



Electrical Trades Union

SAFEGUARD MECHANISM REFORM

FEBRUARY, 2023

Proposed improvements to ensure the success of
Australia's transition to a net-zero economy

About the ETU

The Electrical Trades Union of Australia ('the ETU')¹ is the principal union for electrical and electrotechnology tradespeople and apprentices in Australia, representing well over sixty-thousand workers around the country.

ETU members can be found plying their trades at Safeguard Mechanism facilities across Australia. Our members will play a critical role in decarbonising facilities covered by the Safeguard Mechanism, as well as in delivering renewable energy projects responsible for creating the Australian Carbon Credit Units that will prop up those facilities which may struggle to find viable avenues for abatement. Our union is committed to the principles of a Just Transition and are supportive of the Commonwealth's efforts to decarbonise the Australian economy in a fair and equitable manner that leaves no worker behind.

Acknowledgement

In the spirit of reconciliation, the ETU acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all First Nations peoples today.

Introduction

The task at hand to meet the Federal Government's commitments to reducing national emissions and transitioning to renewable energy is undeniably significant and will require major efforts from all levels of government and industry if there is any chance of mitigating the effects of cascading climate catastrophes in the coming decades. Simultaneously, the ETU also recognises the major role that carbon intensive industries have played in advancing Australia's economic development and prosperity, particularly in the regions. We acknowledge the challenge facing the Government in having to balance the interests of workers and communities that have historically relied on carbon-intensive industries with the need for a rapid overhaul of how these industries operate to stave off man-made climate change.

Whilst the ETU ultimately supports the proposed reforms to the Safeguard Mechanism and believe that they should be passed into law, we wish to remind the Commonwealth that the realisation of our long-term goals for emissions reductions will not be aided by half-measures made in the interest of short-term political expediency. Our submission recommends a set of sensible modifications which we believe will assist in providing clarity around the operation of the proposed framework whilst maintaining the integrity of the Government's proposal.

The ETU is a member of the Australian Council of Trade Unions' Climate Action Group and has developed this submission with the support and collaboration of other member groups like the AMWU, MUA, UWU, and Victorian Trades Hall Council.

¹ Being a division of the CEPU, a trade union registered under the *Fair Work (Registered Organisations) Act 2009* (Cth).

Ensuring Genuine Decarbonisation for Safeguard Facilities

The success of the Safeguard Mechanism is reliant on ensuring that it delivers genuine decarbonisation in sectors like mining, manufacturing, and energy production through directing investment towards the research, development, and implementation of capital upgrades that reduce scope 1 emissions at the source. This investment, if channelled well by effective policy, will not only aid in ensuring Safeguard facilities contribute their proportional share of the national emissions reductions task, but has the capacity to create new jobs in sectors like research and development and advanced manufacturing, whilst protecting the long-term viability of existing jobs at these facilities as the world around them transitions to net-zero. The ETU believes it necessary to include a legislated commitment for the reinvestment of all Government revenue raised from the purchase of ACCU's by Safeguard facilities to be directed back into the development and implementation of these new technologies so that no facility, or the workers and communities that rely on them, is left behind.

Appropriate guardrails also need to be considered to manage the entrance of new facilities to the scheme in a manner that is consistent with the Government's stated intention to keep Safeguard emissions under a set carbon budget. We fail to see how allowing projects like the Beetaloo Basin Gas Project to go ahead, with some projections of the project's annual scope 1 emissions reaching more than double the current largest emitter in the Mechanism², will positively contribute to the viability of the Safeguard and broader emissions reductions task at hand. The ETU recommends the addition of a test to be applied for new entrants to the Safeguard Mechanism, requiring that new entrants only be considered should they ultimately serve to contribute towards objectives laid out in the Climate Change Act 2022, specifically;

"3. Objects

(aa) to advance an effective and progressive response to the urgent threat of climate change drawing on the best available scientific knowledge; and

(a) to set out Australia's greenhouse gas emissions reduction targets which contribute to the global goals of:

(i) holding the increase in the global average temperature to well below 2°C above pre-industrial levels; and

(ii) pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels;"

Such a provision would ensure that only facilities with the capacity to contribute to broader emissions reductions across the economy, such as mines producing minerals needed for renewable energy infrastructure, or facilities capable of advancing our sovereign capabilities in green manufacturing are able to be added to the Safeguard Mechanism. As well as preserving the chance of maintaining industrial emissions within the set carbon budget, the acceleration towards a genuine transition enabled by this measure would protect trade-exposed domestic industry in the long run from being negatively impacted by Carbon Border Adjustment Mechanisms overseas as more and more of our major trading partners consider implementing their own.

² RepuTex Energy, 2021, *Analysis of Beetaloo Gas Basin Emissions & Carbon Costs*

Moreover, we hold concerns that unfettered access for new entrants may create a future scenario, one wherein ACCU contributions have been restricted to a far greater extent than is currently proposed, that allows highly profitable fossil fuel extraction facilities to distort Safeguard Mechanism Credit markets, outbidding facilities with a genuine need for offsets and rendering them uncompetitive.

Stronger Governance Mechanisms

Whilst the ETU supports the Safeguard Mechanism commencing in the form proposed by Government, there is a real opportunity to establish a genuine industry led model for determining both the operation of the mechanism and enabling re-evaluations of its proportional role in reducing Australia's emissions. We strongly recommend the introduction of clear industry led governance mechanisms empowered to be able to re-evaluate and strengthen the SGM as time goes on, including;

1. The ability to establish evidence-based offset caps by industry sub-sector including the capacity to determine a ratchet down mechanism that is achievable with industry support for the number of external offsets able to be used.
2. The ability to assess new entrants based on aforementioned tests.
3. The ability to advise Governments on the capacity and/or need to increase the Safeguard Mechanism's proportional share of emissions reduction task (i.e., reduce overall carbon budget and individual baselines where necessary)
4. The compulsory provision of transparent data to be made available on the performance of the SGM and individual participants, including information regarding the share of reductions contributed by offset contributions and investments in abatement technologies.