

28 September 2026

Safeguard Mechanism Taskforce
Department of Climate Change, Energy, the Environment and Water

Via email: Safeguard.Mechanism@dcceew.gov.au

Dear Safeguard Mechanism Taskforce

RE: Safeguard Mechanism review

The Green Building Council of Australia (GBCA) welcomes the opportunity to provide input to the Safeguard Mechanism Review. We strongly supported the Australian Government's intent to reform the Safeguard Mechanism in 2023 and note the central role of the Safeguard Mechanism in meeting Australia's ambitious target to reduce emissions to 62 to 70% below 2005 levels by 2035.

GBCA commends the Australian Government for the early success of the reformed Safeguard Mechanism. Net safeguard emissions have fallen by 7.4% in 2023-24 and a further 5.5% in 2024-25, demonstrating that the Mechanism is driving real emissions reductions across Australia's largest industrial facilities. The success of the current framework highlights the importance of maintaining policy stability and preserving the core settings that have given industry confidence to invest in emissions reduction.

This review is important because the investment cycles for many covered projects such as steel mills and quarries are long, around a 30-year horizon, which supports checking policy settings now. The result of the review should be ambitious, stable, long-term safeguard signals. The window to influence 2050 is closing. This submission answers selected review consultation questions with relevance to meeting emissions targets and progressing a sustainable built environment.

Key recommendations:

- The Safeguard Mechanism should prioritise real gross emissions reductions.
- Safeguard settings should be strengthened through baseline decline rates, targeted broader coverage and high-integrity credit rules.
- The Safeguard needs supplementary policies due to the undesirable effects of carbon leakage and the drawbacks of using carbon tariffs to combat it.
- Policies that encourage buyers to choose low-carbon products, such as embodied carbon disclosure, future minimum embodied carbon standards in the National Construction Code, and procurement standards aligned with Green Star create markets for low-carbon infrastructure and building materials.

On a separate but related issue, we wish to highlight the proposed closure of the Climate Active Program, which was recently announced by the Australian Government. GBCA has also provided input to the consultation currently being led by the Climate Active team within the Department of Climate Change, Energy, the Environment and Water (DCCEEW).

Given the early success of the reformed Safeguard Mechanism and the Australian Government's ongoing commitment to setting stable, long-term safeguard signals through this policy, it is surprising that a program with demonstrated success and which, like the Safeguard Mechanism, utilises high-integrity offsets as central element, does not enjoy similar support from the Government. We note that the message from Government that it is time to leave the Climate Active Program behind¹ and the reasons provided for this do not align with the Government's ongoing – and vital – commitment to the Safeguard Mechanism. Climate Active has played an important and proven role in supporting voluntary climate action which remains critical to national emissions reduction efforts alongside the Safeguard Mechanism. GBCA is concerned that closure of the Climate Active Program will penalise voluntary corporate action and weaken confidence in offsets, which may lead to negative unintended consequences and risks for the Safeguard Mechanism.

About the GBCA

GBCA's purpose is to lead the sustainable transformation of the built environment. We do this primarily through our core functions:

- We rate the sustainability of buildings, fitouts and communities through Australia's largest national, voluntary, holistic rating system – Green Star.
- We educate industry, government practitioners and decision-makers, and promote green building programs, technologies, design practices and operations.
- We advocate policies and programs that support our vision and purpose.
- We collaborate with our members and other stakeholders to achieve our mission and strategic objectives.

The Safeguard Mechanism

GBCA sees the Safeguard Mechanism as an important economy-wide decarbonisation policy that complements building sector policies. The Safeguard Mechanism should maintain and strengthen incentives for low-carbon materials, electrification and industrial decarbonisation. Achieving net zero in the built environment requires decarbonisation of upstream industries, such as those producing: steel, cement, aluminium, and other construction products and materials. For new all-electric homes, operational emissions are much lower, which means most emissions are now related to construction.

The Safeguard can be supplemented by policies that increase demand for low-carbon products. This demand comes from purchasers of materials produced by companies covered by the mechanism. This is why Green Star Rating tools include pathways for reduced embodied carbon, and why GBCA supports embodied carbon measurements and policies that create demand pressure such as sustainable procurement requirements.

¹ <https://www.afr.com/policy/energy-and-climate/labor-abolishes-the-term-carbon-neutral-cuts-green-program-20260724-p60ia7>

Reducing a building's upfront carbon by at least 10% is a minimum expectation in the Green Star Buildings rating tool, with points available for larger reductions (up to 40%).

In terms of Safeguard Mechanism settings:

- The baseline rate should ensure a proportional share of Australia's emissions reduction targets at a minimum.
- Stronger decline rates should be considered for industries where cleaner alternatives exist at comparative prices, such as for coal and gas.
- Any changes to the Safeguard Mechanism should preserve strong incentives to decarbonise and where possible limit scheme complexity.

This submission addresses the five consultation questions in the review document that are most relevant to the built environment:

Perceived risks for the Safeguard Mechanism and whether it is on track to deliver its legislated outcomes

There is a risk that the Safeguard Mechanism does not drive industry to decarbonise production, making net zero difficult to meet and maintain. This risk is evidenced by the low unit prices.

Key safeguard outcomes include achieving emissions reduction targets, particularly net zero emissions by 2050, while maintaining the competitiveness of trade-exposed industries and positioning them to capitalise on opportunities arising from the global transition to a net zero economy.

Covered gross emissions are falling, but at a slow rate. As the report identifies, this is a watch point, especially given there are limited policy requirements driving changes across covered sectors (for example, requirements and clear timelines for electrification across the buildings, industry and transport sectors). The risk of relying on credits to reduce net emissions in the covered sectors is that industrial transformation does not occur at the scale required. This transformation is going to be easier with a long lead in time, and a future government is unlikely to maintain the Safeguard Mechanism if a fast transition is needed later involving higher costs (due to a reliance on credits in the short term). There will also be the risk that industries overseas transform leaving Australian industry high-carbon, reliant on finding credits from others, and producing products with falling demand as the world seeks net zero.

Current carbon prices remain well below the safeguard cost containment price of \$87.72² and may be insufficient to drive many forms of on-site abatement. Australian Carbon Credit Units (ACCUs) have traded in the \$30 to \$40 range since the 2023 reforms, and the default prescribed unit price for 2025-26 is \$37³. At these levels, surrendering credits is cheaper than most on-site abatement available to emissions-intensive facilities, the current price signal is unlikely to change capital investment decisions.

Low prices can reflect several things at once:

- a substantial supply of Safeguard Mechanism credits from facilities operating below their baselines
- continued availability of low-cost land-based ACCUs
- possibly a view that the scheme will not ultimately require covered facilities to reach zero emissions.

² <https://cer.gov.au/schemes/safeguard-mechanism/managing-excess-emissions/cost-containment-measure>

³ <https://www.dcccew.gov.au/climate-change/emissions-reporting/national-greenhouse-energy-reporting-scheme/safeguard-mechanism>

Because ACCUs can be banked, expectations about future stringency should already be reflected in today's price. A persistently low price therefore warrants attention as a signal about the ambition of the scheme's trajectory.

Border carbon adjustments - Should a border carbon adjustment be introduced?

The challenges in decarbonising Australia's domestic supply chain should not be underestimated, and greater emphasis should be placed on avoiding lower cost, high-carbon products coming into Australia. Doing so would prevent Australia from becoming a dumping ground for high-environmental impact products. Australian industry should be encouraged to invest in domestic decarbonisation technologies without being disadvantaged by imported products produced under weaker climate policies.

Border carbon adjustments seek to prevent high-carbon imports from outcompeting domestic products that must lower emissions as part of the Safeguard Mechanism. A well-designed scheme would incentivise both continued domestic emissions reduction alongside the encouragement of lower cost, *low-carbon* product to enter Australia. Australia would not be the first, the European Union already has an adjustment mechanism that applies to imports of selected goods for cement, iron and steel, aluminium, fertilisers, electricity and hydrogen⁴. However, we recognise that setting policy in this area is a balance which must be considered carefully because imposing tariffs is a risky trade strategy that could lead to retaliatory tariffs and harm to Australian export industries.

Supplementary policies to a border adjustment approach should be fully implemented alongside it. These include incentivising low-carbon design and products in procurement and reducing upstream scope 3 emissions from sectors such as construction. This approach would disadvantage high-carbon materials, wherever they are produced, and support investment in low-carbon options. The use of voluntary rating tools like Green Star is already leading change, but must be supported with policy such as introducing regulatory requirements into the National Construction Code to ensure new buildings are constructed with lower upfront emissions.

Should the Safeguard Mechanism cover a larger portion of national emissions?

All national emissions should be covered by an effective emissions reductions policy, and as much as practically possible should be brought into the Safeguard Mechanism.

All emissions across the economy need to be covered by credible policy incentives if Australia is to reach net zero. Where practical, the benefit of using the Safeguard Mechanism is that it is already established, understood, and capable of creating clear obligations for large emitters. Broader coverage may also improve scheme efficiency by giving businesses access to a larger pool of potentially low-cost abatement and extending emissions management incentives across more of the economy. However, expansion should be targeted to facilities and sectors with material emissions, credible abatement opportunities and manageable compliance costs. For the built environment, broader coverage can help decarbonise upstream materials used in buildings — including cement, clinker, steel, aluminium and construction products.

⁴ https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

The Safeguard Mechanism is designed to contribute a proportional share of Australia's 2030 target—that is a share equivalent to its share of national emissions. The risk is that uncovered emissions prove harder to abate and therefore safeguard industries need to do more for Australia to meet its climate targets. To have confidence to continue to set at no more ambition than a proportional share, there should be policies in place for the sectors not covered by the Safeguard Mechanism or an equivalent economy-wide carbon policy, such as agriculture.

The Safeguard's decline rate trajectory

Sectors with commercially available abatement pathways should face stronger post-2030 decline rates than sectors where technology remains immature. This is especially true for industries where lower-emissions substitutes are available and economic.

The Australian Government's Future Gas Strategy is relevant to this assessment. While it recognises that gas may continue to play a role in certain industrial processes and in supporting energy security during the transition, it also emphasises that alternatives to gas should be adopted wherever feasible and that gas-related emissions must decline over time. The same principle applies to coal. Emissions from sectors where viable, cost-competitive alternatives already exist consume a limited emissions budget that will be increasingly needed for genuinely hard-to-abate activities and industries that deliver higher economic and productive value.

The review should consider introducing a minimum annual on-site emissions-reduction requirement alongside the baseline decline rate. For example, facilities could be required to reduce gross emissions by 4% each year. Limited use of credits could be permitted where direct reductions are not achieved, but at a discounted value, for example, requiring 1.2 credits to compensate for each tonne of the shortfall. This would strengthen the incentive for genuine industrial transformation while retaining some compliance flexibility.

Credit quality is fundamental to the design of the safeguard

As the review notes, a key source of flexibility for safeguard facilities is the option to surrender project-based offsets (ACCUs) from outside the scheme. It is critical for the success of the scheme that credit quality be continuously reviewed to both maintain their integrity, expand options available, and address remaining issues from previous reviews, such as those related to Human-Induced Regeneration (HIR).

- Setting a cap on the proportion of a baseline exceedance that can be met with ACCUs.
- Supplementary policies to encourage emission reductions such as electrification and energy efficiency.
- Higher integrity standards for credits, including insurance against future land use change and events that release carbon.
- Recognition of other methods that can be used to create reforestation activities via a deeming method that invites investment in land holdings by public, not-for-profit, or private entities.
- Review of the standards for offsets to address historic concerns and ensure that they are credible, worthwhile, and are accurately drawing carbon. As part of the review, consider deeper discounting credits for projects with shorter lifespans than 100 years of permanence.

GBCA welcomes the opportunity for further discussion. To arrange a meeting, a briefing on our work to date, or for additional clarification of the points made above, please do not hesitate to contact Corwin Wallens, Policy Manager, via email at corwin.wallens@gbca.org.au

Yours sincerely

A handwritten signature in dark ink, appearing to read "D. Rooney". The signature is written in a cursive, flowing style with a large initial "D" and a trailing flourish.

Davina Rooney
Chief Executive
Green Building Council of Australia