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Emissions Reduction Fund Submissions  
Safeguard Mechanism Branch  
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## **SUBMISSION ON THE EMISSIONS REDUCTION FUND SAFEGUARD MECHANISM CONSULTATION PAPER**

The Australian Forest Products Association (AFPA) welcomes the opportunity to provide comment on the Emissions Reduction Fund (ERF) Safeguard Mechanism Consultation Paper.

AFPA is the peak national body for Australia's forest, wood and paper products industry. AFPA has had a long history of stakeholder engagement on the development of domestic climate policy schemes, as well as on international climate change negotiations and related policy measures.

This submission builds on earlier AFPA submission's on the Emissions Reduction Fund (ERF) Terms of Reference and subsequent Green Paper. Key principles raised in AFPA's previous submissions that underpin AFPA's view of the proposed ERF Safeguard Mechanism include:

- Designing an effective and equitable safeguarding mechanism will be a complex task due to the variation in organisational structures, business focus and operational practices of entities operating in Australia. There should be continuing comprehensive consultation with interested parties before the arrangements take effect;
- The ERF Safeguard Mechanism needs to be flexible and based on a streamlined National Greenhouse and Energy Reporting Scheme (NGERS), where under the existing arrangements industry has gained experience and developed appropriate internal recording and reporting mechanisms; and
- In determining baselines, there will always be fluctuations in emissions as a natural part of business and other non-policy factors. Baselines will need to provide an accurate reflection of an entities emissions profile over time.

AFPA notes the Government policy position (first detailed in the ERF Green Paper) is:

- the ERF safeguard mechanism is intended to ensure that emissions reductions purchased by the Government are not offset by significant rises in emissions elsewhere in the economy; and
- that the intent of the ERF safeguard mechanism is not to be 'revenue raising' and will 'allow businesses to continue ordinary operations without penalty'.

AFPA also supports the Government's commitment to reducing the regulatory burden on business, as such the reporting mechanism should be as administratively simple as possible to reduce that burden. As the various liable industry sectors are often vastly different, flexibility is needed in the key components of the ERF safeguard mechanism such as baselines and emission management.

AFPA is a member of Australian Industry Greenhouse Network (AIGN), which will be submitting broader and more detailed comment on the Consultation Paper.

Comments on aspects of a proposed safeguard mechanism that are of specific interest to AFPA are outlined below:

1. ***Treatment of Incremental Expansion:*** It should be noted that the ERF safeguard mechanism framework needs to ensure that rational investments to improve productivity and competitiveness are not penalised.

The current proposed safeguard mechanism details that emissions baselines will be based on absolute emissions using historical data reported under NGERS and set using the highest level of reported emissions for a facility over the historical 5-year period (2009-10 to 2013-14).

Whilst noting the potential flexibility provided by the proposed multi-year averaging provision, it is based only on a measure of absolute emissions and, as a result, is likely to adversely impact many industry participants that are simply seeking incremental process and technical improvements to increase production by small amounts.

AFPA urges, as an option, the inclusion of an emissions intensity test that would allow a facility to exceed its absolute baselines so long as the emission intensity of production is not increasing. Providing a secondary threshold of emission intensity better reflects the realities of business operations over the business cycle, and allows for changes in production, expansions and maintenance requirements.

2. ***Best Practice:*** AFPA sees that there is still a lack of detail and uncertainty around the capacity to assess 'best practice' and believes further detail is needed with continued consultation with affected industries.

3. **Exceptional circumstances:** There should be a provision to allow for the impact of events beyond the control of the facilities. However, this area needs more clarity such as defining what constitutes a 'natural disaster', and what are considered to be reasonable steps to mitigate risk of excess emissions. AFPA suggests the addition of a provision for the impact of other circumstances reasonably outside a facility's control, such as catastrophic equipment failure.
4. **Publication of information:** Due to potentially commercially sensitive information at the facility level, it is proposed that only the necessary aggregated baseline and emissions information be made publicly available.
5. **Carbon Offsets:** Allowing facilities the opportunity to purchase Australian Carbon Credit Units (ACCUs) as offsets to reduce their net emissions amount, is an important emissions management mechanism. However, for facilities to plan investments and fully understand the net cost of abatement today and in the future, the price of ACCUs needs to be relatively stable and predictable over the long term. As a result there should be an appropriate focus on domestic ACCUs to promote a deeper domestic market and investment in Australia.

AFPA believes that forestry, wood and paper product industry activities can play a direct role in Australia's ongoing mitigation effort and is indeed essential to the overall success of the ERF and Australia's ability to meet its emission reduction targets into the future.

We urge consideration of AFPA's submission. Any queries please contact me on (02) 6285 3833.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ross Hampton', with a long horizontal line extending to the right.

**Ross Hampton**  
**Chief Executive Officer**