



Dr Coral Rowston
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By email: EnvA.CQ@outlook.com

Dear Dr Rowston

Thank you for your letter to the Chair of the Climate Change Authority's Chair, Mr Matt Kean, regarding the authority's Sector Pathways Review and coal mining in Queensland. The Chair has asked me to respond on his behalf.

We appreciate your detailed reflections and feedback on the resources sector components of the Sector Pathways Review. The authority is continuing to consider a range of the issues you have raised as part of developing advice to the Australian Government on the 2035 emissions reduction target. This work is currently ongoing.

As the Sector Pathways Review observed and your correspondence has noted, outputs from Australia's resources sector are expected to change in coming decades as Australia and other nations work to reduce greenhouse gas emissions. The speed and scale at which Australia's major trade partners decarbonise has important implications for Australia's resources sector, and for emissions reduction efforts nationally and globally.

The authority is exploring these issues through in-depth modelling conducted in partnership with the CSIRO, ground-up analysis by our internal subject matter specialists and consultation with stakeholders to inform our advice on the 2035 targets. The information and perspectives provided through your correspondence form part of these considerations.

Regarding your feedback on the Safeguard Mechanism, you may find it useful to know the authority recently published the first preliminary assessment of outcomes from the reformed scheme settings as part of the [2024 Annual Progress Report](#) released in late November.

Under section 14 of the *Climate Change Act 2022*, the authority is required to provide advice to the government each year about whether gross and net safeguard emissions are declining consistently with the following outcomes and, if they are not, advising on amendments to the safeguard rules:

- net covered emissions between 1 July 2020 and 30 June 2030 do not exceed 1,233 Mt CO₂-e.
- net covered emissions decline to:
 - no more than 100 Mt CO₂-e for the financial year beginning 1 July 2029, and
 - zero for any financial year beginning after 30 June 2049.
- the 5-year rolling average of (gross) covered emissions for each financial year beginning after 30 June 2024 is lower than the past 5-year rolling average.

Preliminary data show covered emissions in 2023–24 were 135.8 Mt CO₂-e, a reduction of 2.9 Mt CO₂-e (2.1%) from 2022–23 levels.



The authority's assessment is that net emissions from facilities covered by the Safeguard Mechanism are declining consistently with the safeguard outcomes so far, while noting uncertainties.

I note EnvA-CQ's concerns about whether the Safeguard Mechanism reforms appropriately incentivise onsite emissions reduction at covered facilities. The authority is watching this matter closely. Preliminary data for 2023-24 show 153 of the 215 covered facilities reported emissions higher than their baselines, by an estimated aggregate amount of 10.7 Mt CO₂-e. A further 60 facilities reported emissions below their baselines and could be eligible to apply for a total estimated 9.2 million SMCs in 2023-24.

How facilities approach these issues will become clearer in April 2025 once all relevant compliance deadlines for receiving Safeguard Mechanism Credits, applying for baseline adjustment measures and surrendering ACCUs have passed. You can find out more about these timelines and the compliance requirements by visiting: <https://cer.gov.au/schemes/safeguard-mechanism/key-dates-responsible-emitters>

The authority's 2024 Annual Progress Report also considered the impact of new and expanded facilities on the Safeguard Mechanism emissions budget. Preliminary data show new and expanded facilities, the majority of which are in the coal and gas sectors, accounted for 1.0 Mt CO₂-e of emissions in 2023-24.

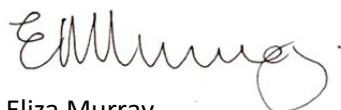
The authority estimates that new and expanded facilities will contribute 31 Mt CO₂-e to net emissions from 2023-24 to 2029-30. A list of facilities that were included in this analysis is provided in the report's appendix. Emissions from the Kestrel Coal facility referenced in your correspondence were included within the authority's analysis of continuing facilities, rather than that addressing new and expanded facilities. This is because the proposed extension did not satisfy the criteria for inclusion as a new or expanded facility at the time of the authority's analysis, as detailed in the Annual Progress Report (see p.89).

Based on the available information about the emissions from these new and expanded facilities, the authority's preliminary assessment is that the Safeguard Mechanism's emissions budget to 2030 can be met. In part, this reflects assumptions about the development of new projects being factored into the base emissions budget when the Safeguard Mechanism reforms were developed. It also reflects the fact that new projects can take many years to start operating, and a limited number of years remain until 2030.

The authority recognises that Australia needs to be reducing emissions as far as possible, as fast as possible, across every part of the economy. We will be watching the Safeguard Mechanism reforms closely as more data become available about the direct and potential impact of new projects, and how companies are responding to the new emissions limits under the scheme. We appreciate your detailed suggestions about further opportunities to strengthen the Safeguard Mechanism settings, and other related policies.

Thank you again for taking the time to contact the authority.

Yours sincerely



Eliza Murray
Deputy CEO

9 January 2024



Australian Government
Climate Change Authority