

Safeguard Mechanism Reforms: Joint Finance Industry Statement

The financial institutions and finance sector bodies listed below issue this Joint Statement on the Government's proposed Safeguard Mechanism reforms:

We welcome the Government's proposal to reform the Safeguard Mechanism. Legislating emissions reductions for Australia's largest emitters will demonstrate that Australia is acting on climate change and support the flow of capital for the net zero transition – helping to ensure Australians and our industries are not left behind.

The financial institutions and organisations listed in this submission will continue to support our respective members, investees, clients and customers to reduce their emissions and build resilience to climate change. We note that the emissions reductions required under the Safeguard Mechanism are not yet aligned with the reductions needed to limit global warming to 1.5 degrees and consider that the Safeguard Mechanism should be a floor, not a ceiling, to facilities' decarbonisation activities.

We support passage of the Safeguard Mechanism Bill, and propose three recommendations for measures that would complement and bolster the proposed Safeguard Mechanism reforms:

1. **Large firms, including all those with facilities captured by the Safeguard mechanism, be required to develop and publish transition plans in line with guidance to be developed by the Government.** Credible, consistent and comparable transition plans are critical to enable financial institutions, regulators and the public to assess facilities' and companies' climate credentials and claims. Plans should include the role that offsets will play in a companies' decarbonisation – a critical consideration given that the Safeguard Mechanism allows facilities to use Australian Carbon Credit Units to meet emissions targets.
2. **The Government task and establish clear terms of reference for the Climate Change Authority to develop 1.5 degree aligned sector targets and pathways to 2050,** in consultation with relevant stakeholders, by mid 2024. These will underpin credible transition plans, sound climate policy and Australia's emerging sustainable finance architecture.
3. **Future Safeguard Mechanism baselines align with 1.5 degree decarbonisation pathways.** This will help ensure that facilities are transitioning in a way that meets global financial market expectations, helping Australia to maintain access to cost-effective capital and remain competitive in a net zero economy.

We look forward to prompt implementation of the Chubb Review recommendations to support the integrity of Australian Carbon Credit Units, and to the development of further climate policies to address emissions in areas of the economy not covered by the Safeguard Mechanism.

Many of the entities listed below have provided more detailed positions in individual submissions to the Government's consultation process. We welcome the opportunity to further engage with the Government and other stakeholders on this important reform. We encourage a pragmatic approach to its passage through parliament given its significance in supporting Australia to achieve our legislated climate targets.

