

Climate policies under consultation must not be stifled by industry lobby

The Australian government's climate bill passed parliament on 8 September 2022, enshrining into law its target to reduce national emissions by 43 per cent by 2030. Whilst the updated target is not aligned with the Paris Agreement's goals, the country's ability to meet this and future targets will be dictated by the extent to which effective policy can be implemented. Consultation processes on three critical, enabling climate policies are currently underway in Australia. There is a heightened need during this time for companies to constrain any negative climate lobbying by their industry associations and to advocate in line with the goals of the Paris Agreement. Investors have a critical role to hold companies to account at this important moment.

[Federal Safeguard Mechanism reform consultation paper](#): Submissions due Tuesday, 20 September 2022

[NSW EPA Climate change policy and action plan](#): Submissions due Thursday, 3 November 2022, industry consultation for 2 months

[WA Environmental Factor Guideline – Greenhouse Gas Emissions](#): Submissions due Wednesday 21 September 2022

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Climate and energy policy in Australia

Having experienced over a decade of climate policy inertia in Australia, we are currently presented with three opportunities to regulate carbon emissions at the national and state level. In addition, there is currently a [senate inquiry](#) on the insertion of a climate trigger into Australia's national environmental assessment legislation, the Environment Protection and Biodiversity Conservation Act.

Investors that value stable and predictable policy settings to drive investment decisions and decarbonisation have an important role to play in constraining negative company lobbying at this time, along with enhancing the probability of effective, Paris-aligned policy being implemented in Australia.

Federal Safeguard Mechanism

The Safeguard Mechanism is the Federal Labor government's primary policy for decreasing industrial greenhouse emissions in order to achieve its 2030 emission reduction target. The first phase of consultation for this policy commenced in August 2022 and we are already seeing [Anglo American](#) and [Inpex](#) voicing opposition to critical settings needed to achieve industrial emissions reductions.

There is a genuine risk that this policy will continue to be ineffective if industry influence is not constrained. Key risks relate to big emitters seeking overly generous concessions using a trade exposed argument and that the scheme simply results in the use of land based offsets (Australian and/or International) rather than driving actual reductions in industrial emissions. There have been recent, major [concerns surrounding the integrity of ACCUs](#) however it is also important to note that even the highest quality offsets are [not equivalent to reductions in fossil fuel emissions](#). Finally, there are valid concerns around the ability of the scheme to cap emissions growth from new carbon intensive facilities, such as new coal and gas projects.

Key industry associations to monitor:

Minerals Council of Australia, Business Council of Australia, Australian Industry Greenhouse Network, Australian Petroleum Production and Exploration Association, Carbon Markets Institute, Chamber of Minerals and Energy of WA

NSW EPA's draft Climate Change Policy and Climate Change Action Plan 2022- 2025

New South Wales (NSW) is Australia's most populated state and [second](#) most carbon intensive. Recently the NSW EPA released a new climate change policy and action plan to regulate emissions in the state in line with the NSW Government's objective to reduce emissions by 50% below 2005 levels by 2030. Emissions limits will be designed to complement the Safeguard Mechanism and could involve CO₂-e emission intensity limits or annual CO₂-e load limits.

The NSW EPA will develop a series of evidence-based emission reduction targets and related pathways for key industry sectors (such as coal mining), which will involve significant consultation with regulated industry in NSW. Companies and their industry associations must use their crucial role in these consultations to act in good faith to explore all opportunities available to decarbonise, innovate and seek to comply with and support sectoral emission reduction limits.

It is likely that many requirements will be complementary to company climate strategies and improvements to emissions monitoring and performance. For example, the EPA will be requiring all new large non-road diesel machinery at NSW coal mines to meet US EPA Tier 4 emission standards (or better) by 2023.

Key industry associations to monitor:

NSW Minerals Council, Australian Petroleum Production and Exploration Association

Western Australian GHG policy

Western Australia (WA) is Australia's largest gas producing state and is one of two Australian states/territories that have seen [emissions increase since 2005](#). With major projects such as [Woodside's Scarborough project](#) yet to come online, WA has far greater decarbonisation challenges than some Australian regions. As a major LNG exporter, the trajectory of WA's Scope 1 and Scope 3 emissions have both national and international implications.

The WA EPA has released a consultation draft of a revised Greenhouse Gas Emissions Environmental Factor Guideline (EFG). This EFG will inform how the EPA assesses proposals that emit more than 100 ktCO₂-e. The draft EFG makes some improvements relative to the current requirements, such as setting an expectation that 'best practice' be applied to the design and operation of facilities, in order to minimise scope 1 emissions. It is anticipated that companies and the WA Chamber of Minerals and Energy will seek to push back on this requirement, along with any ability for the EPA to reference the new policy when considering project expansions or reassessing historic approval conditions.

The EFG is also consulting on the measures proponents can take to reduce Scope 3 emissions. Again, it is anticipated that industry will be very activated by any suggestion that scope 3 emissions are within their sphere of influence.

The way in which industry engages in this policy should be monitored closely, particularly since Woodside, Chevron and Shell have [successfully blocked](#) previous attempts by the EPA to impose stricter controls on carbon pollution in WA.

Key industry associations to monitor:

Chamber of Minerals and Energy of WA, Australian Petroleum Production and Exploration Association

What can investors do right now?

This is a crucial time for climate policy development in Australia. There are ready opportunities for investors to enhance the probability of robust policy settings that complement company net zero targets. These include:

- In company engagements, reassert your expectations that direct and indirect lobbying is Paris-aligned.
- Seek examples of how companies and their industry associations are engaging with policy, to understand how this engagement is aligned with company climate change commitments and your emission reduction requirements as an owner, e.g. view company submissions and public statements.
- Engage directly in policy consultations as an institutional investor and voice your expectation that policies are aligned with the Paris Agreement.
- Support [ACCR's recently filed shareholder resolution to BHP](#), Australia's largest company, which highlights its potential to exert climate-positive policy influence in Australia at this critical moment.

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