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Department of Climate Change, Energy, Environment and Water
Safeguard Mechanism Review Consultation Hub

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Dear Secretariat

Submission to consultation on Reforms to the Safeguard Mechanism

[Vets for Climate Action \(VfCA\)](#) welcomes the opportunity to provide a submission to the Reforms of the Safeguard Mechanism.

VfCA is a not-for-profit, registered charity which represents over 2000 members of the veterinary profession and animal care community around Australia. Our role is educating, collaborating, and advocating for climate action within the veterinary community, broader animal care network, and government. Thirty three former Chief Veterinary Officers and Senior Government Veterinarians work alongside us and our Patron is Professor Peter Doherty; a veterinary surgeon, Nobel Laureate and former Australian of the Year. Our Board consists of six Directors, including Professor Mark Howden, Nobel Laureate and a current Vice Chair of the Intergovernmental Panel on Climate Change.

INTRODUCTION

A stable climate underpins all life on Earth, a healthy environment, biodiversity and the safety and wellbeing of all people and the animals we love and need; wildlife, companion animals and livestock.

We commend the Government on their progress towards addressing climate change: the adoption of the Climate Change Act 2022, the independent Chubb review of the Australian Carbon Credit Units (ACCUs), the Powering Australia plan and reforms to the Safeguard Mechanism.

As veterinarians, vet nurses and animal care professionals, we understand that animal health has a critical position in our future, whether the diversity of native wildlife contributing to a sustainable environment, the livestock that contribute to our food security or our much-loved pets.

Scientists report¹ that 1.5°C of global warming is a threshold beyond which anthropogenic emissions will dangerously interfere with the climate system.

The Climate Change Act 2022 enshrines targets of a minimum 43% reduction in greenhouse gas (GHG) emissions by 2030 (based on 2005 levels), and 'net zero' emissions by 2050 with the objective of advancing 'an effective and progressive response to the urgent threat of climate change drawing on the best available scientific knowledge'.

However, scientists tell us that we should aim to reduce emissions by 75% below 2005 levels by 2030 and reach net zero emissions by 2035². This is essential to avoid an ever-intensifying climate catastrophe.

Australia should plan and reset its targets, policies and ambitions to achieve a 75% reduction in emissions by 2030 if we are to limit warming to 1.5°C.

Our recommendations for the Safeguard Mechanism are based on limiting warming to 1.5°C.

RECOMMENDATIONS

1 The Safeguard Mechanism should align with the 1.5°C warming limit

The Safeguard Mechanism will include all companies with emissions of over 100,000 tonnes of CO₂-e per annum, such as mines, refineries, steel plants and waste facilities. It will limit the amount of GHGs they can emit.

Companies have had decades to prepare for the inevitable transition away from fossil fuels and it is reasonable to expect them to rapidly adapt to significant legislative reform.

Achieving net-zero requires a plan that relies on mitigation and abatement measures that are certain to result in a steep and immediate decline in GHG emissions. The more a plan relies on offsetting and credits rather than real emissions reduction, the greater the risk that companies will seek loopholes instead of achieving set targets.

The settings must be clear and send a strong signal for behavioural change. They must not inadvertently reward a lack of action or allow for an avoidance of action thereby weakening the scheme's ability to achieve the emissions reduction target.

¹ <https://www.ipcc.ch/sr15/chapter/chapter-3/>

² <https://www.climatecouncil.org.au/resources/net-zero-emissions-plummet-decade/>

The Safeguard Mechanism, alongside other Government strategies to reduce emissions, should align with the Paris Agreement that aims to limit global warming to 1.5°C.

2 The baseline should be progressively lowered.

The Safeguard Mechanism aims to rapidly reduce emissions.

The baseline should be set to acknowledge those in the industry ('industry best practice') who have already reduced emissions.

It should be assumed that once companies are on a pathway to decarbonise their business operations, increases in production will be managed and delivered according to their program to reach net zero. Therefore a production variable baseline should not be necessary.

The baseline should be progressively lowered in recognition of industry achievement and to achieve the overall emissions reduction target for Australia.

3 The use of ACCUs should be limited and controlled

ACCUs aim to remove greenhouse gases from the atmosphere. To achieve this, the scheme supports carbon farming initiatives leading to the allocation of one ACCU for each tonne of carbon abatement.

The independent Chubb Review³ recommends that the ACCU scheme has an important role to play in Australia's pathway to net zero emissions by 2050 provided the procedures are real and effective.

In his introduction, Professor Chubb states that drawdown, emissions reduction and offsets are not alternatives. They are complementary elements of a strategy to moderate global warming.

Nevertheless, we recommend that high emitting companies that come under the umbrella of the Safeguard Mechanism cannot purchase ACCUs until they have first demonstrated genuine and significant cuts to their emissions at all their project sites.

4 Safeguard Mechanism Credits (SMCs) should not be a part of the scheme.

The Government proposes generating SMCs for companies where emissions are below baselines. They will be available to other Safeguard Mechanism facilities, whose abatement options are more costly or limited and are struggling to reach their baseline.

The availability of SCGs may reward companies who drop below their baseline. However SCGs are a loophole that allow the high emitting companies to buy credit rather than focusing on reducing their emissions.

³ <https://www.dcceew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf>

We recommend that the current proposal for SCGs should not apply to the 215 highest Australian emitters currently within the Safeguard Mechanism.

5 The Safeguard Mechanism must not be derailed by new coal and gas projects

The Safeguard Mechanism applies to companies that produce more than 100,000 tonnes CO₂-e emissions in a year. New entrants to the scheme will, by definition, be high emitting companies, such as new coal or gas projects.

Scientists agree that global warming is caused mainly by human activity and that emissions from fossil fuels -- coal, oil and gas -- are the dominant cause of global warming⁴.

There are a large number, of coal and gas projects in Australia's investment pipeline⁵. Since the election, the Government has approved new fossil fuel projects including New Acland Stage 3 mining in South-East Queensland (2.4m tonnes of carbon), Mt Pleasant coal mine expansion in NSW (14m tonnes of carbon) and 116 gas wells in the Surat Basin in Queensland.

If approved, new coal and gas projects present the risk of derailing the Safeguard Mechanism and increasing Australia's overall GHG emissions. Australia needs to support the industries of the future, and not unnecessarily prop up declining and obsolete industries through continued obeisance to fossil fuel companies.

Our concern as veterinarians, vet nurses and animal care professionals is that ongoing expansion of the fossil fuel industry will inevitably lead to more damage to the environment, more animal extinctions with loss of biodiversity as well as increasingly severe climate impacts on the agricultural industry.

6 The Safeguard Mechanism should support Australia's export trade

Australia is well positioned to become a renewable energy superpower, including the potential for exporting. However, the ability to export will increasingly depend on Australia simultaneously becoming a low emissions producer in an increasingly decarbonised world.

The European Union has legislated to impose a carbon dioxide emissions tariff⁶ on imports of polluting goods such as iron, steel and cement, a world-first scheme aiming to support European industries as they decarbonise. The tariff may well be extended to other imports in the future.

⁴ <https://www.clientearth.org/latest/latest-updates/stories/fossil-fuels-and-climate-change-the-facts/>

⁵ <https://www.industry.gov.au/sites/default/files/December%202021/document/resources-and-energy-major-projects-report-2021.pdf>

⁶ <https://www.theguardian.com/business/2022/dec/13/eu-becomes-first-leading-economy-to-legislate-for-green-tariff-on-imports>

The United States has introduced the Inflation Reduction Act 2022⁷, to drive a clean energy economy and direct spending towards reducing emissions. It may signal the introduction of import tariffs in that country.

The Australian veterinary profession is a key player in the livestock industry and is well aware of the valuable export trade in meat, wool and dairy products. Around 65 per cent of Australia's total agricultural production is exported. In 2016 the value of Australia's agriculture exports was \$44.7 billion – approximately 14 percent of the total goods and services exports⁸.

Key agricultural industries have recognised the potential threat of import tariffs and have initiated industry reforms to reduce emissions from their sector of the economy. For this strategy to be successful and for agricultural exports to continue at the current rate, the Safeguard Mechanism, alongside other government initiatives to reduce emissions, must get underway as fast as possible and set targets that realistically reduce emissions.

7 The scope of the Safeguard Mechanism should be expanded

Although the actual companies involved are not named, presumably for reasons relating to confidentiality, the consultation paper states that the Safeguard Mechanism will include around 215 companies, those producing emissions of over 100,000 tonnes of Scope 1 (direct) CO₂-e emissions per annum.

If the Safeguard Mechanism functions effectively, some of the 215 facilities will, sooner or later, reduce their emissions below the 100,000 tonnes threshold.

Furthermore, these 215 facilities emit only 28% of the approximately 120 Mega tonnes of national emissions. There are many other companies producing considerable emissions but falling beneath the 100,000 tonnes threshold of the Safeguard Mechanism. They may be gleeful they are not currently included.

It is essential that the threshold is lowered progressively, in order for the original 215 companies to be required to continue to reduce emission and for more companies to be brought into the Safeguard Mechanism.

In future, all new entrants to the Safeguard Mechanism should, from the start, be set a net zero emissions baseline.

Eventually, all emitters in the country, including small business and households should be required to lower their emissions.

⁷<https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/#:~:text=On%20August%2016%2C%202022%2C%20President.change%20in%20the%20nation's%20history.>

⁸ <https://www.dfat.gov.au/trade/organisations/wto/Pages/agricultural-trade>

8 The Safeguard Mechanism should have integrity and transparency

A rapid reduction of greenhouse gas emissions in Australia is necessary for the safety of the environment and biodiversity and to avoid further animal and plant extinctions.

To ensure the effectiveness of the Safeguard Mechanism and to measure its contributions to national emissions reductions, there must be robust, trusted, and consistently applied methods for measuring carbon emissions.

The compliance and enforcement provisions of the Safeguard Mechanism must act as a strong deterrent to emitters failing to reduce their emissions.

If a facility is not able to meet its baseline, after deploying all options available, the facility should be expected to pay for the climate damage that its excess emissions causes. The Clean Energy Regulator should be allowed to name the defaulting company.

Amendments to the legislation must include regular and independent auditing of all facilities in the Safeguard Mechanism. Yearly reporting to parliament and the Australia people should include the outcome of the audits.

Within 3-5 years there should be a full review of the process and effectiveness of the Safeguard Mechanism.

9 The name Safeguard Mechanism needs to be more easily understood

The term Safeguard Mechanism could refer to absolutely anything, from shark spotting to level crossings. As a consequence, it is difficult to share and discuss this critically important scheme with others.

We strongly recommend that the name is changed to Emissions Reduction Safeguard Mechanism as in the original legislation, the National Greenhouse and Energy Reporting Act 2007.

CONCLUSION

The Safeguard Mechanism has the potential to become a powerful mechanism to rapidly reduce Australia's emissions and tackle harmful climate change, but only if it is strengthened as recommended. We have come too far down the path of climate crisis and ecological collapse for half measures.

The opportunities delivered by the Safeguard Mechanism go beyond the reduction in emissions. The requirement on large companies to reduce their emissions will encourage and support faster development and take-up of renewable energy, electric vehicles and innovative technology.

The Safeguard Mechanism excludes Scope 3 CO₂-e emissions that are caused by fossil fuel companies when the products they export are ultimately combusted. Australia is one of the largest exporters of coal. Scope 3 emissions are several orders of magnitude greater than the facilities' domestic emissions that are regulated by the Safeguard Mechanism. They must be the next emissions issue addressed by the Government before Australia comes under fire from global partners.

Yours sincerely



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