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# Safeguard Mechanism

## CAHA Submission

20 September 2022

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### Introduction

The Climate and Health Alliance (CAHA) welcomes the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water about proposed changes to the Safeguard Mechanism.

CAHA is a national charity and the peak body on climate change and health in Australia. CAHA is an alliance of organisations within the health sector working together to raise awareness about the health risks of climate change and the health benefits of emissions reductions.

The membership of CAHA includes a broad cross-section of health sector stakeholders with nearly 100 member organisations, representing healthcare professionals from a range of disciplines, as well as healthcare service providers, institutions, academics, researchers, and consumers.

CAHA recognises that the Safeguard Mechanism is a crucial process to help industry reduce emissions in line with Australia's climate targets. CAHA also welcomes the proposals by the Australian Government to strengthen and improve the Safeguard Mechanism, as outlined in its August 2022 Consultation paper<sup>1</sup>.

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<sup>1</sup> *Safeguard Mechanism Reforms – August 2022. Consultation Paper, Australian Government Department of Climate Change, Energy, the Environment and Water.* ([link](#))

## Summary

CAHA considers the current trajectory of global warming to be the single greatest threat to human health, well-being, and security.

The latest report of the Intergovernmental Panel on Climate Change concluded that Australia is highly vulnerable to the impacts of climate change, which pose immediate and long-term risks to population health. Australia's climate risks are exacerbated by inadequate and fragmented governance, growing vulnerabilities, and insufficient investment in mitigation and adaptation efforts. The development and implementation of far-reaching, coordinated policies is urgently needed to address these risks<sup>2</sup>.

CAHA appreciates the role a well-designed Safeguard Mechanism could play in helping to reduce Australia's emissions, by supporting emission reductions from Australia's most polluting industries.

However, the current Safeguard Mechanism policy is highly ineffective, inequitable, and full of loopholes. The 215 facilities covered under the Mechanism - accounting for around 28% of Australia's annual emissions - have had virtually no requirements to reduce their emissions, with the Mechanism essentially providing a "free pass" to Australia's largest polluters for many years.

At the same time, the Safeguard Mechanism offers a policy architecture that could be turned into an effective policy tool to bring down emissions and air pollution.

The Department of Climate Change, Energy, the Environment and Water has proposed three key areas of improvement to the Safeguard Mechanism:

- gradually reducing baselines to help Australia reach net zero emissions by 2050;
- introducing credits for facilities that emit less than their baseline;
- providing tailored treatment to emissions-intensive, trade-exposed (EITE) facilities so businesses are not disadvantaged compared to international competitors and emissions do not increase overseas.

A planned phase down of Safeguard Mechanism emission baselines can turn it into a useful tool, helping to reduce industry emissions and air pollutants in a manageable way, and ultimately strengthening Australia's competitiveness in a decarbonising global economy.

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<sup>2</sup> CAHA - March 2022. *Climate Change is a Health Crisis Health Messages from the IPCC Sixth Assessment Report on Climate Impacts, Adaptation and Vulnerability.* ([link](#))

## Recommendations

The Department's proposal is a step in the right direction to achieve this goal. However, the proposed changes fall far short from what is needed. CAHA proposes the following changes:

### Address Scope 3 emissions

The Safeguard Mechanism is currently not intended to address Australia's mitigation of scope 3 emissions, but instead only focuses on scope 1 emissions (direct emissions).

However, given Australia is one of the largest fossil fuel exporters in the world, Australia's scope 3 emissions are globally significant.

CAHA recommends for the Australian government to conduct a review to consider how scope 3 emissions are regulated, and whether the Safeguard Mechanism might be the right policy tool to regulate scope 3 emissions.

### Limit the use of Offsets

Australia cannot reach net zero emissions through offsets alone. Avoiding the release of fossil carbon in the first place is a far more effective and stable way to avoid emissions. At the moment, Australia's carbon crediting framework is the subject of a major review, due to serious questions raised about its integrity and governance, with 70-80% of existing Australian Carbon Credit Units (ACCUs) labelled as "devoid of integrity" by one study<sup>3</sup>.

Most importantly, from a health and equity perspective, offsetting is not an effective strategy to avoid harm. For example, offsetting the emissions from Australia's coal power plants does not undo the air pollution they cause, responsible for an estimated 800 premature deaths a year<sup>4</sup>.

Offsets should not be the primary means of achieving pollution reduction, and should only be used for hard-to-abate sectors such as steel and aluminium, if at all. Where technology exists to reduce emissions (e.g. through the deployment of renewable sources for energy) the Safeguard Mechanism should incentivise its deployment.

In summary, the Safeguard Mechanism must be developed to ensure that offsets

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<sup>3</sup> Macintosh et al. 2022. *Fixing the Integrity Problems with Australia's Carbon Market* ([link](#))

<sup>4</sup> Farrow, A., Anhäuser, A., & Myllyvirta, L. 2020. *Lethal power: how coal is killing people in Australia*.

are not used to defer actual emissions reductions, and that, when deployed, offsets and ACCUs have high integrity.

CAHA recommends that:

- The use of offsets is limited to hard-to abate sectors, and therefore does not permit coal, gas and oil companies to use offsets.
- The use of ACCUs is limited to 5% of total reported annual emissions.
- The use of offsets is domestic only, of high integrity, and follows guidance from the outcomes of the Chubb review.
- The use of offsets sits within a hierarchy that starts with avoiding, minimising and mitigating emissions, and only uses offsets as a last resort.

### **Expand the coverage threshold**

The current coverage threshold of the Safeguard Mechanism is 100,000 tonnes of scope 1 (direct) carbon dioxide equivalent or CO<sub>2</sub>-e emissions each year, capturing around 215 of Australia's largest emitters. The reformed scheme will likely maintain this threshold.

CAHA recommends this threshold to be lowered to 25,000 tCO<sub>2</sub>-e per annum. This lower threshold would more adequately cover industrial emissions that are currently largely unregulated, and provide stronger sector-wide incentives to decarbonise Australia's industries. It is also important that the current threshold of 100,000 tCO<sub>2</sub>-e (or any future updated threshold) does not represent a floor for emissions reductions. Facilities should remain part of the Safeguard Mechanism even after they have reduced their emissions below the threshold.

This recommendation is supported by the Business Council of Australia<sup>5</sup> and the Australian Conservation Foundation<sup>6</sup>.

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<sup>5</sup> *Business Council of Australia. 2021. Achieving a net zero economy. ([link](#))*

<sup>6</sup> *ACF Submission. September 2022. Proposed changes to the Safeguard Mechanism*

## **Mandate the Climate Change Authority to conduct periodic reviews of the Safeguard Mechanism**

Through the Climate Change Bill 2022, the Australian government has committed to reinvigorate the Climate Change Authority (CCA)<sup>7</sup>. As an independent body, the CCA provides expert advice to government on a range of matters including potential future emissions reduction targets. CAHA recommends the scope of this advice include the safeguard mechanism. This would ensure the separation of regulatory functions between the Clean Energy Regulator and the CCA, improve public confidence in government, and help avoid industry capture.

CAHA recommends the CCA should complete mandatory periodic reviews of the Safeguard Mechanism.

## **Embed reforms in legislation**

As much as possible, reforms to the Safeguard Mechanism should be embedded into legislation, rather than just regulatory changes.

CAHA recommends the reforms of the Safeguard Mechanism to be taken up in the National Greenhouse and Energy Reporting Act 2007 and other relevant legislation. This will help reduce the risk of political interference and industry capture, and give greater certainty to Australia's high-emitting sectors.

## **For more information, please contact:**

Arthur Wynn  
CAHA Policy and Advocacy Manager  
arthur.wynn@caha.org.au

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<sup>7</sup> Parliament of Australia - September 2022. Climate Change Bill 2022. ([link](#))

# Appendix: Climate and Health Alliance Members

## CAHA membership as of September 2022.

2XE

Abilita

Arriba Group

Asthma Australia

Australasian College of Health Service Management

Australasian College of Nutritional and Environmental Medicine

Australasian Epidemiological Association

Australasian Society of Lifestyle Medicine

Australian Association of Gerontology

Australian Association of Social Workers

Australian Chiropractors Association

Australian College of Nursing

Australian Council of Social Service

Australian Federation of Medical Women

Australian Health Promotion Association

Australian Healthcare and Hospitals Association

Australian Indigenous Doctors Association

Australian Institute of Health Innovation

Australian Lesbian Medical Association

Australian Medical Students' Association

Australian Nursing and Midwifery Federation (Federal)

Australian Physiotherapy Association

Australian Podiatry Association

Australian Primary Health Care Nurses Association

Australian Psychological Society

Australian Women's Health Network

Brooke Shelton

Cairns Hand Clinic

Central Australia Rural Practitioners Association

Children's Healthcare Australasia

Climatewise Design

Codesain

CoHealth

ConNetica Consulting

Consumers Health Forum of Australia

Coota Girls Aboriginal Corporation

CRANApus

Cultivate Impact

Dietitians Australia

Doctors for Nutrition

Doctors Reform Society  
Enliven Victoria  
Enriching Lives Psychology  
Environmental Health Australia  
Faculty of Health, University of Technology Sydney  
Food for Thought Consulting  
Friends of CAHA  
Health Care Consumers' Association ACT  
Health Issues Centre  
Health Nature and Sustainability Research Group  
Health Services Union  
Healthy Food Systems Australia  
Healthy Futures  
Indigenous Allied Health Australia  
Institute for Sustainable Futures (UTS)  
Kooweerup Regional Health Service  
Lowitja Institute  
Mayfield Medical Connection  
Medical Association for Prevention of War Australia  
Medical Scientists Association of Victoria  
Metta Health & Psychology  
MinterEllison  
Motion Energy Group  
Mott MacDonald  
National Association of Aboriginal and Torres Strait Islander Health Workers and Practitioners  
National Rural Health Alliance  
Naturopaths and Herbalists Association of Australia  
NSW Nurses and Midwives' Association  
Nursing and Midwifery Health Program Victoria  
Nutrition Australia  
Optometry Australia  
OraTaiao: New Zealand Climate and Health Council  
Orygen  
Pharmacists for the Environment Australia  
Psychology for a Safe Climate  
Public Health Association of Australia  
Pura Vida Behavioural Nutrition  
Queensland Nurses and Midwives' Union  
Royal Australasian College of Physicians  
The Royal Australian and New Zealand College of Ophthalmologists  
Rural Doctors Association of Victoria  
SANE Australia  
School of Public Health, University of Sydney  
School of Public Health & Social Work, Queensland University of Technology  
Services for Australian Rural and Remote Allied Health  
Second Chance Psychology  
Thoracic Society of Australia and New Zealand

University of Queensland Mental Health in Climate Change Transdisciplinary Research Network

Veterinarians for Climate Action

Victorian Allied Health Professionals Association

Vote Earth Now

Walter and Eliza Hall Institute of Medical Research

Weenthunga Health Network

WHO Collaborating Centre for Environmental Health Impact Assessment

Women's Health East

Women's Health Goulburn North East

Women's Health in the North

Women's Healthcare Australasia