

## NATIONAL OFFICE

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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 (Crediting) Amendment Bill 2022**

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 72,000 members nationally in a diverse range of industries. The AWU has members at over 140 facilities covered by the mechanism – well over half of the covered facilities. 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The safeguard mechanism will be the most substantial energy policy faced by heavy industry since the now-repealed Carbon Pollution Reduction Scheme. Noting the intended beginning of operations of the reformed safeguard mechanism at July 1 next year, each industry will need separate consultation and consideration as to the implementation and operation of the policy, considering the difficulty of abating emissions in the sector and their technology pathway.

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 ACTU's submission to the initial consultation process set out the following key

principles:

- Operational changes should not undermine secure work and must require worker consultation
- Safeguard Mechanism must complement industry policy
- A fair share of emissions reduction, recognising differences between facilities
- Integrity being paramount to an effective crediting and trading system
- Oversight by a dynamic regulator with a tripartite board
- Recognising that the Safeguard Mechanism only forms part of the climate policy framework

The AWU made an additional submission to the consultation process, highlighting:

- safeguard facilities have uncertain technology pathways, and therefore their share of emissions reductions should reflect the options available to them
- production-adjusted baselines provide capacity to allow the ‘onshoring’ of manufacturing to reduce global emissions
- banking, borrowing, multi-year monitoring and other temporal measures will help to facilitate emissions reductions by facilities facing uncertain technology pathways
- EITEs should receive tailored treatment, but it is essential that their eligibility is settled to provide investment certainty.

Recognising that key details of the operation of the safeguard mechanism are still to be determined through the ongoing consultation process, the AWU makes the following submissions to ensure that the legislative framework of the mechanism is robust.

### **Interaction between Safeguard Mechanism Credits and ACCUs**

The Draft Bill establishes SMCs to be created for emissions below the baselines for safeguard facilities (yet to be set), and treats them the same way as Australian Carbon Credit Units (ACCUs) under the *Australian National Registry of Emissions Units Act 2011* (Cth) (ANREU Act). It also sets out that both are relinquishable units for the purposes of the *National Greenhouse and Energy Reporting Act 2007* (Cth).

The AWU supports the ability for safeguard facilities to use carbon offsets (that is,

ACCUs) to meet their requirements under the Safeguard Mechanism – but only if those carbon offsets genuinely represent carbon abatement and storage. The ongoing Chubb review will be expected to set new standards that provide markets assurance of the quality of ACCUs. It is essential that this is done in time for the beginning of the Safeguard Mechanism on July 1 next year.

### **No price cap on ACCUs**

Some commentators have proposed a cap on prices for ACCUs, stating that following the Chubb review, the market for ACCUs may thin out.<sup>1</sup> However, a cap would reduce the incentive to invest and create new ACCUs – ultimately discouraging landowners from farming carbon in soil or forests. The AWU does not support such a cap.

### **ACCUs available for fossil fuel facilities**

Some commentary has suggested that fossil fuel projects should be excluded from the use of carbon offsets or otherwise treated differently from safeguard facilities. This is a misguided proposal that fails to recognise how Australian natural gas can help power the world's transition to lower fossil fuels – with gas turbines producing as little as 370kg of CO<sub>2</sub> equivalent per megawatt hour for electricity generated, roughly a third of the equivalent in subcritical brown coal generation. The AWU supports and encourages the availability of offsets and reduction of domestic emissions from these industries through the safeguard mechanism alongside measures taken to reduce methane leakage, and the recognition that gas will aid other countries in reducing their emissions going forward.

### **Domestic credits only**

The AWU supports domestic credits remaining the only abatement option for the time being. It is vital that carbon offsets are trusted by the community. If they lose credibility, the companies that use them risk losing their social license – forcing emitters to rely solely on abatement-generated credits from their own facilities or other safeguard facilities. Options for carbon credits available outside of Australia have been widely

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<sup>1</sup> <https://www.afr.com/policy/energy-and-climate/miners-demand-bowen-s-protection-from-carbon-credit-speculators-20220930-p5bm9g>

discredited as low-quality by a number of independent bodies:<sup>2</sup>

*Studies of the world's two largest offset programs – the Clean Development Mechanism (CDM) and Joint Implementation (JI), both administered by the United Nations under the Kyoto Protocol – suggest that up to 60-70% of their offset credits may not represent valid GHG reductions.*

The only way Australia can ensure the integrity of the system is through prioritising and properly regulating its own ACCUs. The ongoing Chubb review of ACCUs will help to ensure a robust domestic market. Further, the priority of safeguard facilities must be in reducing their domestic emissions – although emissions are global and cumulative in their impact, carbon accounting rightly distinguishes between Scope 1 and 2 emissions (here in Australia) and Scope 3 emissions (of the ultimate buyers of Australian products such as coal and gas).

In the absence of a fully-functioning international carbon market operating under Article 6 of the Paris Agreement, it is difficult to be assured of the integrity of carbon credits from international projects. When Paris Agreement signatories have reached a consensus about the operationalisation and implementation of the Article 6 international carbon market, Australia will be in a better place to assess the efficacy and authenticity of any available international credits.

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

Kind regards,



Daniel Walton  
**NATIONAL SECRETARY**

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<sup>2</sup> <https://www.offsetguide.org/concerns-about-carbon-offset-quality/>