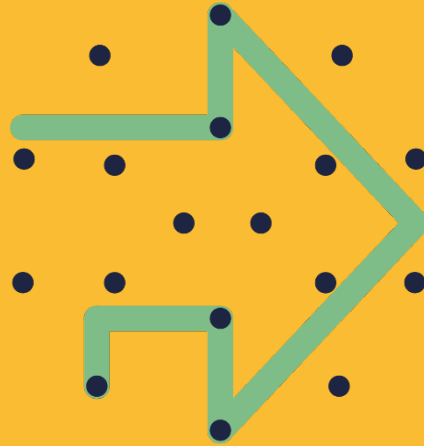




Climate Change Authority 2026 Annual Progress Advice submission

August 2026





CCA: 2026 Annual Progress Advice

submission

The Carbon Market Institute (CMI) welcomes the opportunity to respond to the Climate Change Authority (CCA) on its 2026 Annual Progress Advice.

CMI is an independent, member-based institute that promotes the use of market-based solutions to support best practice in decarbonisation. Our membership includes 130+ 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 Positions¹ regularly, drawing on practical insights from—but ultimately independent of—members. CMI established the Australian Carbon Industry Code of Conduct (ACI Code) in 2018 to steward consumer protection and market integrity. The Code is now administered independently by the Australian Carbon Industry Code of Conduct Administrator Limited (CodeCo). CodeCo was launched in July 2025 to strengthen governance and oversight.²

Additionally, CMI convenes a Safeguard Mechanism Taskforce which consists of CMI members who represent Safeguard covered facilities, their advisors and financiers. The views and experience of this taskforce as well as the broader membership have helped inform this submission. The positions put forward in this submission are informed by the Taskforce and broader membership but remain CMI's view and do not represent any individual, member company or industry sector.

Strategic Outlook

CMI welcomed the Albanese Government's announced Nationally Determined Contribution (NDC) commitment to an emissions reduction target range of 62-70% by 2035 (based on 2005 levels) and highlighted it should be considered a floor and not a ceiling to national ambition.³ Against the backdrop of an increasingly uncertain geopolitical and economic environment, achieving the 2035 target will require sustained private capital investment supported by a durable and predictable climate policy suite that is scaled across all sectors of the economy.

The Climate Change Authority (CCA) acknowledged meeting the target won't be easy, highlighting a suite of reforms and activities are needed to meet even the bottom end of this range.⁴ Carbon markets will play an increasingly important role in enabling the transition. They provide the flexibility where emissions are difficult or too costly to eliminate, support investment in low-cost abatement opportunities, and mobilise private capital in rural and regional Australia. Their effectiveness however depends on stable policy settings, transparent market information and confidence that government will maintain a consistent long-term policy direction.

The CCA is seeking feedback to support the production of 'timely' and 'feasible' adjustments to policy settings which keep Australia on a trajectory to meet its 2035 target. The CCA's advice needs to consider their standing principles as well as this review's complementary principles of simplicity and equity.⁵ CMI considers each of these principles when providing recommendations and responses to questions on 'Assessing progress and what comes next' (Assessing progress) and 'The Authority's 2026 Advice on the Safeguard Mechanism' (Safeguard Mechanism Advice).

¹CMI (2024) [CMI-Policy-Advocacy-Positions-October-2024.pdf](#)

²CMI (2024), '[Australian Carbon Industry Code of Conduct](#)',

³CMI (2025) [A floor not a ceiling for Australia's climate ambition](#)

⁴CCA (2025) [2035 Emissions Reduction Targets Report | Climate Change Authority](#)

⁵CCA (2026) [2026 Annual Progress Advice - Consultation Paper.pdf](#)



When considering questions on Assessing progress, CMI welcomes CCA's proposed Evidence Platform and the ambition embodied by this undertaking. The proposal sets the foundation for a strong, consistent evidence base for the CCA's advice to Government and momentum towards meeting the 2035 NDC and Net Zero plan. This approach is consistent with international best practice and should work to align and integrate existing data sets and reporting functions across Government to avoid duplication of data and effort. A publicly accessible national data platform has the potential to provide a transparent, consistent, evidence base to create the foundation of future policy advice. CMI has previously advocated for the need for a national data platform in its joint statement to Government with the Internet of Things Alliance Australia⁶. The current proposal could be improved in the future by including metrics which create greater visibility of the Safeguard Mechanism's impact (including those related to site operation, decarbonisation projects and capital expenditure) and Australian Carbon Credit Unit (ACCU) Scheme (including project approvals, issuance and funding) to create visibility of the carbon market. Carbon markets are a key component of Australia's transformation as demonstrated by the priority given to net carbon removals in the Government's Net Zero Plan⁷. The contribution of carbon and environmental markets can be maximised where they are strengthened to support investment confidence and are reinforced by complementary government policies and programs to guide and stimulate an investment pipeline of high-quality carbon and nature credits. A well supported, stable, durable carbon market is key to an effective Net Zero Transition for Australia.

In the medium term, the transformation of Australian industry will underpin Australia's economic resilience as the global economy transitions towards net zero emissions, but only if the transition is carefully managed to avoid carbon leakage and reduced sovereign manufacturing capability due to facility closures. Safeguard Mechanism Advice with regards to the Safeguard Mechanism's contribution to national targets and onsite abatement opens a conversation regarding the long-term signal to industry regarding their emissions reduction obligations. The Reformed Safeguard Mechanism has been in place for two years, suggesting it may be too early to fully understand its influence and draw definitive conclusions regarding future impact. However, detailed assessment at this time provides a timely checkpoint for emissions reduction trajectory and considered input for the Department of Climate Change, Energy the Environment and Water's (DCCEEW) 2026-2027 Review of the Safeguard Mechanism. Early understanding of the emissions reduction trajectory combined with information regarding the onsite decarbonisation activity provides insight on the strength of the decarbonisation price signal and potential policy priority and gaps for coming years.

Compliance data show the Reformed Safeguard Mechanism has delivered a modest reduction in net emissions, without significant rises in ACCU price. The cumulative impact of declining baselines and increasing liabilities along with increasing ACCU prices is intended to drive investment in onsite decarbonisation and the ACCU Scheme. The next tranche of abatement opportunities appear to be either materially more costly, dependent on supporting infrastructure beyond the facility boundary, and/or dependent on the continuing cost reduction of emerging technologies. As relatively low-cost abatement opportunities are exhausted, future emissions reductions are increasingly dependent on capital-intensive technologies, enabling infrastructure and regulatory approvals. This suggests a comprehensive and cohesive policy suite is needed to create a strong carbon pricing signal and remove barriers to investment. Timely introduction is key with the period between 2030 and 2035 viewed as an inflection point in the carbon market, where ACCU supply tightens and industry looks to plan compliance obligation investment.

⁶ CMI (2024). [Australia needs a Trusted Data Plan to grow digital capability for a net zero, nature positive future - Carbon Market Institute](#)

⁷ DCCEEW (2025) [Australia's Net Zero Plan](#)



CMI offer the CCA high-level recommendations regarding the Safeguard Mechanism and detailed answers to the consultation paper questions. Recommendation order aligns the consultation paper questions and does not indicate priority. At a high level, in response to the CCA 2026 Annual progress advice CMI recommend:

1. Prioritise long-term policy certainty which is cognisant of investment time windows.

Policy certainty, created by settings that are stable and predictable, is key to meeting Australia's climate ambitions as it underpins public confidence and enables timely investment in decarbonisation projects at Safeguard Mechanism facilities and in the ACCU Scheme. The lack of bipartisan support and the five-year cycle reflected in some design settings may not support timely investment at scale for Safeguard Mechanism facilities or ACCU project pipeline. Elements of the Safeguard Mechanism design which benefit from application over a longer period include baseline decline rate, proportionate share and multi-year monitoring periods. Early adjustment to these settings allows them to have the greatest impact, avoiding technology lock-in and investment delay.

2. Develop a comprehensive evidence base which provides greater transparency and market useful information regarding decarbonisation pathways, including onsite projects, initiatives and ACCU use.

The CCA's current Evidence Platform requires amendment for it to be a comprehensive national evidence platform which provides consistent, accurate and timely information that supports market durability liquidity and investment. A comprehensive evidence base could be generated, without excessive duplication or administrative burden, by combining data collected by the CCA (through their evidence platform), Treasury (through MCR) and CER (NGERS, Safeguard Mechanism) to highlight facilities' pathways and progress.

3. Allocate the emissions reduction budget to Safeguard Mechanism facilities based on a proportionate share.

Consideration of the Safeguard Mechanism's contribution to the Australia's NDC is central to the mechanism's design. Assigning the Safeguard Mechanism a proportionate share of emissions reduction remains a pragmatic approach which supports goals of policy stability, transparency and repeatability. However, the proportionate share should not be set in isolation and updated to ensure changes, such as coverage, compliance threshold, and decarbonisation of the economy. are captured when allocating emissions reduction responsibility.

4. Closely examine the policy case and benefits associated with differentiated baselines.

While differentiated baseline decline rates may allow compliance obligations to be increased for some sectors, it may also risk increased complexity as well as delay action and investment as baseline decline rate are assessed and reset.

5. Incentivise onsite decarbonisation by improving design of flexibility mechanisms.

Altering design elements of the Safeguard Mechanism such as multi-year monitoring periods and borrowing provisions to align better align with the lifecycle and timing of decarbonisation projects would enable them to better support onsite decarbonisation projects. Reviewing the administrative requirements and governance requirements, could also increase the uptake of these flexibility mechanisms.

6. Review adequacy of public funding schemes for onsite decarbonisation.

Existing grants for onsite decarbonisation such as Safeguard Transformation Scheme have been somewhat successful but may not be sufficient to support the next tranche of onsite decarbonisation projects. Blanket limits on technologies and requirement for capital matching may limit their impact.



Public funding for onsite decarbonisation would benefit from a coordinated approach which streamlines existing funding schemes.

7. **Retain current Safeguard Mechanism design settings regarding ACCU and SMC use.**

Abatement from ACCU purchase and onsite decarbonisation are necessary and complementary compliance options under the Safeguard Mechanism rather than competing activities, particularly given neither are unlimited. Limiting ACCU use for compliance does not result in material extra onsite decarbonisation and risks an increase in non-compliant facilities and negative market impacts.

Answers to questions 2026 Progress Advice Consultation Paper can be seen in Appendix A.

Should you wish to discuss CMI's submission in more detail, please contact Kelly Smith (kelly.smith@carbonmarketinstitute.org).

Yours sincerely,

Sasha Courville, **CEO**



Appendix A: CMI responses to questions raised in the CCA 2026 Annual Progress Advice Consultation Paper

Question 1: What are your views on the proposed approach for setting reference pathways to assess progress, including strengths, limitations and any alternative approaches that should be considered?

CMI strongly supports the CCA's proposed Evidence Platform and the ambition embodied by this undertaking as an important step towards establishing a transparent, nationally consistent framework for assessing Australia's progress towards targets. The current proposal sets the foundation for a strong, consistent evidence base for the CCA's advice to Government and momentum towards meeting the 2035 NDC and Net Zero plan. CMI sees the presence of metrics related to different domains (emissions reduction, adaptation and resilience, green growth and critical enablers) and identification of the need for qualitative metrics as key to this foundation. A robust evidence base will strengthen policy development, improve public accountability and provide greater confidence for investors. Additionally, creation of a national data platform is consistent with international best practice and aligned with CMI's advocacy for a national data platform in its joint statement to Government with the Internet of Things Alliance Australia⁸. An important function of the data platform will be to align and integrate existing data and reporting functions across government so as not to increase the administrative burden and provide a single source of truth. The data platform, as well as providing a basis for ongoing advice regarding policy should also help guide investment and innovation.

CMI further recommend the evidence platform expanded to consider items related to:

- ACCU supply, including registered projects, methods and method development, ACCU issuance, investment in carbon projects;
- Safeguard Mechanism compliance including Safeguard Mechanism outcomes, onsite decarbonisation projects and investment, use of flexibility mechanisms and use of ACCUs, SMCs.

The use of metrics and targets for ACCU projects could incentivise investment in carbon removal projects with durable storage while balance competitive risks with clean energy development and land space for food and fibre. Targets could consider nature-based carbon storage to support Australia's international and biodiversity and deforestation commitments. Applying metrics and targets to onsite decarbonisation projects could highlight the pipeline of onsite decarbonisation to better inform future policy initiatives.

Use of sectoral trajectories is a pragmatic and equitable method for benchmarking metrics if the basis for settings aligns with operational and behavioural characteristics of the sector. Whilst linear trajectories may be appropriate for sectors with relatively stable emissions profiles, the application to the land and agriculture may not be appropriate as sequestration outcomes are heavily influenced by seasonal conditions, natural variability and project-based investment cycles. Aligning reduction pathways with the Agriculture and Land Sector plan⁹, incorporating rolling averages or adaptive ranges, may prove a more effective.

⁸ CMI(2024) [Australia needs a Trusted Data Plan to grow digital capability for a net zero, nature positive future - Carbon Market Institute](#)

⁹ DAFF (2025) [agriculture-and-land-sector-plan.docx](#)



Question 2: What signs are you seeing of emissions reductions across industries, businesses, households or investors? What barriers or delays to abatement are you observing?

CMI understands there are numerous, though in some cases modest signs that emissions are reducing across industry. These include gross emissions fell in the 2024-2025 financial year, member reports of decarbonisation projects, need for the addition of renewable fuels into NGERS reporting and uptake of Safeguard Transformation Scheme Grants.

While these signs are encouraging, it should be noted there are only two years of data to review and there remains several barriers to investment and business decisions which delay investment. Barriers include:

- Cost of remaining decarbonisation opportunities relative to other compliance options.
- Uncertainty surrounding long-term policy aspects including SMC treatment, decline rates and changes to policies on ACCU and SMC holdings.
- Decarbonisation investments need to compete in capital allocation processes against other commercial opportunities.
- Payback periods for decarbonisation projects are routinely beyond the time frames contemplated by policy or in the case of sunseting industries the facility's operational life.
- Usefulness of some existing complementary policy is limited as it requires capital matching and/or is restricted to particular technologies.
- Access to market useful information for decision making.
- Readiness of decarbonisation technologies at scale.

The complexity in overcoming these barriers is not to be underestimated though it would appear the impact of some could be lessened with alterations to the design of the Safeguard Mechanism. Some potential alterations including clarification of SMC treatment and baseline decline rates into the future, and changes to rules regarding holdings are within the remit of the Government's 2026-2027 Safeguard Mechanism Review.

Additionally, CMI has consistently heard from members with Safeguard covered facilities that:

- The role of policy certainty or clarity through publishing a forward program of review should not be underestimated in overcoming these barriers.
- A 5-year outlook for decline rates and flexibility options such as multi-year monitoring periods (MYMP) is not sufficient to create successful business cases for decarbonisation projects, particularly when they compete for capital in a capital constrained environment.
- There is a need for incentives, rather than penalties, to promote decarbonisation. While SMC generation is recognised as a valuable incentive, SMCs alone are often not sufficient. Incentives provided by complementary policy such as grant schemes could be made more attractive by:
 - altering the need for the blanket requirement for capital matching, which is inhibitory for new and capital constrained facilities,
 - Removing broad restrictions on the technology,
 - increasing time for project completion and
 - allowing grants to be used for exploratory studies as well as capital projects.

In response to the barriers, CMI recommends the CCA review the timing and governance arrangements for MYMP and review of the purchasing strategy for the cost containment measure including contemplating the value of establishing a formal mandate to purchase SMCs. Purchasing SMC, either in the spot market or via longer term offtake agreement, provides an added incentive to facilities to invest in onsite abatement and offers the Government with a lever on SMC holdings. A Government SMC purchasing mandate would require close consideration of:



- **Timing:** It may be too early introducing a new complex policy outcome to the Safeguard Mechanisms.
- **Efficiency:** The purchase, resale and surrender of SMC by Government is potentially less efficient than directly funding onsite decarbonisation projects.
- **Market Distortion:** A new demand sources for SMC may create further stratification or price inflation in the market.

Carbon contracts for difference provide potential complementary policy option which provides an incentive to investment in onsite decarbonisation. Under this model the Government supports the difference in cost between a conventional process and a low carbon process, incentivising the decarbonisation in the design phase, where it is most cost effective. This allows the Government to support onsite low carbon/decarbonisation projects without direct involvement in the carbon market.

CMI recommends consideration be given to improving access to market useful information for the benefit of both Government and industry decision making. Revisiting historical publishing restrictions on the CER for commercial sensitivity and combining CER data with items disclosed under the AASB S2 constitutes a real opportunity to provide a more comprehensive picture of the market, providing consistency and transparency with minimal additional administrative burden. Combining operational and market information with forward looking statements and information on strategy to provide a more complete view of individual organisations' decarbonisation plans and their potential to attract private sector investment and need for government support.

In addition to the barriers, members suggest organisations may be finding reasons to delay investment including uncertainty regarding:

- Longevity of the Safeguard Mechanism due to a lack of bipartisan support.
- The use of the cost containment measure and ability to create a price ceiling.
- Whether ACCUs will remain low cost, socially acceptable, and widely available.

Addressing the reasons for delays could include consideration of the:

- The need to support legislative changes which shore up the framework against future political changes.
- Clarifying use of the cost containment measure, including whether the mechanism represents a guaranteed maximum cost of abatement on a per tonne basis or represents access to a limited amount of abatement would assist organisations in assessing their long-term abatement options.
- ACCUs as an abatement pathway is underpinned by the ACCU Scheme. CMI's recommendations for priority reforms to the ACCU scheme, to strengthen its integrity and effectiveness while support certainty for investors is addressed in detail in CMI's Carbon Credits and Other Legislation Amendment Bill Consultation.¹⁰

Question 3: What do you see as the top priorities for climate policy reform and why?

Against the backdrop of an increasingly uncertain geopolitical and economic environment, policy certainty and predictability will play a vital role in continuing to guide investment towards decarbonisation. Australia's climate ambition is increasingly constrained by implementation rather than target setting. The highest priority for climate policy reform is therefore to provide durable, long-term policy certainty that enables investment decisions extending beyond election cycles. Investors require confidence in Australia's long-term emissions

¹⁰ CMI (2026) [CMI-submission_ACCU-Scheme-Leg-Reforms-.pdf](#)



trajectory, carbon market architecture and industrial decarbonisation framework to support capital-intensive investments.

In the medium term, the transformation of Australian industry will underpin Australia's economic resilience as the global economy transitions towards net zero emissions, but only if the transition is carefully managed to avoid carbon leakage and reduced sovereign manufacturing capability due to facility closures. Unsurprisingly this points to careful consideration of further adjustment to the Reformed Safeguard Mechanism as a policy priority. Reflecting on the central role of the Safeguard Mechanism in Australia's net zero transition and DCCEEW's 2026-2027 Review of the Safeguard Mechanism, CMI see the following as goals guides for a successful review:

- Support policy stability and certainty for investment.
- Broaden and deepen the Safeguard Mechanism.
- Better enabling onsite emissions reduction whilst preserving compliance flexibility.

However, as stated in CMI's Treasury:2026-27 Pre-Budget consultation the impacts of climate change should not be addressed in isolation but rather using holistic approach which considers climate change and biodiversity loss.¹¹ Carbon and nature markets are part of the portfolio of measures to assist Australia in achieving its net zero emissions goal, as outlined in the Net Zero Plan.¹²

Additional, pressing priorities for climate policy reform link to the objectives outlined in CMI's Policy Advocacy Positions and broader work, which aim to:

- Strengthen durable national climate ambition and certainty.
- Strengthen Australia's carbon market architecture to develop high integrity market-based approaches to reduce emissions.
- Accelerate additional corporate and industrial decarbonisation.
- Facilitate positive First Nations, rural and regional community outcomes.
- Develop integrated carbon and nature markets that support the shift to nature positive outcomes.
- Increase international capacity and cooperation in NDC achievement.
- Position Australia for the green economy as a supplier of low-emissions goods and environmental commodities.
- Build the workforce capability required to deliver the net zero transition.

With a focus on policy stability and certainty, to promote decision making, equity and investment, CMI's policy priorities remain:

1. Supporting market stability and legitimacy by:
 - a. Finalising implementation of the 2022 Independent Review of the ACCU Scheme Recommendations and continue to strengthen Scheme-level integrity.
 - b. Revising of ACCU Scheme method development process to strengthen efficiency, enable innovation and build supply.
 - c. Creating a suite of broader adaptation policy development and related indicators.
 - d. Supporting and expanding the Carbon Farming Outreach Programs to improve landholder capability and increase participation

¹¹ CMI (2026) [TSY-2026-27-pre-budget CMI-submission.pdf](#)

¹² DCCEEW 2025, 'Net Zero Plan', <https://www.dcceew.gov.au/climate-change/publications/net-zero-plan>.



- e. Incentivising additional action and voluntary market activity, to support the use and the generation of high co-benefit ACCUs
 - f. Clarifying the role of Carbon Market (the ACCU scheme and the Safeguard Mechanism) in meeting Australia's Net Zero by 2050 Ambition with particular attention on the period from 2035 to 2050.
2. Development of a national data platform to grow public confidence in Australia's environmental market outcomes and provide market useful information.
 3. Creation of a Nature Positive fund supported by Government to stimulate investment in the nature repair market
 4. Generation of a regional climate leadership strategy for Australia to position it as a trusted partner in building high-integrity carbon markets across the Asia-Pacific, supporting implementation of regional NDCs while strengthening Australia's climate diplomacy and green trade relations.
 5. Reviewing the adequacy of Government incentives for industrial decarbonisation, including the Future Made in Australia package, Safeguard Transformation Stream and other competitive grants under the Powering the Regions Fund, to ensure that funding criteria, technology eligibility and co-investment requirements effectively support timely and commercially viable at-source decarbonisation initiatives and projects.

Collectively, these reforms would strengthen investment confidence, reduce the cost of Australia's transition, improve economic resilience and position Australia to capitalise on emerging opportunities in the global green economy. Further articulation on each of these priorities can be found in CMI's Treasury:2026-27 Pre-Budget consultation

Question 4:

No response at this time.

Question 5:

No response at this time.



Question 6

6A) The Safeguard Mechanism's current baseline decline rate is calibrated so the scheme delivers a proportional share of Australia's 2030 emissions reduction target.

Consideration of the Safeguard Mechanism's contribution to the Australia's NDC is central to the mechanism's design. Assigning the Safeguard Mechanism a proportionate share of emissions reduction remains a pragmatic approach which supports goals of policy stability, transparency and repeatability because it retains the current policy approach and setting. However, calibration of the scheme needs to be considered in conjunction with other potential changes to covered emissions in the Safeguard Mechanism and policy guiding the decarbonisation in other sectors. In particular, definition of proportion share needs to be cognisant of compliance threshold change, level of ambition and inclusion of other sectors.

Although aligned with principles related to certainty and simplicity, retaining a static 28% proportionate share may not meet equity principles as it does not consider decarbonisation expectations of other sectors of the economy. Conclusion of the Renewable Energy Target in 2030, is an important consideration when principles of fairness and efficiency are applied economy wide, particularly structural role in decarbonisation of electricity plays in decarbonisation of industry.

This points recalculation of a static proportionate share or use of a dynamic proportionate share. Adoption of a dynamic proportionate share requires consideration of recalibration intervals and boundaries to limit any increase in complexity or uncertainty, suggesting recalculation of the static proportionate share may be a better option.

An alternate approach to proportionate share could be derived using the Sector plans which accompanied governments Net Zero plan. If Sector plans provide sufficient, broadly accepted detail, proportionate share could be calculated at regular intervals based on what is expected of the industries covered by the Safeguard based on decarbonisation pathways detailed in the sector plans. This means expectations of the Safeguard Mechanism could be known in advance and calibrated to pathways described by the sector independent of progress made in other areas of the economy.

6B) If a different approach to setting the baseline decline rate should be used (instead of the proportional share approach), what should it be and why?

Ability to decarbonise may be a reasonable, if somewhat complex alternative approach to proportionate share. Rather than assign the Safeguard Mechanism responsibility for a portion of the emissions reduction budget, the potential for abatement within the Safeguard cohort could be assessed and used as an emissions reduction target. This approach allows available decarbonisation to be incorporated as industrial facilities' options to reduce over time.

This approach would appear to be inconsistent with the CCA guiding principles as it creates complexity. Complexity is created as the share of emissions budget provided by Safeguard Mechanism facilities would require continual revision and the baseline decline rates for individual parts of industry or facilities would be needed. Additionally, the calculated available decarbonisation for industry sectors or facilities is dependent on current technology, assumptions regarding technology maturations rates as well as commercial viability. A change of this magnitude is potentially politically unpalatable as it creates delay represents a design change.



Question 7: Should decline rates differ across facilities or sectors beyond existing arrangements for trade exposed, baseline adjusted (TEBA) facilities? What evidence would support differentiation, and what principles should guide how any differentiation is applied?

The Climate Change Authority (CCA) has acknowledged meeting Australia's climate goals won't be easy requiring Australia to halve its current emissions.¹³ The size of the challenge and general market design suggest such a task can be achieved in the most economically efficiency way if shared amongst the greatest number of contributors. Introducing differentiated baseline decline result in a smaller number of facilities shouldering much of the decarbonisation load. However, it could also allow greater responsibility to be placed on industries who contribute more to the emissions inventory or who have more opportunity to decarbonise.

CMI recommends before considering differentiated decline rates the policy case should be well considered and the benefits and intent clearly articulated. Interactions with other design settings would be a key part of this consideration as introducing differentiated decline rates may not provide increased incentive for onsite abatement if it triggers TEBA accommodations for more facilities or reduces a facilities ability to create SMCs.

In practice the Safeguard Mechanism already provides a differentiated decline rates based on economic burden imposed by compliance through TEBA. While TEBA was intended to be a short-term guardrail against carbon leakage, it has become more of a safety-net for facilities where the emissions burden is high but onsite decarbonisation is not economically or technologically viable. The role of TEBA as a safety-net for these industries should be considered when a more comprehensive CBAM to protect against carbon leakage is considered.

The maturity of the Safeguard Mechanism is worthy of consideration before recommending the introduction differential decline rates. The investment cycles for onsite decarbonisation suggest more time is needed before the impact of the Safeguard Mechanism can be assessed. The CCA may be better able to assess in a future review whether the added complexity can be applied in a just manner that has a measurable impact on the decarbonisation impact of industrial facilities.

Opening discussions regarding further differentiation of baseline decline rates carries a degree of political risk as it opens the door to lobbying for reduced baseline decline rates. Decline rates could be differentiated in a number of different ways including by:

- gas,
- availability of decarbonisation technology,
- industry type or
- a financial test on ability to absorb cost.

The decision and assessment process to select differentiation method and degree could introduce uncertainty and delay action, thereby undermining the Safeguard Mechanism as a whole. Organisations lobbying for reduced lower baseline decline rates, if differentiated baseline decline rates are considered, places the emission reduction burden on fewer facilities which risks the overall abatement effort as well as creating a distraction from critical climate policy and action. Differentiation by ability to decarbonise could also remove

¹³ CCA (2025) [2035 Emissions Reduction Targets Report | Climate Change Authority](#)



from a facilities ability to generate SMCs which removes an important scheme incentive and may have further reaching market impacts.

Introducing differentiated baseline decline rates is to more accurately account for an industries' maturity and ability to decarbonise may not be effective as the baseline decline rate works at an aggregate level. A more nuanced approach could be to reconsider and review emissions intensity for production variables. Currently there is no timetable to review a production variables emissions intensity for either scope or value. Use of the emissions intensity values has shown that in practice, some emissions intensity values would better service the mechanism if they were revised to more accurately reflect the current understanding of industry wide and best practice emissions intensity. For example, the Safeguard Mechanism applies the same emissions intensity value to open cut and underground mining. Practical application would suggest this not sufficiently nuanced approach to drive behaviour.

Question 8: How should we assess the extent to which the Safeguard Mechanism is driving onsite abatement? What metrics, data sources or methods should we use, and how should we account for changes in production, operational conditions and emissions variability?

Before attempting to understand how to assess the extent to which the Safeguard Mechanism is driving onsite abatement, whether the Safeguard Mechanism is driving action or decisions should be considered. Although not universally agreed, there is some evidence that the Safeguard Mechanism is starting to have a modest impact on behaviour at Safeguard Mechanism facilities. Evidence includes, gross emissions reductions, feedback from CMI members and uptake of grants. These metrics should be viewed cautiously as there is only two years of data and they are impacted by factors other than onsite abatement activities and onsite abatement decisions made prior to the introduction of the reformed Safeguard Mechanism. For example, the Moomba CCS Plant has contributed to gross emissions reductions in the 2024-2025 financial year, but construction started in 2022 and had early contractor involvement from 2019¹⁴. Member feedback indicates the Safeguard Mechanism has prompted some industrial facilities to implement a range of lower-cost and medium-cost abatement activities, including energy efficiency projects, electrification studies, process optimisation initiatives and targeted emissions reduction technologies such as nitrous oxide(N₂O) abatement in chemical manufacturing.

The lack of agreement regarding impact of the Safeguard Mechanism supports the need for agreed metrics, methods and data sources to assess its efficacy into the future. Assessing the efficacy of the Safeguard Mechanism will take a suite of metrics and information rather than any single data point. This suite of metrics could include:

- site emissions intensity,
- gross emissions,
- capital expenditure on onsite decarbonisation projects
- capital committed to onsite decarbonisation projects
- application for or use of grants
- onsite decarbonisation projects planned and commissioned in the previous year
- project progress and

¹⁴ Downer (2026) [Moomba carbon capture and storage facility - Downer Group Australia](#)



- maintenance or shutdown events which impacted onsite emissions.

In the first instance, looking to combine data made available through mandatory climate reporting (MCR) and Safeguard Mechanism reporting seems a pragmatic approach to create more complete picture of the impact of the Safeguard Mechanism. Accessing data already provided could expedite the process and reduce any additional administrative burden. Provision of this data may require revision of historical publishing restrictions on the CER due to concerns about competitiveness as well as the need for additional publish powers.

Improved transparency and visibility may facilitate investment decisions for onsite decarbonisation and ACCU projects while providing a consistent platform to assess and progress the Safeguard Mechanism. Additionally, this could become a national data platform, which in the first instance combines data collected by the CCA (through their evidence platform), Treasury (through MCR) and CER (NGERS, Safeguard Mechanism) and represents an opportunity for the CER or CCA to align with international best practice. Inclusion of Treasury data from MCR plays a central role in creation of the more complete picture as it includes information on future plans and investments.



Question 9: What evidence is available on onsite abatement activities at Safeguard facilities, including for activities planned, underway or completed since the reforms commenced? Where possible, please provide information on emissions impacts, timing, costs and barriers.

Multiple sources of evidence regarding onsite abatement activities already exist as part of the compliance and voluntary reporting. Sources of evidence linked to compliance activities include:

- MCR
- Safeguard Mechanism reporting
- NGER scheme reporting

A wealth of information is also contained in companies' voluntary disclosures in transition plans and sustainability reports.

There is an opportunity to synthesise data from existing sources to a comprehensive evidence base which offers market useful information as well as an accurate picture Safeguard Mechanism. This evidence base could support investment decisions and future policy reform.

To complement its submission DCCEE's 2026-2027 Review of the Safeguard Mechanism CMI is planning to collect information on decarbonisation projects and initiatives at industrial sites. Information will include case studies of individual projects and aggregate data on barriers, drivers and investment horizons. This could be provided to the CCA on request.

Commentary on barriers and delays is provided in question 2.

Question 10: Should the Safeguard Mechanism play a stronger role in encouraging onsite abatement, relative to allowing flexibility through Australian Carbon Credit Unit Scheme (ACCU) use?

Abatement from ACCU purchase and onsite decarbonisation may be better viewed as necessary and complementary compliance options rather than competing activities, particularly given neither are unlimited. To support Australia's emissions reduction targets as well as gross and qualitative Safeguard Mechanism outcomes, CMI recommends the design of the Safeguard Mechanism is adjusted to allow it to play a stronger role in encouraging onsite decarbonisation. Onsite decarbonisation should be encouraged by improving existing provisions for onsite abatement within the scheme rather than reducing facilities' compliance pathways and introducing risk by placing limits on ACCU or SMC surrender. It may be appropriate to revisit the question at a later time when more evidence of regarding the strength of the signal is available and the Reformed Safeguard Mechanism has matured. It should be noted that while onsite decarbonisation is recognised in the Safeguard outcomes, the design of the mechanism does not effectively transfer this to a facility level and favours a lowest cost compliance construct, which in the current economic conditions promotes the use of ACCU and SMCs.

Existing design elements within the Safeguard Mechanism which would be altered to better promote onsite decarbonisation, include:



- **Clarifying treatment of SMC post 2030:** Improving clarity of SMC use after 2030 is potentially the simplest option to encourage onsite decarbonisation projects. Eligibility and bankability of SMCs post 2030 is unclear to a number of Safeguard covered organisations, which combined with uncertainty regarding decline rates and longevity of the policy act to delay decarbonisation decisions.
- **Multi-year monitoring periods (MYMP)** - MYMP, though conceptually valuable as a way to access onsite decarbonisation from near term initiatives and projects, design of MYMP may currently be limiting its practical utility. Low uptake of MYMP, could result from governance requirements, administrative burden or inadequate time horizon.
- **Borrowing adjustments:** Borrowing could encourage onsite decarbonisation but appear to be operating primarily as a last-resort liability management tool rather than as an active planning mechanism to match decarbonisation obligations and emissions reduction activities. Low uptake of borrowing adjustments may be due to the risk of higher carbon credit prices in the following years, interest on borrowing and narrow use case.
- **Strengthen compliance requirements for facilities who use more than 30% of their baseline in carbon credits for compliance:** Currently facilities are required write a letter to the CER if more than 30% of their baseline is required as ACCU purchased which may not be an effective lever to change decision making behaviour in organisations who have facilities covered under the Safeguard Mechanism. This provision could be strengthened in two ways. Firstly, use of purchased or banked SMCs could be included as part of the 30% limit meaning the test recognises all market mechanisms used for compliance potentially creating a larger administrative burden for organisations as more facilities are captured. The second way to enable this requirement to have more influence would be to impose penalty units, by way of extra ACCU purchase, on facilities which trigger the 30% limit. These penalty units may be applied on a tonne for tonne basis or as discrete quantities triggered at different percentages of ACCU use. Applying the penalty units as a block purchase for different percentage triggers helps avoid the appearance of discounting of ACCUs on a per tonne basis and creates additional certainty about the penalty applied.

Industry requires support, beyond those currently part of the Safeguard Mechanism to secure investment of the scale needed for the next tranche of available onsite decarbonisation projects. SMCs are not currently sufficient incentive to overcome the barriers to investment. Barriers to investment are discussed in Question 2. Investment support could be provided using complementary policy such as:

- **Revision of funding programs for onsite decarbonisation projects.** Existing grants such as the Safeguard Transformation Scheme have been somewhat successful in supporting onsite decarbonisation project but may not be large enough to support the next tranche of onsite projects which appear to be high cost, may extend beyond the boundaries of single facilities and be dependent on other supporting infrastructure. Blanket requirements for capital matching and limits to particular technologies also reduces their overall ability to move the dial for Safeguard facilities.
- **Government purchasing of SMC.** Forward Government purchasing of SMC, with an agreed floor price has the potential to add to a credible business case and allows the Government to support integrity of SMC while having a lever to equitably address holdings. Consideration of the inefficiencies created by double handling of certificates and the potential market distortion created by government purchasing would require careful consideration if this were to be addressed but could potentially be modelled in government purchasing of ACCUs using the Powering the Regions fund.
- **Introduce guaranteed future minimum pricing for SMC into the future.** Introducing a Government guaranteed floor price for SMC could further incentivise onsite decarbonisation projects as it allows creations of business cases aligned with decarbonisation investment timelines.

Overall, financial support for onsite decarbonisation would benefit from a coordinated approach which consolidates existing disparate funding apportioned to particular technologies and regions. A gap analysis and



mapping exercise to apportion funding to overcome identified barriers and promote opportunities, in the style of AEMO's Statement of Opportunities could be a worthy complement to the Net Zero and Sector plans. This gap analysis could be extended to look for policy in other parts of the economy which may act contrary to the Safeguard Mechanism.

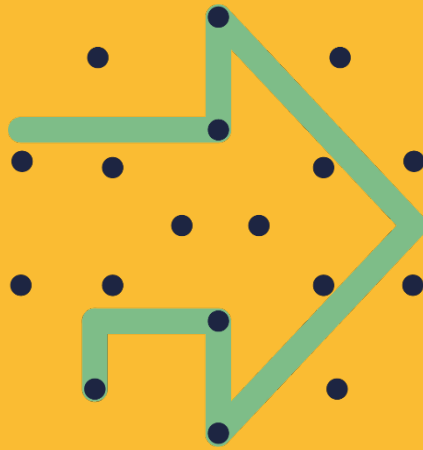
Limiting ACCU use for compliance with the Safeguard Mechanism may not result in material additional onsite decarbonisation and risks an increase in non-compliant facilities. Industrial facilities' emissions can be affected by operational conditions and project delays which are outside of their control, leading them to have excess emissions, without time for corrective action. Restricting ACCU use may result in them being in a non-compliant position if no other compliance pathway exists. Creation an alternate compliance pathway, would need to be carefully considered in terms of application and method to ensure it was used in a just manner and was not seen as a punitive measure which was counter to goals of the Safeguard Mechanism.

If limits were to be placed on ACCUs then there are several different ways this could be achieved. Methods for limiting ACCU use include by:

- percent of baseline
- absolute number
- vintage or
- type

Application of some of these methods are more complex. Introducing vintage limits allows temporal emissions matching and better alignment with Paris Agreement reporting cycles, as previously advocated for by CMI.¹⁵ However, assigning the vintage can be complex with the potential for vintage to be attributed at different stages of the ACCU generation process. Additionally limiting ACCU use by type or vintage would need careful design to avoid the creation of a new driver for market stratification which reduces liquidity. Overall, the maturity of the Safeguard Mechanism and carbon market suggest that limiting ACCUs is not currently worthwhile and encouraging onsite decarbonisation could be achieved with other more productive measures.

¹⁵ [CMI-Policy-Advocacy-Positions-October-2024.pdf](#)



for more information, please contact

Kelly Smith

Net Zero Engagement Manager

kelly.smith@carbonmarketinstitute.org

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.



**Carbon
Market
Institute**