The Safeguard Mechanism and Corporate Advocacy

Oppositional heavy emitters dominate discussion on key climate policy, despite widespread support for climate action

July 2023

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Executive Summary

- Despite the widespread support for action on climate change, entities from heavy emitting sectors are actively opposing real-world climate policies. InfluenceMap's research reveals that corporate entities across the fossil fuel, mining and heavy industry sectors have engaged in extensive advocacy aimed at weakening and obstructing the Labor Government's efforts to reform the Safeguard Mechanism, despite many of these companies and associations also having stated support for climate action in the past 12 months.

- This is in the face of growing support from Australian citizens, policymakers, and corporates from other sectors of the economy for urgent action to address climate change. The dominance of oppositional voices in key climate policy discussions poses a significant threat to Australia's ability to achieve its greenhouse gas emissions targets.

- This research spans across three separate consultation processes from the Australian government on the Safeguard Mechanism reforms, analyzing 85 separate consultation responses from 42 of Australia's most influential companies and industry associations. The findings reveal a predominantly negative sentiment towards the reform of Australia's key emissions reductions policy, but from only a few heavy emitting sectors. Out of the responses evaluated, 62% expressed a negative or oppositional stance towards ambitious reform, while only 19% were supportive. The majority (81%) of the negative responses came from the oil and gas, mining or heavy industry / industrial sectors.

- Of the entities that negatively engaged, 92% had expressed support for either the net-zero by 2050 target, the Paris Agreement, or the need for climate policy in Australia. This contradiction exposes a clear hypocrisy in the companies' and associations' public statements on climate change, highlighting the discrepancy between their overarching communications on climate and their actual engagement with specific climate policies.

- Opposition to ambitious Safeguard Mechanism Reforms came from the oil and gas, mining, and heavy industry sectors in particular, with only one company or association from these sectors appearing to be supportive of the reforms (BP). Negative actors included BlueScope Steel, Whitehaven and Alinta Energy among many others.

- The analysis finds that corporate advocacy during the engagement process may have led to policy changes in the final reforms of the Safeguard Mechanism, potentially influencing the introduction of a price cap on Australian Carbon Credit Units (ACCU's) and adjustments to “deemed surrender” provisions as well as interest rates on borrowing.
The agreement reached between the Labor and Green parties, enabling the passage of the reform through parliament, also faced substantial opposition from the oil and gas sector, which voiced strong opposition towards the provision that mandated new oil and gas facilities be net-zero in their scope 1 emissions from the outset.

Background

The Safeguard Mechanism, first introduced in 2016, is the flagship federal greenhouse gas emissions policy. The policy aims to limit the emissions from the country’s largest facilities (emitting more than 100,000 tons of carbon dioxide a year), covering around half of Australia’s total greenhouse gas emissions. However, under current rules emissions have been allowed to increase under the policy. The Labor government set out to reform the policy to ensure that emissions do not continue to rise, and that the policy ensures Australia’s largest emitters do their proportional share of abatement in order to meet Australia’s 2030 and 2050 greenhouse gas targets. This briefing builds upon InfluenceMap’s previous briefing on the reforms, released in February 2022, which highlighted corporate engagement with the consultations held in 2022 and revealed an overall negative trend on the reforms thus far.

Figure 1: Timeline of the Safeguard Mechanism Reform process
Policy Timeline

The government released its first consultation paper on the Safeguard Mechanism Reforms in August 2022, followed by a second consultation on the Safeguard Mechanism (Crediting) Amendment Bill in October 2022. After conducting both consultations, the government unveiled its proposed design of the Safeguard Mechanism Reforms on January 10, 2023 and opened up to another round of consultations. The consultation period ended on February 24th, 2023. Following the consultation, the government released its final set of rules on May 5th, ahead of the July 1st adoption date.

The reforms

To strengthen the Safeguard Mechanism, the government proposed multiple new elements across the consultation periods during 2022-2023:

- **The share of the abatement task and baselines**: Safeguard facilities would be required to contribute a proportional share of Australia’s 2030 target, calculated to be 28%. A default emissions baseline decline rate of 4.9% to 2030 was proposed in order to achieve this. Baselines are to be set to remove ‘headroom’ that currently exists, the gap between baselines and actual emissions, to compel immediate emission reductions. If headroom was to be retained, baselines would remain significantly above actual emissions and therefore no immediate emission reductions would be required.

- **Formalizing emissions trading**:
  1. New Safeguard Mechanism Credits (SMC’s) would be introduced and issued by the Clean Energy Regulator to facilities with emissions below their Safeguard Mechanism baseline. Those credits could then be sold to other Safeguard Mechanism facilities that are emitting above their baselines.
  2. Safeguard facilities would continue to have access to Australian Carbon Credit Unit’s (ACCU’s) but would no longer be able to register new Emission Reduction Fund (ERF) projects (that generate ACCU’s), such as energy efficiency or industrial fugitive emissions projects. This is due to the implementation of declining baselines that will provide an equivalent incentive to implement emissions reduction activities and to avoid double counting. Existing ERF projects can continue to generate ACCU’s for their existing crediting period.
  3. ‘Deemed surrender’ provisions, meaning that ACCU’s sold to the government are also treated as reducing a facilities emission, will be grandfathered for 2 years, allowing facilities to continue to sell ACCU’s to the government in that period. The government is reconsidering this
provision due to the new incentive provided by adding declining baselines to the policy, therefore retiring the need for additional emission reduction incentives which would also be at risk of double counting.

4. Following the initial consultation in September 2022, the government has also proposed a price cap on the price at ACCU’s $75 per tonne of CO2-e.

- **Offsets:** International offsets are not included, but the government stated it may consider their use in the future.

- **Treatment of Emissions Intensive Trade Exposed facilities (EITE’s):** EITE’s will have a dedicated $600 million fund as part of the Powering the Regions fund, to help decarbonization efforts. EITE’s that are classified to be Trade Exposed Baseline Adjusted facilities are able to apply for a discounted decline rate, with a minimum decline rate of 2%.

### Methodology

InfluenceMap extensively monitored the entire reform process, analyzing 85 public consultation responses received from 42 companies and associations tracked by InfluenceMap’s Australia Platform. In addition, InfluenceMap’s world-leading database for analyzing corporate actor’s engagement with climate policies (*LobbyMap*), tracks companies’ top-line statements on climate, which encompass broad support for climate goals, UN climate treaties, and the recognition of the need for climate policy. Full details of the methodology are provided on the page linked [here](#).

Listed below are some of its key features:

- InfluenceMap’s system adheres to key features of sound corporate assessment metrics: objectivity, transparency, ease of comprehension and use, and includes like-for-like comparisons across and within sectors.

- InfluenceMap’s system does not judge climate policy itself, but instead measures corporate positions against Paris Agreement-aligned benchmarks of government policy, and Science-Based Policy (SBP) benchmarks based on analysis of IPCC statements.

- InfluenceMap scores each item of evidence on a 5 point scale from +2 (strongly supportive) to -2 (strongly oppositional). For a more detailed explanation see InfluenceMap’s methodology [here](#).

- InfluenceMap defines “policy engagement” based on the UN Guide for Responsible Corporate Engagement in Climate Policy (2013), which defines a range of corporate activities as engagement, such as advertising, social media, public relations, sponsoring of research, and direct contact with regulators and elected officials.
InfluenceMap relies on a range of data sources that are publicly accessible and are reliable representations of corporate policy engagement. These include organizational websites, social media, senior management statements, regulatory consultation comments, financial disclosures, and reliable media outlets.

Although the system does not require the cooperation of the organizations being assessed, InfluenceMap has engaged with over 100 large corporations, industry associations, and other stakeholders on our methodology and results.

InfluenceMap's system is updated continuously as new information becomes available, which is assessed and added to the InfluenceMap.org online database. These results are freely available and in the public domain. The results are provided in the form of metrics and analysis on individual organizations (see, for example, BP's online InfluenceMap profile).

The companies and industry associations included in this research are those that InfluenceMap tracks on an ongoing basis as part of its Australia analysis. This includes 59 companies and 25 industry associations. Details as to how those companies and industry associations have been selected can be found here.

To determine an entities' overall position on the Safeguard Mechanism Reforms, the average score across the three consultations has been taken. An average of 1.5 or greater is determined to be strongly supportive, 0.5 to 1.4 is supportive. 0.4 to -0.4 is unclear or mixed, -0.5 to -1.4 is unsupportive and -1.5 to -2 is oppositional.

**Findings**

**Conflicting top-line and policy specific advocacy**

The findings reveal a prevailing trend of negative lobbying aimed at impeding ambitious reform of the Safeguard Mechanism. The research also indicates that a significant portion of the companies and associations opposing the ambitious reform of the Safeguard Mechanism have publicly expressed support for climate targets, the Paris Agreement, and the necessity of climate policy within the past year. Specifically:

- Of the 42 companies and associations assessed in the analysis, 26 (62%) appeared to have an overall negative position on the Safeguard Mechanism Reforms.

- 23 of the 26 unsupportive companies and associations (92%) have also publicly supported either the net-zero by 2050 target, the Paris Agreement, the need for climate policy in Australia, or all of the above in the past 12 months.
The majority of these unsupportive positions came from select sectors of the economy. 21 of the 26 negative responses (81%) came from entities belonging to the oil and gas, mining or heavy industry / industrial sectors. Only one company from these sectors (BP) has an overall supportive position.

Negative engagement from the mining sector included responses from Glencore and Rio Tinto, from the oil and gas sector, this included Alinta Energy and Woodside, and from industry such as BlueScope Steel and Fortescue Metals Group. A full list can be found in the graphic below.

Industry associations representing the above-mentioned sectors appeared to be the most oppositional to the reforms, including the Australian Petroleum Production and Exploration Association (APPEA), the Minerals Council of Australia (MCA), and the Association of Mining and Exploration Companies (AMEC), among others.

8 of the 42 (19%) entities appeared to consistently support ambitious reform of the Safeguard Mechanism. This included BP, Iberdrola, and AGL on the company level, alongside several industry associations.

This contrast between top-line corporate commitments to climate action and their specific stance on the Safeguard Mechanism Reforms raises fundamental questions about whether corporate support for climate action translates into support for real-world climate policies.
Figure 2: Companies and associations’ relative overall position on the Safeguard Mechanism Reform compared to top-line support for climate action.

<table>
<thead>
<tr>
<th>TOP-LINE SUPPORT FOR CLIMATE ACTION/ NOT SUPPORTING THE SM REFORMS</th>
<th>TOP-LINE SUPPORT FOR CLIMATE ACTION/ MIXED/UNCLEAR ON SM REFORMS</th>
<th>TOP-LINE SUPPORT FOR CLIMATE ACTION/ SUPPORTING THE SM REFORMS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APA</strong></td>
<td><strong>APOLAR</strong></td>
<td><strong>ADBRI</strong></td>
</tr>
<tr>
<td><strong>AMCO</strong></td>
<td><strong>PASA</strong></td>
<td><strong>AGI</strong></td>
</tr>
<tr>
<td><strong>API</strong></td>
<td><strong>AMERICAN HYDROGEN</strong></td>
<td><strong>AIGROUP</strong></td>
</tr>
<tr>
<td><strong>AOPEA</strong></td>
<td><strong>CME</strong></td>
<td><strong>AUSTRALIAN ENERGY COUNCIL</strong></td>
</tr>
<tr>
<td><strong>BLUESCOPE</strong></td>
<td><strong>Energy Networks</strong></td>
<td><strong>BP</strong></td>
</tr>
<tr>
<td><strong>CIGA</strong></td>
<td><strong>CITIGALIA</strong></td>
<td><strong>BCA</strong></td>
</tr>
<tr>
<td><strong>CLIFTON</strong></td>
<td><strong>FORTESCUE</strong></td>
<td><strong>CHEVRON</strong></td>
</tr>
<tr>
<td><strong>CNP</strong></td>
<td><strong>MINEA</strong></td>
<td><strong>ORICA</strong></td>
</tr>
<tr>
<td><strong>GLENMORE</strong></td>
<td><strong>Incitec Pivot Limited</strong></td>
<td><strong>VIRGIN</strong></td>
</tr>
<tr>
<td><strong>RioTinto</strong></td>
<td><strong>Origin</strong></td>
<td><strong>POOL</strong></td>
</tr>
<tr>
<td><strong>South Australian Chamber Of Mines &amp; Energy</strong></td>
<td><strong>Woodside Energy</strong></td>
<td><strong>IBERDROLA</strong></td>
</tr>
</tbody>
</table>

No top-line support for climate action/ not supporting the SM reforms

No top-line support for climate action/ mixed or unclear on SM reforms

No top-line support for climate action/ supporting the SM reforms

Sector breakdown

During the consultation periods, a significant portion of the opposition to the ambitious reform of the Safeguard Mechanism seemed to originate from the oil and gas, mining, and heavy industry sectors. Below details the advocacy efforts of each sector regarding the reforms, highlighting the prevailing themes and trends within each sector. A comprehensive table of all the companies and associations included in the analysis can be found in the appendix, along with links to their full InfluenceMap profiles.
Oil and Gas

12 oil and gas sector companies and industry associations tracked by InfluenceMap submitted at least one consultation response on the Safeguard Mechanism Reforms. Among these entities, only BP demonstrated support, while 7 (58%) expressed unsupportive or oppositional views overall. Notably, this is despite 92% of these entities having publicly advocated for top-line climate action in the past year, a stance which appears contradictory when it comes to their advocacy on the Reforms.

- The Australian Petroleum Production & Exploration Association (APPEA) did not support the universal removal of headroom from the policy or a pre-defined baseline decline rate. It also suggested that the 10% interest rate on borrowing was too high and that the proposed assistance for EITE’s may not be sufficient, while also not appearing to support best practice baselines for new facilities.

- Alinta Energy supported “building” on the existing framework rather than “substantially reforming” the policy. It also opposed the proposal to limit Safeguard facilities’ ability to generate ACCUs.

- Origin appeared to oppose the proposal. The company did not support the complete removal of headroom and advocated for more support for EITE’s. While Woodside appeared to support the reforms, but with major exceptions, such as the inclusion of international offsets and for allowing ERF projects to continue generating credits.

- BP appeared to support the reforms. It advocated for the gradual increase of the policy scope and supported the formalization of emissions trading. BP also opposed any free allocation to EITE’s and called for flexibility and equal treatment for new fossil fuel entrants. BP did not appear to support the government’s “cost containment” measures.

<table>
<thead>
<tr>
<th>Entity (Oil and Gas)</th>
<th>Overall position</th>
<th>Publicly communicated top-line support in the past year?</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP</td>
<td>Supportive</td>
<td>Yes</td>
</tr>
<tr>
<td>Chevron</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Australian Pipelines and Gas Association (APGA)</td>
<td>Mixed / Unclear</td>
<td>Yes</td>
</tr>
<tr>
<td>Gas Energy Australia</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Australian Hydrogen Council</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>APA Group (Full profile coming soon)</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Ampol</td>
<td>Unsupportive</td>
<td>Yes</td>
</tr>
<tr>
<td>Origin Energy</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Woodside</td>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>
The mining sector also displayed significant opposition to the reforms. Among the 12 mining companies and associations included in InfluenceMap’s database that participated in at least one of the public consultations, 11 (92%) exhibited unsupportive or oppositional positions toward the Safeguard Mechanism Reform. This is despite all 11 entities (100%) expressing clear support for climate action within the past year.

- Rio Tinto appeared to advocate for the free allocation of SMC’s, for differential baselines for EITE’s and called for a maximum decline rate of 6%, while advocating for its own sector to qualify for a 2% decline rate.
- Whitehaven Coal also appeared to call for a differentiated decline rate for EITE’s that also appeared unsupportive of the removal of headroom, adding that the proposed EITE assistance was ‘entirely inadequate’ and did not support a uniform baseline decline rate.
- Glencore stated that the removal of headroom should be carried out on an individual basis. The company also stated that Safeguard facilities should be exempt from any additional state-based policy and called for more EITE assistance, but did not support the proposed adjusted baselines for some EITE’s, stating it will penalize those that are not eligible and subsidize those that are.
- Fortescue and South32 appeared unsupportive, Fortescue appeared unsupportive of the removal of headroom, advocated for the use of international offsets and did not support the use of international best practice baselines for new facilities. It also stressed the need to avoid duplication with state policy. South32 did support the removal of headroom and a baseline decline rate but appeared to call for a delay until 2024, appearing to emphasize the need for other areas of the economy to be included in the policy while advocating for further EITE support.
Heavy industry / Industrials

The Safeguard Mechanism Reforms also encountered opposition from entities within the heavy industry / industrial sector. BlueScope Steel, the Cement Industry Federation, and Adbri all appeared to be unsupportive or oppositional. All of these entities have publicly communicated their top-line support for climate action within the last year.

- **BlueScope** supported the ability for facilities to continue to generate ACCU’s and also highlighted competitiveness and job concerns, opposing the proposed baseline decline rate of 4.9% and called for adjusted baselines for EITE’s to be less than 2% per year.

- The Cement Industry Federation (CIF) **called for** cement manufacturing to be excluded from the requirement to reduce baselines under the SGM until a Carbon Border Adjustment Mechanism is introduced and appeared to oppose the unilateral removal of headroom. It **also suggested** the proportional share approach was not equitable and the target should instead “reflect what is reasonably considered to be achievable”.

- **Adbri** appeared to oppose the proposed design in its response, it stated that the proposed baseline decline rate is not feasible and advocated for more EITE assistance. Orica **stated support** for the proposed changes to the policy but did also advocate for maintaining the ability for facilities to continue to be able to generate ACCU’s, stating provisions should be grandfathered for the entire length of existing contracts and questioned whether the proposed funding for EITE’s would be adequate.
Corporate response to the deal between Labor and the Greens

Following the consultation on the proposed design, the Australian Labor Party entered extensive negotiations with the Australian Greens on the reforms to the Safeguard Mechanism. The reforms passed the upper house on March 27th 2023 following an agreement between the two parties. While the Greens had originally pushed for a complete ban on new gas and coal projects under the policy, the final agreement introduced a hard cap on overall emissions from facilities covered by the Safeguard Mechanism. There was also an agreement to include stringent restrictions on new gas developments, which will need to be net-zero for scope 1 emissions from the outset.

The deal was met with strong opposition from the fossil fuel sector, with 6 associations and companies issuing public statements expressing their opposition to limits on fossil fuel development.

- APPEA Chief Executive, Samantha McCulloch, stated that the Labor-Greens deal will make Australia’s climate change targets harder and more costly to achieve, adding that “new gas supply is essential to support the country’s climate objectives, avoid energy shortfalls, and reduce prices.”
- The CEO of the Australian Pipeline and Gas Association, Steve Davies, also stressed the importance of gas and stated that any additional restrictions on gas supply may result in additional costs for Australian households and businesses.
- Likewise, the South Australia Chamber Of Minerals and Energy (SACOME) CEO Steve Knott stated that changes to rules for new gas projects were of particular concern. He argued that new gas supply is needed to support Australia’s climate change objectives, avoid future energy shortfalls, and to put downward pressure on prices.
- Santos CEO Kevin Gallagher appeared to criticize the Australian government for ‘handing power to the Greens’ in the final design of the Safeguard Mechanism Reforms, saying that this has escalated sovereign risk in Australia for investors.
- Tamboran’s CEO, Joel Riddle, refuted claims that the Safeguard Mechanism Reforms restrict the Beetaloo Basin’s development and claimed that their sustainability plan aligns with the amendments. He also added that the deal “is a decisive political failure for the Greens, who have campaigned to destroy industry, jobs and real progress on emission reductions.”
Changes in the final reforms

Across the entire engagement process, there was evidence that the proposed reforms were amended in response to corporate advocacy.

- **Cost containment measures**: In InfluenceMap’s February 2023 briefing on the two consultations that took place in 2022, it found that the government’s proposed reform of the Safeguard Mechanism, released in January 2023, includes ‘cost containment measures’ in the form of a price cap of $75 per ton on Australian Carbon Credit Units (ACCU’s), which can be used to meet Safeguard obligations. The inclusion of a price cap on ACCU’s comes despite the original consultation paper stating that ‘there may not be a need at this stage for further price stability measures’ regarding ACCU’s. This follows advocacy from APPEA and the MCA for a price cap to limit compliance cost in the consultations in 2022.

- **Selling ACCU’s to the government and a reduced interest rate**: The government’s final design of the Safeguard Mechanism also includes some deviation from the proposed final design. ‘Deemed surrender’ provisions will be able to take place for the full length of the contract, instead of the proposed 2 years. This was strongly advocated for by several industrial groups including Orica and the Association of Mining and Energy Companies. The interest rate on borrowing SMC’s was also reduced in the final design to 2% for the first 2 years, instead of the 10% rate proposed, that was advocated for by APPEA and Rio Tinto among others.

- **Minimum baseline decline rate decrease**: The minimum baseline decline rate available for EITE’s under the adjusted baselines has decreased from the proposed 2% to 1%, something that was advocated for by BlueScope Steel.