

Safeguard Mechanism Submission

Greenpeace Australia Pacific

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GREENPEACE

About Greenpeace

Greenpeace is a global environmental network dedicated to the mission of securing a world capable of nurturing life in all of its magnificent diversity. We are fully independent, accepting no funding from any government, business or political party anywhere in the world.

Greenpeace Australia Pacific is an autonomous entity headquartered in Sydney. More than 1.2 million people participate within the Greenpeace Australia Pacific network across all platforms, showing their support for ambitious climate action. Greenpeace considers the current trajectory of global warming to be the single greatest threat to human health, security, and well-being, as well as to global biodiversity. For these reasons we urge the Federal Government to take the strongest possible action on climate change, in line with credible pathways to limiting global heating to 1.5 degrees.

We thank the Federal Government and the Department of Climate Change, Energy, the Environment and Water for the opportunity to input into this important reform.

Summary and Recommendations

Australia must take strong action to help meet the Paris Agreement goal of limiting global heating to 1.5 degrees. This requires at least a 74% reduction in domestic emissions by 2030 on 2005 levels and net zero by 2035.¹ It also means no new coal, oil or gas mines should be approved and built in Australia, in line with the International Panel on Climate Change's (IPCC) 1.5-compatible pathway² and the International Energy Agency's (IEA) Net Zero by 2050 pathway.³ The Safeguard Mechanism policy, which is the key Federal Government policy available to reduce emissions in Australia's industrial sector, must meet these tests. If not in the immediate-term, then via an ability to rapidly increase ambition without major policy redesign.

The companies covered by the Safeguard Mechanism are dominated by the highly polluting coal, oil and gas industries - the biggest drivers of climate change globally. But the current Safeguard Mechanism policy is ineffective, inequitable and full of loopholes. It means that the companies most responsible for climate change are required to do virtually nothing to reduce emissions.

A clear example of this is Woodside Energy. The company is Australia's ninth largest domestic climate polluter based on Scope 1 emissions.⁴ This is within the context of domestic emissions from the LNG industry increasing dramatically since 2015.⁵ Woodside's emissions footprint extends far beyond these direct emissions at operations, including the gas burnt by customers, leaked methane throughout the supply chain and electricity used. Woodside plans to vastly increase its greenhouse gas emissions in the near-term. Independent analysis has assessed the total greenhouse gas emissions from Woodside's proposed Burrup Hub project in Western Australia at over 6 billion tonnes.⁶ As part of this, Woodside is currently planning yet another major new polluting gas expansion in the Browse Basin.⁷ Yet Woodside currently faces very little regulatory limits on its growing emissions and is heavily reliant on carbon offsets to claim emission reductions. It is crucial that major climate polluters like Woodside are forced to reduce real emissions.

The Safeguard Mechanism must be fundamentally overhauled to meet these key tests. The proposals in the consultation paper fall well short of this. Proposed emission reductions equate to just 13% by 2030 on 2005 levels. This is nowhere near a fair share for this highly polluting sector. Significant loopholes remain which would perpetuate the serious flaws in the current model. Greenpeace Australia Pacific's reform recommendations are below, with further brief context provided in the following section covering emission reduction targets, loopholes, offsets and Woodside Energy.

¹ [Climate Targets Panel. 2021. Shifting the Burden: Australia's emission reduction tasks over coming decades.](#)

² [International Panel on Climate Change. 2021. Global Warming of 1.5 degrees C.](#)

³ [International Energy Agency. 2021. Net Zero by 2050 Pathway.](#)

⁴ [Clean Energy Regulator. 2022. Australia's top 10 greenhouse gas emitters 2020-21.](#)

⁵ [Australian Government. 2021. Australia's emissions projections 2021.](#)

⁶ [Climate Analytics. 2020. Impact of Burrup Hub for Western Australia's Paris Agreement carbon budget.](#)

⁷ [Woodside Energy. 2022. Browse Project.](#)

Recommendations:

1. **Set an ambitious emission reduction target to 2030, falling year-on-year:** In order to meet the 1.5 degree target the Safeguard Mechanism emission reduction target must be set to a baseline of 57Mt in 2029-2030 (assuming a 50% reduction by that time on 2005 levels) falling 8.3% each year. In order to meet the Federal Government's less ambitious target as expressed in Reputex's modelling, the baseline would need to be set at 89Mt in 2029-2030, with a 5% fall each year. This latter target should be regarded as an absolute floor.
2. **Set the overall starting emissions baseline to real emissions today:** To ensure an equitable and effective policy, the starting emissions baseline under the reformed scheme must be set at the current actual combined emissions of all facilities covered of 137Mt. This should replace the current baseline of 157Mt, which includes a buffer, or "headroom" of 20Mt that would render the policy ineffective.
3. **Set year-on-year emission reduction targets as uniform for all facilities:** There should be no favourable treatment or complex special emissions calculations for specific companies like Woodside Energy. Instead the reduction target should simply be set equal across all facilities for all companies on an annual, linear basis towards the initial 2030 target. Multi-year monitoring period baselines should be removed completely as a form of special treatment.
4. **Set facility emission baselines as proven industry best practice:** Instead of setting facility emission baselines on an industry average or site-specific variables, baselines should instead be set as global industry best practice to ensure rapid adoption of low emissions technology.
5. **Disallow offsets for coal, gas and oil companies:** Fossil carbon kept underground is far more stable than carbon actively cycling between the land, ocean and atmosphere.⁸ The priority should therefore be to keep the fossil carbon in the ground and not equate this with land-based carbon offsets. For this reason coal, gas and oil companies - the primary global drivers of climate change - should not be permitted to use Australian Carbon Credit Units (ACCUs) as part of the scheme.
6. **Disallow international offsets:** Australia already has serious issues with the integrity of ACCUs⁹ - this is just as pronounced with international offsets where the Federal Government has no real control over integrity. International offsets should not be permitted at all as part of the scheme.
7. **Put a strong regulator in place:** The Safeguard Mechanism requires a strong, independent regulator to oversee the scheme and to crack down forcefully on any attempts to game the system. The Clean Energy Regulator has been shown to be an ineffective regulator.¹⁰ A new and independent regulatory body should be established to oversee this policy.
8. **Embed reforms in legislation:** As much as possible, reforms to the Safeguard Mechanism should be embedded into the *National Greenhouse and Energy Reporting Act 2007* and other relevant legislation rather than just made via regulatory changes. This will help reduce the risk of ongoing political interference and give greater certainty to industry.

⁸ [Climate Council. 2016. Land carbon: no substitute for action on fossil fuels.](#)

⁹ [ANU. 2021. Australia's carbon market a 'fraud on the environment'.](#)

¹⁰ [ibid.](#)

Further context

Emission reduction targets

The Federal Government's *Climate Change Act 2022* and 43% emission reduction target by 2030 is a welcome first step on climate action but should be regarded as a minimal baseline from which to rapidly build much greater ambition. The Climate Targets Panel argues that Australia must instead aim for a 74% target by 2030 (on 2005 levels) and net zero by 2035 to align with a 1.5 degrees carbon budget and therefore the Paris Climate Agreement.¹¹ The Safeguard Mechanism must therefore be designed to meet this higher level of ambition required.

Table 1 below provides the emission reduction targets for the Safeguard Mechanism based on four scenarios, all of which assume a starting point of 137Mt - the collective emissions of facilities covered by the scheme in 2020-21:

1. **50% reduction 1.5 degrees-aligned:** This scenario is based on the Climate Target Panel's net zero by 2035 figure and assumes that the industrial sector undertakes a fair-share 50% by 2030 target based on 2005 levels. This is based on a linear baseline decline of 8.3% per year to arrive at net zero by 2035.
2. **43% reduction pro rata basis:** This scenario assumes that the industrial sector undertakes a pro rata share of the Federal Government's 43% by 2030 target based on 2005 levels.
3. **48Mt reduction ALP policy basis:** This scenario assumes a 48Mt reduction by 2030 based on 2020-21, as stated by Reputex in their modelling for the ALP's climate policy.¹²
4. **38Mt reduction consultation basis:** This scenario assumes a 38Mt reduction by 2030 based on 2020-21, as stated in the Safeguard Mechanism consultation paper.

Greenpeace strongly recommends the Federal Government adopt the first and most ambitious reduction target.

Note that the first two scenarios use the more appropriate method of calculation using a 2005 baseline. This is because Australia's National Determined Contribution (NDC) under the Paris Agreement is a 43% reduction on 2005 levels, not on 2020-21 levels. This is also the target set out under the recently legislated *Climate Change Act 2022*. **When using this correct method of calculation, the emission reduction proposed by the Federal Government in the Safeguard Mechanism consultation paper is a mere 13% on 2005 levels.** This is nowhere near a fair share of emission reduction for this sector and will shift the burden more heavily to other sectors.

Note also that there is a discrepancy between the emission reduction target expressed in the Federal Government's Safeguard Mechanism consultation paper (99Mt) and the Reputex modelling which formed the basis of ALP's election commitment. Given the latter is the ALP's actual election commitment, this figure should be seen as the absolute floor of any initial target rather than 99Mt.

¹¹ [Climate Targets Panel. 2021. Shifting the burden: Australia's emissions reduction tasks over coming decades.](#)

¹² [Reputex. 2021. The economic impact of the ALP's Powering Australia Plan.](#)

Table 1. Safeguard Mechanism emission reduction scenarios

Emission reduction scenario	New baseline in 2029-30 (Mt)	% reduction on 2005 reported emissions (114Mt)¹³	% reduction from 2020-1 reported emissions (137Mt)	% reduction year on year from 2023-4 to 2029-30¹⁴
1. 50% reduction 1.5 degrees-aligned	57	50% (57Mt)	58% (80Mt)	8.3%
2. 43% reduction pro rata basis	65	43% (49Mt)	53% (72Mt)	7.5%
3. 48Mt reduction ALP policy basis	89	22% (25Mt)	35% (48Mt)	5%
4. 38Mt reduction consultation basis	99	13% (15Mt)	28% (38Mt)	4%

Major loopholes and problems that must be fixed

On top of the lack of a real emission reduction target as addressed above, the following are the major loopholes that must be removed to ensure the scheme functions effectively and with integrity:

- 1. The overall permitted emissions baseline is currently set higher than actual emissions:** The overall baseline for the scheme is currently set at 157Mt yet the actual combined emissions from facilities covered is 137Mt.
- 2. Special treatment for companies and facilities:** The current scheme has a multitude of special exceptions for some companies and facilities, including multi-year reporting, allowances for expansion and allowances for emissions variability. This gives some companies even more of a free pass to keep polluting.
- 3. Too much complexity:** Complexity favours industry with the resources and ability to game the system with little public accountability due to the technical nature of the policy. This in itself is a major loophole that must be addressed - simplification and equal application of policy should be an overriding principle for policy reform.
- 4. Lack of legislation:** Too little of the Safeguard Mechanism is embedded in subsidiary regulation, leaving changes up to Ministerial discretion via regulation. A reformed and strong scheme should be more fully embedded in legislation.
- 5. Poor regulator:** The Clean Energy Regulator has a poor track record on regulation. A strong new regulator is needed to oversee this scheme.

¹³ Based on Reputex modelling which stated that emissions covered by the scheme had grown 17% from 2005 to 2020-21, which gives a figure of 114Mt based on 137Mt at 2020-21. [ibid.](#)

¹⁴ Assuming emissions baseline for the sector remains the same as 2020-21 at 137Mt.

Offsets

Australia's carbon crediting framework is the subject of a major review due to serious questions raised about integrity and governance, with 70-80% of existing ACCUs labelled by experts as "devoid of integrity".¹⁵ This means that the effectiveness and appropriateness of a major component of the Safeguard Mechanism scheme remains under serious doubt. It underscores the fact that offsets are a highly dubious and unreliable means to secure emission reductions.

In addition to this point, in practice in Australia ACCUs are primarily land-based credits. While land carbon stores are vital to the overall health of the planet's climate system, they are not a credible way to offset emissions from the burning of fossil fuels because the fossil fuel carbon cycle and land-based carbon cycle are not interchangeable. Fossil carbon is locked away permanently, whilst land carbon is active and cycles between the land, ocean and atmosphere.¹⁶

Land carbon is inherently more vulnerable to disturbance both from natural disasters like bushfires - which will increase as climate damage worsens - and human-induced disturbances such as deforestation. This inherent vulnerability means that land-based ecological restoration is required at an even greater scale, but not as an offset for continued burning of fossil fuels.

For these reasons, the use of offsets in the Safeguard Mechanism must be considered in an appropriate hierarchy of climate action. Actions that avoid and reduce emissions should be fully exhausted before allowing for carbon offsetting:

1. **Avoid:** Avoid business models that create greenhouse gas emissions, including where applicable operating on 100% renewable electricity as soon as possible.
2. **Reduce:** Develop efficiencies and adopt technologies to substantially reduce residual greenhouse gas emissions.
3. **Pay:** Ideally, in place of offsets, pay for residual emissions into a Federal Government decarbonisation and transition fund.
4. **Offset:** Only when the above have been thoroughly exhausted should carbon offsetting be considered, with all of the following conditions met:
 - The company purchasing the offsets is not a coal, gas or oil company - offsets should not be permitted at all for this industry given they are the major drivers of climate change and land carbon and fossil fuel carbon need to be differentiated.
 - The company or institution has a very clear, sector specific 1.5 degree-aligned business plan and wishes to offset emissions during a clearly defined and rapid emissions ramp-down period;
 - Only high-quality and well-regulated ACCUs under a reformed system are used, not international offsets.

The proposed Safeguard Mechanism Credits (SMCs) are an untested alternative and adjunct to ACCUs. If these are to be used, as noted by Reputex, it is critical that emission baselines are set to proven (operational) global industry best standards according to each particular facility.¹⁷ In

¹⁵ [ANU. 2021. Australia's carbon market a 'fraud on the environment'.](#)

¹⁶ [Climate Council. 2016. Land carbon: no substitute for action on fossil fuels.](#)

¹⁷ [Reputex. 2022. Submission into the Safeguard Mechanism.](#)

absence of this, major polluters will be getting significant financial rewards for no effort, seriously undermining the effectiveness of the scheme.

Woodside, export emissions and the problem with new fossil fuel projects

There are two further challenges that will need to be addressed to ensure that the Safeguard Mechanism becomes a credible policy to reduce emissions from Australia's industrial sector. The first is the problem with new fossil fuel projects driving up industrial emissions in Australia. To give an example, Woodside Energy plans to vastly increase its greenhouse gas emissions in the near-term through its proposed Burrup Hub project - which encompasses opening up the Scarborough and Browse gas fields, and processing that gas through Pluto 2 and extending the North West Shelf LNG processing facility to 2070. Independent analysis has assessed the total greenhouse gas emissions from Woodside's proposed Burrup Hub project in Western Australia at over 6 billion tonnes.¹⁸ As part of this, Woodside is currently planning yet another major new polluting gas expansion in the Browse Basin.

If Woodside proceeds with the Burrup Hub, this raises the problem of new fossil fuel projects driving up emissions covered by the Safeguard Mechanism. How will the new Scope 1 emissions from Woodside's processing be integrated into the Safeguard Mechanism cap? Woodside itself estimates Scope 1 emissions from Browse at 285Mt over its lifetime.¹⁹ Annual emissions will be 6.8Mt. Woodside proposes that this emissions increase at the North West Shelf will be offset by ACCUs under the Safeguard Mechanism.²⁰ However, if the Safeguard Mechanism cap is a hard cap - as it should be - and Woodside is allowed to dramatically increase its emissions - where will the emissions reductions come from? Will manufacturing entities be forced to do more than their fair share of emissions reductions in order to enable Woodside to continue to pollute? Greenpeace's recommendation is that no new coal, gas or oil mining projects should be allowed alongside these current reforms to the Safeguard Mechanism. Nor should existing entities such as Woodside's North West Shelf be permitted to increase their emissions under the Safeguard Mechanism as a result of these new expansions.

Second, if Woodside proceeds with the Burrup Hub, the emissions from these new projects will dwarf emissions savings under the Safeguard Mechanism. As stated above, Woodside Energy itself estimates that total Scope 1 emissions from its proposed Browse project will be 285Mt. This is equivalent to the cumulative abatement from the entire industrial sector of the most ambitious 1.5 degree-aligned Safeguard Mechanism cap by 2030 (ie 57Mt of abatement per year by 2030). The emissions generated overseas from burning Australia's coal and gas are just as damaging to our climate as the emissions generated in Australia. In order for the Safeguard Mechanism to genuinely reduce Australia's emissions, it will need to be accompanied by a policy to exclude new coal, oil and gas projects being approved in Australia.

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¹⁸ [Climate Analytics. 2020. Impact of Burrup Hub for Western Australia's Paris Agreement carbon budget.](#)

¹⁹ [Woodside Energy. 2019. Proposed Browse to NWS Project Draft EIS/ERD.](#)

²⁰ [Woodside Energy. 2022. Proposed Browse to NWS Project Supplement Report to the Draft Environment Impact Statement.](#)