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Safeguard Mechanism Taskforce  
Department of Climate Change, Energy, the Environment and Water  
Australian Government  
*By electronic submission*

To whom it may concern

**Re: Safeguard Mechanism Consultation Paper**

Thank you for the opportunity to make this submission on the issues raised in the Safeguard Mechanism Consultation Paper.

The Australian Workers' Union (AWU) represents around 70,000 members nationally in a diverse range of industries. The AWU is a party to enterprise agreements at 57 safeguard facilities and has members at many more. These facilities – predominantly manufacturing (including steel, aluminium, plastic, concrete, food processing, chemicals and glass), metalliferous mining, and oil and gas extraction and processing - are part of a diverse range of industries in the AWU's membership. It is impossible to apply a single approach to reducing emissions across these many industries, but the design of the safeguard mechanism will have a significant impact on their operations.

The AWU supports the Government's policy priority of acting on climate change. It is essential to Australia's sovereign capability that our members' industries are sustainable in a clean energy future. Australia's heavy industries continue to provide good pay and conditions to thousands of people across the country, and our members are keen to play a role in supporting Australia through the energy transition.

The AWU supports the ACTU's submission to this consultation process. Recognising our members' significant exposure to the safeguard mechanism, and the impact that changes to the mechanism might have on their jobs and livelihoods, we provide the additional following submissions in response to specific questions from the consultation paper.

### ***What should the Safeguard Mechanism's share of Australia's climate targets be?***

By definition, industries in the safeguard mechanism have hard-to-abate emissions. The technology pathway to enable emissions reductions in some of the AWU's core industries will vary significantly. For some – such as aluminium smelting – the ongoing shift to an electricity grid substantially powered by renewables will substantially reduce their emissions. For others, such as steel, technology to produce product without carbon emissions is in its nascent stages, having only been demonstrated on a small scale overseas. For others still, such as concrete and cement, carbon emissions are a fundamental part of the chemical and industrial processes used in their manufacture. A range of technologies, including clean hydrogen and carbon capture and storage, will need to scale to meet industry demands.

As a result, the AWU believes that the Safeguard Mechanism, up to 2030, should take a fair share that reflects these limited technological options for decarbonisation available to sectors. Other initiatives of the Government's climate change policy – for example, the rapid expansion of renewable electricity and transmission – are more amenable to a substantial contribution to emissions reduction by 2030.

### ***Should we retain, and build on, the existing production-adjusted (intensity) baseline setting framework or return to a fixed (absolute) approach?***

Production-adjusted baselines provide capacity for individual facilities' production to increase without affecting their compliance with the safeguard mechanism. This complements the Government's stated goal of expanding our manufacturing sector, increasing domestic processing and refining of commodities, and putting Australia in the position to be a green manufacturing powerhouse.<sup>1</sup> Used effectively, production-adjusted baselines can facilitate overall carbon emissions reductions by 'onshoring' manufacturing that would otherwise take place in countries without effective climate change policies – while absolute baselines run the risk of effectively capping production at current levels.

### ***Should banking and borrowing arrangements be implemented for Safeguard Mechanism Credits?***

### ***Should multi-year monitoring periods be extended to allow facilities with limited near-term abatement opportunities to manage their own abatement path?***

Emissions reductions across the range of safeguard facilities are unlikely to come in a linear manner. As noted earlier, the technologies required to substantially reduce emissions in

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<sup>1</sup> <https://www.afr.com/policy/economy/ready-for-a-boom-in-green-manufacturing-20210418-p57k8p>

some sectors have been identified but are not yet available. But when these technologies become available, they are likely to provide substantial step-change reductions in emissions.

As a result, the AWU submits that measures to smooth emissions reduction across time – including both banking and borrowing of Safeguard Mechanism Credits and multi-year monitoring periods – should be a core part of the abatement pathways. These pathways should be set for sectors and facilities based on realistic assessments of the emissions reductions available in each phase of the Safeguard Mechanism.

***Tailored treatment for emissions-intensive, trade-exposed (EITE) businesses***

Many of the facilities that AWU members work at are trade-exposed – either as exporters, or from import competition. Multiple assessment processes have been historically undertaken of the qualification of these facilities as EITEs, including the methodology established under the Renewable Energy Target identified in the consultation paper. For these facilities, recognition of their status as EITEs is critical to determining their appropriate contribution to emissions reduction. It is essential for these facilities that they have certainty about their status as EITEs. As a result, the AWU submits that this should be determined once, rather than assessed cyclically.

Noting the new Government's commitment to improving Australia's sovereign capability, it is appropriate that industry-specific assistance is provided to ensure that their operations can continue smoothly while also leading their industries globally in carbon emissions reduction. As noted in the consultation paper, this assistance could take many forms, including provision of SMCs, grant funding for emissions reduction measures and tailoring of baselines and decline rates. Work on this type of industry support was conducted for the Carbon Pollution Reduction Scheme (CPRS). Appropriate levels of industry-specific assistance will be critical to garnering widespread support in the community for changes to the Safeguard Mechanism. Without this certainty, investment in these facilities – and AWU members' livelihoods – are at risk.

The AWU is willing to participate further in the consultation process to represent our members' views as this critical reform is undertaken.

Kind regards,

Stephen Crawford  
**ACTING NATIONAL SECRETARY**