



Safeguard Mechanism reform consultation - factsheet 6

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Safeguard Transformation Stream

The Australian Government's **\$1.9 billion Powering the Regions Fund (PRF)** will support decarbonisation of Australian industry and ensure our regions thrive. One of PRF's objectives is to unlock decarbonisation opportunities in existing industries under two proposed streams: the Safeguard Transformation Stream (STS) and the Industry Decarbonisation Stream. This factsheet focuses on the STS.

The government is reforming the Safeguard Mechanism to ensure Australia's largest industrial emitters remain competitive in a decarbonising global economy and contribute to meeting Australia's climate targets. Consultation is underway on [proposed reforms](#) to gradually and predictably reduce emissions baselines for these emitters. The reforms will provide a clear signal to industry to accelerate low carbon innovation and bring forward investment in clean technology – consistent with industry's own commitments to net zero.

The Safeguard Mechanism covers some 'hard-to-abate' sectors where clean technology options are still being demonstrated and commercialised. Many Safeguard facilities are 'trade-exposed', as they face competition from imports and international markets. It is important that Safeguard facilities remain competitive as the world decarbonises, and that the reforms do not result in 'carbon leakage', where the emissions are produced overseas instead. It is recognised that many existing trade exposed facilities are part of strategic national industries, such as metals, chemicals, cement manufacturing and critical minerals, that provide key inputs to clean energy supply chains and are important to capturing the benefits from a global net zero economy.

\$600m for trade-exposed Safeguard facilities to adopt low emissions technology

In this context, the government will establish the **\$600 million Safeguard Transformation Stream (STS)** within the PRF. The STS will provide dedicated funding for projects that reduce emissions at Safeguard facilities that are trade-exposed.

The STS will support projects that reduce emissions covered by the Safeguard Mechanism (i.e. eligible facilities' scope 1 emissions). The STS is intended to be technology and project neutral and could support a range of project types like energy efficiency upgrades; shifts to lower carbon processes; fuel switching (e.g. from fossil fuels to electricity, hydrogen and biofuels); and carbon capture, use and storage. Technologies would need to be effective and verifiable in their emissions reductions and take into account the Australia's net zero target. A range clearly defined and publicly available eligibility criteria would then be used to select appropriate projects.

Funding through the STS would reduce the capital costs for Safeguard facilities to invest in new low emissions technologies and fast track their adoption. By reducing Safeguard facilities' covered emissions, the STS can reduce the ongoing cost for trade-exposed facilities to meet their falling baselines.

Under the proposed design of the Safeguard Mechanism reforms, two categories of facilities will be eligible for tailored treatment to manage competitiveness and carbon leakage risks:

- Trade-Exposed facilities: All those facilities undertaking a trade-exposed activity.
- Trade-Exposed Baseline Adjusted facilities: The subset of Trade-Exposed facilities that face an increased risk of carbon leakage.

Both would be eligible to apply for the STS, which is expected to be open for applications after 1 July 2023.

The STS will work alongside other government support to decarbonise industry

The decarbonisation of industry under the Safeguard Mechanism and PRF will also help unlock emerging markets for green products and support Australia's transformation into a renewable energy superpower. The Safeguard Mechanism and PRF are part of the government's plan to deliver on this vision.

While the STS is focused on trade-exposed facilities, all eligible Safeguard-covered facilities will be able to apply for the other streams of the PRF, including the Industry Decarbonisation Stream. Safeguard covered facilities will also receive preferential access wherever relevant.

Safeguard facilities will continue to have access to other sources of funding and finance, such as the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC). Up to \$3 billion of the \$15 billion [National Reconstruction Fund](#) being established by the government will also be dedicated to renewables and low emissions technologies.

More information

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