Climate Change Authority
https://consult.climatechangeauthority.gov.au/2025-issues-paper
29 August 2025

AUSTRALIAN ALUMINIUM COUNCIL LTD

Dear Chair,

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. The Department of Industry, Science and Resources has recently forecast[1] that earnings for Australian exports of aluminium, alumina and bauxite are expected to rise from $18 billion in 2025–26 to $19 billion in 2026–27. More than $14B of this comes from the alumina and aluminium industries, as value adding mineral processing sectors. The industry includes six bauxite mines which collectively produce over 100 Mt per annum making Australia one of the world's largest producers of bauxite. Australia is the world's largest exporter of alumina with five alumina refineries producing around 20 Mt per annum of alumina. Australia is the seventh largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses. Aluminium is Australia's top manufacturing export. The industry directly employs more than 21,000 people, including 6,600 full time equivalent contractors. It also indirectly supports a further 55,000 families predominantly in regional Australia. The integrated industry contributes around $18 B to Australia's GDP.

Aluminium is one of the commodities most widely used in the global transition to a clean energy future[2]. It is also recognised for its importance to both economic development and low emissions transition. Aluminium use is highly correlated with GDP, so as countries urbanise, per capita use of aluminium increases. It is expected that by 2050, global demand for aluminium is expected to nearly double[3]. While an increasing proportion will be met through recycled aluminium, there will still be a need for increased production of primary aluminium requiring a comparable increase in global bauxite mining and alumina refining rates.

The Council welcomes the opportunity to make a submission to the Climate Change Authority's (the Authority) Issues Paper as it considers its advice to the Minister for Climate Change and Energy. The Council has responded to selected questions framed in the Paper.

Australia has the opportunity to shape its future, including its energy transition and industrial transformation, in a manner which is consistent with not only its net zero ambitions, but which maximises the social and economic potential of its resources, and maximises productivity. The Council is happy to provide further information on any of the issues raised in this submission.

Kind regards,

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[1] https://www.industry.gov.au/sites/default/files/2025-06/resources-and-energy-quarterly-june-2025.pdf
[2] https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action
[3] International Aluminium Institute High Substitution Scenario

Supporting and enabling the transition to a net zero economy

1. How well is the Australian Government supporting the transition to net zero?

In considering how the Australian Government is supporting the transition to net zero, it is worth considering that policies of the last decade have focused on industrial and electricity sectors. Australia's abatement task needs to be met with a whole of economy approach including agriculture, transport and households. The previous term of Government developed whole of economy Sectoral Plans[4]. However, details on these beyond consultation is still awaited by stakeholders. A least cost pathway, that secures a future for Australia's aluminium industry, will require a whole of economy approach and the Sectoral Plans finalised across the economy. This is consistent with Draft Recommendation 1.4 in the Productivity Commissions' recent report[5] "Investing in cheaper, cleaner energy and the net zero transformation".

Australia is well placed to build on its aluminium supply chain to meet growing international demand. The integrated nature of bauxite mining, alumina refining, aluminium smelting and extrusion processes in Australia means that efficient and effective regulatory processes for each step are critically important to the ongoing operation of the overall system. Not only does policy funding need to be at an appropriate scale but there needs to be predicable streamlined process and approvals frameworks for the whole value chain from mine to market including infrastructure needed to ensure alumina and aluminium can continue to be made in Australia in the future. To do so, however, requires specific government policies:

1. Deliver internationally competitive supplies of firmed clean energy, at the scale and timelines needed;
2. Use of Production Tax Credits and a Transformational Infrastructure and Technology Fund to enable Australia to be sufficiently competitive to be able to attract global decarbonisation investment;
3. Prioritise the Australian aluminium value chain, as a critical mineral, within industry development policies;
4. Efficient environmental approval processes across the supply chain that appropriately balance the environmental rigour and protection with transparent timelines that reflect commercial needs; and
5. Development of long-term strategic partnerships with likeminded countries.

These policies are outlined in greater detail in recent analysis undertaken by the Council[6]. Non-financial means of support – particularly the streamlining of regulatory approvals (See Section 3) are also critical to lowering investment barriers.

The single biggest opportunity to decarbonise the energy intensive, vertically integrated Australian aluminium industry is through the combination of electrification or conversion to low emissions fuels for existing industrial processes and decarbonisation of the national electricity supply.

The focus of climate policy in recent years has been on Australia's industrial sector which now requires streamlining:

- Industry faces high compliance costs associated with duplicative auditing of similar data sets (NGERS, Safeguard, TEBA, RET and Climate Related Financial Disclosures), diverting resources from the task of abatement.
- Facilities should not face additional requirements to disclose compliance plans in advance to the Regulator or Authority, noting requirement for transition plans to be disclosed as part of climate related financial disclosures.
- There are inconsistencies between aspects of current policy including but not limited to use of renewable fuels and electricity with NGERS.

[4] https://www.dcceew.gov.au/climate-change/emissions-reduction/net-zero

[5] https://www.pc.gov.au/inquiries/current/net-zero#interim

[6] https://aluminium.org.au/wp-content/uploads/2023/11/Aluminium-Critical-Mineral-Report-Nov23.pdf

2. What changes could the Australian Government make to improve the effectiveness of existing policies or address gaps in supporting Australia's transition to a low-emissions, climate-resilient, and prosperous economy? In your response, you may wish to consider areas such as:

- ***Delivering emissions reductions, including accelerating the deployment of low emissions technologies and practices***

To support industrial decarbonisation, Australia must be sufficiently competitive to be able to attract global decarbonisation investment. Treasury's Future Made in Australia (FMIA) Front Door recognises that for the net zero transition an estimated $625 billion of coordinated investment is required to decarbonise Australia's industry and energy system[7]. Policy support needs to be commensurate with the scale of these significant investments but must also be coordinated and streamlined for major transformational investment.

The Council has welcomed the inclusion of green metals, including alumina and aluminium, in the Government's FMIA agenda, to ensure these vital industries may continue to benefit communities and workers, as they have done for almost 70 years. These reforms, if well designed and delivered over a transformational time scale, should capitalise and continue to build on Australia's competitive advantages, support the transition to net zero and strengthen economic resilience and security. This will be achieved through targeted public investment to provide economic incentives that garner private investment at a scale that develops priority industries in line with Australia's national interest.

This targeted investment should provide the transitional support needed as Australia's infrastructure and energy systems develop, and energy returns to being competitive. The Green Aluminium Production Credit[8] (GAPC) announced in January 2025 is a first example of this. However, further work is required on the GAPC to define eligibility and applicability. This work should be prioritised to give industry the ability to plan effectively for decarbonisation investment. While the GAPC is of an international scale, if it is taken up in full by all four smelters it is likely that $2B will be insufficient over the investment timescale proposed. Further work is also required to provide transformational scale policy support for Australia's alumina industry.

- ***Overcoming the 'green premium', including market-based mechanisms and finance needed to facilitate and incentivise the transition***

The Council is unclear on what "overcoming the green premium" means in the context of this consultation.

Policy frameworks that provide market premiums for low emissions products, including for traded goods, can contribute to demand for Australian low carbon industrial commodities. To date, it is the experience of the industry that a green premium will only apply at scale when the demand for low carbon aluminium exceeds supply and is the market is willing to pay. Rather than consumers paying a green premium reflecting cost increases, there is a need for production incentives or similar supports, until market demand exceeds supply.

The Council notes that the energy transition will take time and it's essential that Australian industry is supported during the transition. Buying renewable energy certificates may cost more than any green premium in for the foreseeable future and may not represent a viable pathway to "greening" for all smelters, depending on their primary Scope 2 emissions methodology[9].

The Council notes that the Government is currently developing a Product Guarantee of Origin (PGO) for aluminium, and in the future, this will also extend to alumina. It is essential that any Australian scheme align with existing industry certification schemes, such as the Aluminium Stewardship Initiative (ASI), and with definitions for alumina and aluminium's key export markets. The ASI certification covers multiple aspects of environmental, social and governance performance, including emissions and sustainability.

[7] https://treasury.gov.au/consultation/c2024-571335
[8] https://www.industry.gov.au/news/new-green-aluminium-production-credit-will-support-transition-green-metals
[9] https://www.alcoa.com/sustainability/pdf/2024-Sustainability-Report.pdf, P86

- ***Overcoming challenges associated with data and information gaps, development approvals, workforce planning, governance, and investment decisions.***

Better cross agency coordination on a state and federal basis is required to manage apparent data gaps to reduce the need for duplicative reporting. While one agency may think different reporting requirements or boundaries are required to answer their question, this does not add to external understanding of the data or confidence in the reporting.

Deploying renewable energy infrastructure

3. What are the main challenges to deploying the renewable energy and related infrastructure needed to reach Australia's targets, including:

- ***the 82% renewable energy target by 2030***
- ***the Capacity Investment Scheme targets (at least 26 GW of renewable generation capacity and 14 GW of clean dispatchable capacity by 2030)***
- ***net zero by 2050.***

Governments also have a critical enabling role in addressing constraints to delivery of renewable energy projects including planning regulation, land access, and construction costs that are putting the industrial transition at risk due to tensions with competitiveness and scheduling. Planning systems, regulations and workforce development must also align with delivering projects required for shared net zero ambitions. The key to success for Australia's green metals sector is to ensure that Australia's bauxite resources continue to be able to be economically accessible, that competitively priced, firmed renewable energy is available and prioritised for use by industries such as the alumina and aluminium processes needed to convert the bauxite and that Australian industry is sufficiently able to attract the necessary financial support during the transition. Australia's alumina and aluminium industries are located in key regional hubs, which have been identified as part of Australia's transition to a net zero economy. These green metal industries can create the baseload, flagship offtake agreements in these key locations that can encourage additional investment and renewable energy to support other industries to be developed.

Australia's aluminium smelters are already a large electricity consumer, with the four smelters using around 2,600 MW or ~10-12% of the electricity consumed in the NEM. Providing electricity is supplied consistently, with firm power, and at internationally competitive prices, aluminium smelting can be run on renewable electricity. As smelters are already largely electrified, no technological conversion is required. The carbon intensity of the Australian grid is declining rapidly, with this increased penetration of variable renewables.

As there is an increased penetration of variable renewable technologies, there will be an expanded role that smelters will be able to offer to support reliability through power services, flexibility and interruptibility.

- Interruptibility is the short term loss of power to part of or whole potline or whole smelter.
- Flexibility is the ability to use more or less power than normal, for short term periods (seconds to minutes through to hours) without creating too much process instability.

Smelters' large and fast-acting interruptibility helps secure and restore stability to the network before and after contingencies occur – which can potentially avoid impacts, or load shedding, to the broader customers and population. The industry has increasingly been called upon to support grid stability and reliability, as the challenges in managing the grid increase over the course of phaseout of aging thermal generators in parallel with growing volumes of variable renewable power supplies. For example, during May and July 2022 Tomago Aluminium provided 62 hours of modulation across 36 events which were a mixture of RERT and responding to high market price. This response by Tomago supported the Australian Energy Market Operator (AEMO) to manage a complex and challenging system and maintain supply to domestic customers. However, while Aluminium smelters already offer a range of services and functions which support the network over varying weather, network demand and operating conditions, including Reliability and Emergency Reserve Trader (RERT) and Frequency Control Ancillary Services (FCAS), this is currently

unvalued in the market[10].

While the industry nominally uses ~10% of the NEM, the Minimum Operational Demand in the NEM is falling with increasing solar PV penetration. At times of minimum demand, the aluminium industry uses more than 25% of the NEM. With AEMO now needing to issue "Minimum System Load" Market Notices[11] for the first time ever. The role of smelters in underpinning critical minimum demand should be recognised and supported.

The alumina industry also consumes nearly 200 PJ of energy, currently as gas and coal in the refineries. This energy use may convert to electricity requirements of 3-5GW[12] firm in the NEM and the SWIS depending on the technology applied in digestion and calcination[13]. This would transform both the NEM and SWIS electricity markets with substantial increases in demand.

Planning and approvals processes are taking too long, but this applies to not only large energy infrastructure projects but also to other approvals which is delaying Australia's decarbonisation. Without mining, the world cannot reach net zero by 2050, and the minerals required to achieve our decarbonisation goals are of such magnitude that to reach net zero, we will need more mining, not less. While seeking to maintain Australia's highest standards for ESG, it is also worth considering that global demand will continue to be met from elsewhere if not provided by Australia. Australia's historic advantage in the aluminium industry stemmed principally from its substantial high quality bauxite reserves. The success of Australia's green metals industry requires an integrated system of policies, including those which support ongoing approval to mine Australia's bauxite reserves. This is impeding transformational investment – for example investment in alumina refineries also needs to be supported by access to bauxite environmental approvals on commensurate time scales. For example, investment in a transformational abatement project at an alumina refinery would need to be supported by surety of bauxite supply over the same long term period.

4. What can the Australian Government do to address these challenges?

The Australian Government should reform environment laws to expedite approvals for all nationally significant activities, including but not limited to clean energy projects, and better protect the environment. A suite of government policies[14] and frameworks, including environmental approvals, are required to decarbonise Australia's domestic manufacturing in order establish a 'green metal' industry in Australia. Australia's historic advantage in the aluminium industry stemmed principally from its substantial high quality bauxite reserves combined with access to competitively priced energy at scale. The success of Australia's green metals industry requires an integrated system of policies, including those which support ongoing approval to mine Australia's bauxite reserves. The Council is concerned that if energy transmission and supporting infrastructure is delivered in the manner and at the pace it has historically, has already become the bottleneck in the transition[15].

Current environmental approval processes challenge both brownfield and greenfield developments across all aspects of the resources and energy sectors, irrespective of technology. Parallel processes run by Federal and State governments can be difficult to navigate and must be simplified and streamlined without reducing standards. The current system is inefficient and requires review.

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[10] The Green Aluminium Production Credit, announced on 20 January 2025 does not address demand management services which are already being provided by smelters and are not contingent on smelter decarbonisation. https://www.industry.gov.au/news/new-green-aluminium-production-credit-will-support-transition-green-metals

[11] https://wattclarity.com.au/articles/2024/09/24sept-aemo-minimumsystemload-alert-vic/

[12] The potential renewable capacity required to meet this demand is likely 3 to 5 times this amount. https://arena.gov.au/assets/2022/11/roadmap-for-decarbonising-australian-alumina-refining-report.pdf

[13] https://aluminium.org.au/wp-content/uploads/2022/07/FACT-SHEET-03-ALUMINA.pdf

[14] The Council has made a detailed submission to the Government's Green Metals Consultation Process which is available from https://aluminium.org.au/news-category/submissions/

[15] https://www.worley.com/~/media/Files/W/Worley-V3/documents/our-thinking/from-ambition-to-reality/from-ambition-to-reality-report.pdf

The industry is increasingly aware of delays, beyond the statutory timelines, for both new and post approval processes. These delays in the current system are impacting on business confidence in Australia's policy environment. The Council draws attention to the Fast41[16] process in the USA which has been successfully used to permit projects of comparable significance to those Australia is seeking to develop. It creates a single point of contact and improves predictability, accountability and transparency in the permitting process. This process could be applied to a range of priority projects, including but not be limited to renewable energy projects.

While legislative reform will take time, the Australian Government should, as an urgent priority set clear expectations of the Department in delivery of scheduled improvements within the current legislative framework. This should include publication of metrics on the Departmental website of performance. This must address reconsideration of past decisions, a key cause of delay with resourcing implications for both department and industry – this has international precedence aligned with Fast41 processes. This new process must establish clear coordination pathways with States to achieve faster approvals, including on how to undertake management plans during approvals rather than as post approvals. Ensuring outcome based, rather than prescriptive, conditioning which address materiality and risk to would help prevent duplication and achieve the intended outcomes for maters of national environmental significance.

Legislative reform is complex and needs to be done with a consistent bipartisan approach to achieve lasting and effective outcomes. To achieve this, a clearly articulated overarching plan is needed to enable reform to be undertaken where it can most effectively deliver improved outcomes through incremental change.

The Council recognises that environmental approval processes must appropriately balance the need for environmental rigour and protection with timelines that reflect commercial needs. The industry is increasingly aware of delays, beyond the statutory timelines, for both new and post approval processes. These delays in the current system are impacting on business confidence in Australia's policy environment. As a leader in sustainable mining practices, the aluminium industry supports regulations that meet the highest standards of environmental protection. Approval processes must reflect the commercial realities of long-life capital-intensive projects and provide efficient pathways for projects seeking approvals without diminishing regulatory standards. Failure to do so will see projects and production move offshore, often to countries with much lower environmental standards. Transitional arrangements for any existing projects or referrals must be clearly articulated. The long term future for the sector in Australia is positive but it is under near term stress.

In 2024, the Council undertook a comparison of costs and delays impacting Australia's upstream bauxite and alumina sectors[17] due to increased geopolitical risk combined with rising costs and prolonged regulatory approvals. This found that one of the greatest cost increases expected over the next five years will come from delays in environmental approvals, limiting access to bauxite for our alumina refineries. Indonesia can approve and build an integrated bauxite mine and alumina refinery faster than Australia can approve a bauxite mine. The report highlighted the need for a streamlined regulatory process to unlock the potential of Australia's bauxite resources. While Indonesian refineries are set to expand alumina capacity by 6Mt over the next five years, Australia faces mounting challenges, including rising capital, labour, and energy costs, compounded by lengthy regulatory approvals (**Error! Reference source not found.**).

A second piece of research conducted by the Council in 2024, highlighted the industry's significant contribution to the Australian economy prosperity and the advantages of its integrated mine-to-market structure. However, the report also identifies serious vulnerabilities requiring an urgent response from government, including long and uncertain regulatory frameworks that increase upfront investment costs[18]. The report also found the industry is especially vulnerable to supply chain disruptions and timelines for approvals – including that an alumina additional refinery was impaired due to delays in environmental

[16] https://www.south32.net/news-media/latest-news/hermosa-confirmed-as-the-first-fast-41-mining-project
[17] https://aluminium.org.au/wp-content/uploads/2024/10/241010-AAC-Upstream-Vulterabilities-Report-FINAL.pdf
[18] https://aluminium.org.au/wp-content/uploads/2024/10/250204-AAC-Summary-Report-Economic-Contribution-of-the-Australian-Aluminium-Industry.pdf

approvals[19]. Based on the report's modelling of a hypothetical scenario, the economic impact of the closure of a single bauxite mine in Western Australia that employed around 600 people could lead to loss of 10,000 indirect jobs and a $2.7B reduction to GDP. The report concluded that Australia needs timely, clear, and consistent environmental regulatory processes across all jurisdictions that ensure that the nations valuable bauxite resources remain economically accessible and support the timely delivery of transmission infrastructure essential to the energy transition.

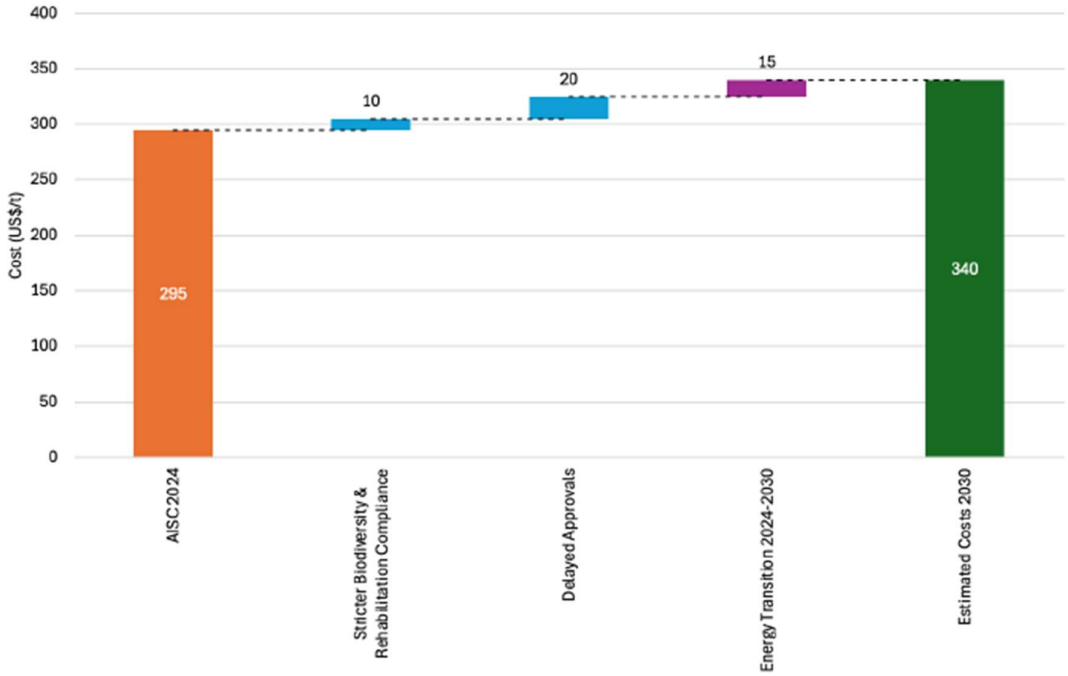

Figure 1. Increases to WA Refining Production Costs 2024-2030 (Source CM Group)[20]

As articulated in its submission[21] to the Front Door consultation, coordinated, streamlined prioritisation is required including improving coordination within, and across, different levels of government and streamlining the process for proponents. The Paper regulatory processes that proponents need to progress are fragmented within and across jurisdictions. This can act as a deterrent for market entry, particularly for new proponents in emerging sectors, and may slow project development with proponents not knowing when to engage with specific government entities. The Council would argue that even within known frameworks with existing market participants these are a deterrent.

Fundamental reform of Australia's environmental processes is required and any approval differentiation should be developed in the construct of this overall reform process and for example also apply to Critical Minerals. In Australia, bauxite, alumina and aluminium are not currently considered on the Federal Critical Minerals List but are included on some State lists, such as in Queensland. Aluminium is included as a Federal Strategic Material, but this listing lacks any other supporting policy framework. Australia's failure to address this is a lost opportunity in its policy setting framework. The Government should, as a priority, review the Critical Minerals strategy to address the changing geo strategic risks and align with global definitions and the needs of our strategic trading partners. Australia is now increasingly out of step with our peers. The new strategy should be stratified to address the different phases of critical mineral production in Australia. This would acknowledge the different policy measures including funding, reserves and any export restrictions on the different minerals. Bauxite, alumina and aluminium should be included as critical

[19] https://www.south32.net/docs/default-source/exchange-releases/worsley-alumina-approvals-update-0xcd7a6599a4d4a61c.pdf?sfvrsn=4c10b543_0

[20] https://aluminium.org.au/wp-content/uploads/2024/10/241010-AAC-Upstream-Vulerabilities-Report-Summary-FINAL.pdf

[21] https://aluminium.org.au/wp-content/uploads/2024/10/241004-Aluminium-Treasury-Front-Door.pdf

minerals noting their importance to not only the energy transition and sovereign capability but for defence, trade and geopolitical reasons.

The Safeguard Mechanism

5. How effective is the Safeguard Mechanism in driving onsite emissions reductions at Australia's largest industrial facilities since its 2023 reform?

Of the Council's Members all four smelters, alumina facilities and some of the largest bauxite mines are Safeguard facilities. Bauxite, alumina and aluminium are trade exposed and eligible to apply for Trade Exposed Baseline Adjustment [TEBA] status.

The Productivity Commission's recent report[5] finds that the Safeguard Mechanism provides efficient and effective incentives for emissions reductions and that this incentive will get stronger over time, as baselines decline. It is worth noting in this context that only one year of data is publicly available on the impact of the Safeguard Mechanism since changes came into effect in the FY23-24 year.

However, industry is still assessing the effectiveness of TEBA in mitigating carbon leakage. This will need to continue to be assessed in the 2026/27 Review. The Council notes the recognition in the interim Carbon Leakage report that a border carbon adjustment (BCA) is not appropriate for export oriented industries such as bauxite, alumina and aluminium in Australia.

6. What changes could the Australian Government make to the mechanism to help achieve Australia's emissions reductions targets, considering for example:

- ***coverage***

While the Council notes that the Authority does not articulate a position on coverage, other organisations including the Productivity Commission[22] have proposed decreasing the threshold to 25 kt. While more than 99% of the vertically integrated aluminium industry's Scope 1 emissions are covered by the current Safeguard Mechanism, there are a number of small bauxite mines and extrusion presses which are not. The Council is concerned that a large expansion of scope or rapid decline in threshold may increase regulatory burden without necessarily substantially reducing Australia's emissions.

The Council believes that, should there be consideration of a lower threshold, rather than a substantial and steep decline it would be more efficient to signal its future lowering by around 25kt every five years, for example to 75 kt in 2030, 50kt in 2035 and 25 kt in 2040. This would:

- Provide a strong incentive for non-covered entities to reduce their emissions in advance of this timeline, to avoid a future regulatory burden;
- Approximately align with the reduction being faced by covered facilities of 4.9% per year, ensuring that facilities which are close to the current threshold also have an incentive to reduce their emissions.

These reductions would be achieved with less administration by both industry and the regulator.

- ***baseline settings***
- ***decline rates***
- ***flexibility mechanisms***

In the absence of a unified global carbon policy, carbon intensive, hard-to-abate sectors in Australia are competitively disadvantaged internationally. The Council notes that the Government is in parallel, reviewing the risk of carbon leakage[23] to the industry. All of Australia's bauxite mines, alumina refineries and aluminium smelters are trade exposed. Changing geopolitical risk and increasingly concentrated supply chains increase the risks of vulnerability outside Australia's control, including carbon leakage as other jurisdictions have lower or less transparent carbon policies in place. Australia's resource and industrial base has the potential to expand zero- and low-emissions industrial production, including of green alumina and aluminium, with economic benefits to match but this will take time to achieve. For Australia to be successful in this, industry must receive the necessary support through the transition.

[22] https://www.pc.gov.au/inquiries/current/net-zero#interim

[23] https://www.dcceew.gov.au/climate-change/emissions-reduction/review-carbon-leakage

The current Safeguard policy does not recognise that the Australian aluminium and alumina industries are investing significant resources to identify, develop and commercialise complex new technologies that will enable fossil fuels to be phased out of operations as soon as commercially possible. The timeline for these reductions depends on time taken to successfully identify, develop and commercialise these processes, and to integrate into existing facilities accordingly. Challenging market conditions currently facing the industry, including the Safeguard Mechanism costs and the capital requirements for decarbonisation, have led to the impairment of two Australian alumina refineries[24].

Safeguard facilities face a range of costs which are not accounted for under the current TEBA methodology including:

- Capital costs associated with transformational abatement upgrades;
- Costs associated with abatement delivered through scope change (e.g. Scope 2 reductions);
- Carbon cost pass through from bauxite, alumina, lime, gas, coal through the value adding processes.

- ***rules on ACCU use?***

The use of ACCUs by Safeguard Mechanism facilities should remain unrestricted so that the scheme continues to encourage least cost abatement across the economy. Work is required to ensure ACCUs are high integrity and available at scale to meet the demand of the sectors which need to use them, until abatement is possible.

7. What additional incentives could help drive on-site emissions reductions?

The Carbon Leakage Review's preliminary findings[25] found that current Safeguard Mechanism settings are largely effective at mitigating carbon leakage risk in the short- to medium-term, they are likely to need to be augmented with additional measures and that alumina and aluminium are considered for this additional augmentation as part of the 2026-27 Safeguard Mechanism Review. The Council also encourages ongoing monitoring by the Government during the period until the 2026-27 Review, using annual data and bilateral discussions with facilities, to monitor for the risk of earlier escalation. For example, in aluminium smelters inert anode technology, will provide a >95% step change for Scope 1 emissions. There are, therefore, limited process emission abatement opportunities (<5%) for smelters until this technology is deployed and limited opportunities to bring this forward in Australia before 2030.

Reducing domestic emissions by closures, especially where production will be replaced by an international production with a higher emission intensity, does not support the Paris Agreement goals. It is worth noting that the global competitors for each part of the industry vary with commodity[26].The interim Carbon Leakage review identified that alumina and aluminium face additional leakage risk which must be addressed in the 2026/27 Safeguard Review. This could include:

- Calibration against action being undertaken by competitor nations in each sector;
- Consideration of a further reduction in decline rate in conjunction with a longer term decarbonisation plan, reflecting the non-linear rate of industrial decline; and
- Acknowledging the additional costs and non-Safeguard abatement by industry, including substantial new investment in renewable energy contracts, and allowing for these costs to be used to for investment in decarbonisation. The Council notes that this is similar to a model adopted in Quebec, Canada where the revenues from the carbon pricing scheme are allocated as funds for decarbonisation projects. The facility's compliance costs may be given back as allowance to the facility to be strictly used to fund its decarbonisation projects[27]. Timeframes for this type of scheme would have to be commensurate with the project development timeframes with the 2030 cut off for multi-year monitoring periods not sufficient for many projects.

[24]2023 Half Year Results - https://www.riotinto.com/en/invest/financial-news-performance/results

[25] https://consult.dcceew.gov.au/carbon-leakage-review-consultation-paper-november-2024

[26] https://aluminium.org.au/wp-content/uploads/2025/04/J008227-AAC-TRADE-AND-COMPETITIVENESS-FACTSHEET-APRIL-2025_FINAL_WEB.pdf

[27] https://www.environnement.gouv.qc.ca/changements/carbone/allocation-gratuite/presentation-en.htm

Failure to adequately provide support for industry through transition and in the absence of comparative carbon policies being faced by competitors simply exports Australia's emissions and jobs, while reducing Australia's emissions through closure.

8. How can reporting on the Safeguard Mechanism be enhanced to build community confidence and enable better oversight?

This question implies that the Authority does not believe the community has sufficient confidence nor oversight in the scheme. The Council would argue that the level of publicly available data on Safeguard performance is high. If there are concerns about confidence, then there is a role for the Government, Regulator and Authority to play in reinforcing the high level of compliance and transparency and that that this is an efficient and effective scheme with the public.

9. How could the Authority improve its approach to assessing the performance of the Safeguard Mechanism? (For example, the approach to estimating emissions from new and expanding facilities.)

The Climate Change Authority's Annual Progress Report[28] recommended requiring Safeguard facilities to report rolling 5-year compliance strategies on the expected annual weight of effort between on-site reductions and carbon credit use. If adopted this would not only be duplicative but require advance reporting on legislative compliance plans. The Council does not support this recommendation and believes it would add further regulatory burden to the sector, reducing the resourcing which can be allocated to abatement.

[28] https://www.climatechangeauthority.gov.au/sites/default/files/documents/2024-11/2024AnnualProgressReport.pdf