

25th July 2025

To the Australian Treasury,

**Response to the Economic Reform Roundtable**

The Investor Group on Climate Change (IGCC) welcomes the opportunity to provide additional[[1]](#footnote-2) input to economic reforms discussions. The Economic Reform Roundtable (henceforth, “Roundtable”) must focus on proposals that will result in long-term, material and durable changes across the economy.

IGCC is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over $5 trillion in Australia and New Zealand and $35 trillion around the world. IGCC members are the custodians of the retirement savings of around 15 million Australians.

The Roundtable is focusing on three priority areas: productivity, economic resilience and budget sustainability. The smooth transition to a net zero economy addresses all three of these priority areas. Green industries are future-proofed, and acting on opportunities to accelerate the transition now will secure economic resilience for Australia, sooner.

## Recommendations:

* Set a 2035 NDC at the highest possible level of ambition, according to the range provided by the Climate Change Authority.
* Develop a Border Carbon Adjustment to compliment the Safeguard Mechanism's effective carbon price.
* Consider expanding the scope of the Safeguard Mechanism’s coverage from 100,000 tonnes to 25,000 tonnes, and include electricity generators.
* Require detailed information from Safeguard facilities as to why they need to offset more than 30% of their obligation with Australian Carbon Credit Units (ACCUs).
* Consider alternatives to surrendering ACCUs to meet Safeguard obligations.

## Levelling the playing field

Productivity gains in the long-term are dependent upon Australia’s ability to decarbonise at the pace and scale required to position itself in global green supply chains. Australia’s implicit price on carbon provides a signal to decarbonise, but it is not yet strong enough.

The Safeguard Mechanism Reforms have reduced baselines for non-trade-exposed, baseline adjusted entities at a rate of 4.9% this year. IGCC members are concerned that while the Reforms have created this ratcheting baseline, many high-emitting facilities experience a very shallow signal to decarbonise, as low as 1% each year. This is not a strong enough signal to incentivise on-site abatement or to encourage companies to diversify away from industries that do not have a future in a net-zero global economy.

IGCC members support government in developing a Border Carbon Adjustment to; reduce the green premium between domestically produced goods and imports, phase out TEBA, and create a revenue stream to support on-site abatement and/or assist end consumers absorb (expectedly low) additional costs from the scheme.

Additionally, the 100,000 tonne threshold for Safeguard participation should be lowered to 25,000 tonnes, to capture more of the economy.

## Stimulating more abatement, less offsetting

IGCC members recommend a strong 2035 NDC so that the baseline decline rate of the Safeguard Mechanism will rachet higher, creating a stronger decarbonisation signal. An absolute cap on emissions for 2035 will also need to be decided, and IGCC notes that meeting the 2030 cap should not be reliant on offsets.

IGCC emphasises that abatement is preferable to offsetting and are concerned that Safeguard entities are providing limited justifications for why they are meeting more than 30% of their baselines with ACCUs. An analysis of abatement options and price of ACCUs should be undertaken, compared against company statements to the CER and the Climate Disclosures regime. This can be used to determine parameters on the use of offsets.

Some IGCC members have suggested that a right to emit may be purchased from the Government, which would introduce a new revenue stream that the Government can use to finance more decarbonisation supports for industry. This could also create an additional “pressure release” in the scheme, wherein if there are not enough Safeguard Mechanism Credits in the system, there is an alternative, high-integrity way for facilities to meet obligations.

# For more information

IGCC looks forward to continued engagement with Treasury on economic reform. Please contact Policy Manager, Bethany Richards, for more information: bethany.richards@igcc.org.au

Kind regards,

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1. IGCC 2025, *Submission: Improving productivity via meeting adaptation and mitigation objectives* [[link](https://igcc.org.au/submission-improving-productivity-via-meeting-adaptation-and-mitigation-objectives/)]. IGCC also provided verbal 1:1 feedback to the Productivity Commission. [↑](#footnote-ref-2)