set baselines
- 1 July 2016** • Safeguard Mechanism commences
- March 2019** • Safeguard Mechanism amended so that baselines float with production instead of being fixed
- August 2022** • Consultation paper on Safeguard Mechanism reforms released
- November 2022** • Safeguard Mechanism (Crediting) Amendment Bill introduced to Parliament
- January 2023** • Consultation paper on proposed design released
- March 2023** • Safeguard Mechanism (Crediting) Amendment Act 2023 legislated by Parliament
- May 2023** • Minister Bowen amends Safeguard Mechanism Rules

The Safeguard Mechanism before the reforms

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Number of facilities	203	211	210	215	212	219
Total baselines (tonnes CO₂-e)	165.7 million	182.6 million	182.8 million	186.9 million	179.8 million	156.3 million
Total reported covered emissions (tonnes CO₂-e)	131.3 million	138.4 million	144.2 million	142.7 million	136.9 million	137.5 million
Headroom (baselines less emissions) (tonnes CO₂-e)	34.4 million	44.2 million	36.8 million	44.2 million	42.9 million	18.8 million

- Before the reforms, most facilities had baselines higher than emissions
- In the years 2016-17 to 2021-22, less than one million ACCUs were surrendered by Safeguard facilities each year

Emissions reductions from the reformed Safeguard Mechanism



- Baselines will decline by 4.9 per cent each year, delivering over 200 Mt of emissions reductions by 2030

Review processes

Safeguard Mechanism Review

- There will be a review of the Safeguard Mechanism in 2026-27

Carbon leakage review

- The Australian Government has appointed Professor Frank Jotzo to lead a Review to consider additional policy options to address carbon leakage.
- The Review will focus on:
 - an assessment of the carbon leakage risks
 - development of policy options to address carbon leakage
 - an assessment of the feasibility of an Australian Carbon Border Adjustment Mechanism, particularly in relation to steel and cement.
- The Review is due to report by 30 September 2024

Contact us

Safeguard Mechanism Taskforce

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