Australian Institute of Landscape Architects

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SAFEGUARD MECHANISM REFORM: CONSULTATION ON PROPOSED DESIGN

The Australian Institute of Landscape Architects (AILA) leads a dynamic and respected profession: creating great places that support healthy communities and a sustainable planet. As the peak body for the landscape architecture profession in Australia it represents over 3,500 registered professionals, advocates for issues of professional and societal importance, increases the public understanding of the profession and support the membership through education and membership services.

In 2022, AILA set our members the task to achieve a 75% reduction in emissions by 2030 and be climate positive by 2040 for their built projects.

This policy and target intends to provide a liveable environment for all, now and into the future, through a focus on life centred design.

AILA's policy and strategy documents can be read in more detail here:
https://www.aila.org.au/Web/Web/Values/Climate-Positive-Design.aspx

The Safeguard mechanism could potentially make a real difference to our largest emitters, with the right policies in place.

AILA remains concerned that the proposed new measures in the safeguard mechanism, particularly the over reliance on offsets will not actually drive down emissions and therefore not achieve the desired outcomes.

We argue that the revised safeguard mechanism in its current proposed guise is not aligned with the current and agreed science, neglects the targets of the Paris Agreement, The International Energy Agency 2050 pathway and a safe 1.5 degree future.

Our specific concerns include:

- There is a fundamental flaw in using land based offsets as they only restore historic land degradation emissions, not new GHG emissions from extracting fossil fuels, steel manufacturing or cement production.

- The 100% offset pathway puts us on par with Kazakhstan and our offsets are so cheap it would be equivalent of "coins down the side of the couch" for Fossil Fuel companies.

- The Safeguard mechanism appears to allow for the continued opening of new fossil fuel projects, and ignores the elephant in the room of enormous Scope 3 emissions.

- Labor's 43% 2030 target in jeopardy as emissions reduction target will be eaten up by a small number of proposed projects.

- Existing safeguard benchmarks are too high, allowing polluters to even increase emissions and still stay under the safeguard mechanism.

- The proposed $75/tonne cap is too low, and will leave the Australian taxpayer vulnerable to pick up the difference.

AILA RECOMMENDATIONS

Recommendation 1:

>> Safeguard facility emitters must demonstrate genuine emissions reductions before being able to purchase SMCs or ACCUs to meet their regulated baselines.

There is a fundamental flaw in using land-based offsets as they only restore historic land degradation emissions, not new GHG emissions from extracting fossil fuels, steel manufacturing or cement production.

While we fully support the restoration of our environment, we argue that there is a fundamental flaw in using the proposed carbon market ACCU's offsets. Australia has historically cleared substantial amounts of vegetation and degraded soil carbon through extensive land clearing and poor agriculture practices that continue to this day. Therefore, repairing this through land based ACCU's is only recovering the emitted CO2 from the initial land degradation.

As such, land-based offsets, cannot in any way offset, additional atmospheric CO2 and CH4 emissions as the result of continued and new coal and gas extraction, steel manufacturing, cement production and so forth. These fossil-based emissions have been locked out of the earth's climate budget for hundreds of millions of years. CO2 emitted from burning fossil fuels is additional, 'new' carbon that hasn't been part of the active land-atmosphere-ocean carbon cycle.[1]

The demonstrated lack of credibility of many ACCU's and international credits including VERA, is also of great concern, in that a large proportion of verified offsets may not actually be offsetting emissions.

[1] Professor Will Steffen, Jacqui Fenwick and Dr Martin Rice. 2016. Land carbon: no substitution for action on Fossil Fuels. The Climate Council. [Internet] Accessed 23/02/23. Available from: https://www.climatecouncil.org.au/uploads/aadc6ea123523a46102e2be45bfcedc8.pdf

Recommendation 2:

>> In addition to the requirement to show emissions reductions first, SMCs or ACCUs Offsets should be limited by a sliding scale where the amount drops over time, from a maximum baseline of 75% in 2023 dropping to a maximum of 25% by 2030, and zero by 2040.

The 100% offset pathway puts us on par with Kazakhstan and our offsets are so cheap it would be equivalent of "coins down the side of the couch" for Fossil Fuel companies.

We strongly oppose the allowance for 100% offsetting as outlined above as it will likely become the default option due to extremely low cost. This percentage needs to be reduced to a more acceptable amount and be on a sliding scale of reduction to force greater actual emissions reductions.

Mike Foley in the Sydney Morning Herald wrote recently that "Analysis by the Parliamentary Library showed gas giant Woodside would have to pay between $2.6 million and $4.4 million a year in 2025 to comply with the emissions reduction required for its stake in the North West Shelf gas business in Western Australia. That is between 0.05 per cent and 0.09 per cent of the company's annual profit in 2022," [2]

On average it was found to be 0.1% of annual profits. We argue industry has far greater capacity to contribute financially.

Recommendation 3:

>> All new coal and gas projects including expansions of existing projects be immediately placed on a moratorium and be halted.

>> Add a climate trigger to the EPBC Act to limit new coal and gas extraction.

The Safeguard mechanism appears to allow for the continued opening of new fossil fuel projects, and ignores the elephant in the room of enormous Scope 3 emissions.

Of grave concern to AILA is that the safeguard mechanism appears to do nothing to prevent the substantial emissions from further expansion of new coal and gas projects. This is completely at odds with the recognised science, the IPCC most recent 6th assessment and the IEA net zero by 2050 strategies.

The fact that the Environment minister signed off on 116 new gas wells for Santos's Arcadia Valley Surat basin project just 5 days ago on the 17th of February is extremely disappointing. Allowing this approval to stay in force to December 2077 is beyond comprehension given Labor's commitment to net zero by 2050. To meet our moral obligations for future generations we simply cannot be opening new coal and gas wells. Australia is awash with gas, with the vast proportion being exported offshore. Fossil fuel companies including Santos, burn more gas in the LNG export liquifciation

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[2] Mike Foley. 2022. Cost of carbon credits would be 'coins down the couch' for coal, gas companies. Sydney Morning Herald October 7, 2022. Accessed 22/02/2023. Available at https://www.smh.com.au/politics/federal/cost-of-carbon-credits-would-be-coins-down-the-couch-for-coal-gas-companies-20221006-p5bnl4.html

process than is used by every single Australian household. Local supplies can be managed with a domestic reservation scheme and not further extraction, that only benefits the fossil fuel companies.

One of the biggest flaws of the Safeguard mechanism and the EPBC Act is that they conveniently ignore the enormous emissions when coal and gas is burnt offshore. The IPCC 6th assessment report made it abundantly clear that every single tonne of CO2 is heating the planet.

Recommendation 4:

>> Do not allow the very large emitters to use up the safeguard budget.

Labor's 43% 2030 target in jeopardy as emissions reduction target will be eaten up by a small number of proposed projects.

While substantially better than the former Liberal Government, the Labor 2030 target of 43% is still substantially lower than the science based 74% target calculated by The Climate Council, in their "Aim High Go fast report".[3] The Safeguard mechanism's reduction is looking to target 100Mt of reductions but this amount of emissions will be used up by the combined emissions of large new projects like Scarborough, Browse, the Beetaloo Basin and others. This was highlighted by a recent report by Energy Resource insights.

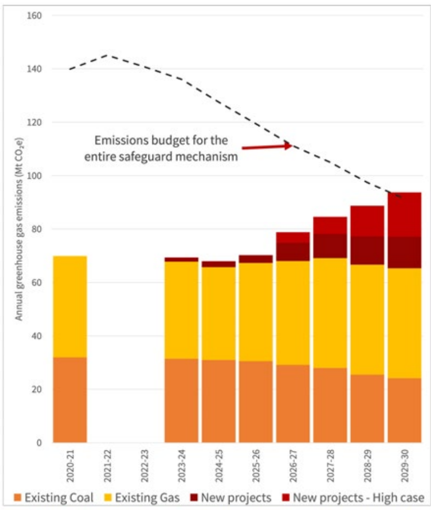

Figure 2: Modelled emissions from new and existing coal and gas production and processing facilities over the 2020s.

Source: https://energyresourceinsights.com/wp-content/uploads/2022/12/Safeguard-mechanism-report-221219.pdf

[3] Steffen W, Hughes L, Bradshaw S, Rice M, Arndt D. Aim High, Go Fast: Why Emissions Need to Plummet this Decade | Climate Council 2022 [Internet]. [cited 22 Feb 2023]. Available from: https://www.climatecouncil.org.au/resources/net-zero-emissionsplummet-decade/

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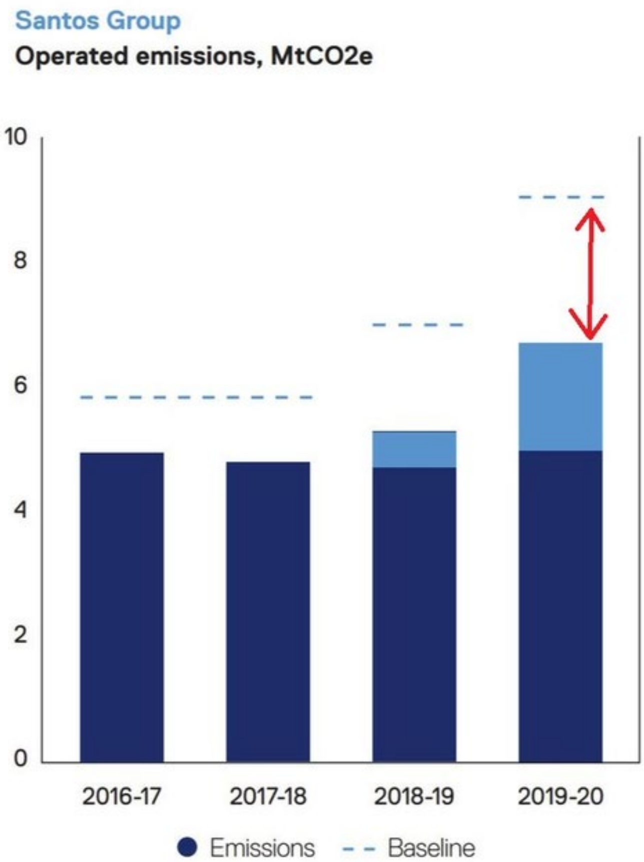
Recommendation 5:

>> All existing companies in the safeguard mechanism should have their emission fully audited and the baseline set at their current emissions.

Existing safeguard benchmarks are too high, allowing polluters to even increase emissions and still stay under the safeguard mechanism.

Companies in the existing safeguard mechanism have such high historic emissions “baselines” that they can continue to pollute and increase emissions without penalty as demonstrated in the graph below. Where not only is the baseline substantially above their actual emissions, in the past the baseline kept getting raised so they never exceeded it! The historically high baseline, such as that illustrated for Santos below, under the current policy would enable them to make money by trading those offsets, and not generate actual emissions reductions.



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Source: https://twitter.com/KetanJ0/status/1551475330740797440?s=20

Recommendation 6:

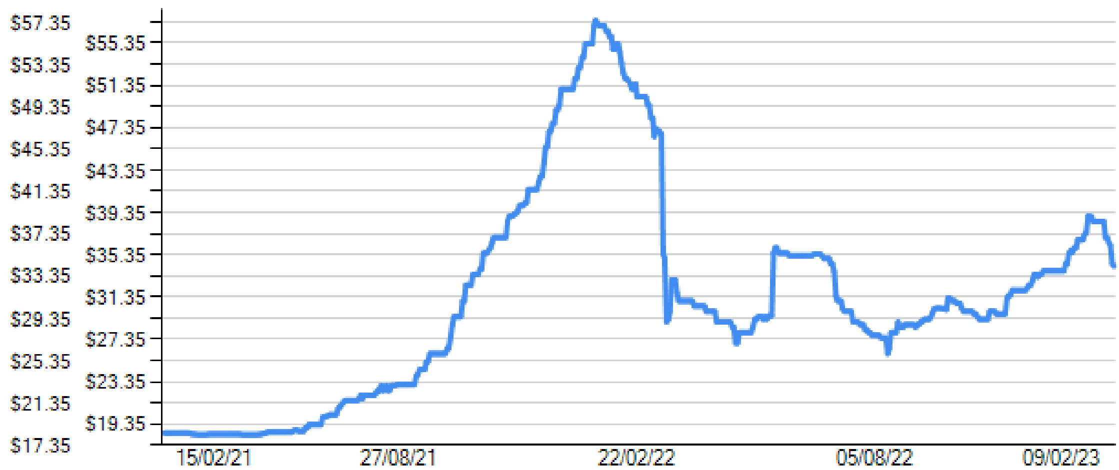
>> To incentivise actual reductions and be competitive with carbon border adjustment mechanisms in Europe the proposed cap should be removed. Alternatively, it could be placed at $300/Tonne AUD.

The proposed $75/tonne cap is too low, and will leave the Australian taxpayer vulnerable to pick up the difference.

The proposed $75/tonne cap is way too low and exposes the Australian taxpayer to potentially enormous costs in subsidising high emitters. The cap should be removed, or placed sufficiently high to protect the Australian taxpayer. Katherine Ricke et al calculated in 2018 that the median social cost of carbon (ie the real damage being done) was $600AUD/tonne. [4]

The European carbon market prices reached over €100 this week or approximately $155/tonne on current exchange rates. Australia's voluntary ACCU market was skyrocketing in price due to very high demand throughout 2021, until it was crashed by deliberate interventions by the previous Emissions Reduction Minister. The trajectory up until the intervention was heading rapidly towards the European market price of $155/tonne and more.

The amount of offsets likely to be taken up exceeds available supply, given the total number of ACCU's sold in the prior 10 years. This will have an upwards impact on prices.



Conclusion

AILA looks forward to further engagement on this subject, so ensure a position that's supports both the intent of the reform and the creation of great places that support healthy communities and a sustainable planet.

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4 Ricke, K., Drouet, L., Caldeira, K. et al. Country-level social cost of carbon. Nature Climate Change 8, 895–900 (2018). https://doi.org/10.1038/s41558-018-0282-y [Internet] [Cited\ 22 Feb 2023] Available from: https://www.nature.com/articles/s41558-018-0282-y