

Guiding principles for alignment with the National Greenhouse and Energy Reporting Scheme and the Safeguard Mechanism

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Background

The Australian Government is responsible for the administration of the National Greenhouse and Energy Reporting (NGER) scheme and the Safeguard Mechanism, established by the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) and related legislation. The Clean Energy Regulator administers the NGER Act, its legislative instruments, and related policies and processes.

States and territories are responsible for administering environmental protection and planning legislation. This includes the assessment of the environmental impacts of development proposals, including, in some cases, the impacts of greenhouse gas emissions, and the ongoing environmental regulation of operational facilities.

The NGER scheme

The NGER scheme is a national framework for reporting and disseminating company information about greenhouse gas (GHG) emissions, energy production, energy consumption and other information specified under NGER legislation.

The NGER Act applies to corporations that meet reporting thresholds. There are two types of thresholds that determine which companies have an obligation under the NGER Act to report: the facility threshold and the corporate group thresholds.

The facility thresholds are:

- 25,000 tonnes per year or more of GHG emissions, as carbon dioxide equivalent (CO₂-e), including both scope 1 and scope 2 emissions, or
- production of 100 terajoules per year or more of energy, or
- consumption of 100 terajoules per year or more of energy.

The corporate group thresholds are:

- 50,000 tonnes per year or more of GHG emissions (CO₂-e) (scope 1 and scope 2), or
- production of 200 terajoules per year or more of energy, or
- consumption of 200 terajoules per year or more of energy.

NGER scheme:

- only applies to facilities or corporate groups that meet the emissions reporting thresholds
- operates as a reporting framework only
- requires annual reporting of scope 1 and 2 emissions and energy production/consumption, as per the above thresholds
- provides emission estimation methodologies for key sectors
- publishes emissions data for states and territories each year
- publishes emissions at the corporate level.

NGER scheme does not:

- include any assessment or authorisation of development proposals
- require reporting emissions from agricultural sources, and land use, land use change and forestry
- require entities that are not ‘corporations’ (such as local councils (generally) and other public authorities) to report
- capture corporate facility-level emissions below 25,000 tonnes CO₂-e scope 1 and 2 per annum, unless captured as part of a corporate group
- require facilities to reduce emissions
- capture scope 3 emissions
- publish facility-level data for non-Safeguard Mechanism facilities¹ or data in a way that matches up to jurisdictional needs.

The Safeguard Mechanism

The NGER Act also provides a framework for Australia’s highest emitting facilities to manage and report on their GHG emissions. This framework is the Safeguard Mechanism. The Safeguard Mechanism applies to facilities that emit over 100,000 tonnes CO₂-e per annum (scope 1 emissions). Facilities include those from the mining, oil and gas production, electricity generation, manufacturing, transport and waste sectors.

It sets legislated limits, known as baselines, on the net GHG emissions of these facilities. These baselines will decline, predictably and gradually, on a trajectory consistent with achieving Australia’s emission reduction targets of 43% below 2005 levels by 2030 and net zero by 2050. The scheme currently includes a default baseline decline rate of 3.285% from 2030-2050 but final baseline decline rates for the period 2030-2035 will be set as part of a 2026-27 review, consistent with Australia’s 2035 emissions reduction targets.

If a Safeguard facility exceeds their baseline, they must surrender Australian Carbon Credit Units or Safeguard Mechanism Credits (SMCs) equal to their excess emissions. Facilities that “beat” their baselines may apply to receive SMCs.

The Safeguard Mechanism is not intended to prevent new facilities and does not directly interact with (or change) any existing approval processes. However, new facilities will receive a more stringent baseline based on international best practice emissions intensity values, many of which have already been set. This ensures that new facilities are future proof and built with the best available technology. Further, when a new Safeguard facility or expansion is approved under the Environment Protection and Biodiversity Conservation Act 1999 (Cth), the Commonwealth is then obligated to consider whether the scheme’s legislation needs amending to ensure that the scheme’s emissions reduction targets will be met.

The Safeguard Mechanism applies to the grid-connected electricity sector in a different way to other industry sectors, by applying a single ‘sectoral’ baseline across all electricity generators connected one of Australia’s main electricity grids. Individual grid-connected electricity generators are not covered as long as total emissions from grid-connected electricity generators do not exceed the sectoral baseline.

¹ The Australian Government is exploring options to publish additional facility level data. See response to Recommendation 9 in the Australian Government Response to the Climate Change Authority’ Review of the NGER Scheme <https://www.dcceew.gov.au/sites/default/files/documents/government-response-cca-nger-review.pdf>.

Safeguard:

- only applies to facilities that meet the emissions thresholds
- applies to facilities or corporate groups that emit more than 100,000 tonnes CO₂-e per annum (scope 1 emissions)
- is primarily a market-based incentive mechanism, targeting Australia's highest emitting facilities
- assists Australia to meet its emission reduction targets
- requires facilities to contribute to the proportional share of reducing Australia's national emissions
- requires facilities to keep their net emissions intensity below a specified 'baseline'
- baselines decline over time to 2050
- awards facilities with Safeguard Mechanism credits when their net emissions intensity is below their baseline
- requires the publication of facility level emissions and emissions intensity data, including by greenhouse gas type.
- enables penalties for non-compliance.

Safeguard does not:

- include any assessment or authorisation of development proposals (does not prevent new facilities and does not directly interact with (or change) any existing approval processes)
- capture facilities that emit less than 100,000 tonnes CO₂-e per annum (scope 1 emissions)
- capture scope 2 or 3 emissions
- align with state and territory emission reduction targets
- require individual facilities to reduce actual on-site emissions (but reduce aggregate gross emissions)
- require details of how emissions will be reduced.

State and territory approaches

States and territories have adopted a range of emission reduction targets for their jurisdictions, some of which are more ambitious than the Australian Government targets. Since the Safeguard Mechanism is a scheme that seeks to ensure national outcomes for covered emissions, the precise contribution that the Safeguard Mechanism emission reduction requirements provide to meeting state and territory emission reduction targets is unclear

In addition, the Safeguard Mechanism is not an approval framework and does not require details of how emissions will be reduced, so GHG emissions information is required for states and territories to make decisions on development proposals. This information is generally required for most states and territories to determine whether the development proposal should be approved.

States and territories are at different stages in developing and implementing their own approaches for assessing development applications and managing greenhouse gas emissions from facilities or activities that they regulate.

To help meet their more ambitious targets and to better inform their planning assessment processes, some states and territories have implemented (or are implementing) approaches that are requiring businesses to do more than just comply with the Safeguard Mechanism. However, states and territories are being careful not to duplicate or conflict reporting requirements with Safeguard and the NGER Scheme, where possible.

Guiding Principles

The New South Wales, South Australian and Victorian environment agencies represented at Heads of EPAs Australia and New Zealand (HEPA) are seeking to complement the Australian Government's NGER Scheme and the Safeguard Mechanism, where possible, through the adoption of the following guiding principles.

1. States and territories seek to harmonise their greenhouse gas approaches within bounds of legislation and strategic government policy wherever possible.
2. The Safeguard Mechanism provides a minimum net emissions intensity standard for Australia's highest-emitting facilities. It does not preclude individual states and territories from taking measures that can operate concurrently with the Safeguard Mechanism, and from:
 - a) requiring information from proponents and operators to better understand the potential GHG impacts of proposed developments and existing facilities within their jurisdiction
 - b) requiring additional actions from proponents and operators to provide greater certainty that their jurisdiction's emission reduction targets can be achieved
 - c) considering whether proponents and operators within their jurisdiction are adequately avoiding, minimising and managing their GHG emissions over all stages of development and operation
 - d) implementing regulatory approaches for emitters not captured by the NGER Scheme or Safeguard Mechanism.
3. States and territories collaborate on regulatory approaches to address climate change and to improve the evidence base; seeking to align approaches across borders wherever practical, to minimise complexity.
4. States and territories may seek to implement regulatory approaches that complement and draw from the NGER Scheme and the Safeguard Mechanism.
5. Where it is fit for purpose, states and territories will use NGER Scheme data and accept facility's NGER Scheme reports. States and territories will avoid establishing any emissions reporting schemes that duplicates NGER reporting or methodologies.
6. Where states and territories are considering requirements for emissions reporting from facilities that fall below the NGER Scheme reporting threshold, or are not required to report, they will seek to align with the NGER Scheme where appropriate. For example, council-owned landfills can use existing NGER Scheme methodologies to report their emissions.
7. States and territories seek to promote the emissions mitigation hierarchy with regulated facilities, which is to first avoid and then reduce emissions as much as possible, before finally offsetting residual emissions to meet emission reduction objectives.
8. Where practicable, states and territories seek to align their offsets approaches and the criteria for preferred and acceptable offsets.
9. States and territories seek to complement the Safeguard Mechanism by encouraging industry to adopt best practice emission reductions, to commit to continuous improvement and to adopt new technologies as they emerge.
10. States and territories identify opportunities to improve the NGER Scheme and Safeguard Mechanism and engage with reviews led by the Australian Government.