SUBMISSION

SAFEGUARD MECHANISM (CREDITING) | 28 OCTOBER 2022

EUAA
Energy Users Association of Australia

EXPOSURE DRAFT SAFEGUARD MECHANISM (CREDITING) AMENDMENT BILL AND THE CARBON CREDITS (CARBON FARMING) AMENDMENT RULES 2022

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission to the Exposure Draft Safeguard Mechanism (Crediting) Amendment Bill 2022 and the Carbon Credits (Carbon Farming Initiative) Amendment (Safeguard Facility Eligibility Requirements) Rules 2022. The EUAA made a substantive submission to the Safeguard Mechanism Reform Consultation Paper where we address a number of issues that are also relevant to this submission.

The EUAA work closely with other industry peak bodies, including the Australian Aluminium Council (AAC). We have viewed the AAC submission and are supportive of it.

The proposed Safeguard reforms come at a time of significant disruption and uncertainty for business, governments and the broader community. Energy users face escalating costs in both electricity and gas which look set to continue for the foreseeable future. In particular, international gas prices are having a significant impact on domestic business, their supply chains and consumers.

That said, we reiterate that the EUAA support the pursuit of net zero targets by 2050 with many member companies putting in place their own net zero or ESG targets. We are also supportive of the new Federal emissions reduction target of 43% reduction below 2005 levels by 2030. However, given many EUAA members can be classified as operating in "hard to abate" sectors, it must be recognised there are technological limitations in terms of what can be achieved in the period to 2030 and beyond.

The challenge of meeting the new 2030 targets in less than seven years is at best extremely challenging. It is also misaligned with the long-cycle nature of investments that underpin our commercial and industrial base. It is for these reasons that the EUAA support and encourage that a high degree of flexibility be afforded to hard to abate industries to help manage risks and costs associated with their decarbonisation journey.

In addition to supporting the AAC submission we make the following comments.

Many members have expressed concern at the ambitious timeline for what is a series of major reforms to a significant piece of industry and climate change policy. The below image, taken from the initial Consultation Paper, details the tight timeframe involved. While the time to review the Exposure Draft Safeguard Mechanism (Crediting) Amendment Bill 2022 and the Carbon Credits (Carbon Farming Initiative) Amendment (Safeguard Facility Eligibility Requirements) Rules 2022 has been limited, we hope that additional time will be afforded to stakeholders to engage on the detailed policy proposal when it is released (expected in December 2022).

Given consultation will probably occur over the Christmas/New Year period, and that this will (hopefully) include more detail on scheme design, it seems highly unlikely that industry will have sufficient time to fully understand the consequences of these changes and be in a position to offer well informed input.

As highlighted in the AAC submission, the EUAA believe that a high degree of compliance flexibility should be afforded to safeguard entities, especially in the earlier years (i.e. up to 2030), to ensure that industries that will be vital to maintaining the sovereign capability of the economy, and to the transition to a near zero emissions energy sector, are not forced to close.

We understand the reasons why international permits will not be allowed in the first years of a reformed Safeguard Mechanism and encourage the Federal Government to work with other jurisdictions to improve verification and monitoring of international permit creation and transfer so they can be used for domestic compliance at the earliest possible time.

It is our view that a trading environment that is highly liquid, and where units of value are highly fungible, is a desirable outcome. Given the scale of the abatement task, safeguard facilities should be given all reasonable access to highly credible units (SMC’s or ACCU’s) provided double dipping issues are resolved (if they exist).

We also suggested that the Commonwealth may need to support liquidity and price of SMC’s during Phase 1 to support business case development. A price cap or Government operator, as purchaser and retailer of last resort, for credits would be useful during the introductory phases of the scheme while the market is being established and becoming more liquid.

Once again, thank you for the opportunity to make this submission. Do not hesitate to be in contact should you have any questions. We look forward to engaging with the Commonwealth over the coming months as further refinements are made.

Kind regards,

Andrew Richards
Chief Executive Officer