9 April 2020

Department of Industry, Science, Energy and Resources (DISER)
Industry House
10 Binara Street
CANBERRA ACT 2600

Email: safeguard.mechanism@industry.gov.au

Re: Benchmark emissions intensities for new facilities

The Minerals Council of Australia (MCA) representing Australia's minerals exploration, mining and processing industry supports the Safeguard Mechanism and the Emissions Reduction Fund (ERF) as important components of Australia's long-term framework for stable and sustainable climate change policy.

The MCA welcomes the Government's commitment to reducing the burden of red tape for businesses in implementing and complying with the Safeguard Mechanism. This includes recent amendments to transition all covered facilities to more simplified and updated calculated baselines for the 2018-19 and 2019-20 periods and its current effort to determine an emissions intensity benchmark (benchmark) applicable to new facilities commencing after 1 July 2020.

Any benchmark intended to proxy for some deemed level of best practice emissions performance must be designed and implemented in a such a way that efficiently, sufficiently and appropriately (equitably) supports the Government's stated policy objectives.

The Safeguard Mechanism's objective is to ensure that emissions reductions purchased by the Government under the ERF are not offset by significant increases above business-as-usual (BAU) emissions elsewhere in the economy. It also has a stated intent of encouraging new investments to achieve and maintain best practice in a way that compares the relative emissions performance of industry peers.

In regard to DISER's questions 1 and 2, it is not clear what the relative impacts of its proposed options will be on new facility investments in the minerals sector. This in part reflects the Safeguard Mechanism's recognition under its inherent emissions variability criteria that minerals facilities experience unique circumstances affecting their emissions outcomes. This is expanded on below.

Firstly, minerals operations (excluding processing such as smelting and refining) vary greatly between mine sites and there are many factors that can influence the associated emissions intensities of operations, including:

- Ore grades (metal per tonne of ore mined)
- Ore quality (impurities, milling characteristics)
- Overburden ratio (waste material to ore or gold production)
- Mine type (open pit/underground) and well depth
- Geographic location and distance from markets or key inputs and infrastructure

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- Complexity of terrain/mine geology.

Secondly, as ore grades naturally decline over time, an increasingly larger amount of rock has to be extracted and processed to derive relatively smaller volumes of product. This often drives higher operational emissions intensities over time regardless of final product yields.

Thirdly, the control of methane gases from increasingly new gassier mines through Ventilated Air Methane (VAM) is currently very challenging due to the high volumetric flow rate, low methane concentration and scarcity of proven, safe commercial technologies for mitigating VAM.

Fourthly, minerals sector BAU emissions for new resource developments tend to be relatively higher than current developments despite the availability of the lowest-emitting technologies as they generally produce lower quantities of saleable product during ramp up years with higher emissions intensities when compared to their full capacity at more mature stages of operation.

The MCA considers the proposed production-weighted benchmark (PWB) approach and the two suggested thresholds (i.e. top 30 or 50 per cent of least-emitting production) are legitimate considerations in the task of determining such a benchmark (among others). It is evident that a PWB based on the top 50 per cent would impose a more stringent emissions performance requirement than a simple averaging of all emissions intensities; but a less onerous emissions requirement than the top 30 per cent regardless of production variable (sector).

The MCA respectfully suggests that DISER further explore and share the comparative implications of its proposed benchmark and derived emissions performance thresholds by sector and across sectors within a context of their:

- Adequacy to derive sufficient and sectorally appropriate emissions performance thresholds in support of the Safeguard Mechanism's policy objectives over time[1]
- Potential future use in evolving climate change policy frameworks and associated implications[2]
- Complementarity to emissions reductions occurring today in the absence of a benchmark due to the impact of the Paris Agreement's climate goals and its positive influence on commercial requirements to manage future carbon risks and avoid stranding assets.[3]

In response to DISER's question 3, the use of the National Greenhouse and Energy Reporting Scheme's datasets where appropriate would avoid additional reporting burdens. In response to DISER's questions 4 and 5, it is difficult to answer as there has been no contemporary discussion offered in the discussion paper on what might represent alternate best practice proxies either domestically or internationally. The MCA would however support DISER's proposal of engaging a consultant to prepare a sector-appropriate approach as needed.

The MCA appreciates DISER's openness in consulting publicly on this important issue and remains ready to assist.

Yours Sincerely

TANIA CONSTABLE PSM
CHIEF EXECUTIVE OFFICER

[1] Ensure no-discrimination of new facilities within sectors and across sectors in regard to adjustment costs or an inability to meet overly stringent thresholds

[2] Ensure no-disadvantage of any facility within sectors and across sectors in regard to early abatement outcomes and future policy instruments

[3] Emissions reductions are already occurring in the absence of a benchmark and which may not have otherwise occurred 6 years ago prior to the adoption of the Paris Agreement on 12 December 2015