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Safeguard Mechanism Reform

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the peak organisation advancing trade and commerce in Western Australia. We are fundamentally committed to using our insights to develop and advocate for public policies to make WA the best place to live and do business. CCIWA welcomes the opportunity to provide comment on the Safeguard Mechanism Reform.

Over the past year, CCIWA has undertaken a significant piece of work developing a comprehensive position on climate change policy. This is the culmination of extensive consultation with our members, involving surveys, roundtable discussions and one-on-one meetings, as well as desktop research examining existing legislative and policy frameworks. More than one thousand members shaped our position statement.

Our consultation with the WA business community has revealed widespread consensus that taking steps to mitigate and adapt to climate change is the only path forward. Customers and the investment community, particularly globally, expect nothing less. There is recognition that a failure to demonstrate meaningful commitments to reduce emissions, specifically 2030 targets and net zero by 2050, will erode investor and consumer confidence, impairing economic and financial standing, through access to capital and credit ratings.

Delivering aligned and coordinated climate action

Our members have advised us that strong climate policy at the national level, accompanied by coordinated policy and regulatory frameworks by States and Territories, is needed to facilitate decarbonisation. In the absence of ambitious climate leadership at the national level, State and Territory Governments are forced to forge their own climate paths, creating a risk of policy failures, policy inconsistency and duplication across borders.

As an example, WA's Environmental Protection Authority (EPA) is currently undertaking a review of its Environmental Factor Guidance: Greenhouse Gas for major projects. Revised, strengthened requirements are anticipated to be in place by the end of 2022. The EPA's minimum expectation is for a "deep and substantial reduction in WA's emissions this decade, and achievement of net zero emissions no later than 2050 through a straight-line trajectory (at a minimum) from 2030".

Companies with major projects subject to these requirements may also be covered by the Safeguard Mechanism – and the risk of inconsistencies is significant. For example, under the revised EPA guidelines:

- The EPA's approach to scope 1 emissions target setting duplicates the role of the Safeguard Mechanism (and the current reform) and;

- The EPA does not appear to distinguish between industries, such as those which may be deemed as 'emissions-intensive and trade-exposed' by the Federal Government and which may be supported by policy measures to mitigate 'carbon-leakage'.

Inconsistencies like these create complexity for businesses and add unnecessary layers of regulatory burden when navigating different compliance expectations. A lack of consistent direction also creates investment uncertainty for businesses, which ultimately causes delays to their roll-out of plans to decarbonise and impairs Australia's ability to meet its targets.

We therefore strongly support the Federal Government's early actions to strengthen its leadership on climate change action, and we encourage regular dialogue with States and Territories to ensure coordinated climate change policies and regulations.

Strengthening Australia's carbon pricing mechanism

It is widely understood that pricing emissions is the most efficient and effective way to encourage the shift in production and consumption required to transition to net zero.¹ CCIWA supports there being a nation-wide price on carbon, and this being done through strengthening and expanding existing mechanisms: the Emissions Reduction Fund, the Safeguard Mechanism and the Secondary Carbon Credit Market.

As the Government acknowledges, there is also a need to maintain the global competitiveness of emissions intensive and trade exposed industries (EITE) in an environment where there are differing approaches around the world to climate change policies and carbon pricing. Notwithstanding this, these industries should still be required to contribute their share of emissions reduction.

This is a significant and complex issue, requiring thorough consultation with not only Australian businesses, but also our trading partners. It is critically important that the full range of impacts on different industries and trading relationships be given adequate consideration.

In strengthening the mechanism, it is also important to account for the 'mitigation hierarchy' when seeking to influence businesses' decarbonisation actions. In particular, where cost-effective and practical, increased use of renewable electricity generation should be favoured over offsets to achieve emission reduction targets.

Once again, thank you for the opportunity to comment on this important issue.

Yours sincerely



Chris Rodwell
Chief Executive Officer

¹ See: AFR, [It's simple: we need a proper price on carbon](#), Australian Financial Review, 2019; Parry, I. [Five things to know about carbon pricing](#), International Monetary Fund, 2021; The World Bank, [Pricing Carbon](#), 2021; Grattan Institute, [Towards net zero: A practical plan for Australia's governments](#), 2021.