

SAFEGUARD MECHANISM REFORMS - UPDATED RULES RELEASED

26 May 2023

The [National Greenhouse and Energy Reporting \(Safeguard Mechanism\) Amendment \(Reforms\) Rules 2023](#) has been released, which amends the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015.

The amendment introduces the reforms that were previously under consultation in January-February this year.

The reformed Safeguard Mechanism will commence 1 July 2023, and includes, amongst other items:

- A decline rate to be applied to Safeguard facilities' baselines in line with Australia's emission reduction targets. Initially the decline rate will be set at 4.9% each year to 2030.
- Trade Exposed Baseline Adjusted (TEBA) facilities, a sub-set of trade-exposed facilities that face an elevated risk of carbon leakage, will be eligible to apply for a discounted decline rate. The minimum decline rate will differ depending on whether the facility is designated as manufacturing or non-manufacturing.
- All Safeguard facilities will move to production-adjusted baselines, using the Government's prescribed production variables. Other baseline options will no longer be available.
- The production-adjusted baselines may be set using a hybrid model, initially weighted towards the use of site-specific emissions intensity values.
- Site-specific emissions intensity values will be set using historical data from FY2018 to FY2022, with applications required to be submitted by 30 April 2024 with an accompanying audit.
- New facilities with no historical production, or facilities with new products, will have their baselines set using international best practice levels.
- Safeguard Mechanism Credits (SMCs) will be generated by facilities where their emissions are below their baselines.
- Multi-year monitoring periods can be applied for, but are required to have a firm and credible plan to reduce emissions before the end of the period. The Regulator will be able to vary the period if emissions are not being reduced.
- An explanation will be required if ACCUs surrendered to meet compliance obligations are more than 30% of the facility's baseline emissions number.
- Facilities that emit more than 1 million tCO₂-e will be required to be audited.

Further updates are still expected before July 2023, with the Department continuing work on the review of production variables and default emissions intensities, and guidelines for setting international best practice values.

More information can be found on DCCEEW's website: <https://www.dcceew.gov.au/climate-change/emissions-reporting/national-greenhouse-energy-reporting-scheme/safeguard-mechanism>

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