



# Consultation paper: International best practice benchmarks

## Introduction

The Safeguard Mechanism covers facilities that emit more than 100,000 tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e) in a year. It sets legislated targets, known as baselines, on the net greenhouse gas emissions of covered Safeguard facilities.

The reforms to the Safeguard Mechanism will reduce emissions at Australia's largest industrial facilities and maintain their international competitiveness as the world decarbonises. The reformed Safeguard Mechanism commenced on 1 July 2023.

All new facilities will be given baselines set at international best practice levels, adapted for an Australian context. These baselines will decline over time at the same rate as other facilities. This recognises that new facilities can use the latest technology and build world's best practice emissions performance into their design. New entrant arrangements will commence from 1 July 2023, consistent with broader Safeguard reforms.

The Department of Climate Change, Energy, the Environment and Water is accordingly consulting on draft guidelines that the Department would use to calculate international best practice benchmark emissions intensities. Baselines for new facilities would be set by multiplying each production variable that is associated with the facility with the benchmark for that production variable and the facility's production of that production variable.

## Priority production variables for international best practice benchmarks

After considering feedback on the draft guidelines, the Department intends to develop international best practice benchmarks for priority production variables in late 2023. The Minister for Climate Change and Energy will consider these benchmarks and if satisfied make the amendment to the Safeguard Rules to legislate the benchmark values. Benchmarks for other production variables will be made at a later date, with the next tranche of benchmarks expected to be made in 2024.

The priority production variables reflect the Department's understanding of which production variables are likely to be needed for new facilities before 2030, with the first tranche of production variables being those that are likely to be needed soon. The Department welcomes feedback regarding which production variables to prioritise.

Production variables considered likely to be used by new facilities before 2030 include: ammonia; urea; coal; electricity; nickel; white titanium dioxide pigment; cobalt; lithium hydroxide; iron ore; run-

of-mine metal ore; steel; processed natural gas; reservoir carbon dioxide from existing gas fields; stabilised crude oil or concentrate; natural gas transmission; and bulk freight road transport.

The Department anticipates that priority production variables will include coal, electricity, lithium hydroxide, iron ore, run-of-mine metal ore, steel, processed natural gas, reservoir carbon dioxide from existing gas fields, and bulk freight road transport.

The Department is currently reviewing production variable definitions. As part of this process, new production variables are being developed that are expected to be needed by new facilities, such as lithium hydroxide.

## **Making a submission**

The Department invites views and feedback regarding the draft guidelines and the production variables anticipated to be used before 2030, as well as the subset of those which would be made in the first tranche in late 2023. Feedback is open until **Friday 11 August 2023**.