Media release

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Carbon Market Institute

Both Major Parties Can Use The Safeguard Mechanism To Drive Down Emissions

The Carbon Market Institute has released a discussion paper on Tuesday showing how the Government's key climate policy can transition and make a significant contribution to meeting Australia's emissions reduction commitment under the Paris Agreement.

The Institute's discussion paper outlines key design options for how emissions limits set for heavy carbon emitters by the Safeguard Mechanism could be lowered over time in line with Australia's 2030 emissions reduction target trajectory, and create a Baseline and Credit Scheme (BCS); a form of an Emissions Trading Scheme.

"Market-based solutions are the most efficient policy mechanisms to address the economic challenges of climate change", says the Institute's Chief Executive Officer, Peter Castellas.

"Introduced by the Abbott government, the Safeguard Mechanism can become an effective market-based climate policy. Any current or future government could decline Safeguard baselines without major legislative change, therefore limiting emissions and more effectively linking the Safeguard to our domestic carbon market", Castellas said.

"Decisive action is needed by whoever wins Government at the next election to tighten domestic emissions reduction policies. If Labor win the upcoming election, they could build upon the Coalition's existing Safeguard Mechanism to meet a significant component of their proposed 45% emissions reduction target by 2030. By using and updating the Safeguard, a Labor Government could send a carbon price signal and potentially end the climate wars." Castellas said.

"Under current settings, the Government's legislated climate change policies will not effectively constrain emissions in a way that will enable Australia to meet its current 2030 target", Castellas said.

"Evolving the Safeguard avoids the need to legislate a new market mechanism, ensuring that industry has stable and enduring climate policy under which to make pragmatic, long-term investment decisions", Castellas said.

"With the right design features and modifications, the Safeguard, in conjunction with the ERF, could be used to drive substantial emissions reductions", Castellas said.

"Emissions trading is already happening under the Coalition Government's existing policy suite. Large emitters are already exposed to a carbon liability under the Safeguard Mechanism, and there is already trading in carbon credits generated through the Emissions Reduction Fund." Castellas said.

"In the lead up to the election both major parties can give the market greater certainty by outlining the conditions and criteria for how the Safeguard's emissions baselines will decline. Any future government should provide the carbon price signal necessary for business to manage carbon liability and inform strategy and investment decisions", Castellas said.

CMI's discussion paper highlights design features that provide options to address the setting of an emissions trajectory, ensuring adequate supply of offsets, establishing international linkage, and assisting Emissions Intensive Trade Exposed (EITE) entities. Transitioning the Safeguard to a Baseline and Credit Scheme would unlock a scalable, multi-sector market mechanism that strengthens the policy's contribution towards achieving Australia's emissions reduction objectives.

VIEW DISCUSSION PAPER HERE.

The views and options expressed in this document are those of CMI and do not necessarily reflect the position of any individual CMI member.

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The Carbon Market Institute is at the centre of climate change policy and business in Australia. Independent and non-partisan, we bring business, policy makers and thought leaders together to drive the evolution of carbon markets towards a significant and positive impact on climate change.

Engaging leaders, shaping policy and driving action, we're helping business to seize opportunities in the transition to a low carbon economy.