



Safeguard Mechanism reform consultation - factsheet 2

January 2023

Safeguard Mechanism: meeting the target

From 1 July 2023, emissions baselines for Safeguard Mechanism facilities will start to fall to contribute to Australia's emissions reduction targets and help tackle climate change.

Safeguard Mechanism facilities contributed 28% of Australia's national emissions in 2020–21. Their corresponding share of the national emissions target (43% below 2005 levels by 2030) is no more than 100 million tonnes of CO₂-e in 2030, and no more than 1,233 million tonnes of CO₂-e in total between 2021 and 2030¹.

This means net greenhouse gas emissions covered by the Safeguard will fall from a projected 143 million tonnes in 2022–23 before the reforms start, to no more than 100 million tonnes by 2030 and be capped at 1,233 million tonnes between 2021 and 2030. This will deliver an estimated 205 million tonnes of abatement by the end of the decade compared to emissions without these reforms².

Australia's national greenhouse gas reduction target

Australia's emissions reduction targets are enshrined in law. Our updated and more ambitious 2030 target of 43% – Australia's Nationally Determined Contribution (NDC) under the Paris Agreement – represents a major milestone on the path to net zero and is characterised as both:

- **a single-year (point) target** – the indicative value for national emissions is no more than 354 Mt CO₂-e in 2030
- **a multi-year emissions budget** – the indicative value for the national emissions budget is no more than 4,381 Mt CO₂-e for the decade from 2021 to 2030.

The emissions budget is important. Global warming impacts are linked to greenhouse gas concentrations, so the total volume of emissions released over the decade better represents Australia's contribution to global warming than emissions in a single year.

¹ The 100 Mt is based on 28.14% of the national 2030 target of 354 Mt and the 1,233 Mt is based on 28.14% of the national emissions budget of 4,381 Mt. From the estimated starting point of Safeguard emissions in 2023–24, the baseline trajectory needed to satisfy both the 1,233 Mt emissions budget and 100 Mt point target will see net emissions fall to around 95 Mt in 2030.

² Based on projected emissions from existing Safeguard facilities and expectations around new facilities in the absence of the Safeguard reforms, such that emissions from new facilities are not constrained by a best practice emissions intensity level. The resulting difference between the projected emissions and baseline trajectory is the estimated level of abatement from the reforms.



How much will baselines decline?

The government proposes that each facility's baseline will fall by **4.9% each year to 2030**. The baseline decline schedule will be set in the Safeguard Rule³.

The baseline decline rate is applied to each facility's production-adjusted baseline each year using a scaling factor (see Table 1). For example, in 2023–24 a facility's baseline declines by 4.9% so it equals $(1 - 0.049) \times (\text{production-adjusted baseline})$ or $(0.951) \times (\text{production-adjusted baseline})$. Refer to factsheet 3 for a worked example.

Table 1. Safeguard Mechanism baseline decline rate

Compliance year	Baseline decline scaling factor
2023–24	0.951
2024–25	0.902
2025–26	0.853
2026–27	0.804
2027–28	0.755
2028–29	0.706
2029–30	0.657
1 July 2030 and subsequent financial years ^[2]	0.03285 less than the previous financial year but not less than zero

Managing uncertainty

The calculation of the decline rate is based on Australia's emissions projections 2022, which already anticipate a range of new entrants and likely changes in production. In addition to these, the decline rate builds in an appropriate reserve to ensure the Safeguard target will be met. The reserve holds around 17 million tonnes or 1.3% of the Safeguard's emissions budget. Building in a reserve helps ensure the Safeguard's emissions reduction targets are met by accounting for uncertainty in production and emissions from new and existing facilities, and for the emissions reductions delivered from trade exposed and baseline adjusted EITE facilities. This represents a conservative approach to baseline decline, and means that if production growth is higher than expected, the target can still be met.

Post 2030 decline rates

Post-2030 decline rates will be predictably set in 5 year blocks, after updates to Australia's NDC under the Paris Agreement. Decline rates for 2030–31 to 2034–35 will be set by 1 July 2027. This

³ National Greenhouse and Energy Reporting (Safeguard Mechanism) Amendment (Reforms) Rules 2023

^[2] As outlined in the January 2023 Position Paper, to maintain progress to net zero by 2050, indicative annual decline rates will be set for 2030–31 to 2049–50, noting that the actual rate will be set through the periodic baseline setting process. Decline rates for 2030–31 to 2034–35 will be set by 1 July 2027.



periodic baseline setting process will include consideration of progress to the current 2030 target and potential adjustment to baseline decline rates for the final 2 years of the target period.

To maintain progress to net zero by 2050, indicative annual decline rates will be set for 2030–31 to 2049–50. The actual rate will be set through the periodic baseline setting process.

More information

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