



Chamber of Commerce
and Industry WA

2026-27 Safeguard Mechanism Review

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Chamber of Commerce and Industry of Western Australia



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and Industry WA

Chamber of Commerce and Industry of Western Australia limited (ACN 099 891 611)

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Introduction

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the peak body advancing trade and commerce in Western Australia (WA). We are fundamentally committed to using our insights to develop and advocate for public policies that will help realise our vision of making Western Australia the best place to live and do business.

CCIWA's members, across a range of industries, have a significant stake in any potential reforms to Australia's climate policies. Additional significant imposts on businesses would risk negative impacts to Australia's economic growth. This risk is particularly salient in WA; a state which is home to operations that are responsible for a large share of both Australia's export value and Australia's industrial emissions.

In 2024-25, WA accounted for around 45% of national exports, worth \$231.8 billion, and around 35% of emissions covered by the Safeguard Mechanism.^{1,2}

While Western Australian industry is committed to net zero by 2050 and to supporting Australia's international climate commitments, climate policy should be informed by considerations for the impacts that different policy settings may have on the competitiveness of Australian businesses in international markets and the subsequent impacts on the economy. This should include implications for long-term productivity, innovation and profitability, energy security and access to future low-emissions markets.

As CCIWA advocated for in our [Powering WA's Future report](#), Australia's climate policy should be underpinned by the following principles:

- *Competitiveness is key* – without the right mix of policy settings, economic attractiveness and technological access, Australia will not be able to capitalise on future economic opportunities and maintain the competitiveness of existing industries.
- *A technology agnostic approach* – a diverse set of energy technologies will be required to meet the transition at least cost.
- *Messaging matters* – alignment in messaging, across all levels of government, is essential to provide policy certainty to industry and the broader community.

In what follows, we provide overarching comments, before outlining CCIWA's positions on, and recommendations for, the Safeguard Mechanism and related frameworks.

Overarching Comments and Progress to 2030

Along with 193 other countries, Australia is a signatory to the Paris Agreement.³ This commits parties to substantially reduce global greenhouse gas emissions to hold the global temperature increase to well below 2°C above pre-industrial levels.⁴

Meeting this commitment requires an unprecedented industrial and economic transformation, with all corners of Australian society expected to contribute.

Enacted in 2016 under the *National Greenhouse and Energy Reporting Act 2007* (NGER Act), the Safeguard Mechanism drives emissions reduction at Australia's largest industrial emitters by setting baselines for the greenhouse gas emissions of covered facilities.⁵

¹ Western Australian Treasury Corporation. [WA's Economic Strengths](#). 2025.

² CCIWA analysis of 2024-25 Baselines and Emissions Data published by the Clean Energy Regulator.

³ United Nations Treaty Collection. [UNTC](#). 21 August 2026.

⁴ United Nations Climate Change. [The Paris Agreement](#) | UNFCCC. 2026.

⁵ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism overview - DCCEEW](#). 1 October 2025.



These limits were designed to decline gradually and predictably, with the aim of helping achieve Australia's Nationally Determined Contribution (NDC) and net zero by 2050.⁶ The current decline rate was set to contribute toward meeting Australia's NDC of reducing emissions to 43% below 2005 levels by 2030.⁷

The Review's consultation paper notes that the Safeguard is on track to meet its 2030 targets, with both net and gross emissions falling in 2023-24 and 2024-25.⁸ This is a positive sign. However, facility exits, production being lower than anticipated, and trade-exposed baseline-adjusted (TEBA) determination uptake being higher than expected all point to pressures on industry. This should raise questions about the way outcomes are being achieved. The goals of the Safeguard Mechanism to support Australia's emissions reduction targets should not be achieved via closures or lower production.

While Western Australian industry is generally supportive of Australia's international climate commitments, climate policy can have a material impact on the viability of Australian operations. CCIWA has heard that the cumulative effects of Australia's policy settings, including those to reduce emissions, have made Western Australian operations consider moving overseas.

Additional significant changes to the Safeguard Mechanism have the potential to undermine industry and investment confidence in Australia, driving productive sectors overseas and risking greater net emissions globally.

The Government must acknowledge the Safeguard Mechanism's impacts on the competitiveness of Australian businesses in international markets and the resultant repercussions for the economy. Any recommendations of this Review must be evidence-based and carefully calibrated to mitigate economic, competitiveness, and carbon leakage risks.

Not further restricting the generation and trade of offsets, maintaining flexibility measures, and providing strong signals will be foundational to the certainty that industry needs to make long-term investment decisions, while managing Safeguard compliance.

Furthermore, the reformed Safeguard has been operational for three years.⁹ Onsite abatement projects tend to be capital intensive, with long timelines to reach Final Investment Decision, so it will be challenging to make definitive, economy-wide claims about the efficacy of the reforms in driving onsite activities at this stage.

This submission is informed by member feedback and builds on our submission to the Climate Change Authority's Annual Progress Advice consultation, with the aim of highlighting the impact of the Safeguard Mechanism to WA and, therefore, the national economy.

⁶ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism - DCCCEEW](#). 7 August 2026.

⁷ Department of Climate Change, Energy, the Environment and Water. [Net Zero - DCCCEEW](#). 25 November 2026.

⁸ Department of Climate Change, Energy, the Environment and Water.

[Safeguard Mechanism Review consultation paper August 2026](#). 7 August 2026.

⁹ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism - DCCCEEW](#). 7 August 2026.

Review of Current Settings

Informed by engagement with members, CCIWA provides feedback on the current Safeguard settings. Specifically, feedback is provided in relation to measures to support Safeguard compliance (including offsets and flexibility measures), default decline rates, and coverage.

Flexible Compliance

The current design of the Safeguard Mechanism is critical to support economy-wide emissions reduction, while enabling the development of emerging abatement technologies in a cost-effective and timely manner.

Emissions Reduction Technologies

The Safeguard Mechanism is proving its effectiveness at reducing emissions across the country, but its settings must be calibrated to achieve true emissions reduction while maintaining and growing Australian industry.

Furthermore, many hard-to-abate industrial facilities face constraints in pursuing onsite abatement, including cost pressures, technical feasibility, infrastructure access, operational risk and project delivery timelines. Often, technologies must be capable of being deployed safely and reliably in complex brownfield operating environments, and many abatement projects require lengthy development, permitting, construction and commissioning periods.

Due to these constraints, tightening the Safeguard Mechanism settings alone will not drive or accelerate further onsite abatement.

Some of the sectors facing these issues also have the highest cumulative emissions covered by the Safeguard, including Oil and gas extraction, Metal ore mining, Transport, and Other manufacturing.¹⁰

These sectors are not only pillars of the Australian economy, but even more so of the Western Australian economy. Around 35% of Australia's largest emitters were in WA in 2024-25, with the vast majority (75%) of these in the resources sector.¹¹

Further reforms to the Safeguard Mechanism that impose significant costs on these industries will have material adverse impacts on both the Western Australian and Australian economies. In 2025, WA's resources sector delivered \$226 billion in revenue on mineral and petroleum sales and production.¹² Added costs risks eroding this value, along with more than 135,000 jobs and \$10.6 billion of government revenue that the resources sector supports.¹³

Reforms in 2023 almost completely removed aggregate headroom in emissions baselines and mean that facilities find it challenging to meet their emissions reduction requirements. This is demonstrated in **Figure 1**, as total covered emissions were above total baselines for the first time in 2024-25.¹⁴

¹⁰ Clean Energy Regulator. [2024-25 Safeguard Mechanism data insights](#). 15 April 2025.

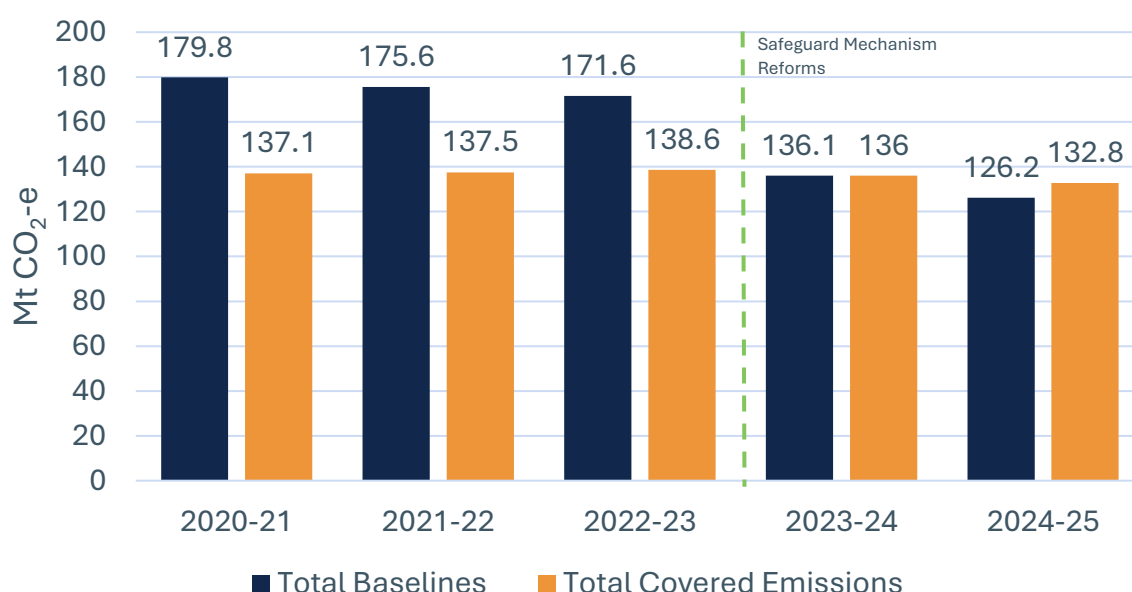
¹¹ CCIWA analysis of 2024-25 Baselines and Emissions Data published by the Clean Energy Regulator.

¹² Department of Mines, Petroleum and Exploration. [Major commodities](#). 28 May 2026.

¹³ Government of Western Australia. [WA's world-leading resources sector continues to drive economy](#). 28 May 2026.

¹⁴ Clean Energy Regulator. [2024-25 Safeguard Mechanism data insights](#). 15 April 2025.

Figure 1: Year-on-year comparison of total covered emissions¹⁵



The reforms highlight the need for ongoing access to measures that support Safeguard compliance in the near-term and support economy-wide emissions reduction in the long-term.

Recognising that the Safeguard has already been tightened, any further changes must be evidence-based and evaluated considering the impacts to Australia's sovereign industrial base, international competitiveness, jobs, and economic growth, as well as incentives to offshore emitting activities.



RECOMMENDATION: ACCOUNTING FOR ECONOMIC IMPACTS

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) should prioritise impacts to commerciality and competitiveness of Australian businesses when evaluating Australia's climate policies, to maintain jobs and economic growth potential in Australia, while minimising incentives to offshore emitting activities and supporting true global emissions reduction.

Decarbonisation offers significant economic opportunities across WA. In 2022, the total capacity of WA's South West Interconnected System (SWIS) was 5.9 gigawatts (GW).¹⁶ According to modelling performed for CCIWA, the least-cost pathway to Net Zero by 2050 will result in 90.2GW of capacity across WA, including 49GW of solar and 36GW of wind.¹⁷ This requires a massive amount of work that will need to be completed for and by Western Australian businesses over the next 25 years. Government stewardship, at all levels, will be required to provide policy certainty.

Offtake agreements should play a role in providing the confidence that industry needs to commit to capital intensive projects. A recent example saw two of WA's Government Trading Enterprises, Synergy and Water Corporation, committing to buy renewable energy from specific wind projects once commissioned.¹⁸

¹⁵ Clean Energy Regulator. [2024-25 Safeguard Mechanism data insights](#). 15 April 2025.

¹⁶ WA Government SWIS Demand Assessment 2023-42.

¹⁷ Chamber of Commerce and Industry of Western Australia. [CCIWA-Report_Powering-WAs-Future.pdf](#). June 2026.

¹⁸ WA Government. [Key agreements to power WA's renewable energy future | Western Australian Government](#). 22 March 2026.





RECOMMENDATION: MARKET SIGNALS

To achieve their emissions reduction objectives, the Federal Government should provide effective signals to industry to drive investment in renewables and abatement technologies.

This should include exploring the development of offtake agreements and technology-agnostic policy settings, such as funding for research and development for emerging technologies.

Many other policy settings remain barriers to additional onsite abatement and should be reformed to facilitate further progress. For example, to support electrification, the Federal Government should support behind-the-meter options for industry, to reduce transmission requirements and improve energy affordability. The Safeguard framework should also recognise emissions reductions that occur when moving from onsite power generation behind-the-meter to importing renewable power generated offsite from a third party in front of the meter.

The Government should ensure that approvals frameworks for emissions abatement activities are streamlined. Growing a skilled workforce will also be critical to deliver the economy-wide abatement projects that will be required to meet Australia's emissions targets.

Energy infrastructure is key. The Government should prioritise policy that underpins investment in firmed, competitively priced, renewable energy sources at scale, to support electrification. This should include streamlined approvals for renewable energy projects and effective targeted funding models.

CCIWA continues to hear from industry that positive incentives should play the primary role in driving onsite abatement. For example, targeted tax incentives and support for feasibility studies and early-stage project development could help bring emerging abatement technologies to commercial scale, while maintaining a technology-agnostic and least-cost approach. Areas where there are greater risks of market failures, such as feasibility studies and testing, especially when information is shared with others, justify greater government support.

DCCEEW should, therefore, conduct comprehensive consultation on the effectiveness of the funding ecosystem, to identify gaps and improvements. For example, the prioritisation of projects taking place in WA should be reviewed to reflect their contribution to economic value and decarbonisation of some of Australia's largest industrial facilities.



RECOMMENDATION: REMOVING BARRIERS TO LEAST-COST ONSITE ABATEMENT

The Federal Government should address barriers to onsite abatement by:

- Facilitating commercial behind-the-meter options for industrial facilities, including acceleration of connections.
- Ensuring streamlined approvals processes for projects that support economy-wide emissions reduction and securing bilateral agreements for environmental assessment and approvals with State Governments.
- Ensuring the right mix of incentives are available to attract apprentices and trainees to support future decarbonisation workforces, as well as effective migration settings. Licensing barriers should be addressed.
- Prioritising policy (e.g., partnership or co-investment models) to underpin investment in competitively priced, reliable, renewable energy at scale.



- Developing technology-agnostic incentives to support research, development, testing and adoption of abatement technologies, including targeted tax incentives, support for feasibility studies and early-stage project development and testing.
- Ensuring that incentives and funding mechanisms are effective to support projects that contribute to Australia's emissions targets, including decarbonised energy, by closing commerciality gaps.

Domestic Offsets

Continued and unrestricted access to offsets is fundamental to Safeguard compliance, particularly where onsite abatement technologies are not yet technically or commercially available at scale. Australian Carbon Credit Units (ACCUs) are an essential transitional compliance mechanism that enables facilities to meet declining baselines while investing in longer-term abatement. Both ACCU and Safeguard Mechanism Credit (SMC) frameworks should, therefore, be maintained beyond 2030.

Some parts of industry currently have limited operational levers available to reduce emissions onsite, as abatement technologies are not commercially viable or accessible at scale.

This is a particular issue for mining operations, which can face practical challenges to reduce emissions onsite because of technology readiness, fleet replacement cycles, access to firmed renewable electricity, remote infrastructure constraints, access to skilled workers and operational reliability requirements. These challenges mean that access to ACCUs will remain necessary even where facilities are actively pursuing credible onsite abatement projects.

For operations with shorter Life of Mine, the long-term financial feasibility of decarbonisation activities is also more difficult to justify. Safeguard settings should recognise these operational constraints, rather than assuming that additional restrictions on ACCUs will automatically accelerate onsite abatement.

Put simply, open access to offsets enables Australian facilities to remain in Australia, maintaining Australian jobs and generating national economic growth. On the other hand, more stringent climate policies risk significant carbon leakage. This would be detrimental to the task of reducing global emissions, as well as adversely impact Australian jobs and economies. An effective balance would retain these activities in Australia so that they remain subject to Australia's climate policies.

Furthermore, because of the 2023 reforms, CCIWA expects ACCU markets to tighten significantly over the next few years, as demand increases, naturally strengthening the incentives for onsite abatement. Additional restrictions on offset markets now would merely further increase compliance costs, penalising facilities who may not have access to onsite abatement options.

CCIWA does not support further restrictions on the generation and trade of ACCUs or SMCs, including quantitative limits, qualitative limits or discounting.



RECOMMENDATION: DOMESTIC OFFSETS

Both ACCU and SMC frameworks should be maintained beyond 2030 to enable facilities to manage compliance and invest in longer-term abatement projects.

To mitigate carbon leakage risks, while progressively decarbonising, DCCEEW should not recommend further restrictions to the generation or trade of ACCUs or SMCs.

Like ACCUs, the market for SMCs is also likely to tighten, as baselines progressively lower across covered facilities. One way to secure the ongoing liquidity of the SMC market may be by expanding baselines to facilities below 100,000 tonne carbon dioxide equivalent (CO₂-e) on a voluntary basis to permit them to generate SMCs.

This would incentivise lower-emitting facilities to decarbonise, as well as generate another source of SMCs that would cover the broader economy.



RECOMMENDATION: VOLUNTARY SMC GENERATION

DCCEEW should explore permitting facilities below the Safeguard Mechanism's 100,000 tonne CO₂-e threshold to generate Safeguard Mechanism Credits.

In terms of carbon abatement plans, a cost-benefit analysis should demonstrate that they would benefit the Australian community and economy. The current Safeguard framework contains several transparency measures and requiring businesses to expend resources to develop these plans is duplicative, especially in WA where environmental approvals are supported by carbon abatement plans.

For example, in addition to other legislated requirements for company disclosures, the Safeguard already drives both transparency and accountability to prioritise onsite abatement through the 30% Disclosure Statement.

Broader supply-demand forecasting for abatement opportunities, informed by industry input and modelled on mechanisms such as the Australian Energy Market Operator Statements of Opportunity, would be more effective to support planning. For ACCU demand, aggregated forecasting would be less onerous, more technically feasible and less commercially sensitive than facility-level carbon abatement plans or compliance strategies.

International Units

CCIWA appreciates that that DCCEEW's approach to this review is to focus on domestic abatement.¹⁹ However, DCCEEW could consider expanding offset flexibility to include internationally compliant overseas offsets, perhaps with a discount applied to recognise that domestic ACCUs may represent broader benefits to the Australian environment and that domestic SMCs can offer local technological skill uplifts. Offering a sliding scale of options reflecting the net benefits of each could further help both Australian businesses and the planet.

To support regional decarbonisation and bolster long-term certainty-building commitments with Australia's trading partners, the Government should consider linked carbon markets and cooperation arrangements with key partners under Article 6 of the Paris Agreement.²⁰ DCCEEW would need to consider how such a market would impact the domestic ACCU market.

¹⁹ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism Review consultation paper August 2026](#). 7 August. 2026.

²⁰ United Nations Climate Change. [Article 6 of the Paris Agreement | UNFCCC](#).





RECOMMENDATION: INTERNATIONAL COLLABORATION

The Federal Government should explore linked carbon markets and cooperation arrangements with key trading partners under Article 6 of the Paris Agreement, including through Internationally Transferred Mitigation Outcomes.

Inter-temporal Flexibility and the Cost Containment Measure

Settings which give businesses flexibility around the timing of their emissions reduction activities support the principles of the Safeguard Mechanism, by enabling abatement to occur across the economy in a timely and economically efficient way.

Banking

Banking is an important feature of an effective carbon market, by providing facilities the opportunity to use offsets flexibly, allowing them to pursue least-cost emissions reduction.

For example, there is a covered facility in Western Australia that generally aligns its emissions abatement projects with the shutdowns in its five-year maintenance cycle, to manage costs and disruptions to its operations. Banking incentivised the organisation to implement an abatement project during its current maintenance cycle, rather than delaying it.

As the consultation paper recognises, in practice, the impact of the 2023 reforms is that there is little risk that an oversupply of SMCs will be carried over to the 2031-35 compliance period.²¹ CCIWA does not see material risks in facilitating the use of banking now and beyond 2030.

Borrowing

Borrowing enables facilities to manage yearly emissions variations by giving them access to up to 10% of next year's baseline.²² This must be paid back with interest in the following year. CCIWA is supportive of maintaining access to borrowing measures, as it enables facilities to manage volatility or other unforeseen issues.

However, the interest rate has recently jumped from 2% in 2024-25 and 2025-26 to 10% from 2026-27 onwards.²³ DCCEEW should consider revising this, as a five-fold increase in the interest rate does not reflect that meeting baselines has become more difficult over time. With the reserve built into the default decline rate and the requirement to repay borrowing with interest, CCIWA does not foresee risks to achieving Australia's economy-wide, long-term emissions targets by maintaining borrowing beyond 2030.

Multi-year Monitoring

Multi-year monitoring periods (MYMPs) enable facilities to maintain compliance over a 5-year period while managing temporary baseline exceedance.²⁴ CCIWA understands that the industry concerns which led to the retention of MYMPs in 2023 – about the lack of commercial readiness and the high cost of available technologies – have largely not been ameliorated.

²¹ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism Review consultation paper August 2026](#). 7 August. 2026.

²² Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism Review consultation paper August 2026](#). 7 August. 2026.

²³ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism Review consultation paper August 2026](#). 7 August. 2026.

²⁴ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism Review consultation paper August 2026](#). 7 August. 2026.



While declining baselines will no longer be new by 2030, MYMPs give facilities time to commission the decarbonisation projects which can take multiple years to demonstrate abatement effort.

With the reserve built into the default decline rate and the moderate uptake, as identified in the consultation paper, CCIWA does not consider maintaining MYMPs beyond 2030, for facilities who meet the eligibility criteria, as a risk to achieving Australia's emissions reduction targets.



RECOMMENDATION: INTER-TEMPORAL FLEXIBILITY MEASURES

Inter-temporal flexibility measures, including banking, borrowing and multi-year monitoring periods, should be maintained beyond 2030.

Cost Containment Measure

Industry needs certainty to plan the long-term projects that contribute to the Australian economy through jobs, opportunities, government revenue, and emissions reduction activities. The Cost Containment Measure (CCM) supports this by aiming to signal maximum compliance cost.²⁵ Its purpose should be to protect hard-to-abate sectors from acute offset market exposure.

Mechanisms like the CCM can support the stability and predictability of the Safeguard by mitigating the risk of disproportionately high compliance costs in circumstances where both excess emissions levels and carbon prices are elevated. They help reduce the likelihood of significant market disruption and the need for rapid policy adjustments.

Improving the CCM would improve the upper bound price signal, providing more certainty on the ceiling and, thus, making conditions more conducive to long-term investment. The Government could look to improve CCM volumes, by obtaining high-quality domestic credits and incorporating architecture for Internationally Transferred Mitigation Outcomes.

The flexibility measures outlined above support Australian facilities to remain in Australia, maintaining Australian jobs and generating economic growth.

Trade Exposed and Strategic Industries

Economic Opportunities and Competitiveness

Decarbonisation offers significant economic opportunities. According to modelling conducted for CCIWA, the capital expenditure investment alone that will be required to achieve Net Zero by 2050 in WA is \$216 billion.²⁶ This is a significant amount of work that will need to be completed both for and by Western Australian businesses.

It is a cost that will need to be borne by both the public and private sectors, and while the Safeguard Mechanism plays a role in driving private investment in emissions reductions projects, it is not without impacts to the commerciality and competitiveness of these facilities.

To demonstrate this, CCIWA has undertaken modelling to determine the potential cost of Safeguard compliance that Western Australian businesses will face over the next 10 years, with a specific focus on the cost of ACCUs. Three scenarios of the spot price of an ACCU were modelled: a Conservative scenario, a Moderate scenario, and a High scenario [Figure 2].

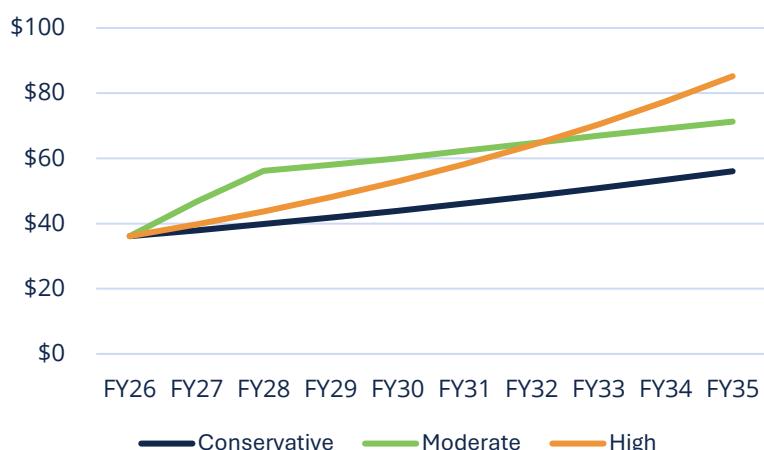
²⁵ Department of Climate Change, Energy, the Environment and Water.

[Safeguard Mechanism Review consultation paper August 2026](#). 7 August. 2026.

²⁶ Chamber of Commerce and Industry of Western Australia. [CCIWA-Report Powering-WAs-Future.pdf](#). 22 June 2026.



Figure 2: Forecasted ACCU Prices under Conservative, Moderate, and High scenarios, FY26 to FY35.²⁷



Under these price assumptions, by 2034-35, the annual and cumulative costs to Western Australian businesses under any scenario is considerable [Figure 3a and Figure 3b].

Figure 3: Annual and Cumulative costs of the Safeguard Mechanism to Western Australian facilities based on ACCU spot price scenarios, FY26 to FY35.²⁸



These costs represent between \$5.8 and \$7.8 billion that cannot be directed into investment in covered industries, thereby reducing the capital available for long-term efficiency projects and impeding productivity growth.

Carbon Leakage

The costs associated with Safeguard compliance also raise the issue of carbon leakage, whereby the costs of complying with domestic policies drive businesses to shift emissions-intensive production or future investments to other countries.²⁹ This not only takes economic activity offshore, resulting in a loss of Australian jobs and economic growth, it also shifts the emissions offshore where they are not likely to be subject to robust emissions policies like they are in Australia.

²⁷ CCIWA analysis of Clean Energy Regulator data.

²⁸ CCIWA analysis of Clean Energy Regulator data.

²⁹ Pinnington, M. [How do carbon taxes affect businesses](#) | [Resolve Energy](#). 5 June 2025.



The financial impact of the Safeguard Mechanism must be considered, as well as the subsequent impacts to the broader Australian economy.

Trade-exposed baseline adjustments

The Safeguard Mechanism framework gives facilities access to trade-exposed baseline-adjusted (TEBA) determinations if they meet criteria that indicates their main production variable is trade exposed.³⁰ This provides a facility with a reduced decline rate for three years.³¹

This is an important measure to maintain the competitiveness of Australian business and to mitigate the risk of carbon leakage. Further considerations could improve how it achieves this.

For example, the way the current framework assesses trade exposure is not the level at which businesses compete internationally because determinations are applied at a facility-level based on the primary production variable. However, facilities compete at the product level, so reforming TEBA determinations to reflect this would better protect Australian businesses from threats to their competitiveness, particularly those who deliver multiple products.

Furthermore, using revenue as the metric for non-manufacturing facilities to access TEBA status may not adequately reflect the true cost to production, as evidenced by the fact that all current TEBA facilities are within the manufacturing sector.³² DCCEEW should review the effectiveness of this eligibility criteria.

Changes to further tighten TEBA status eligibility should be evidence-based. For example, CCIWA has not seen evidence that facilities are delaying emissions reduction projects to retain TEBA status or that the absence of a catch-up mechanism would have a material impact on the achievement of Australia's emissions reduction targets.

In terms of a sectoral approach, opportunities for abatement are not distributed evenly across industry, with different facilities facing differences in remaining facility life, technological readiness, infrastructure access, operational reliability and cost pressures. Given this, establishing consistent and evidence-based differentiated baseline decline rates for whole specific sectors would be extremely difficult and challenges the foundational principles of efficiency and equity which underpin the market-based Safeguard Mechanism.



RECOMMENDATION: CHANGES TO TEBA SETTINGS

Changes to TEBA settings should be effectively justified through clear, published analysis and modelling.

CCIWA does not advocate for moving TEBA to a sectoral approach. DCCEEW should not recommend implementing differentiated decline rates for specific sectors.

A potential Border Carbon Adjustment

The design of any Border Carbon Adjustment must be designed to be consistent with Australia's international trade policy and obligations, as well as effectively managing carbon leakage risks.

As a first step, the Federal Government should consider initiating a Regional Carbon and Energy Border Working Group, which includes representation from major emitters, the Federal

³⁰ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism - DCCEEW](#). 7 August 2026.

³¹ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism - DCCEEW](#). 7 August 2026.

³² Clean Energy Regulator. [Trade-exposed baseline-adjusted facility data](#) | Clean Energy Regulator. 15 May 2026.



Government, State Governments, and our Asian and Oceanian neighbours. This group would seek to harmonise decarbonisation, fuel security objectives and supply chains in the region.

Coverage

Changing policy settings to capture a larger portion of national emissions in the Safeguard Mechanism framework must meet a robust cost-benefit analysis.

Coverage Threshold

Any potential benefits from expanding coverage must be balanced against the additional costs, including increased regulatory requirements and compliance costs for newly covered facilities.

Table 1 demonstrates the additional emissions and facilities that would be covered at various coverage thresholds. This includes the Productivity Commission's recommendation of 25,000 tonnes CO₂-e, which would have captured 291 more facilities in the Safeguard in 2024-25.^{33,34} This is a 140% increase to the actual number of covered facilities. However, the additional facilities would have represented less than an 11% increase in covered emissions (14.2 Mt CO₂-e) than was captured in 2024-25 (132.8 Mt CO₂-e).³⁵ Thus, lowering the threshold to this level would have required significantly more facilities to gain and maintain expertise in the Safeguard, while only covering a further 3.2% of Australia's gross emissions for the year to June 2025.³⁶

Table 1: Estimated coverage of emissions at lower threshold, million tonnes and in proportion of increase³⁷

2024-25	Above 100kt CO ₂ -e (current policy)	Above 90kt CO ₂ -e	Above 80kt CO ₂ -e	Above 75kt CO ₂ -e	Above 50kt CO ₂ -e	Above 25kt CO ₂ -e
Covered emissions (Mt)	132.8	134.3	136.2	136.9	140.6	147.0
Percentage increase in covered emissions	N/A	1.1%	2.6%	3.1%	5.9%	10.7%
Number of facilities	208	224	247	256	316	499
Percentage increase in facilities	N/A	7.7%	18.8%	23.1%	51.9%	139.9%

A recommendation to lower the coverage threshold would need to clearly articulate why covering marginally more of Australia's annual emissions outweighs the additional costs to newly covered facilities. For example, it may be reasonable to lower the threshold to a level that captures more emissions but not additional sectors. This decision must be clearly communicated and supported by transparent analysis.

³³ Productivity Commission. [Inquiry report - Investing in cheaper, cleaner energy and the net zero transformation](#). 10 December 2025.

³⁴ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism Review consultation paper August 2026](#). 7 August. 2026.

³⁵ Department of Climate Change, Energy, the Environment and Water. [Safeguard Mechanism Review consultation paper August 2026](#). 7 August. 2026.

³⁶ CCIWA analysis of [Safeguard Mechanism Review consultation paper August 2026](#) and [Quarterly Update of Australia's National Greenhouse Gas Inventory - June 2025](#).

³⁷ CCIWA analysis of Table 3.3 of the Safeguard Mechanism Review consultation paper (DCCEEW).

In the analysis of the costs and benefits of increasing coverage, DCCEEW should consider that newly covered facilities are likely to be smaller or in industries that were not previously covered and, therefore, have less capacity and expertise to manage the administrative and financial costs associated with Safeguard compliance. This could make new operations unfeasible or disincentivise growth of existing facilities; outcomes which are both poor for the Australian economy. Any changes should also avoid adding additional compliance burden to already-covered facilities.

If new industries were covered by lower thresholds, related production variables will need to be developed in collaboration with industry to ensure that they accurately reflect the operational realities of the newly covered industries. This is also an opportunity to revisit the production variables of each already-covered industry to ensure they are accurately reflective of production, especially if lower-production facilities are captured by a lower threshold.

Generally, the process to set production variables would also benefit from greater transparency, as the formulation is currently a ‘black box’. This would foster community understanding and industry buy-in.

Any proposed changes must be accompanied by a well-defined transition period to support industry to help achieve Australia’s emissions targets.

CCIWA understands that industry is open to progressively lowering the coverage threshold over the next few decades because a 100,000 tonnes CO₂-e threshold may capture less facilities over time. Signalling this change should occur well in advance to give facilities time to meet new obligations.



RECOMMENDATION: COVERAGE THRESHOLD

Any recommendations to lower the coverage threshold must be effectively justified, evidence-based and accompanied by broader reforms to support the transition of lower-emitting facilities into the Safeguard Mechanism.



Meeting the 2035 Target

CCIWA appreciates that in September 2025, Australia's NDC was updated to set an emissions reduction target of 62-70% below 2005 levels by 2035, building on the target of 43% below 2005 levels by 2030.³⁸ The Safeguard Mechanism's default decline rate beyond 2030 may need to be revised accordingly. Recommendations to address this refreshed commitment must be evidence-based and consider impacts to competitiveness.

The current default decline rate is already challenging. Setting the default decline rate to track towards the 70% end would only compound the pressures that industry is facing.

Lowering the default decline rate below 4.9%, for 2030 to 2035, would align with Australia's emission reduction targets and provide certainty for industry, supporting long-term capital planning and encouraging progress on existing projects.³⁹

Higher imposts on industry compared to Australia's international competitors, including through climate policy, risks the ability of Australian businesses to compete in global markets.

The Oil and Gas Extraction industry makes up a large share of the facilities covered by the Safeguard Mechanism.⁴⁰ Australia is a significant global exporter of natural gas, but our emissions policies add costs to production that our competitors' policies do not. For example, Qatar and the United States are also both major exporters of natural gas and neither impose a national carbon pricing system on their facilities.⁴¹

Raising the Safeguard's default decline rate will only further diverge our climate policies from those of our competitors across all covered sectors, increasing production costs with direct impacts to commerciality and competitiveness and, thus, the attractiveness of Australia as an investment destination.

Ultimately, recommendations for the default decline rate must be transparent, backed by published data and communicated well in advance so that industry has reliable assumptions to inform their investments in long-term capital-intensive projects.



RECOMMENDATION: MEETING THE 2035 TARGET

Recommendations to reform climate policy, including adjusting the default baseline decline rate, should be evidence-based, informed by considerations for impacts to competitiveness, and communicated well in advance.

Any changes should be accompanied by supports to transition to a reformed system.

³⁸ Department of Climate Change, Energy, the Environment and Water. [International climate action - DCCFEW](#). 17 March 2026.

³⁹ Climate Change Authority. [2026 Annual Progress Advice - Consultation Paper.pdf](#). July 2026.

⁴⁰ CCIWA analysis of Clean Energy Regulator data.

⁴¹ World Bank Group. [Price | Carbon Pricing Dashboard](#). 2025



Conclusion

Around 35% of Australia's largest emitters were in WA at the end of 2024-25, with the vast majority (75%) of these in the resources sector.⁴² The resources sector makes up 46% of WA's Gross Value Add, so substantial reforms to the settings of the Safeguard Mechanism will have material impacts on WA's economy.⁴³

Maintaining a technology-agnostic emissions reduction framework allows facilities to manage technical feasibility, cost and operational risk while meeting their obligations.

While industry is supportive of net zero and Australia's international emissions reduction commitments, there are a number of considerations that DCCEEW should account for when recommending reforms, as any changes can have material impacts on the commercial viability of Australian operations or may offshore emissions to where climate policies are not as robust.

The design of the Safeguard Mechanism enables Australian facilities to contribute to Australia's emissions reduction targets, while supporting their commerciality and competitiveness, as well as securing Australia's sovereign industrial capability.

⁴² CCIWA analysis of 2024-25 Baselines and Emissions Data published by the Clean Energy Regulator.

⁴³ CCIWA analysis of Australian Bureau of Statistics data.

