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Safeguard Mechanism reform consultation factsheet

Emissions-intensive, trade-exposed facilities

What are emissions-intensive, trade-exposed facilities?

Emissions-intensive, trade-exposed (EITE) facilities are trade exposed and have emissions intensive production. These attributes mean a facility may face higher costs to reduce its emissions and be less able to manage those costs because the price of its products are set in global markets.

Trade exposed: Many Safeguard facilities export significant volumes of product overseas and might therefore be considered trade exposed.

Facilities that face competition from imports may also be considered trade exposed. For example, Australia imports significant volumes of clinker (used in producing concrete), which may compete with domestic production for market share.

Emissions intensive: Emissions intensive industries or facilities typically experience higher costs of complying with emissions reduction obligations. One way of determining whether an activity is emissions intensive is to compare the cost of complying with an emissions reduction scheme relative to a business's revenue or profit.

Why is support required and what is carbon leakage?

Many international emissions reduction schemes include support or concessions for facilities producing EITE products, such as steel, aluminium or clinker.

Support aims to ensure domestic businesses are not materially disadvantaged relative to international competitors. This helps to prevent domestic production from shifting overseas to jurisdictions without emissions reduction schemes. In some cases, the overseas producer may cause more emissions than the domestic producer, and the overall effect of an emissions reduction scheme is to increase global emissions. This shift of emissions overseas is referred to as 'carbon leakage'.

In the context of the reforms to the Safeguard Mechanism, the consultation paper seeks views on options to provide support to Australian EITE facilities so businesses are not disadvantaged compared to international competitors and emissions do not move overseas.

More information

Learn more about the Safeguard Mechanism reforms at <https://consult.industry.gov.au/safeguard-mechanism-reform-consultation-paper>

Safeguard Mechanism

Acknowledgement of Country

We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

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