**Edwina JOHNSON**

Good morning, everyone, and thank you so much for joining us. For those of you who I haven't met, my name is Edwina Johnson. I look after the Safeguard Mechanism and Carbon Leakage Review branch in the Department of Climate Change, Energy, the Environment and Water. I'm delighted to be joined today by Professor Frank Jotzo from the Australian National University, who's been the lead of this Carbon Leakage Review. So I'd like to thank you at the start for your engagement and interest in our review and really warmly welcome you to this morning's webinar. And so Frank and I will run through some slides. We anticipate that will take, you know probably about 45-50 minutes and then leave time for questions. So if I could please ask you to hold your questions over to the end and you're able to type those in the Q&A function. And then Frank and I will answer the questions. And so yeah, really hopeful that this morning gives you a good overview of the Carbon Leakage Review.

Next slide thanks Liam.

So I'd just like to start by acknowledging the traditional owners of the various lands in which we're calling in from today, which for me is the Gadigal people of the Eora nation and pay my respects to elders, past, present and emerging, and extend particular respects to any First Nations people joining us in the call this morning.

Thanks, Liam.

So yes, as you'd be aware having joined the webinar this morning, we released the 2nd consultation paper for the Carbon Leakage Review last Friday. Our submissions close on the 3rd of December this year.

And after that I will provide advice to government. And so we're really hopeful that this morning's webinar will provide you with the sort of information about the analysis and policy options we work through as part of the review. So I'll hand now to Frank to make some introductory comments. Thank you.

**Frank Jotzo**

Yes, thank you very much everyone for joining. We're delighted that the 2nd and substantive consultation period will accompany to review is open and we will be speaking to many aspects of the significant detail that is provided in that consultation paper

Briefly to set the scene here. We do of course observe a global move to net zero emissions. 150 countries plus have made commitments to be net zero economies down the track and that is of course the very large majority of Australia's trade partners as well. We have seen significantly increased climate change ambition in Australia, including the federal government's net zero plans that are currently in development and the vision of Australia as a renewable energy superpower. And of course, policy efforts under Labor of the Future Made in Australia.

The point really is that they are very significant economic opportunities for Australia in a net zero world. At the same time in that transition to global net zero settings, there is potentially a risk of carbon leakage due to differences in the extent and stringency of climate change policy in different countries and in different jurisdictions and at the same time, of course, very importantly, there is a desire to create the preconditions for investments in green industry in Australia. Both to help the world decarbonise and, of course, to reap the economic benefits on the basis of Australia's enormous resource endowment, including in renewable energy potential.

Now the beginning of the consultation paper sets out some of the principles that have guided us in this review, and I'll briefly run through three of them.

First of all, we put very great emphasis on economically efficient low and zero emissions industrial production and the transition they are true. We start from the proposition that a durable market-based system can incentivise investments in low and zero emissions industries and that is an important plank in an overall transition to low emissions heavy industry settings.

That also relates to the definition that we take to carbon leakage, which is relocation of industrial production, purely and solely because of the differences in climate change policy stringency that may exist between different countries in different jurisdictions more generally.

Secondly, of course, Australia's opportunity as a major producer and exporter of clean energy and industrial commodities. And here of course ultimately what you're looking for as a large scale producer of green commodities is premiums in markets for green products, including for traded goods. It's all about creating the preconditions for investment in these new low emissions industrial structures.

Third, and very important, for a small and very open economy like Australia, the international rules based trading system and more generally an open and liberal trade framework. So Australia has traditionally benefited hugely economically from free trade from deep trade and integration with the region. And so we place as a review a very strong emphasis on how any potential future climate change measures aimed at carbon leakage reduction or addressing car leakage concerns relate to international trade rules and obligations and looking for solutions that allow trade that is consistent with climate change objectives for collaborative implementation of any additional policy measures. And of course to support and progress in multilateral and plurilateral forums, and in fact we will end on that note when we come to the end of the presentation. Edwina.

**Edwina JOHNSON** 6:20

Right. So to take a step back and just remind ourselves that the background and time frame for the Carbon Leakage Review. As you'll all be aware, Australia has legislated emissions reduction targets of 43% below 2005 levels by 2030 and net zero by 2050. And as part of delivering to those emission reduction commitments, the government has reformed the Safeguard Mechanism as its industrials emissions reduction policy. And I'll say a bit more about Safeguard Mechanism reforms in a couple of slides time.

And so arising from those reforms to the Safeguard Mechanism, the government committed to undertake this Carbon Leakage Review, which has been charged with assessing the risk of carbon leakage and considering policy options, including a border carbon adjustment. And we'll dive in a little bit more in the next slide as to the definition of carbon leakage risk.

So there are few time frames and the first phase was focused on how we should go about identifying carbon leakage risks for Australia. Many of you will remember we consulted publicly in late 2023, and we're really grateful for the submissions we received on that first consultation paper.

We've then undertaken a number of months of deep, both analytical analysis and policy analysis, to address the carbon leakage risk of the commodities covered by the Safeguard Mechanism and have also been grateful for a number of our engagements with both domestic and international stakeholders as we've looked to listen and bring together perspectives on the potential policy options that the review's been looking at.

So the consultation paper, which was released last Friday, steps out our preliminary preliminary findings and we really will welcome your feedback on those over the coming weeks. And as I say, submissions close on the 3rd of December following this consultation period, the review will provide a final advice to government by the end of this year 2024 and after that, government will consider the reviews’ advice.

So to be very clear, the government hasn't made any decisions on any of the preliminary findings outlined in the report.

Thanks, Liam.

So then turning to the definition of carbon leakage.

So what we've done with the Carbon Leakage Review is to take an intentionally reasonably narrow definition of carbon leakage where we look at shifts in production either trade or production from countries with lower or no emissions reduction policy to those…

Sorry from those with more ambitious emissions reduction policies to those with weaker or no emissions reduction policies.

So what we're looking at there is, is just the relative stringency of emissions reduction policies and the effect that has on trade or investment.

Now, of course, there's a number of reasons why trade and production flows can change. Things like cost of capital and labour market conditions, company strategies and business sentiment. And while we recognise this certainly important policy areas and issues for those businesses that work in this space, they're outside the remit of the review. So we do like to be very clear up front what carbon leakage it's and what it is not. And what it is, is thinking about the relative stringency and the move of trade or investment solely due to that relatively stringency of emissions reduction policies across different countries.

Next slide. Thanks, Liam.

So as I said, and I know many of you will know, the government has undertaken reforms to the Safeguard Mechanism. So the Safeguard Mechanism applies to Australia's largest industrial facilities. It currently covers about 220 facilities, which are those industrial facilities across things like coal, oil and gas, steel, cement, other types of manufacturing, the large transport facilities. It covers facilities that produce over 100,000 tonnes, scope one or direct emissions each year.

Following the reforms, baselines are set on production adjusted emissions intensity basis and those baselines will decline as the standard rate of 4.9% each year to 2030. Those trade exposed facilities that experience particular cost impacts are able to apply for a concessional baseline decline rates.

If a facility emits below their baseline, they're issued Safeguard Mechanism credits. If a facility emits above its baseline, it must surrender domestic emissions credits, so either Australian Carbon Credit Units or Safeguard Mechanism Credits. And so, it's really in the context of those reforms that the review has been undertaken.

And as you'll hear during the presentation, the particular settings of the Safeguard Mechanism are very important when we think about potential policy options to address carbon leakage risk.

Next slide. Thanks, Liam.

So we were really conscious of the potential for carbon leakage risk when we undertook the reforms to the Safeguard Mechanism. And there's really three main ways we've looked to address that risk as part of the existing parameters and arrangements for the Safeguard Mechanism.

So the first is that there under the production adjusted emissions intensity baseline

facilities have the capacity to admit up to their baseline without any cost. As I said, for those facilities who are trade exposed and face particular impacts they're able to apply for a reduced baseline decline rate. So instead of the standard of 4.9% each year for non-manufacturing facilities, they're able to apply for a reduced rate down to 2% a year. And for manufacturing facilities down to 1% a year.

There's also about a billion dollars through the powering the Regions Fund, which has been set aside to help our facilities decarbonize and therefore meet their obligations under the Safeguard Mechanism.

So in terms of our preliminary findings, we found that the current Safeguard Mechanism settings are effective at mitigating our carbon leakage risk in the short to medium term. But the settings for some sectors may need to be augmented over time. And we also noted that the reduced baseline decline rates under the trade exposed baseline adjusted status or TEBA facilities constrain the contribution of the Safeguard Mechanism to Australia's overall emissions reduction efforts.

And now I hand back to Frank to talk through some of the assessment of carbon leakage risk.

**Frank Jotzo** 12:55

Yes indeed. The analytical foundation for our work really is the assessment of potential carbon leakage risk commodity by commodity for 73 trade exposed commodities covered by Safeguard Mechanism grouped in 37 commodity categories. And the review team has really done an outstanding job here in providing a very in depth quantitative as well as qualitative analysis of these factors.

We are of course are very interested in informed stakeholder feedback on that analysis. And I'm happy to report that in many ways this analysis that's reproduced in the consultation paper sets the kind of benchmark actually for the depth of analysis on these issues.

The way we've gone about this is we've leveraged several in depth statistical indicators as well as qualitative stakeholder feedback and other factors to come to a holistic assessment of likely future carbon leakage risk.

Now in terms of the quantitative indicators starting on the left, we've made an indicative assessment of what the 2030 carbon liability might be as a percentage of product prices. So this makes various assumptions, of course about the prices at which credits might be traded in 2030. There are assumptions, of course about baseline decline rates and assumptions about product prices guided by most recent product prices.

We then assess trade as a share of Safeguard Mechanism production in Australia using most recent available data. Once again commodity by commodity and that is approximately for the trade exposure of a particular commodity produced in Australia and exposed to trade.

And then comes a very involved piece of analysis, and that is an econometric estimation of the sensitivity of trade flows to changes in relative prices. I will come to that in a little more detail, but essentially it is looking at historical data of the last decade or so to empirically assess how the balance between imports to Australia and domestic production in Australia has varied as a function of changes in the relative prices between Australian production and world prices or imports.

We combine that quantitative analysis with other factors including stakeholder feedback already received. And of course very important to emphasise that this kicks off our second consultation period and we are open to receive further information and analysis from stakeholders domestically as well as internationally.

Now all of that assessment allows us then to firstly assess the so-called trade leakage risk and so that includes a quantitative illustration of the potential reduction in production of Safeguard without any additional measures to address carbon leakage.

And it allows an assessment of more broadly framed assessment of investment leakage risks. So this is, broadly speaking, the question of where the next facility might be built and the indicator that we're using here to illustrate is emissions relative to firm profits.

Now, on the basis of that analysis, we won't go into too much detail in the slides here, you have all the detail required in the paper in front of you. We see very stark differences between commodities in terms of their potential exposure to trade based carbon leakage risk as assessed on the basis of our statistical analysis, we'll come to individual commodities in a minute.

Just to emphasise here, that there is really very substantial differences in the quantitative assessment for likely trade carbon leakage exposure. And just to illustrate, or just to give you a guide, the dark-coloured bars here are for commodities that compete with imports. The light-coloured bars are commodities that largely compete as exports in international markets.

Now assessing investment leakage risk is done in a rather broad categories of commodities and industries owing to confidentiality provisions of the underlying data that we use in the review. And I'll leave you to take in the overall picture here.

We also, of course, use qualitative feedback received from stakeholder engagement in our overall assessment of potential investment carbon leakage.

Next slide.

Now in terms of the assessment commodity by commodity, and no doubt this will be one of the most anticipated preliminary results from the review, you can read some words on the particular commodity groups here on the right.

I will go through the preliminary findings for consultation that are included in the consultation paper.

So the following commodities are assessed to be subject to potentially material carbon leakage risk over time: firstly, the cement group of commodities that’s cement itself as well as clinker and lime, ammonia and derivative products, steel as well as glass. We assess that carbon leakage risks are particularly pronounced for clinker and cement this is more pronounced than for other commodity groups and that fact may warrant additional policies to be introduced at an earlier stage potentially than for other commodity corps.

Further we assess that there are potential carbon leakage risks for aluminium, aluminium and alumina, as well as refined petroleum, pulp and paper. And the preliminary finding is that these commodities are to be recommended for consideration as part of the 2026-2027 scheduled review of the Safeguard Mechanism. So in other words, a watching brief and in depth treatment in the 2026-27 at Safeguard Mechanism review.

Now the review has of course, been tasked with the assessment of various different potential policy options to deal with carbon leakage risk that may emerge in the future. Very important to again emphasise, as Edwina did before, that the preliminary findings that we're sharing with you here today and that are contained in the consultation paper have not yet been considered by government. They don't reflect government policy, they're not a foreshadowing of potential government decisions. They're just simply what we are putting out for consultation and which will then of course inform our final report findings and recommendations to government by the end of the year.

Now the existing carbon leakage policies under the Safeguard Mechanism baseline decline rates, including TEBA arrangements and so forth, serve as the benchmark of assessment of alternative or potential additional policy instruments that are being assessed.

Now the first of these options assessed is public investment. So government support for decarbonisation, essentially. There are of course many full programmes that already exist in that regard and further programmes are known to be under consideration, including under the Future Made in Australia programme. Now some existing public investment is already targeted at sectors under Safeguard Mechanism that may be at risk of carbon leakage.

Now the review spells out that there is of course, a role for government investment in the net zero transition, including to accelerate innovation and bringing forward low emissions production. Now specifically though, our findings for consultation are that public investments can help reduce emissions intensity and thereby help address the risk of carbon leakage in specific cases. We also find that public investment is likely to be particularly relevant for export or export oriented industries. And of course noting a range of such programmes already exist.

Now, however, while fulfilling a range of functions, public investment is found to not be sufficient as a systematic and fiscally sustainable solution for commodities with high carbon leakage risk. In other words, we cannot, as a result of very extensive analysis find that public investments would be a comprehensive solution for carbon leakage risk and we'll be happy to go into detail about that finding in Q&A, if desired.

Next slide.

Now, much interest, of course, has focused on the option, or potential option, of a border carbon adjustment mechanism. Now to recap, a border carbon adjustment is a policy instrument that seeks to mirror domestic climate change policy settings onto international produced goods. In other words, putting them onto a level playing field with domestic production is of course in Australia, so they're subject to a Safeguard Mechanism and imported goods. So, what a safe… what a border carbon adjustment in principle does is it creates a market premium for low and zero emissions products and thereby levels the playing field and thereby can help accelerate investment in those low emissions and zero emissions facilities. That is of course desired as part of the net zero transition. Internationally there has been sharply increased consideration of border carbon adjustments and in fact, preparations for the implementation. Notably, the EU is going ahead with the CBAM, the Carbon Border Adjustment Mechanism, which is in implementation stage, and the UK have announced that there will be the introduction of a border carbon adjustment in the UK by 2027.

Now we make several preliminary findings with regard to border carbon adjustment and fair bit of the rest of the policies section of this webinar will be devoted to that. Once again to emphasise that these preliminary findings have not been considered by government, so our overall finding is that border carbon adjustment applied to imports could be an appropriate policy measure for some selected Safeguard covered commodities that have a high carbon leakage risk from imports.

Should it be pursued by government, then it would need to mirror domestic emissions policy settings for imports to provide a level playing field and it would need to be designed to minimise administrative burdens.

So there is a very, very clearly defined corridor for the for the design and implementation of a possible carbon border adjustment mechanism for these specific commodities. And we'll come to some of the details of the analysis on that.

Any such mechanism very importantly, would need to be consistent with Australia's deep and long standing commitment to an open rules based trading system and to Australia's international trade law obligations. The review also sees significant opportunity for Australia to advance relevant work within plurilateral initiatives and to support trade partner countries with implementation of such a mechanism.

Next slide.

Now what about border carbon adjustments for exports? So in principle you could think of a border carbon adjustment that also applies to exported commodities. For example dominant form that that would take would be to rebate domestic climate change policy costs for exports from Australia to elsewhere. Now, this would obviously effectively exempt exports from local Australian emissions reduction obligations and it is known that it would raise a very considerable international trade law concerns.

It is also the assessment of the review that export sectors will tend to benefit from faster global energy transition and from growth in demand in markets that provide a premium for low emissions goods. So, for example, in markets that have their own carbon pricing or equivalent schemes and that reflect those policy settings at their own borders. So the preliminary findings on border carbon, adjustments for exports are that they would be inconsistent with Australia's emissions reduction targets and could raise those considerable international trade law concerns. And for these reasons, border carbon adjustment for exports from Australia is unlikely to be an appropriate solution for Australia, or indeed to achieve relevant policy objectives.

Instead, the ambition could be for those exported commodities to seek premiums, price premiums in markets that are available to Australian exporters.

Next slide.

Now, where might we see recommendations for the nearer term implementation of a border carbon adjustment mechanism, should government decide to go in that direction? So possible first mover? So that depends of course on several factors. Firstly, the extent of carbon leakage risk you need to see of the problem if you will, as detailed before.

Secondly, the practical feasibility of a border carbon adjustment. So international experiences are still being made. Or, well, we're at the beginning of the process really where the international experience are being made, in particular in the EU with the implementation of such mechanisms. And there's much to be learned. And an early lesson certainly that we have heard from many stakeholders importantly internationally as well is that there are very significant differences between different commodities according to the complexity of supply chains, and according to the complexity or variety of specific products within one broad product category.

And there's also then the question of the extent of the domestic production that's actually subject to Safeguard Mechanism obligations. Now our preliminary findings for consultation, once again, in regard to possible first movers are that cement and clinker are judged to be suitable for initial consideration for an Australian border carbon adjustment.

Lime… lime production would also be suitable for early consideration. However, there's a particular issue to be dealt with here in that Safeguard Mechanism coverage of Australian lime production is partial. In other words, not all Australian lime produced in facilities are subject to the Safeguard Mechanism because of the 100K tonnes emissions threshold and so that raises complex considerations as to how domestic production would be put, or how imports would be put on an equal footing with domestic production, and that is an issue that need to be pursued in further detail should the decision be made to go further in consideration.

Next slide.

Now what about possible later additions that we could foresee at this point? And of course, we're pains to note here that this assessment might change over time. The assessment might be refined. And of course, circumstances could change as well. Over time. So our preliminary findings for consultation are that based on our current analysis as done this year, ammonia and derivatives as well as steel as well as glass could be worth further policy consideration and could be candidates for border carbon adjustment later on. Further down the track.

Now, as is evident, I think in our exposition here, the review views that border carbon adjustment measures could be suitable or would be suitable for phased approach starting with the commodities at relatively high risk of carbon leakage and commodities for which implementation is likely to be most straightforward.

All of this, of course, would be subject to further stakeholder consultation and further detailed work should governments decide to go in that direction.

And Edwina handing back to you at this point.

**Edwina JOHNSON** 31:28

Thanks so much, Frank. So, yeah, as Frank said and as I said as we know, no decisions have been made by government on any of these preliminary findings, but the review has taken the opportunity to think through some potential design considerations should government wish to pursue a broader carbon adjustment. And so this slide sets out that one of the important aspects, as we've said for the reviews consideration is compliance with international law and a key element of that is that any border carbon adjustment mechanism would need to mirror key provisions of the Safeguard Mechanism. And so should a border carbon adjustment be pursued, a liability could be applied to emissions in exceedance of the Safeguard Mechanism baselines, and to the extent that the assessed effective carbon price paid in the originating country is lower than in Australia. So on the left hand side we've sort of stepped through what what that means in practise and so.

As you'll see in the top left hand box, liability would apply under any border carbon measure should costs of carbon obligations be lower in the originating country than in Australia, and also that the emissions intensity of production is higher than the Safeguard Mechanism benchmark in whatever year we're talking about into the future.

But you'll also see 3 examples of times when we wouldn't anticipate a liability would apply. And so that's where if the carbon cost is equal to or higher than the cost of in Australia, no liability would apply. Similarly, if the emissions intensity is lower than the Safeguard benchmark, no liability would apply, and if both of those are factors are correct, then equally no liability would apply. So we wanted to just sort of sketch out that where we think about what would any… How could it work when we think about mirroring the Safeguard Mechanism should government wish to pursue a border carbon adjustment.

Similarly, the basis of the scope of emissions would be the same, so only scope one and also the same set of relevant greenhouse gases, which is relatively standard around the world.

We're also conscious that should government wish to pursue a border carbon adjustment and that may generate revenue. And so we've heard from stakeholders that in addition to offsetting the costs of implementation of the policy that would create the opportunity for funds to be provided to programmes to support implementation and industrial decarbonisation objectives in trade partner developing countries.

Next slide. Thanks, Liam.

So continuing the, the detailed consideration of how we could think about mirroring our Safeguard Mechanism parameters is two elements that this slide calls out. The first is that in terms of a border cabin adjustment would ensure that imports and domestic production are put on a level playing field and that they receive equivalent policy treatment. So this would mean that removes the policy basis for the Trade Exposed Baseline Adjustment or TEBA arrangements that I spoke through earlier. So that therefore creates the potential to remove or phase out TEBA for sectors where a border carbon adjustment is introduced.

The other key consideration, which Frank touched on earlier was that as we know, Safeguard Mechanism applies to facilities that emit more than 100,000 tonnes scope 1 emissions in a year. So that means for some commodities and lime is one that we've called out earlier in this presentation. Not all of Australia's domestic producers are necessarily covered. And so that creates an additional complexity thinking about how to apply a border carbon adjustment if government wish to do so to imports. And so that scenario in which further consideration will be needed before a border carbon adjustment could be applied to a commodity that has less than 100,000, I'm sorry, 100% Safeguard Mechanism coverage of domestic production.

Next slide. Thanks, Liam.

We've also been really grateful to hear feedback from a range of stakeholders over the last recent months about the sort of administrative considerations that the government would need to think through should any border carbon measure be pursued.

And so whilst we've done some initial thinking about administrative issues, this is something that should government decide to pursue a border carbon adjustment really further detailed design and consideration and importantly consultation would need to be undertaken. So we've heard from stakeholders like yourself that should Australia pursue a border carbon adjustment we should consider a design that was non-discriminatory, had low transaction and compliance costs and importantly supported an open and fair trading system. And so things that we're thinking about there include how would you design our frameworks related to reporting and verification that minimise administrative burden including through streamlined reporting processes that we've heard and our preliminary finding is that they would should maintain confidentiality for producers. That they provide effective yet efficient emissions verification and that we would need to provide suitable emissions intensity default values to help with that simplicity and administratively lower the costs should any such measure be pursued.

And importantly, we've also… the preliminary finding is that the framework should align with existing and future international standards where possible so that they can be interoperable as far as possible.

And now I hand back to Frank to talk through some of the modelling the review did.

**Frank Jotzo** 37:24

Yeah. And we're really looking forward to the Q&A as well as of course your input the consultation period. But before we get to the Q&A, three more things. Number one, we want to share just very briefly some of the further analysis that has been done and that's detailed of course in the paper and that's modelling a broader carbon adjustment in a computable general equilibrium framework.

And so that's different from the analysis that we presented before in that it represents in a broad and stylized fashion, interactions between different parts of the economy as well as interactions between different commodities. And so, you know, the review is led, of course and and located in the Department of Climate Chance and Energy. Some of this analysis was supported strongly by other federal Australian government departments

Now in a scenarios that will show in the next slide, we're comparing the current stylised representation of a border carbon adjustment under current Safeguard Mechanism arrangements and then secondly with the TEBA removed for the sectors in question, where we assume for illustrative purposes, the implementation of a border carbon adjustment.

Now the headline from this result and here next slide please, is that the overall economic impacts of the implementation of such a mechanism are tiny. In fact, they would be so small on a macroeconomic level as to get lost in the noise. So this is actually not unexpected because you're talking about a relatively marginal change in policy arrangements affecting just a few selected commodities. And of course, the effect in terms of achieving efficient long term emissions reductions outcomes and efficient investment decisions in the specific sectors can be very significant. However, the macroeconomic fallout from any such such measures is really tiny and that was confirmed through this analysis. Likewise for trading partners. So we've had done the modelling of of potential trade outcomes as a result of the introduction of such a mechanism. Once again to say this is really purely illustrative because the the data bases for these issues for these issues is really not well developed yet, in particular with regard to the emissions intensity of created commodities from countries that not that do not yet have a sophisticated industrial emissions accounting system in place. Nevertheless, once again the story here is that the impacts are confirmed to be very minor in terms not just in terms of overall economic effects, but also in terms of overall trade flows that may be expected in the future.

Next slide please.

Now covering off on two more policy aspects that the review was tasked to investigate.

Firstly, the theoretical option of mandatory emissions product standards as a means to address carbon leakage concerns. So in brief, what is meant by that would be to rule out the sale of products that do not meet some kind of emissions intensity standards. So in other words products that exceed some level of emissions intensity might not be allowed into the Australian product market. Now this, of course, would have similar administrative and design considerations as a board of carbon adjustment, because you would need to establish what the actual embodied emissions levels are for particular batch of products. Also, this would need to be logically applied similarly for domestic production, which might lead to unintended consequences. In consultation and feedback to the first consultation paper of the review late last year there was very little support for the inclusion of a mandatory emissions product standard as a means to address carbon leakage concern. It's a logically the preliminary finding for consultation that we're putting out is that while mandatory emissions product standards can be suitable for a range of policy objectives, they are not seen as an effective policy intervention to address carbon leakage concerns.

Next slide.

Now finally to a question of multilateral cooperation. Now the preliminary findings that we make here are that you know Australia of course has a very strong stake in the international rules based system trading system and any policy responses to address carbon leakage concerns in Australia should advance and support international system not run against it.

Now we started the seminar by pointing out that that we are seeing enhanced global climate action. You know, it's sometimes a question of one of two steps forward and one back, but the direction of travel is of course, very clear. Nevertheless, that we will see divergences in ambition and policy approaches persisting in the medium term, perhaps in the longer term and perhaps those divergences would be very significant. Now an internationally agreed solution to address carbon leakage risk that would be developed through multilateral or lateral initiatives would be the ideal solution, however it is uncertain as to whether and for which commodities such an internationally agreed solution will be able to be obtained and when it might arrive.

And so, you know, the possibility of long term international solutions will not replace the need for near and medium term action on carbon leakage concerns for specific commodities in Australia.

Further on plurilateral and multilateral approaches, the review sees very significant opportunity. To support implementation of interoperable standards and approaches, for example through the development of mutually agreed default emissions intensities for particular product categories and/or for standards to measure embedded emissions. And so the review finds that Australia’s active engagement in these initiatives at international level, so for example, under the egos of the climate plan under the OECD, shepherded Inclusive Forum of Carbon Mitigation Approaches, could support the development of best policy practise to address carbon leakage. And such enhanced engagement is in fact a significant opportunity for Australia to contribute in a positive way to international policy development.

And back to you, Edwina.

**Edwina JOHNSON** 44:54

Thanks, Frank. So just to close in terms of the presentation, so as we said, the consultation period is open until the 3rd of December. As we've said that preliminary findings have not been considered by government and don't reflect government policies.

But we would be very grateful for feedback on all aspects of the reviews paper, including the preliminary findings and analysis, and we do really genuinely welcome submissions to the review from all stakeholders. So following the closing of the consultation period the review will be providing advice to government by the end of the year and government will then take that advice and make any decisions subsequent to receiving that advice.

And so we're really grateful for your time today. I see there's a number of questions in the chat, so I'll start working through those with Frank. But yes, thank you. Again, I really appreciate your engagement.