

Climate Change Authority  
Issues Paper: Targets, Pathways and  
Progress  
**submission**

May 2024





# Climate Change Authority Issues Paper: Targets, Pathways and Progress

## submission

---

The Carbon Market Institute (**CMI**) welcomes this opportunity to respond to the Climate Change Authority's (**CCA**) Issues Paper: Targets, Pathways and Progress (**Issues Paper**), which opened for consultation on 11 April 2024.

CMI is an independent, member-based institute that promotes the use of market-based solutions and supports best practice in decarbonisation to limit warming to 1.5°C. Our membership includes 150+ primary producers, carbon service providers, First Nations organisations, legal and financial institutions, technology firms and emissions-intensive companies in Australia and Asia Pacific. The CMI Board updates CMI's Policy Positions annually, which draw on practical insights from—but are ultimately independent of—members.<sup>1</sup>

CMI also administers the Australian Carbon Industry Code of Conduct (**ACI Code**), which was established in 2018 to steward consumer protection and market integrity.<sup>2</sup>

### Strategic outlook

CMI commends the Albanese Government's significant uplift in national climate ambition following the 2022 federal election and continues to engage in its ongoing reform program, including work to develop six sectoral decarbonisation plans that will be informed by the CCA's advice.<sup>3</sup>

We welcomed the recent announcement of funding to bolster Australia's net zero transition in the 2024-25 Budget,<sup>4</sup> including:

- \$48 million boost to ongoing ACCU Scheme reforms;
- \$40.9 million to support the ongoing implementation of the Nature Positive Plan, including \$17.6 million to establish the new Nature Repair Market;
- \$63.8 million to support emissions reductions in agriculture and land;
- \$91 million to build a clean energy workforce; and
- \$22.7 billion through the Future Made in Australia package to support investments including in green hydrogen, critical minerals, and regulatory frameworks to support geological carbon storage.<sup>5</sup>

---

<sup>1</sup> CMI 2023, 'CMI Policy Positions', [https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions\\_FINAL-2023.pdf](https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf).

<sup>2</sup> CMI 2024, 'Australian Carbon Industry Code of Conduct', <https://carbonmarketinstitute.org/code/>.

<sup>3</sup> See also: CMI (2023), 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).

<sup>4</sup> See: CMI (2024), 'Budget 2024: Important down-payments in carbon market renovation and nature repair market establishment, future investment decision important' (CMI media release), available at: <https://carbonmarketinstitute.org/2024/05/15/budget-2024-important-down-payments-in-carbon-market-renovation-and-nature-repair-market-establishment-future-investment-decisions-important/>.

<sup>5</sup> See: Australian Treasury (2024), 'Budget 2024-25: Budget Paper No. 2', available at: [https://budget.gov.au/content/bp2/download/bp2\\_2024-25.pdf](https://budget.gov.au/content/bp2/download/bp2_2024-25.pdf).



In developing its six sectoral decarbonisation plans to guide Australia's economy wide net zero transition by 2050,<sup>6</sup> the Australian Government should seek to put Australia on a path towards greater climate ambition through a holistic suite of measures to catalyse deep, economy-wide decarbonisation and ensure a just transition.

In providing advice to Government, CMI considers it important that the CCA underscores the benefits of strengthened national climate ambition—reinforced by sectoral budgets and complementary targets for emissions reduction, land-based removals and engineered removals—in providing a long-term investment signal for the transition of Australia's economy.

Alongside sector-specific programs and funding initiatives, CMI believes an enduring national climate policy framework requires robust consideration of the enabling role of market-based frameworks to scale investment and support ambitious national targets and international cooperation.

In the longer-term, CMI considers that market-based frameworks should converge to establish a consistent carbon constraint for all sectors of the Australian economy. We maintain that an emissions trading system (ETS) with broad economic coverage is the most efficient use of markets to drive decarbonisation towards the net zero 2050 target.<sup>7</sup>

Articulating an effective national carbon market strategy—underpinning the government's sectoral plans and Net Zero economy wide plan—will be critical to accelerating economy-wide decarbonisation, contributing towards international action, and facilitating investment in high integrity carbon removals to support net zero and net negative emissions.

As Australia looks to ratchet its ambition towards a strong 2035 NDC, the Government will also need to guide the deeper structural transition of Australia's economy to ensure Australian business remains globally competitive in a carbon-constrained economy.

As CMI has previously highlighted to the CCA, Australia's climate policy suite should increasingly balance climate adaptation measures alongside urgent mitigation actions, given the growing impact of the physical effects of climate change on Australian livelihoods, businesses, and communities.

Against the backdrop of the spiralling and interconnected climate and biodiversity crises, it is also essential that climate action and investment is aligned to support Australia's international commitments towards nature repair, articulated in its Nature Positive Plan.

CMI's 13 Key Recommendations summaries below address a range of cross-cutting and sector-specific considerations that we consider should be addressed in the CCA's advice to Government:

## **Cross-cutting considerations**

The Climate Change Authority should:

1. Underscore that an ambitious 2035 NDC target of reducing emissions by more than 70 percent below 2005 levels can help accelerate the zero transition by sending a signal for investment in decarbonisation solutions in every sector across the economy.

---

<sup>6</sup> See also: CMI 2023, 'Department of Agriculture, Fisheries and Forestry Agriculture and Land Sectoral Plan consultation submission', [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_DAFF-Sectoral-Plan-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf).

<sup>7</sup> As articulated in: CMI 2023, 'DCCEEW Safeguard Mechanism Rules: Consultation on proposed design' (CMI submission), [https://carbonmarketinstitute.org/app/uploads/2023/02/FINAL\\_Carbon-Market-Institute-submission\\_Draft-Safeguard-Rules1.pdf](https://carbonmarketinstitute.org/app/uploads/2023/02/FINAL_Carbon-Market-Institute-submission_Draft-Safeguard-Rules1.pdf), p. 8



2. Recommend sectoral budgets and complementary targets for emissions reduction, land-based removals and engineered removals to reinforce the investment signal created by a strong 2035 NDC. This should be supported by advice on leading indicators that the Government can use to track and monitor progress towards each target.
3. Recommend an effective national carbon market strategy and the necessary underpinning elements that strategy should address, to establish a consistent carbon constraint for all sectors of the Australian economy, accelerate economy-wide decarbonisation and contribute towards international action, and facilitate investment in high integrity carbon removals to support net zero and net negative emissions.
4. Provide advice on planning and regulation to facilitate a fossil fuel phase out in partnership with Australia's key trading partners, as a complement to market-based frameworks and initiatives that support the development of net zero aligned industries.
5. Recommend the Government support the expedited development of international net zero standards and their incorporation into Australian regulation, as an important complement to market-based frameworks to support net zero aligned corporate and investment strategies.
6. Provide advice to Government on sectoral pathways that support the shift to a circular economy, noting the considerable emissions reducing potential of circular material management pathways.
7. Provide advice to Government on sectoral pathways to net zero that also foster nature positive outcomes and avoid further biodiversity loss—harnessing synergies to support progress towards addressing the interconnected twin biodiversity and climate crises.
8. Recommend framing the approach to sectoral pathways within a long-term, systemic approach to enable consideration of a broader suite of policy levers to support ambitious national targets.

## **Sector specific considerations**

The Climate Change Authority should:

9. Advise on how the Government's agriculture and land sector plan can guide and equip the sector to address its own hard-to-abate emissions, while supporting the broader economy-wide transition via carbon drawdown.
10. Recommend strengthening the reformed Safeguard Mechanism and associated reporting frameworks as a key regulatory lever to facilitate the decarbonisation pathways for the Industry and Waste, Resources, and Electricity and Energy Sectors.
11. Assess whether there is an appropriate point in time to bring grid-connected electricity and large agribusinesses into the reformed Safeguard Mechanism in the medium to longer term to support the eventual creation of a consistent market-based decarbonisation driver across the economy.
12. Consider additional market-based framework that may be required for the Electricity and Energy Sector should investigate drivers for ongoing renewable electrification beyond the 2030 conclusion of the Renewable Energy Target (RET).



13. Advise on market-based approaches for the uptake of low-carbon fuels for the Electricity and Energy, and Transport sectoral decarbonisation pathways.

Should you wish to discuss CMI's submission in more detail, please contact Gabriella Warden ([gabriella.warden@carbonmarketinstitute.org](mailto:gabriella.warden@carbonmarketinstitute.org)).

Yours sincerely

A handwritten signature in black ink that reads "Kurt Winter".

Kurt Winter

**Director, Corporate Transition**



## ATTACHMENT

### CMI Recommendations

CMI has carefully considered the CCA's Issues Paper in the context of CMI's broader engagement with respective Australian Government departments on the development of the six sectoral decarbonisation plans. CMI's recommendations to support the CCA's advice to Government build on existing positions put forward in sectoral decarbonisation plan consultations, reframed in the context of the 2035 NDC and longer-term sectoral pathways to net zero.

### Cross-cutting considerations

#### The Climate Change Authority should:

- 1. Underscore that an ambitious 2035 NDC target of reducing emissions by more than 70 percent below 2005 levels can help accelerate the zero transition by sending a signal for investment in decarbonisation solutions in every sector, across the economy.**

The investment cycles to support decarbonisation solutions and enable Australia's forthcoming ratcheting 2035 and 2040 NDC targets will commence before 2030. Legislating a strong 2035 NDC is a key starting point that will signal the need for private investment into step-changing decarbonisation solutions.<sup>8</sup>

CMI welcomes the CCA's preliminary findings that a 2035 NDC in the range of 65–75 percent below 2005 levels could be ambitious, achievable and sustainable for Australia.<sup>9</sup> We maintain our position that Australia's 2035 NDC should target over 70 percent emissions reductions, based on 2005 levels.<sup>10</sup>

As outlined in CMI's 2023 submission to the CCA, a 2035 NDC of over 70 percent would be a step-change in Australian climate policy ambition, signalling for state and territory governments to scale up supporting policy frameworks, and for growing private sector investment in decarbonisation solutions.<sup>11</sup> This target would also align more closely with Australia's fair share, as a developed economy, of limiting the global average temperature rise to 1.5C.<sup>12</sup> Finally, a strong 2035 NDC is essential to demonstrate Australia's commitment to credible climate action, strengthening Pacific diplomacy and supporting Australia's live bid to co-host a Pacific 31<sup>st</sup> Conference of the Parties (COP31).

---

<sup>8</sup> See also: CMI (2024), 'DCCEEW Electricity and Energy Sector Plan discussion paper consultation' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04\\_CMI-Submission\\_Electricity-and-Energy-Sector-Plan\\_FINAL.pdf](https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04_CMI-Submission_Electricity-and-Energy-Sector-Plan_FINAL.pdf)

<sup>9</sup> Climate Change Authority (CCA) (2024), 'Issues Paper: Targets, Pathways and Progress', available at: <https://consult.climatechangeauthority.gov.au/2024-issues-paper>.

<sup>10</sup> CMI (2023), 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).

<sup>11</sup> CMI (2023), 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).

<sup>12</sup> As noted by Climate Action Tracker (CAT), the 'fair share' concept extends from the Paris Agreement's (Article 4.3) notion of 'common but differentiated responsibilities and respective capabilities'. There is no agreed definition, but 'fair share' generally implies that developed economies contribute a greater share of effort and act more quickly than developing country peers – see: CAT (2023), 'Fair share', <https://climateactiontracker.org/methodology/cat-rating-methodology/fair-share/>.



CMI reiterates the need for corresponding 2035 NDC targets for adaptation and resilience,<sup>13</sup> echoing the Intergovernmental Panel on Climate Change's (IPCC) 2022 finding that climate resilient development is contingent on both adaptation and mitigation actions.<sup>14</sup>

Mitigation targets and efforts to decarbonise the economy in line with the Net Zero 2050 target should also be aligned with Australia's nature positive commitments (see more under Recommendation 7).<sup>15</sup>

## **2. Recommend sectoral budgets and complementary targets for emissions reduction, land-based removals and engineered removals to reinforce the investment signal created by a strong 2035 NDC. This should be supported by advice on leading indicators that the Government can use to track and monitor progress towards each target.**

Although the Government has indicated sectoral plans will not include binding sector-specific target,<sup>16</sup> CMI maintains that beneath national targets, Sector Plans should apportion at least an indicative target and carbon budget.<sup>17</sup> Indicative sectoral carbon budgets and targets would build on the overarching signal created by a strong 2035 NDC, signposting where investors should allocate capital based on industry-specific emissions reductions needs whilst also supporting an equitable approach to decarbonisation across the economy. We encourage the CCA's pathways advice to consider this.

Emissions reductions, land-based removals and engineered removals will all play a role in Australia's, and indeed the global, transition to net zero emissions and limiting global warming to 1.5C.

CMI welcomes the CCA's consideration of complementary decarbonisation targets for each of these three mitigation activities and has previously advocated for separate emissions reduction and removal targets to guide the transition of the agriculture and land sector.<sup>18</sup> Complementary targets would reinforce the signal created by a strong 2035 NDC, setting a direction of travel for supporting policy frameworks and guiding appropriate investments into each area.

To safeguard a target for engineered removals, CMI reiterates the need for governance frameworks and use-case rules to prevent investment strategies that could lead to perverse outcomes in the future.<sup>19</sup> For example, carbon dioxide removal technologies should not be invested in with the intention to extend fossil fuel use or exploration as the economy transitions to net zero emissions.

Noting the urgency of halting and reversing land degradation and clearing, CMI has advocated for the Government to report land-based emissions and removals separately, instead of combined as a net sink,

---

<sup>13</sup> As advocated in: CMI (2023), 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).

<sup>14</sup> Intergovernmental Panel on Climate Change (IPCC) (2022), 'Summary for Policymakers' in 'IPCC Sixth Assessment Report: Impacts, Adaptation and Vulnerability', available at: <https://www.ipcc.ch/report/ar6/wq2/chapter/summary-for-policymakers/>.

<sup>15</sup> Australia's nature positive commitments are outlined in the Nature Positive Plan: Department of Climate Change, Energy, the Environment and Water (DCCEEW) (2022), 'Nature Positive Plan: better for the environment, better for business', <https://www.dcceew.gov.au/sites/default/files/documents/nature-positive-plan.pdf>.

<sup>16</sup> See: DCCEEW 2023, 'The Hon. Chris Bowen MP Address to Clean Energy Council', <https://minister.dcceew.gov.au/bowen/speeches/address-clean-energy-council>.

<sup>17</sup> See, '1. Strengthen national climate ambition' in: CMI 2023, 'CMI Policy Positions', [https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions\\_FINAL-2023.pdf](https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf); CMI 2023, 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets submission' (CMI submission), [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf), p. 9.

<sup>18</sup> CMI (2023), 'Department of Agriculture, Fisheries and Forestry: Agriculture and Land Sectoral Decarbonisation Plan consultation' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_DAFF-Sectoral-Plan-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf).

<sup>19</sup> See Policy Position 3D in: CMI (2023), 'CMI Policy Positions', available at: [https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions\\_FINAL-2023.pdf](https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf).



in Australia's National Greenhouse Accounts.<sup>20</sup> We recommend the CCA consider how this could be operationalised as this would increase the visibility of land-based emissions and also enable more accurate measurement of progress against separate complementary land-based removal and reduction targets accurately.

The CCA's recommendations on complementary targets for emissions reduction, land-based removals and engineered removals should be accompanied by advice on leading indicators that the Government could use to monitor and track progress towards each target.

New project registrations under relevant ACCU Scheme methods that support emissions reductions, land-based removals or engineered removals are one example of leading indicators that the CCA's advice should consider.

### **3. Recommend an effective national carbon market strategy and the necessary underpinning elements that strategy should address, to establish a consistent carbon constraint for all sectors of the Australian economy, accelerate economy-wide decarbonisation and contribute towards international action, and facilitate investment in high integrity carbon removals to support net zero and net negative emissions.**

As the Government develops its six sectoral decarbonisation plans, CMI considers an enduring national policy framework requires robust consideration of market-based frameworks.

Designed with broad economic coverage, appropriate guardrails, and supporting policies for transformational investments, Australia's carbon market can play a vital role in linking decarbonisation efforts across these sectoral plans.

By progressively broadening Australia's carbon market to establish a consistent carbon constraint for all sectors of the Australian economy whilst strengthening the long-term investment signals in corporate and industrial emission reductions alongside whole of-economy reductions and removals, Australia could accelerate cross-sectoral decarbonisation.

The strategic use of carbon markets will thereby position Australia to lodge and achieve significantly uplifted 2035 NDC of well over 70 percent based on 2005 levels (see Recommendation 1). It would also support an orderly and accelerated transition towards achieving net zero and negative emissions by, and ideally before, 2050.

On the international stage, Australia's strategic engagement with carbon markets—including under Article 6 of the Paris Agreement—could support accelerated regional decarbonisation. By leveraging carbon markets, Australia can cooperate with regional neighbours to channel finance into high-cost mitigation technologies and actions that may otherwise be out of reach. This can bridge mitigation gaps and support developing countries to meet higher-ambition conditional NDCs. Emissions reduction projects can also be designed to support additional socio-economic outcomes.

Importantly, capacity building should be at the heart of Australia's regional engagement with carbon markets. Supporting knowledge transfer and skills uplift will equip neighbouring countries to establish carbon markets and cooperative agreements in a way that supports their broader climate resilience and development goals.

---

<sup>20</sup> CMI provides further commentary around this recommendation in: CMI 2023, 'Department of Agriculture, Fisheries and Forestry Agriculture and Land Sectoral Plan consultation submission', [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_DAFF-Sectoral-Plan-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf).





To be successful, a **National Carbon Market Strategy for Australia** should include the following elements:

- a. Articulate a pathway to strengthen and converge market-based frameworks towards an economy-wide carbon pricing scheme or a consistent carbon constraint for all sectors of the Australian economy** including:
  - Clarify the evolution of the reformed Safeguard Mechanism following the 2026-27 scheduled review, to broaden and deepen the scheme by progressively dropping the coverage threshold and extending its application to other sectors of the economy;
  - Strengthen the guardrails within the Safeguard Mechanism to sharpen the long-term investment signals it provides, for example through rolling vintage windows for carbon credits; and
  - Establish complementary market-based frameworks to drive transformation investments in the energy, transport and aviation sectors, leveraging the Guarantee of Origin framework and fuels standards underpinned by market-based frameworks.
  
- b. Guide Australia's engagement with international carbon markets, ensuring high integrity outcomes that support Australia's net zero transition and contribute to global climate action,** including:
  - Articulate an appropriate sequencing timetable for linking Australia's carbon market with international emissions trading schemes and policies, prioritising achieving an ambitious NDC and giving due consideration to supporting market stability and price in Australia's carbon market and balancing supply/demand outlook.
  - Ensure that the ability to surrender carbon credits in the future, whether using ACCUs or high integrity international credits, does not dilute the driver for the at-point, facility-level decarbonisation of Safeguard Mechanism covered facilities.
  - Support international cooperative initiatives to harmonise carbon pricing frameworks, including through the G7 Climate Club and the taskforce recently established by the WTO and other international monetary bodies that will create a methodology to determine global carbon prices and support equity across markets.
  - Redirect the historical Indo-Pacific Carbon Offsets Scheme (IPCOS) to reinvigorate the program and support Australia's bid to host COP31 in 2026.
  
- c. Support mutual complementarity between Australia's carbon and nature and biodiversity markets, including by guiding interoperability between the ACCU Scheme and Nature Repair Market, to minimise or avoid administrative duplication and encourage multiple participation points.**
  
- d. Guide the carbon market towards increased investment in removal projects whilst continuing to support the important role that avoidance credits play in the short to medium term in accelerating the global transition.**

International best practice guidance underscores the need to transition investment towards carbon removal projects with durable storage (low risk of reversal) to compensate any residual emissions at a state of net zero whilst also facilitating net negative emissions. As other regulations are strengthened to prevent deforestation, the carbon market will also continue to play a vital role in halting and reversing forest loss and land degradation through avoidance carbon credits.

CMI considers that government policy and regulation can play a key role in supporting this shift by:



- Setting targets and establishing incentives to scale investment in carbon removal projects with durable storage, balancing competition risks with clean energy development and land space for agricultural production;
- Establishing a governance framework which considers restriction on use of CDR where this would extend the use of fossil fuels or impact the economy-wide carbon budget;
- Concentrating method development on nature-based carbon storage to support achievement of Glasgow Leaders Declaration on Forests and Land Use, in order to halt and reverse forest loss and land degradation by 2030; and
- Continuing to support investment in nature-based solutions and carbon removals while strengthening other regulations to prevent deforestation.

**e. Ensure complementary policy frameworks and regulations facilitate deep structural transition in Australia's economy and mitigate the risk of inappropriate use of carbon markets that could delay decarbonisation of Australia's industrial and energy sectors.**

CMI highlights the following complementary policies in particular:

- Charting a clear pathway towards phasing out fossil fuels in partnership with our key trading partners (see Recommendation 4)
- Establishing a more rigorous assessment framework for emissions-intensive developments in Australia by introducing a requirement for new developments to demonstrate their impact on the climate, by establishing a form of climate trigger into the EPBC Act.
- Developing additional regulatory guidance and standards, that draw upon international standards, to support the credible and high integrity use of market-based solutions in company net zero targets and transition plans (see Recommendation 5 on standards). CMI welcomes the Government's budgetary commitment of \$1.3 million to develop and release best practice guidance for disclosing net zero transition plans<sup>21</sup> and looks forward to supporting the development of fit-for-purpose regulatory guidance and standards.

**4. Provide advice on planning and regulation to facilitate a fossil fuel phase out in partnership with Australia's key trading partners, as a complement to market-based frameworks and initiatives that support the development of net zero aligned industries.**

The Issues Paper highlights the significance of Australia's scope 3 emissions; while Australia's 2022 domestic emissions accounted for 0.86 percent of global emissions, combustion of LNG and black coal exported by Australia produced more than double national emissions and over 2 percent of global emissions.<sup>22</sup>

To implement Australia's international commitments, including Australia's commitment in the first Global Stocktake at COP28 to "[transition] away from fossil fuels in energy systems in a just, orderly and equitable manner...so as to achieve net zero by 2050 in keeping with the science",<sup>23</sup> Australia's Net Zero Plan and sectoral plans (notable the Resources, Industry, and Electricity and Energy plans) should chart a path toward fossil fuel phase out. Addressing this challenge would also demonstrate Australia's seriousness in supporting neighbouring Pacific countries to respond to climate impacts.

<sup>21</sup> See further <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/investing-future-made-australia>.

<sup>22</sup> CCA (2024), 'Issues Paper: Targets, Pathways and Progress', p. 17, available at: <https://consult.climatechangeauthority.gov.au/2024-issues-paper>.

<sup>23</sup> United Nations Framework Convention on Climate Change (UNFCCC) (2023), 'Draft decision -/CMA.5: First global stocktake', available at: [https://unfccc.int/documents/636608#msdnttrid=S3AZcMgHW7CqOCwkdhVuM\\_G1IlgMIA2KcPTeMv14ZwM](https://unfccc.int/documents/636608#msdnttrid=S3AZcMgHW7CqOCwkdhVuM_G1IlgMIA2KcPTeMv14ZwM).



CMI stresses that in the transition away from fossil fuels and eventual phase out, carbon markets should not be used as a substitute for industrial decarbonisation and fossil fuel phase out but designed in a way to accelerate the transition to net zero emissions.<sup>24</sup>

To support global energy security and international emissions reductions, Australia should approach phase out in cooperation with key trading partners. Australia's approach to this complex structural economic challenge should carefully weigh energy security considerations against Australia's national interest in an accelerated regional transition that would enable Australia to realise its renewable energy superpower ambitions.<sup>25</sup>

CMI recommends that the CCA advise the Government on the importance and merits of a planned, regulated fossil fuel phase out, as well as how to approach this. We consider that such a plan could sit within the broader Resources Sectoral Decarbonisation Plan and have clear linkages with the adjacent Industry, and Electricity and Energy plans.

The Government's recent Future Gas Strategy underscores the risks of misaligned policymaking that falls short in articulating necessary transformative policies that will be required to transition toward net zero and net negative emissions, and in turn risks inappropriate use of carbon markets. As we recently highlighted<sup>26</sup> while gas will play a limited role as we move away from traditional energy sources and industrial feedstock, greater attention is required on the deeper structural transition of Australia's economy away from fossil fuels to meet our international climate commitments. At a state of net zero, only residual emissions should be offset and only with high integrity carbon removals.

The sectoral plans and Net Zero economy-wide plan provide another opportunity for government to clarify that direction of travel to facilitate deep decarbonisation and investment in effective carbon removals.

In advising the Government on fossil fuel phase out, the CCA should consider:

- the economic disadvantages of a delayed and disorderly fossil fuel phase out;
- advice on the role of gas in the transition to net zero emissions, which should be limited and not employ carbon removals or carbon capture and storage (CCS) to allow for expansion;
- the potential for embedding climate change considerations more directly in Australia's environmental laws—including considering a climate trigger that would require project approval processes to consider the environmental impacts of expected project scope 3 emissions;<sup>27</sup>
- how to approach phasing out fossil fuel subsidies and tax incentives and potentially reallocate incentives to resource exploration that aligns with the needs of a global net zero economy;

<sup>24</sup> See more in CMI's response to the Future Gas Strategy: CMI (2024), 'Gas Strategy risks inappropriate use of carbon markets: CMI' (CMI media release), available at: <https://carbonmarketinstitute.org/2024/05/14/gas-strategy-risks-inappropriate-use-of-carbon-markets-cmi/>.

<sup>25</sup> See for example, James Bowen, 'Australian new gas strategy makes for flawed foreign policy' (15 May 2024) The Interpreter by the Lower Institute, Available at <https://www.lowyinstitute.org/the-interpreter/australia-s-new-gas-strategy-makes-flawed-foreign-policy>.

<sup>26</sup> See CMI Media Release, 'Gas Strategy risk inappropriate use of carbon markets: CMI' (14 May 2024), Available at <https://carbonmarketinstitute.org/2024/05/14/gas-strategy-risks-inappropriate-use-of-carbon-markets-cmi/>.

<sup>27</sup> See further commentary on the potential value of a climate trigger in: CMI (2024), 'Department of Climate Change, Energy, the Environment and Water: Australia's new Nature Positive Laws submission' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2024/03/2024.03\\_FINAL\\_CMI-submission\\_DCCEEW-Australia-new-Nature-Positive-Laws.pdf](https://carbonmarketinstitute.org/app/uploads/2024/03/2024.03_FINAL_CMI-submission_DCCEEW-Australia-new-Nature-Positive-Laws.pdf).



- opportunities to leverage and build on the vision and objectives of Australia’s Critical Minerals Strategy to support the structural shift of the economy away from fossil fuel exports towards the resources needed to support a low-carbon global economy;<sup>28</sup>
- opportunities for Australia to cooperate with key trading partners to support wider fossil fuel phase out while ensuring energy security, including through exporting renewable resources and skills to support energy transition in developing export destination economies—noting such actions could achieve substantial emissions reductions compared to decarbonising Australia’s economy alone; and
- the potential to expand the Net Zero Authority’s remit guiding incentives and regulations to drive fossil fuel phase out, while also coordinating workforce support programs to ensure a just transition for affected workers and communities.

## **5. Recommend the Government support the expedited development of international net zero standards and their incorporation into Australian regulation, as an important complement to market-based frameworks to support net zero aligned corporate and investment strategies.**

In addition to market-based frameworks, internationally harmonised regulatory frameworks and legal standards are useful tools for guiding corporate behaviour that the Government should leverage to reinforce the net zero transition.<sup>29</sup> CMI considers that the Australian Government also has an important role to play in supporting the development of internationally harmonised frameworks.

CMI has engaged with and welcomed the Government’s existing work to establishing mandatory climate-related financial disclosure by tasking the Australian Accounting Standards Board (AASB) with translating the International Sustainability Standards Board’s (ISSB) Climate-related Disclosures standard (IFRS S2) into a legal standard for Australia as one example of this approach in practice.<sup>30</sup>

Building on this and as articulated in our 2023 submission to the CCA, we consider that Australia should set an intention to establish legal standards and regulation for net zero targets by non-state actors that reflect harmonised international guidance.<sup>31</sup> This would facilitate great standardisation in the real economy, in turn supporting more robust approach to transition by private entities.

The CCA should consider the utility of regulating net zero claims through the introduction of a net zero standard into Australian law and provide advice to the Government on a pathway to doing so.

---

<sup>28</sup> See: Department of Industry, Science and Resources (DISR) (2023), ‘Critical Minerals Strategy 2023–2030’, available at: <https://www.industry.gov.au/publications/critical-minerals-strategy-2023-2030>.

<sup>29</sup> See: CMI (2024), ‘Treasury Laws Amendment Bill 2024: Climate-related financial disclosure’ (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2024/02/02\\_2024\\_Treasury\\_Climate\\_related\\_financial\\_disclosure\\_Exposure-Draft\\_FINAL.pdf](https://carbonmarketinstitute.org/app/uploads/2024/02/02_2024_Treasury_Climate_related_financial_disclosure_Exposure-Draft_FINAL.pdf); CMI (2023), ‘Treasury Climate-related financial disclosure Consultation paper’ (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/CMI-Submission\\_Treasury-SecondConsultation\\_ClimateRelatedFinancialDisclosures\\_July2023.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/CMI-Submission_Treasury-SecondConsultation_ClimateRelatedFinancialDisclosures_July2023.pdf); CMI (2023), ‘Treasury Climate-related financial disclosure Consultation paper submission’ (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/02/Carbon-Market-Institute\\_TSY-consultation\\_climate-relatedfinancialdisclosure-framework.pdf](https://carbonmarketinstitute.org/app/uploads/2023/02/Carbon-Market-Institute_TSY-consultation_climate-relatedfinancialdisclosure-framework.pdf).

<sup>30</sup> See above reference. Also: Australian Accounting Standards Board (AASB) (2023), ‘Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information’, available at: <https://aasb.gov.au/news/exposure-draft-ed-sr1-australian-sustainability-reporting-standards-disclosure-of-climate-related-financial-information/>.

<sup>31</sup> See: CMI (2023), ‘Climate Change Authority: Setting, tracking and achieving Australia’s emissions reduction targets’ (CMI submission), p. 20, available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf). See also: CMI (2022), ‘CMI submission to the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities’ (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2022/09/FINAL\\_CMI-sub\\_UNHG-Net-Zero-Emissions-Commitments-of-Non-State-Entities.pdf](https://carbonmarketinstitute.org/app/uploads/2022/09/FINAL_CMI-sub_UNHG-Net-Zero-Emissions-Commitments-of-Non-State-Entities.pdf).



To provide advice on this, CMI encourages the CCA to consider the International Standards Organization (ISO) 2022 Net Zero Guidelines<sup>32</sup>, that were launched at COP27 following a consensus-based process that included over 100 countries and 1,200 organisations. These Guidelines are now a core reference text for credible net zero action, aiming to provide clarity on what a best practice climate action plan looks like for any organisation type: corporates, local authorities, policy makers and others.

The international standards system is currently considering these guidelines to inform the expedited development of a formal net zero standard to support an internationally harmonised regulatory approach to net zero transition. When the ISO Net Zero Standard is available, the Australian Government could use this as a blueprint for regulating an internationally aligned net zero standard for Australia.

In addition to providing guidance for corporate and financial net zero strategies to reinforce the broader economic transition, regulating corporate net zero claims or targets through Australian regulations would reinforce anti-greenwashing efforts by the Australian Competition & Consumer Commission (ACCC)<sup>33</sup> and Australian Security & Investments Commission (ASIC).<sup>34</sup>

## **6. Provide advice to Government on sectoral pathways that support the shift to a circular economy, noting the considerable emissions reducing potential of circular material management pathways.**

Supporting genuine circular economy transformation in Australia can unlock emissions reductions that will support all sectoral decarbonisation pathways.

As articulated by the Waste Management and Resource Recovery Association of Australia (WMRR),<sup>35</sup> policies to implement the waste management hierarchy and incentivise higher-order material management towards ultimately ‘designing out’ waste and implement a truly circular economy will reduce emissions.

CMI cautions that grouping waste in with the industry sectoral pathway may miss opportunities, and that treating waste along with the circular economy transformation at the systems level as a cross-cutting issue may better enable the required systems-level solutions and prevent siloed approaches.

CMI notes that the recent 2024-25 Budget provisions \$23 million to support the Government’s ongoing circular economy policy and program priorities.<sup>36</sup> It is vital that the Government’s sectoral decarbonisation planning considers and harnesses these circular economy policy priorities to maximise emissions reduction outcomes. The Circular Economy Ministerial Advisory’s interim report findings and recommendations, point to the synergies between the circular economy transformation and net zero transition.<sup>37</sup>

---

<sup>32</sup> See further ISO Net Zero Guidelines, <https://www.iso.org/netzero>.

<sup>33</sup> Australian Competition & Consumer Commission (ACCC), ‘Environmental and sustainability claims’, <https://www.accc.gov.au/business/advertising-and-promotions/environmental-and-sustainability-claims>.

<sup>34</sup> Australian Security & Investments Commission (ASIC) (2023), ‘Red light for greenwashing’, <https://asic.gov.au/about-asic/news-centre/articles/red-light-for-greenwashing/>.

<sup>35</sup> The Waste Management and Resource Recovery Association of Australia’s (WMRR) 2023-2026 strategic business plan outlines the emissions reducing and further systemic benefits of implementing the waste management hierarchy and supporting Australia’s shift to a circular economy. See: WMRR (2023), ‘Waste Management and Resource Recovery Association of Australia – Strategic Business Plan 2023 – 2026’, available at: [https://wmrr.asn.au/common/Uploaded%20files/Strategic%20Plan/WMRR%20Strategic%20Plan%202023-2026\\_v2.pdf](https://wmrr.asn.au/common/Uploaded%20files/Strategic%20Plan/WMRR%20Strategic%20Plan%202023-2026_v2.pdf).

<sup>36</sup> Treasury (2024), ‘Budget 2024-25 Budget Measures: Budget Paper No. 2’, p. 54, available at: [https://budget.gov.au/content/bp2/download/bp2\\_2024-25.pdf](https://budget.gov.au/content/bp2/download/bp2_2024-25.pdf).

<sup>37</sup> Circular Economy Ministerial Advisory Group (2024), ‘Interim report’, p. 10, available at: <https://www.dcceew.gov.au/sites/default/files/documents/circular-economy-ministerial-advisory-group-interim-report.pdf>.



Noting the growing green waste issue,<sup>38</sup> CMI also encourages the CCA's sectoral advice to explicitly consider circular material management policies and requirements to ensure that 'waste' associated with the low-carbon economy—such as batteries, solar panels, and so on—have management pathways for re-use and recycling to avoid otherwise harmful and/or emissions-intensive means of disposal, such as in landfills.

## **7. Provide advice to Government on sectoral pathways to net zero that also foster nature positive outcomes and avoid further biodiversity loss—harnessing synergies to support progress towards addressing the interconnected twin biodiversity and climate crises.**

The climate and biodiversity crises are closely intertwined.<sup>39</sup> Noting Australia's commitments under the Kunming-Montreal Global Biodiversity Framework (GBF)<sup>40</sup> and Nature Positive Plan,<sup>41</sup> CMI stresses the need for sectoral decarbonisation pathways that not only support the net zero transition, but support nature positive outcomes by enhancing biodiversity, protecting Australia's natural environment, and safeguarding against further environmental degradation and biodiversity loss.

We encourage the CCA to approach its pathways advice through a systemic lens to ensure that recommendations to support mitigation outcomes do not lead to perverse biodiversity or environmental outcomes. To use tree planting as an example, ensuring mixed-tree species plantings that support biodiversity at the ecosystem level instead of lower-biodiversity monoculture plantings that may sequester emissions at the expense of local ecosystem health.

Climate Friendly and WWF Australia's partnership on the Koala Friendly Carbon environmental plantings project under the ACCU Scheme is an example of an approach that both supports climate mitigation and biodiversity and species conservation outcomes.<sup>42</sup>

CMI is aware of research being led by Dr Michelle Ward at Griffith University that looks at what price per tCO<sub>2</sub>-e would be needed to fund nature positive regeneration and sequestration across 30 percent of Australian ecosystem types to support Australia's commitments under the GBF.<sup>43</sup> We encourage the CCA to contact Dr Ward to discuss the preliminary findings of this research.

With reference to the agriculture and land sector's decarbonisation pathway (see Recommendation 9 for further commentary on the agriculture and land sector), CMI notes that harnessing Australia's landmass to support broader sequestration needs and nature positive goals will involve some level of trade-off with food and fibre production. Dr Ward's research indicates that these trade-offs can be minimal if the decarbonisation pathway of agriculture and land is well managed.

<sup>38</sup> See: N Martin (2024), 'Bigger and better solar panel recycling centres needed to deal with PV waste, says report', available at: <https://www.unsw.edu.au/newsroom/news/2024/03/Bigger-better-solar-panel-recycling-centres-needed-deal-PV-waste-report>.

<sup>39</sup> Shin et al. (2022), 'Actions to Halt Biodiversity Loss Generally Benefit the Climate', in *Global Change Biology*, Volume 28, issue 9, pp. 2846–2874, available at: <https://doi.org/10.1111/gcb.16109>.

<sup>40</sup> Target 2 of the Global Biodiversity Framework seeks to ensure that by 2030, 30 percent of degraded ecosystems are under effective restoration to enhance biodiversity and ecosystem functions and series, ecological integrity and connectivity. See: UN Environment Program Convention on Biological Diversity, '2030 Targets (with Guidance Notes)', available at: <https://www.cbd.int/gbf/targets>.

<sup>41</sup> DCCEEW (2022), 'Nature Positive Plan: Better for the environment, better for business', available at: <https://www.dcceew.gov.au/sites/default/files/documents/nature-positive-plan.pdf>.

<sup>42</sup> See: Climate Friendly (2024), 'A partnership to create koala habitat', available at: <https://www.climatefriendly.com/koala-projects/>.

<sup>43</sup> Target 2 of the Global Biodiversity Framework seeks to ensure that by 2030, 30 percent of degraded ecosystems are under effective restoration to enhance biodiversity and ecosystem functions and series, ecological integrity and connectivity. See: UN Environment Program Convention on Biological Diversity, '2030 Targets (with Guidance Notes)', available at: <https://www.cbd.int/gbf/targets>.





## **8. Recommend framing the approach to sectoral pathways within a long-term, systemic approach to enable consideration of a broader suite of policy levers to support ambitious national targets.**

Across a range of the sectoral pathways, a long-term system approach would enable consideration of broader policy levers to support ambitious national targets. CMI considers that such an approach would encourage emissions avoidance behaviours such as minimising single-passenger car use in the transport sector and demand response and energy efficiency in the electricity and energy sectors.

CMI highlighted some of the opportunities in the transport sector in our [March 2024 submission to the New Vehicle Efficiency Standard consultation](#). Through a combination of public transport investment, congestion levies, health awareness campaigns, and encouraging ridesharing, this approach would not only reduce emissions, but prevent other undesirable issues such as traffic congestion and pollution.

We would also encourage the federal government to lead coordination with the states and territories on a nationally harmonised approach to fuel and transport pricing reform that would encourage short-term low- and zero-emissions vehicle (LZEV) uptake while pursuing a distance-based road user pricing framework in the long term.

We also anticipate a broad range of equivalent opportunities in adjacent sector where a long-term system approach is adopted.

### **Sector specific considerations**

#### **The Climate Change Authority should:**

## **9. Advise on how the Government's agriculture and land sector plan can guide and equip the sector to address its own hard-to-abate emissions, while supporting the broader economy-wide transition via carbon drawdown, considering the following:**

- a. setting separate, indicative removal and reduction targets for agriculture and land to help the sector balance its dual role in supporting sustainable food and fibre production and scaling drawdown;**
- b. accounting for land-based emissions and removals separately, instead of as a net sink, in the National Greenhouse Accounts to support visibility of emissions from deforestation and land clearing (see also Recommendation 2);**
- c. building awareness, literacy and capacity around the sector's transition among producers, First Nations groups and the community, including by leveraging existing initiatives such as CMI's Market Readiness work; and**
- d. the potential to leverage the ACCU Scheme to catalyse agriculture and land sectoral decarbonisation pathway by scaling land-based drawdown and emissions reductions.**

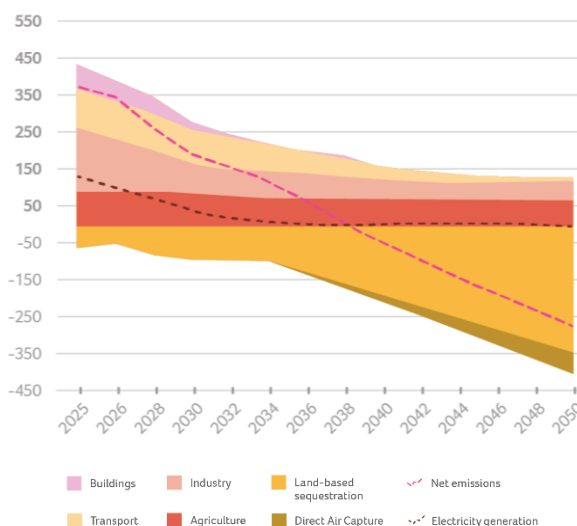
Pathways advice for Agriculture and Land should highlight and support the sector to address its own hard-to-abate (agricultural) emissions, while scaling further land-based sequestration to support broader economic drawdown.<sup>44</sup>

---

<sup>44</sup> See also: CMI 2023, 'Department of Agriculture, Fisheries and Forestry Agriculture and Land Sectoral Plan consultation submission', [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_DAFF-Sectoral-Plan-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf).



Modelling by Climateworks Centre<sup>45</sup> reinforces the integral role Australia’s land sector can and must if Australia is to play its fair share in limiting the average temperature rise to 1.5C:



Source: Climateworks Centre in CMI-Westpac Carbon Market Report 2024<sup>46</sup>

CMI highlights that the ACCU Scheme is already incentivising and scaling land-based sequestration as well as emissions reductions in the agriculture sector. We consider that this role can be scaled further to accelerate the net zero transition of agriculture and land. A national carbon market strategy (see Recommendation 3) should inform how the scheme can be leveraged to support this.<sup>47</sup>

To unlock the agriculture and land sector’s pathway to net zero and negative emissions, initiatives to support awareness, literacy and capacity around the transition among producers, land managers and First Nations groups and the broader community is vital. CMI encourages the CCA to consider the following tools and approaches that would support this pathway, as articulated in [our response to the Department of Agriculture, Forestry and Fisheries’ \(DAFF\) Agriculture and Land Sector Plan consultation](#):<sup>48</sup>

- the need for a standardised approach to on-farm emission accounting and reporting, including consistent approaches to data collection;
- updating and promoting Australian state- and territory-specific emissions factors to empower organisations to measure scope 3 emissions and identify and adopt value chain abatement opportunities;
- consult First Nations groups who own, manage or have rights pertaining to the Indigenous Estate;
- coordinate with the Net Zero Authority to identify and support regional jobs and skills needs, including by leveraging existing initiatives such as:

<sup>45</sup> See: Climateworks Centre (2023), ‘Decarbonisation scenarios 2023: Australia can still meet the Paris Agreement’, available at: <https://www.climateworkscentre.org/resource/climateworks-centre-decarbonisation-scenarios-2023-australia-can-still-meet-the-paris-agreement/>.

<sup>46</sup> Climateworks Centre (2024), in CMI-Westpac Carbon Market Report 2024: Carbon Markets and Australia’s Net Zero Challenge’, p. 31, available at: [https://carbonmarketinstitute.org/app/uploads/2024/04/2024\\_CMI-Westpac\\_Carbon-Market-Report.pdf](https://carbonmarketinstitute.org/app/uploads/2024/04/2024_CMI-Westpac_Carbon-Market-Report.pdf).

<sup>47</sup> CMI (2023), ‘Department of Agriculture, Fisheries and Forestry Agriculture and Land Sectoral Decarbonisation Plan consultation’ (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_DAFF-Sectoral-Plan-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf).

<sup>48</sup> CMI 2023, ‘Department of Agriculture, Fisheries and Forestry Agriculture and Land Sectoral Plan consultation submission’, [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_DAFF-Sectoral-Plan-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf).





- CMI's Market Readiness work ([example carbon contract clauses](#),<sup>49</sup> [banker training program](#),<sup>50</sup> Carbon Farming Industry Roadmap); and
- the Government's Sustainable Agricultural Facilitators and Carbon Farming Outreach Program.

As well as referencing [our response to the Department of Agriculture, Fisheries and Forestry's Agriculture and Land Sector Plan consultation](#),<sup>51</sup> we encourage the CCA to revisit our commentary on an approach to advice for agriculture and land in [our submission to its 2023 consultation](#).<sup>52</sup>

## **10. Recommend strengthening the reformed Safeguard Mechanism and associated reporting frameworks as a key regulatory lever to facilitate the decarbonisation pathways for the Industry and Waste, Resources, and Electricity and Energy Sectors.**

CMI considers that strengthening the reformed Safeguard Mechanism is the key way to support a net zero pathway for Australian industry, while also reducing emissions from Australia's resources and energy sectors.

We encourage the CCA to consider the following measures in its advice to Government on sectoral pathways:

- under a staged approach with appropriate lead time, gradually dropping the threshold for Safeguard Mechanism coverage to 25,000 tCO<sub>2</sub>-e scope 1 emissions;<sup>53</sup>
- introducing a five-year rolling vintage limit to ACCUs and Safeguard Mechanism Credits (SMCs) eligible under the Safeguard Mechanism;<sup>54</sup>
- including emissions from off-site energy sources in facilities' covered emissions under the Safeguard Mechanism to strengthen incentives for process electrification;<sup>55</sup>
- expediting the introduction of carbon leakage protections for Australian industry as it decarbonises, such as a carbon border adjustment mechanism (CBAM);<sup>56</sup> and

<sup>49</sup> CMI (2024), 'Example Contract Clauses', available at: <https://carbonmarketinstitute.org/example-contract-clauses/>.

<sup>50</sup> CMI (2023), 'Carbon Farming Banker Training', available at: <https://carbonmarketinstitute.org/2023/11/27/training/>.

<sup>51</sup> CMI 2023, 'Department of Agriculture, Fisheries and Forestry Agriculture and Land Sectoral Plan consultation submission', [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_DAFF-Sectoral-Plan-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_DAFF-Sectoral-Plan-consultation.pdf).

<sup>52</sup> CMI (2023), 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), p. 23-24, available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).

<sup>53</sup> See detailed commentary on the value of dropping the threshold to 25,000 tCO<sub>2</sub>-e in: CMI (2023), 'Department of Climate Change, Energy, the Environment and Water – Safeguard Mechanism Rules: Consultation on proposed design' (CMI submission), pp. 6-7, [https://carbonmarketinstitute.org/app/uploads/2023/02/FINAL\\_Carbon-Market-Institute-submission\\_Draft-Safeguard-Rules-1.pdf](https://carbonmarketinstitute.org/app/uploads/2023/02/FINAL_Carbon-Market-Institute-submission_Draft-Safeguard-Rules-1.pdf); CMI (2022), 'Department of Climate Change, Energy, the Environment and Water – Safeguard Mechanism Reform: Consultation on draft legislation' (CMI submission), p. 8, available at: [https://carbonmarketinstitute.org/app/uploads/2022/11/20221101\\_CMI-submission\\_Safeguard-Mechanism-Reform-consultation-on-draft-legislation.pdf](https://carbonmarketinstitute.org/app/uploads/2022/11/20221101_CMI-submission_Safeguard-Mechanism-Reform-consultation-on-draft-legislation.pdf).

<sup>54</sup> See detailed commentary on introducing vintage restrictions in: CMI (2023), 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), p. 12, available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).

<sup>55</sup> CMI highlighted the potential for Safeguard-covered facilities to externalise energy-related emissions by sourcing their energy from an off-grid supplier in: CMI (2023), 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), p. 12, available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).

The potential for changes to how emissions from offsite energy are treated under the reformed Safeguard Mechanism is also noted in the Future Gas Strategy: Department of Industry, Science and Resources (DISR) (2024), 'Future Gas Strategy Analytical Report', p. 30, available at: <https://www.industry.gov.au/publications/future-gas-strategy-analytical-report>.

<sup>56</sup> See: CMI (2023), 'Department of Climate Change, Energy, the Environment and Water Carbon Leakage Review – first consultation' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12\\_FINAL\\_CMI-submission\\_Carbon-Leakage-Review-first-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/12/2023.12_FINAL_CMI-submission_Carbon-Leakage-Review-first-consultation.pdf); CMI (2023), 'Climate Change Authority: Setting, tracking and achieving Australia's emissions reduction targets' (CMI submission), pp. 13-14, available at: [https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).



- to support transparency over facilities emissions that are not captured by the reformed Safeguard Mechanism, introducing scope 3 reporting into the National Greenhouse and Energy Reporting (NGER) scheme to support transparency.<sup>57</sup>

In considering these options for strengthening the Safeguard Mechanism and to ensure an equitable and holistic net zero transition for the waste and resource recovery sector, CMI encourages the CCA to advise the Government on a long-term approach to the treatment of landfills covered under the Safeguard Mechanism—particularly in the context of considering dropping the threshold for coverage.<sup>58</sup>

We note that a solution for the treatment of landfills under the Safeguard Mechanism should be implemented alongside and as part of bigger-picture, systemic changes to material management policy and regulation to ‘design out’ waste and implement a circular economy (see again Recommendation 6 above). In the case of landfills, this means ensuring they receive only truly residual waste to avoid the creation of organic-based landfill gas and methane in the first place.

## **11. Assess whether there is an appropriate point in time to bring grid-connected electricity and large agri-businesses into the reformed Safeguard Mechanism in the medium to longer term to support the eventual creation of a consistent market-based decarbonisation driver across the economy.**

CMI suggests that the CCA investigate whether bringing high-emitting, grid-connected electricity generators into the reformed Safeguard Mechanism at some point post 2030 is needed to provide a backstop for the ongoing retirement of legacy fossil-fired generating assets. For more detail, please see [CMI’s April 2024 response to DCCEEW’s Electricity and Energy Sector Plan consultation](#).<sup>59</sup> See also Recommendation 3 on national carbon market strategy.

Noting CMI’s recommendations to the CCA’s 2023 consultation and the need to support and equip the agriculture sector to understand and address its emission first, the CCA should investigate at which point it may be appropriate to bring larger emitting agri-businesses into the Safeguard Mechanism at some point in the future.

## **12. Consider additional market-based framework that may be required for the Electricity and Energy Sector should investigate drivers for ongoing renewable electrification beyond the 2030 conclusion of the Renewable Energy Target (RET).**

CMI suggests that the CCA investigate how a mandatory time-matching target under the Renewable Energy Guarantee of Origin (REGO) Scheme could drive continued private investment into the renewable electrification of the grid beyond 2030.

We suggest that introducing a REGO target with a time-matching dimension would leverage the planned timestamping attribute of REGO certificates to drive additional investment into project types that support variable renewable generation in the grid, such as firmed renewables and long-duration energy storage.

<sup>57</sup> For commentary on including scope 3 reporting under NGERs, see: CMI (2023), ‘Climate Change Authority: Setting, tracking and achieving Australia’s emissions reduction targets’ (CMI submission), pp. 4-5, available at:

[https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL\\_CMI-submission\\_CCA-2023-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/FINAL_CMI-submission_CCA-2023-consultation.pdf).

<sup>58</sup> See CMI’s previous commentary on the treatment of landfills under the reformed Safeguard Mechanism in: CMI (2023), ‘Department of Climate Change, Energy, the Environment and Water – Safeguard Mechanism Rules: Consultation on proposed design’ (CMI submission), p. 29, available at: [https://carbonmarketinstitute.org/app/uploads/2023/02/FINAL\\_Carbon-Market-Institute-submission\\_Draft-Safeguard-Rules-1.pdf](https://carbonmarketinstitute.org/app/uploads/2023/02/FINAL_Carbon-Market-Institute-submission_Draft-Safeguard-Rules-1.pdf).

<sup>59</sup> CMI (2024), ‘DCCEEW Electricity and Energy Sector Plan discussion paper consultation’ (CMI submission), p. 7, available at: [https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04\\_CMI-Submission\\_Electricity-and-Energy-Sector-Plan\\_FINAL.pdf](https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04_CMI-Submission_Electricity-and-Energy-Sector-Plan_FINAL.pdf).



For more detail on this recommendation, please see [CMI's April 2024 response to the Government's Electricity and Energy Sector Plan consultation](#).<sup>60</sup>

**13. Advise on market-based approaches for the uptake of low-carbon fuels for the Electricity and Energy, and Transport sectoral decarbonisation pathways such as:**

- a) a liquid fuel ETS for heavy road transport;**
- b) a jet fuel ETS and complementary incentives to support Sustainable Aviation Fuel uptake; and/or**
- c) the merits or potential drawbacks of extending the Guarantee of Origin (GO) Scheme certificates to biomethane and biofuels to provide a driver for financing low-carbon fuels, accompanied by appropriate use-case guardrails.**

More details on these market-based approaches and their potential utility in catalysing decarbonisation for respective sectors can be found in the following CMI submissions, which we encourage the CCA to consider:

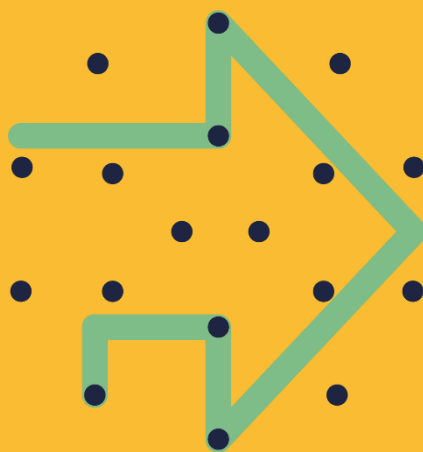
- [CMI submission to the Government's Electricity and Energy Sector Plan consultation](#) (April 2024);<sup>61</sup> and
- [CMI submission to the Government's New Vehicle Emissions Standard consultation](#) (March 2024).<sup>62</sup>

---

<sup>60</sup> CMI (2024), 'DCCEEW Electricity and Energy Sector Plan discussion paper consultation' (CMI submission), p. 6, available at: [https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04\\_CMI-Submission\\_Electricity-and-Energy-Sector-Plan\\_FINAL.pdf](https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04_CMI-Submission_Electricity-and-Energy-Sector-Plan_FINAL.pdf).

<sup>61</sup> CMI (2024), 'DCCEEW Electricity and Energy Sector Plan discussion paper consultation' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04\\_CMI-Submission\\_Electricity-and-Energy-Sector-Plan\\_FINAL.pdf](https://carbonmarketinstitute.org/app/uploads/2024/04/2024.04_CMI-Submission_Electricity-and-Energy-Sector-Plan_FINAL.pdf).

<sup>62</sup> CMI (2024), 'DITRDCA NVES Consultation Impact Analysis' (CMI submission), available at: [https://carbonmarketinstitute.org/app/uploads/2024/03/2024.03\\_CMI-submission\\_NVES-Consultation-Impact-Analysis-consultation.pdf](https://carbonmarketinstitute.org/app/uploads/2024/03/2024.03_CMI-submission_NVES-Consultation-Impact-Analysis-consultation.pdf).



## **for more information please contact**

Gabriella Warden

Manager, Government Relations and Policy Research

[gabriella.warden@carbonmarketinstitute.org](mailto:gabriella.warden@carbonmarketinstitute.org)

+61 (0) 418 263 296

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.

