

Safeguard Mechanism not a solve-all: need for climate considerations in project assessment processes

The Safeguard Mechanism seeks to reduce the direct emissions from industrial facilities in line with Australia's emissions targets. Recently reformed, the Mechanism aims to do so by incentivising covered facilities to mitigate or offset their pollution to meet specific emissions limits. It is a useful policy tool which covers about 30% of Australia's annual national 'scope 1' emissions.¹

However, the Safeguard Mechanism is not a substitute for considering climate impacts and emissions contributions during the assessment stage for new projects. The Mechanism has a completely different function, only applying to projects once they have been approved. The reforms to the Safeguard Mechanism cannot be used to justify disregarding climate considerations in assessment processes (at the state or territory level), or to justify the approval of any new fossil fuel projects.

This briefing note outlines **three key limitations** of the Safeguard Mechanism which illustrate the need for climate considerations in all planning assessment and approval processes.

1. The Safeguard Mechanism only regulates emissions after a polluting project is approved and is unconnected to federal assessment processes.

The Safeguard Mechanism is Australia's primary emissions reduction framework at the national level, applying to about 220 industrial facilities producing emissions above 100,000 tonnes of carbon dioxide equivalent of direct (scope 1) emissions per year. Reforms passed in 2023 mean that a more stringent 'baseline' (effectively an emissions limit) will apply to covered facilities, set at 4.9% as a default. This means covered facilities will need to take onsite measures to reduce their emissions in line with this limit, or purchase carbon credits to offset their impact, with the overarching goal of meeting Australia's 2050 net zero target.²

These limits only apply to facilities that are up and running. **There is currently no requirement for assessment of a proposed project against the Safeguard baselines, or even Australia's legislated emissions target, until the project receives approval.** This means **high emitting projects can be approved and proceed, even when they would blow the emissions budget** which has been incorporated into the Safeguard Mechanism legislation.

CASE STUDY: NATIONAL NATURE LAW REFORM NEEDED

As part of proposed reforms to the *Environment Protection and Biodiversity Conservation Act 1999* (**EPBC Act**) the Federal Government committed to a new requirement for project proponents to report estimated scope 1 emissions through the EPBC Act approvals process, linking it to the

¹ <https://www.dcceew.gov.au/sites/default/files/documents/safeguard-mechanism-reforms-factsheet.pdf>.

² *National Greenhouse and Energy Reporting Act 2007* (Cth) s 3(2).

Safeguard Mechanism. This would mean newly approved high-emitting projects would trigger an assessment of the feasibility of meeting the emissions targets set under Safeguard.³

However, no amendments have been introduced to Parliament requiring proponents to disclose potential emissions under the EPBC Act, and it's increasingly unclear when the full-scale reforms of the Act will progress.⁴ This means: there is no requirement for new projects to disclose their likely emissions under national nature laws; the outdated EPBC Act is silent when it comes to climate impacts of new projects; and there is currently no clear legislative link between the EPBC Act and the Safeguard Mechanism.

2. The Safeguard Mechanism does not regulate Australia's biggest contribution to climate change: downstream emissions.

The Safeguard Mechanism only applies to 'scope 1' emissions. These are emissions directly released into the atmosphere as a result of activities at a facility, such as fugitive emissions like methane leaks at coal mines. While direct emissions are important, it is downstream emissions from Australian facilities that have a much bigger impact on the global climate. Downstream, or 'scope 3' emissions, include the carbon released when Australia fossil fuels are exported, then burned overseas. These fossil fuel exports are Australia's biggest contribution to global emissions.⁵

CASE STUDY: RECENT COAL MINE APPROVALS

In December 2024, the Minister for the Environment approved the expansion of four coalmines in Queensland and NSW, estimated to release over 900m tonnes of CO₂ over the combined lifetime.⁶ The science is clear that no new fossil fuel projects should be approved, yet these approvals were made under the EPBC Act despite the climate impacts on the matters the Act is intended to protect.

Notably, a spokesperson for the Environment Minister said the emissions from the mines will be regulated by the Safeguard Mechanism.⁷ However, more than 95 per cent of the emissions the mines will produce will be downstream emissions produced when the coal is burned. **Those emissions are not covered by the Safeguard Mechanism, and are not regulated at the federal level.** The Safeguard Mechanism does not adequately regulate the full impact of fossil fuel projects, and cannot be relied upon as a reason to approve new, or expanded, fossil fuel projects.

3. The Safeguard Mechanism does not replace state and territory assessment of climate impacts and emissions.

As noted above, there is no clear mechanism to consider emissions before a project is approved at the federal level in relation to matters of national environmental significance. This leaves it to state and territory assessment regimes to ensure that projects are considered for their climate impacts before they get approved. Noting the distinct jurisdictional responsibility between federal and subnational approval processes, it is concerning to see that state and territory governments

³ *Climate Change Act 2022* (Cth) s 15A.

⁴ See, [Federal Parliament wrap for 2024: the good, the bad, and the unfinished business for climate and nature law](#) (EDO 2024).

⁵ Climate Analytics, [Australia's global fossil fuel carbon footprint](#) (August 2024).

⁶ <https://www.abc.net.au/news/2024-12-19/tanya-plibersek-says-no-new-coal-mine-approvals-under-albanese/104748400>

⁷ *Ibid.*

are increasingly citing the Safeguard Mechanism reforms as a reason to wind back or reduce climate considerations.

CASE STUDY: PETROLEUM ACTIVITIES IN THE NT

For example, the Northern Territory Government recently announced plans to abolish the Large Emitters Policy. The Large Emitters Policy sets reporting requirements for onshore petroleum facilities emitting more than 100,000 tonnes CO₂-equivalent per year and requires development of a Greenhouse Gas Abatement Plan to be considered as part of environmental authorisations for these facilities. Without this Policy, specific abatement or offsetting plans geared towards NT emissions reduction policy will not be required to be considered by the NT Environment Protection Authority (**NT EPA**) prior to approval.

The introduction of the Safeguard Mechanism as a ‘nationally consistent approach’ to emissions reduction was cited as a reason for changing this procedure.⁸ This ignores the fact that, as described above, there is no analysis of emissions under the Safeguard Mechanism until a project is approved. As such, there is no duplication between the NT EPA assessment of a project’s contribution to the NT’s emissions budget or climate impacts on the NT environment, and the application of a Safeguard limit on a facility once it begins production.

Removing emissions assessment at the state or territory level is unnecessary and risky for our climate and environment. It means that new projects might never be subject to a meaningful climate assessment prior to approval. State and territory assessment of climate contributions must be retained, and strengthened, notwithstanding the application of the federal Safeguard Mechanism once a project has been approved.

RECOMMENDATIONS:

1. Expand coverage of the Safeguard Mechanism to ensure that Australia’s direct *and* downstream emissions are regulated in line with what the science says is necessary, and restrict access to carbon credits so that emissions reductions are meaningful and guaranteed.
2. Reform national nature laws to ensure climate change is a mandatory consideration in assessment and approval processes, and clearly establish the link between EPBC Act approvals and the Safeguard Mechanism.
3. Ensure Federal leadership on climate by making clear that the Safeguard Mechanism does not replace state and territory assessment of emissions in line with subnational targets.

For more information:

Frances Medlock

frances.medlock@edo.org.au

⁸ Minister for Lands, Planning and Environment, ‘[Strengthened environmental measures supporting economic development](#)’ (Media Release, 18 December 2024).