

Explained: Labor's safeguard mechanism to cut emissions from big polluters

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It's designed to bring down greenhouse gases, but critics say it will jack up prices and estimates are wrong. Here's what you should know about the safeguard mechanism.



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The Albanese government's safeguard mechanism reform will prioritise reducing emissions and encourage investment in renewable energy and decarbonisation,...

Environment

Australia's largest greenhouse gas emitters could be forced to keep their net pollution below a set limit, if a controversial bill being debated by federal parliament gets up.

Known as the "safeguard mechanism", proponents claim it would have the environmental effect of taking two thirds of the cars off Australia's roads.

But that could mean higher prices for consumers, right in the middle of a cost-of-living crisis.

Here's everything you need to know about the legislation and how it could affect you.

Why is parliament debating the 'safeguard mechanism' and what is it?



Climate Change and Energy Minister Chris Bowen. Picture: NCA NewsWire / Gary Ramage

The “safeguard mechanism” was first proposed by the Abbott Liberal government in 2014, as a means to ensure Australia’s biggest greenhouse gas emitters did not go over certain pollution baselines. But the measure lacked teeth; since it was introduced in 2016, emissions have actually increased. Labor wants to introduce a new arrangement whereby the emissions baselines will come down by 4.9 per cent each year between 2023 and 2030 – meaning polluters will have to continually develop new processes to reduce their emissions, or else buy carbon offsets if they fail to do so.

So will the safeguard mechanism increase prices?



Opposition Leader Peter Dutton. Picture: NCA NewsWire / Gary Ramage

According to Liberal leader Peter Dutton, yes. Businesses will have to invest more to reduce their emissions, or buy carbon credits – and either way, those costs will be passed on to the consumer, he has said.

The Business Council of Australia, which supports the government's plan, has been a bit more circumspect, with CEO Jennifer Westacott telling a Senate committee the “fate of the Safeguard Mechanism has flow on consequences for the entire economy”.

Clean Energy Finance director Tim Buckley said any price increases arising from the safeguard mechanism would be “immaterial”.

“The impact of the safeguard mechanism on the Australian consumer is almost immaterial in terms of the overall impact of energy prices and the resulting wider inflation,” he said.

Extreme weather events had a much greater impact on an Australian business's bottom line than any costs they would incur under the safeguard mechanism legislation, Mr Buckley said, citing the \$8.5 billion in losses caused by flooding in 2022 alone as an example.

So what sorts of costs could go up as a result of the safeguard mechanism, and when?



The Safeguard Mechanism does not apply to fuel at the moment – but the Productivity Commission says it should.

Unless you buy your coal or iron ore by the ton, rest easy. The safeguard mechanism does not cover agricultural enterprises, transport, services or light manufacturing, so it's not as though these everyday things will suddenly shoot up in price.

But as the [Productivity Commission recently noted](#) in its five-yearly productivity inquiry, abatement measures “increase the direct costs of production” and we can expect those costs to be passed on to the consumer.

But they also noted that “higher production costs can be viewed as the price of reducing the chance of even greater climate-related productivity costs in the future”. In other words: some higher costs now could prevent even higher costs down the track.

When those costs are incurred by big businesses (and then passed on to consumers) will vary from industry to industry, though it should be noted most facilities have already started the work of trying to reduce their emissions.

Interestingly, the Productivity Commission has called for the Safeguard Mechanism to be expanded into other sectors, including liquid fuel wholesalers, when the policy settings for the legislation are reviewed in 2026-27. That would certainly have a cost impact on motorists, but it should be stressed that’s a proposal only at this stage.

Who will the safeguard mechanism apply to?



A loaded coal train is seen passing through the outskirts of Singleton, in the NSW Hunter Valley.
Picture: AAP Image/Dan Himbrechts

The mechanism applies to 215 of Australia’s biggest emitting facilities – things like coal mines, natural gas plants, and heavy industrial factories.

Climate and Energy Minister Chris Bowen says if enacted, the changes to the safeguard mechanism will reduce Australia’s total emissions by 205 million tonnes – “the equivalent of taking two thirds of the cars off Australia’s roads”.

Why is this proving controversial?



Opposition energy spokesman Ted O'Brien. Picture: NCA NewsWire / Martin Ollman

The Coalition has indicated it will oppose the legislation, saying it will effectively act as a carbon tax, although others dispute this wording because the measure will not raise revenue for the government. The Coalition has also demanded the government release modelling to show how the changes to the mechanism will impact on everyday Australians; the government has so far refused to do so.

“If this policy is anywhere near as transformative as Labor claims, the government cannot justify hiding it from the Australian people, when it’s everyday households that will ultimately pick up the bill,” said the shadow climate and energy spokesperson, Ted O’Brien.

“Amidst a full-blown cost-of-living crisis, Labor wants to introduce a carbon tax and then hide modelling of its impact from those who’ll be forced to pay more for everything from fuel to food, and everyday materials.”

What happens if parliament rejects the safeguard mechanism bill?

Mr Bowen says without the safeguard mechanism, government projections show Australia will only reduce its emissions by 35 per cent by the end of the decade – substantially less than the [43 per cent target](#) Australia promised to deliver at the COP27 climate conference in Egypt last year.

What about the Greens?



Greens leader Adam Bandt. Picture: NCA NewsWire / Martin Ollman

Greens leader Adam Bandt has named his party's price for supporting the legislation: an agreement to end to all new coal and gas projects in Australia.

That sounds ... big. Why are they making that demand?

Because coal and gas are globally the biggest emitters of the greenhouse gases that cause climate change. The latest [United Nations synthesis report on climate change](#) revealed the world is on a trajectory to shoot past the 1.5-2.0° celsius of warming deemed acceptable under the Paris Agreement in 2015. We have already warmed the planet by nearly 1.1°, and even that amount has caused the climate to become completely unpredictable and destructive. The more the planet warms, the more unstable the climate becomes.

The Greens are not alone: climate scientists and even the International Energy Agency have called for an end to all new coal and gas projects globally.

Recent polling by uComms commissioned by the Australia Institute found differing levels of support for stopping new coal and gas projects. In the Queensland seat of Moreton, support was at 51 per cent, while in Bennelong (NSW) it was 53 per cent, Goldstein (Vic) it was 54 per cent, Mackellar (NSW) it was 60 per cent and Sydney (NSW) it was 65 per cent.

Will Labor agree to the Greens' demand?



The Kestrel Coal Mine in central Queensland. The Greens have called for an end to all new coal projects, including mining.

It's considered unlikely, although some concessions may be possible. Mr Bowen has said it would be "irresponsible to just put a blanket ban on gas" as it was "an important firming and peaking backup to renewable energy".

But there does seem to be public support for compromise; according to another uComms poll commissioned by Get Up!, 61.6 per cent of voters think the Albanese Government should work with the Greens and independents on the legislation.

How many new coal and gas projects are we talking about?

According to the [Australia Institute](#), there are 116 new fossil fuel projects awaiting Federal Government approval, and according to their calculations, if they were all green-lit, their global emissions would tally 4.8 billion tonnes – dwarfing the 205 million tonnes saved under the safeguard mechanism.

Are there other issues with the legislation?



Professor Ian Lowe.

Indeed there are. According to Emeritus Professor Ian Lowe, the legislation for the safeguard mechanism also radically underestimates Australia's current and future methane emissions. While methane is the second most prevalent greenhouse gas, after carbon dioxide, it is up to 85 times more potent over the short term.

Prof Lowe said the International Energy Agency's calculations about Australia's carbon dioxide emissions were the same as the government's, but

when it comes to methane, the IEA's figures are 63 per cent higher than the government's figures.

"The IEA is no ratbag environmental group; it's the voice of the energy industries at the global level," he said.

"If the IEA figures are right, and they have no reason to exaggerate, the task [of reducing our emissions] is much greater," Prof Lowe said.

What happens next?

The government says it is continuing to negotiate with the Greens and other crossbenchers. Labor says if the Greens vote against the legislation, they will be voting against a measure that will reduce Australia's emissions. Greens leader Adam Bandt says Labor would be giving the UN "the middle finger" by agreeing to green-light more new coal and gas projects.

If passed, the changes to the safeguard mechanism will come into effect on July 1.

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