Justice and Equity Centre

DCCEEW Safeguard Mechanism Review – Consultation Paper

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About the Justice and Equity Centre

The Justice and Equity Centre stands for a society that is fair and free from discrimination and disadvantage. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we use the law and policy advocacy to challenge injustice and inequality. We do this through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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The Justice and Equity Centre acknowledges and pays respects to the Gadigal as the Traditional Owners of the land on which our office stands.

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That the use of offsets to achieve Safeguard Mechanism requirements is limited, and that material onsite abatement is required, including in facilities used for electricity generation.

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That the decision to progressively change the electricity sectoral baseline from 2030 is made in the current review to help ensure a rapid, fair and efficient transition. This is critical in providing a timely investment signal to renewable developers, minimising continued use of fossil fuel generation from 2030, and minimising the risk of over investment in new fossil generation.

1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Commonwealth DCCEEW Safeguard Mechanism Review Consultation Paper.[1]

We support the expansion and strengthening of a continued Safeguard Mechanism to help ensure Australia achieves its emissions targets, including the 2035 emission target. Adjustment of the electricity sectoral baseline from 2030 onwards is a critical aspect of required reforms.

We highlight the following key benefits from progressively changing the electricity sectoral baseline from 2030. This change will:

- **Enable a more rapid and fairer transition.**
  Enabling a faster transition to renewables means grid supplied emissions and electricity costs will fall more rapidly. This benefits all consumers, but in particular the large number of household energy consumers unable to install consumer energy resources.

- **Send a strong investment signal to renewables developers**.

- **Minimise the use of fossil fuel generation units beyond 2030.**
  - The use of coal generation units - which remain some of Australia's large point sources of emissions - beyond 2030 will be strongly disincentivised.
  - The ongoing use of fossil methane gas generation will have the cost of emissions more efficiently incorporated. This is of significance when comparing the investment in and use of fossil methane gas, with that of non-fossil fuel technologies for seasonal peaking generation and long-term storage. Further, the inefficient use of fossil methane for daily firming or mid-merit dispatch will be disincentivised.

- **Minimise the risk of over investment in new fossil fuel-based resources**
  This ensures a more efficient transition – by directing limited investment to the most renewable and efficient resources - reduces investor risk of asset stranding, and reduces the likelihood of consumers being asked to subsidise any over investment.

- **Support faster reduction in energy sector emissions and a pathway to zero emissions**
  Declining sectoral baselines provide a pathway to 2035 emission reductions in the electricity sector, and ultimately to a zero emissions electricity sector.

We support prioritising on-site emissions reduction prior to the use of offsets, as well as declining baselines.[2]

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1 https://consult.dcceew.gov.au/2026-27-safeguard-mechanism-review.

2 We also support the use of a boarder adjustment mechanism. This issue is not address in detail in our submission.

Maximum benefit from any changes made to the electricity sectoral baseline from 2030 will be realised if this intent is signalled early to the market, including through adoption in the current reform process.

We draw DCCEEW's attention to the Grattan Institute 2025 report *Bills down, emissions down: A practical path to net-zero electricity*. We broadly endorse the views expressed in this report on the importance of reducing emissions in the electricity sector, and the suitability of the Safeguard Mechanism as a tool to assist in achieving this task.[3]

2. Changing the electricity sectoral baseline from 2030

2.1 A rapid and fair energy transition

It is both possible and necessary to accelerate the transition to a renewable energy system, and to do so in ways that help address disadvantage and leave all Australians better off.

Climate change is a critical threat to everyone, but it has a greater impact on people and communities already experiencing disadvantage, and they're often the least equipped to cope with its effects and enact changes to benefit from transition efforts.[4]

The JEC's vision – and the central vision which should inform the future use of the Safeguard Mechanism in the electricity sector – is for a transition that is:

- **rapid** – because working quickly is required to avoid the worst climate impacts.
- **fairly costed** – because the transition comes with significant costs, and we must ensure they are shared fairly, and people experiencing disadvantage don't pay an unfair share.
- **for everyone –** because the significant change involved in the transition offers opportunity for everyone to benefit from clean, affordable energy regardless of their capacity to invest in technology.

The Safeguard has a critical role to play in delivering such a transition. Changing the electricity sectoral baseline[5] from 2030 will help ensure a more rapid roll out of grid scale renewables. This enables reduced emissions while also lowering wholesale electricity prices sooner. This benefits all consumers but offers greater beneficial impact for those already experiencing disadvantage.

Enabling a fast transition – and lower wholesale costs - will assist the large numbers of household consumers unable to directly access consumer energy resources – those renting,

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3 https://grattan.edu.au/wp-content/uploads/2025/10/Bills-down-emissions-down-A-practical-path-to-net-zero-electricity-Grattan-2025.pdf.

4 See DCCEEW Cth, *National Adaptation Plan*, 2025, https://www.dcceew.gov.au/sites/default/files/documents/national-adaptation-plan.pdf, p.40; DCCEEW NSW, *NSW Climate Change Adaptation Plan 2025-2029*, 2024, https://www.climatechange.environment.nsw.gov.au/sites/default/files/2024-10/NSWClimateChangeAdaptationActionPlan2025-2029.pdf, p.12.

5 See https://www.dcceew.gov.au/climate-change/emissions-reporting/national-greenhouse-energy-reporting-scheme/safeguard-mechanism; https://cer.gov.au/schemes/safeguard-mechanism/safeguard-baselines.

living in apartments or with no capital to invest - to minimise their electricity bill costs. This supports a fairer transition.

This vision of a just transition aligns with that of the Commonwealth Government,[6] and should inform this review.

2.2 A strong investment signal for renewables developers.

The CEIG 2026 Clean Energy Outlook highlights that a lack of clear market signals, including on coal exit dates, remains a key renewable investor concern and brake on investment in renewables.[7]

Revising the electricity sectoral baselines – and increasing the premium paid for fossil generation to be available for dispatch from 2030 - would send a clear market signal assuring renewables investors of the value and certainty of their investments. This assurance would include both that there is a shift in favour of renewables being dispatched more frequently as opposed to fossil generation, and that there is increased financial pressure for the early exit of coal generation units.

2.3 The use of fossil fuel generation beyond 2030 is minimised.

2.3.1 Coal generation

Progressively changing the electricity sectoral baselines from 2030 onwards will help deter the dispatch of coal generation – some of the most intensive emitters - beyond 2030.

While coal generators remain operational the generation mix remains heavily skewed towards emissions intensive generators. This is due to the slow ramp rates of coal, and the fact these units cannot easily be restarted. The contrast is stark between continued coal generation use in Victoria, New South Wales and Queensland, and the lack of coal generation and emissions in South Australia and Tasmania.[8]

There are 15 remaining coal generators in the NEM.[9] In 2024-25 collectively they produced the vast majority of NEM emissions.

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6 The Commonwealth Government view on a fair and orderly transition, is provided in its Net Zero Plan, DCCEEW Cth, *Net Zero Plan*, 2025, https://www.dcceew.gov.au/climate-change/publications/net-zero-plan, (Cth Net Zero Plan), p.24.

7 CEIG 2026 Energy Outlook 2026, p.9.

8 See the historic generation information compiled on the Open Electricity platform, https://explore.openelectricity.org.au/energy/nem/

9 See AEMO, *Generation Information*, https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/nem-forecasting-and-planning/forecasting-and-planning-data/generation-information, including - *NEM July 2026 Generation Information – xls file (*AEMO, *Generation Information xls).*

In 2024-25 the remaining coal generators produced:[10]

- New South Wales
  - Eraring 13.5 Mt CO2-e
  - Bayswater 13.3 Mt CO2-e
  - Vales Point 6.1 Mt CO2-e
  - Mount Piper 6.0 Mt CO2-e
- Victoria
  - Loy Yang A 16.3 Mt CO2-e
  - Loy Yang B 9.8 Mt CO2-e
  - Yallourn W 11.2 Mt CO2-e
- Queensland
  - Callide B 2.9 Mt CO2-e
  - Callide C 3.7 Mt CO2-e
  - Gladstone 6.4 Mt CO2-e
  - Kogan Creek 3.8 Mt CO2-e
  - Millmerran 4.3 Mt CO2-e
  - Stanwell 6.8 Mt CO2-e
  - Tarong / Tarong North 9.4 Mt CO2-e

Currently the NEM power stations announced *closure dates* and *expected closure years* are:[11]

- New South Wales
  - Eraring April 30 April 2029 (closure date)
  - Bayswater 2033 (expected closure year)
  - Vales Point 2033 (expected closure year)
  - Mount Piper 2040 (expected closure year)
- Victoria
  - Loy Yang A 2035 (expected closure year)
  - Loy Yang B 2047 (expected closure year)
  - Yallourn W 1 July 2028 (closure date)
- Queensland
  - Callide B 2031 (expected closure year)
  - Callide C 2200 (expected closure year)
  - Gladstone 31 March 2031 (closure date)
  - Kogan Creek 2042 (expected closure year)
  - Millmerran 2051 (expected closure year)
  - Stanwell 2043-46 (expected closure year)
  - Tarong / Tarong North 2037 (expected closure year)

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10 See CER data 2024-24, https://cer.gov.au/markets/reports-and-data/nger-reporting-data-and-registers/electricity-sector-emissions-and-generation-data-2024-25. (Eraring 13,511,556 t CO2-e; Bayswater 13,336,378 t Co2-e; Vales point 6,157,537 t CO2-e; Mount Piper 6,040,135 t CO2-e; Loy Yang 16,346,391 t CO2-e; Loy Yang B 9,855,489 t CO2-e; Yallourn W 11,222,870 t CO2-e; Callide B 2,939,260 t CO2-e; Callide C 3,737,160 t CO2-e; Gladstone 6,413,073 t CO2-e; Kogan Creek 3,809,722 t CO2-e; Millmerran 4,305,657 t CO2-e; Stanwell 6,803,486 t CO2-e; Tarong Power Stations 9,477,182 t CO2-e).

11 See AEMO, *Generation Information xls*.

In Western Australia the government has announced the remaining state-owned power stations will be retired by 2030. The privately owned Bluewaters Power Station is assumed by the Australian Energy Market Operator (AEMO) to continue operations until 2031.[12]

The closure dates of the remaining NEM coal generation units are dependent on announcements from the commercial operators. Whether they seek to vary these dates and bring them forward or push them back for commercial reasons will depend on the volume and price of renewable generation in the wholesale market, and the prices at which they can bid themselves into the market.

Maintaining or accelerating the expected closure schedule of the coal power stations is critical. Adding a cost to continued fossil generation by changing the electricity sectoral baseline to align with emissions targets will create an efficient market pressure that further deters their prolonged use. This additional market signal will not in itself cause coal closures, but will work alongside other in market, and out of market, processes to ensure the most rapid transition of the bulk electricity supply generation mix.

2.3.2 Fossil Methane Gas Generation

Progressively changing the electricity sectoral baselines from 2030 onwards, will mean the ongoing use of fossil methane gas generation units will have the emissions impact efficiently priced in. This is critical as these generators become some of Australia's large point sources of emissions as coal generators close.

Daily dispatch

Fairly pricing in the cost of emissions is critical when comparing the investment in, and use of, fossil gas generation, with that of non-fossil fuel technologies for both peaking generation and long-term storage. It will help discourage any excessing deployment of fossil gas generation for daily firming or mid-merit dispatch.

Renewables and battery storage are putting downward pressure on prices. The deployment of new wind and batteries at scale has also had a substantial impact on the bidding and dispatch of gas generation.[13] This change means that projections regarding the requirement for gas peakers for firming - especially on a daily basis - are rapidly being adjusted down.

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12 See AEMO, *2026 WEM ESOO*, https://www.aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/wem-forecasting-and-planning/wem-electricity-statement-of-opportunities-wem-esoo; https://www.wa.gov.au/government/media-statements/McGowan-Labor-Government/State-owned-coal-power-stations-to-be-retired-by-2030-20220614; https://www.wa.gov.au/system/files/2023-08/colliecommunityfactsheet.pdf.

13 See AEMO *Quarterly Energy Dynamic's Reports*, https://www.aemo.com.au/energy-systems/major-publications/quarterly-energy-dynamics-qed, including the Q2 2026 report. See also https://reneweconomy.com.au/wholesale-electricity-prices-plunge-as-renewables-surge-batteries-boom-and-gas-power-hits-23-year-low/; https://www.abc.net.au/news/2026-06-05/australias-emissions-drop-as-renewable-energy-batteries-surge/106751294; NSW Net Zero 2026 Annual Report, p.49; The Energy, *Why the energy transition is in a prisoner's dilemma*, https://theenergy.co/articles/why-the-energy-transition-is-in-a-prisoners-dilemma.

It is important that market signals - via the safeguard mechanism – support maximum deployment of non-fossil fuel technologies for daily firming and mid-merit dispatch. This signal will support a rapid transition of the electricity sector, and achievement of emissions targets. This investment signal is especially important where the choice between resources is marginal.

Longer-term generation 'droughts'

Gas generation is seen as playing a key role when demand may not be met during winter months or long duration renewable droughts. It is forecast gas will be needed to provide peaking generation and long duration storage.[14]

Subjecting ongoing and new gas generation to a robust Safeguard Mechanism will mean dispatch of this generation will have the emissions impact efficiently priced in. This is significant when considering potential investments in new resources for long duration storage - gas generation, pumped hydro, batteries or other zero carbon technologies – and supporting the most efficient and low-emissions solution.

By the time we reach net zero in 2050 (or 2045 in some states) fossil gas generation will need to be seriously constrained, converted to renewable gas, fully offset, or shut down. Given the pipeline of utility scale batteries, wind, and the forthcoming commissioning of SnowHydro 2.0 any investment in either gas generation, or infrastructure to service this gas generation has material stranding risk. Pricing fossil gas generation emissions from 2030, helps ensure efficient future resource investments in gas generation or other long duration storage technologies, and reduces the risk of gas generation asset stranding in 2050, if not before. This both reduces investor risk, and reduces the likelihood of consumers being asked to subsidise any over investment.

2.4 Changing the sectoral baseline from 2030 strikes the right balance

The Commonwealth target is for 82% renewable generation by 2030. Providing a market restraint on continued fossil generation after 2030 strongly aligns with the intent that by this date most generation is intended to be renewable.

At present the 82% renewable target may not be met for a combination of reasons. Providing an additional signal that fossil generation is to be subject to further constraints from 2030 will assist in achieving the target in 2030, or as soon as possible thereafter. This investment signal will sit alongside and build on the likely introduction of the new Electricity Services Energy Mechanism - ESEM - and help ensure sufficient renewable generation and storage are deployed. The Safeguard signal will also help ensure wherever possible the new resources deployed are zero emission resources.

The National Electricity Market wholesale market settings review recommended that governments, 'clarify how greenhouse gas emissions targets apply to projects to provide firming

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[14] See detailed discussion in AEMO 2026ISP, Annex A4 Systems Operability, https://www.aemo.com.au/-/media/files/major-publications/isp/2026/appendices/a4-system-operability.pdf.

services, to provide certainty for investors.'[15] Amending the electricity sectoral baseline progressively from 2030, will provide a clear signal to investors.

2.5 Onsite emissions reduction and declining baselines should be required

Once the electricity sectoral baseline is crossed the Safeguard Mechanism applies to grid connected electricity generators.[16]

We strongly favour a requirement for meaningful onsite abatement on electricity generation sites, and that emissions cannot simply be offset through trading of Safeguard Mechanism Credits or Australian Carbon Credit Units, whether within the electricity sector or other sectors.

For the period to 2035 and beyond, it is critical that any remaining coal or gas generation facilities, achieve a high level of onsite abatement. This is particularly important due to issues with the equivalence and durability of offsets. Offsets also delay possible onsite abatement, where abatement is inherently preferable and more efficient. This is especially true in the near term where offsets will be cheaper than in later years.

For coal generators onsite emissions reduction could mean changing daily ramping, or seasonal closure of units. This does not reduce the coal generation unit's emissions intensity, but it does result in less generation by an otherwise largely inflexible, large point source of emissions. It is also possible to decrease the emissions intensity of fossil generation sites through conversion to battery backed solar or wind renewables, or the use of green hydrogen or biomethane.

The closure, or conversion to zero emissions technology, of fossil fuel electricity generation facilities should not unnecessarily be delayed by enabling the easy and inexpensive use of offsets. Meaningful onsite abatement should be required.

Individual facility baselines will need to decrease over time. Consideration should be given to what the appropriate facility level baseline decline should be for existing facilities in a world where new fossil gas generation is being built within the sector.

2.6 Declining electricity sectoral baselines provide an emissions reduction pathway

The announced closure dates of coal power stations are solely the dates put forward by their commercial operators. AEMO is notified of these decisions. To the extent that AEMO provides coal closure dates in planning documents, such as the Integrated Systems Plan (ISP), there is no guarantee as to when closure will occur.

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15 See National Electricity Market wholesale market settings review, *Final Report*, 12 December 2025, https://www.energy.gov.au/sites/default/files/2025-12/national-electricity-market-wholesale-market-settings-review-final-report.pdf, Recommendation 11.A, p.173.

16 See https://www.dcceew.gov.au/climate-change/emissions-reporting/national-greenhouse-energy-reporting-scheme/safeguard-mechanism; https://cer.gov.au/schemes/safeguard-mechanism/safeguard-baselines.

DCCEEW should therefore not treat announced coal *closure dates* or *expected closure years* as representing a definitive last date when the power stations will, or are required to, operate.

DCCEEW should determine the declining electricity sectoral baselines from 2030 to 2035 that can assist in ensuring the closure of fossil generation units on the required trajectory to meet emissions reduction objectives.

Recommendation 1

That the Safeguard Mechanism electricity sectoral baseline is changed progressively each year from 2030 onwards so that it is aligned to Australian emissions reduction targets, including the 2035 target.

Recommendation 2

That the Safeguard Mechanism includes steep declining rates for fossil fuel generation in the electricity sector, reflecting the sectors key economy wide role in achieving interim emissions targets.

Recommendation 3

That the use of offsets to achieve Safeguard Mechanism requirements is limited, and that material onsite abatement is required, including in facilities used for electricity generation.

3. The importance of changing electricity sectoral baseline in this process

3.1 Early market signal to maximise impact

Changing the electricity sectoral baseline from 2030 will have a material impact on emissions in the period to 2035. This includes:

- Helping ensure timely closure of coal generation,
- minimising the use of any ongoing fossil generation, and
- minimising investment in any new unnecessary fossil generation.

This will help ensure the 2035 emission target and budget are met, and the transition is as efficient as possible.

The impact of the changing electricity sectoral baseline from 2030 onwards is most significant if signalled as early as possible, including through adoption as a result of this review.

Signalling the change as early as possible - and in any case ahead of 2030 – provides a further market signal that renewables developers need. It makes clear to coal generators the importance of timely closure. And it signals to gas generators that net-zero by 2050 means emissions from fossil methane must be priced into generation costs to ensure there are minimal ongoing emissions in the electricity sector.

3.2 Electricity sector emissions reduction is critical

The electricity sector is the largest sector of emissions in Australia. Australia's emissions from electricity were 145.8 Mt CO2-e in the year to December 2025, 31.8% of Australia's overall emissions.[17] Rapid decarbonisation of the National Electricity Market (NEM) is critical to reach emissions targets and retain any possibility of staying within our emissions budgets. The closure of remaining coal generation units arguably remains the most critical near-term climate goal for Australia.

The replacement of remaining coal generation with renewable generation is not just critical for the electricity sector, but for the wider economy. Households and businesses rely on electricity for their energy supply, and this use will increase further as they transition away from fossil fuel use for heating and transport.

The Commonwealth Government Net Zero Plan places achieving rapid and deep emissions reduction in energy at the centre of the transition. The plan makes clear the expectation electricity and energy is the sector of the economy delivering most emissions reductions to 2035.[18]

Prioritisation of action on emissions, including changes to the Safeguard Mechanism, must be guided by consideration of emissions budgets. The national emissions reduction commitments include both a net zero by 2050 target and associated emissions budget targets.[19] Emissions budgets are calculated to ensure global temperatures stay below 1.5C in global warming. They work alongside the net zero by 2050 target and are a critical consideration in prioritising action.

The Commonwealth Government has set a target of 82% renewables in the NEM by 2030. While the percentage of renewables continues to rise, more renewables in the NEM doesn't automatically translate to rapid emissions reduction and staying within the emissions budget. Nor does it ensure that energy cost reductions will be maximised and delivered rapidly.

Emissions have recently remained mostly stable in the NEM at just over 120 Mt CO2-e per year.[20] AEMO calculate carbon budgets for the NEM, which are used in the development of the ISP. If recent emission rates of around 120 Mt CO2-e per year continue, the NEM carbon budget to 2050 will be exceeded by 2031.[21]

If we exceed emissions budgets between now and 2035, we will need to drastically increase our rate of emission cuts in the future or try to 'reverse' emissions to undo climate change. These are

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17 See *Quarterly Update of Australia's national Greenhouse Gas Inventory, December 2025,* https://www.dcceew.gov.au/sites/default/files/documents/quarterly-update-australias-national-greenhouse-gas-inventory-dec-2025.pdf, pp.10, 14. See also Cth Net Zero Plan, Figures 3.3 – p.30, and Figure 5.1 – p.44.

18 See Cth Net Zero Plan, pp.5-13, and chapter 5 including Figures 3.3 – p.30, and Figure 5.1 – p.44.

19 See the emission budgets in - Australia's first NDC to 2030 – including Table 1, rows 1.1.1.2 and 1.4.7., and Australia's second NDC to 2031-2035, Annex A, Row 1b. See also section 10(1), *Climate Change Act 2022* (Cth).

20 See Figure 2, 2025 IASR p.50. https://www.aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2024/2025-iasr-scenarios/final-docs/2025-inputs-assumptions-and-scenarios-report.pdf?rev=63268acd3f044adb9f5f3a32b6880c27&sc_lang=en;

21 See generally the article recently published in Renew Economy - https://reneweconomy.com.au/climate-scientists-warn-of-record-rate-of-global-warming-carbon-budget-to-be-exhausted-in-3-years/.

orders of magnitude more expensive and riskier – or more likely impossible - than near term emissions reduction.

Having an aligned electricity sectoral emissions pathway provides a specific measure of continued emissions reduction, and helps ensure progress is being made at sufficient pace to ensure Australia fulfils its Nationally Determined Contribution commitments, including the 2035 interim target, and thereby helps to continue to ensure minimum temperature rise above 1.5C occurs.

Recommendation 4

That the decision to progressively change the electricity sectoral baseline from 2030 is made in the current review to help ensure a rapid, fair and efficient transition. This is critical in providing a timely investment signal to renewable developers, minimising continued use of fossil fuel generation from 2030, and minimising the risk of over investment in new fossil generation.

4. Conclusion

The focus of this review must be on enabling the right decisions to optimise emissions reductions to 2035. This is critical to ensure the fastest, lowest cost transition for energy consumers. This means deploying every mechanism as efficiently as possible to help reduce emissions in the electricity sector, which is the highest emitting sector and includes some of nation's largest emitting facilities.

Robust declining electricity sectoral baselines from 2030 are a critical tool which must be recommended in this review.