



Safeguard Mechanism reform consultation - factsheet 4

January 2023

Emissions limits at new facilities

Baselines for new facilities will be set in line with international best practice. This sends a strong signal to investors that Australia is on a pathway to net zero and new production must support this goal.

How will emissions limits be set for new facilities?

Emissions limits (or baselines) for new facilities will be set in line with international best practice, adapted for an Australian context.

New investments differ from existing production because they can design for and build to best practice standards using the latest technology. Setting emissions limits for new facilities using weaker emissions limits (for example, industry average emissions intensity) risks locking in higher emissions intensity for long lived assets. This would be inconsistent with a net zero pathway.

Who do they apply to?

New entrant baselines, like other Safeguard Mechanism reforms, will apply from 1 July 2023. Any new facility that becomes covered by the Safeguard Mechanism before that date (that is, during 2022-23) will have its baseline set using the current methodology (published industry average benchmark values).

To reduce competitive distortions between new and existing facilities, international best practice will also apply at existing Safeguard facilities if they begin producing new products. However, they will not apply to facilities that trigger the coverage threshold (of 100,000 tonnes) after 1 July 2023, but have been operating and reporting under the National Greenhouse and Energy Reporting scheme for some time (unless they start producing a different product).

Like other baselines under the reformed Safeguard Mechanism, facility baselines set at global best practice benchmarks will fall over time, so they contribute to meeting Australia's climate goals.

How will global best practice be determined?

The government will develop a framework for determining global best practice, and will seek feedback from industry on the draft framework. It will then apply the framework to develop global best practice benchmarks, which will be set in the Safeguard Rule.

The process will include assessing available information and identifying comparable international producers. International best practice will be adapted to Australian circumstances, for example by taking account of the types of metal ores processed in Australia compared with those processed overseas. It will also take into account the effect of technologies implemented in Australia and overseas, including renewable energy, low emissions technologies and electrification.

More information

Learn more about the Safeguard Mechanism position paper at

[https://consult.industry.gov.au/safeguard-mechanism-reform-consultation-paper.](https://consult.industry.gov.au/safeguard-mechanism-reform-consultation-paper)