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18 September 2026

Safeguard Mechanism Taskforce
Department of Climate Change, Energy, the Environment and Water
safeguard.mechanism@dcceew.gov.au

via Consultation Hub

Dear Safeguard Mechanism Taskforce (**Taskforce**),

2026-27 Review of the Safeguard Mechanism

Thank you for the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) consultation on the 2026-27 Safeguard Mechanism Review (**Review**).

The Australian Institute of Company Directors Limited (**AICD**)'s mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership of more than 54,000 includes directors and governance leaders of not-for-profits (**NFPs**), large and small businesses and the public sector.

The AICD has consistently highlighted the importance of clear, stable, and nationally coordinated policy settings to guide emissions reduction efforts across the economy. Policy certainty and coherence are essential enablers of long-term investment in clean energy infrastructure and innovation.

The AICD is the host of the Climate Governance Initiative (**CGI**) Australia, part of a global network that aims to strengthen climate governance capability among directors and boards. Through CGI Australia, the AICD provides targeted resources, briefings and events for Australian directors. The AICD also offers free and paid training, resources and updates on climate governance, the energy transition and related issues.

The AICD's work is supported by the CGI Australia Advisory Council, which brings together senior directors and representatives of leading advisory firms to support governance practice.[1] The AICD has consulted the CGI Australia Advisory Council on the Review and we also note AICD's previous submissions.[2]

The Safeguard Mechanism is a critical component of Australia's climate policy architecture. It supports the intent to drive emissions reductions at Australia's largest industrial facilities, while allowing calibration of coverage thresholds and providing flexibility for entities to meet their Safeguard Mechanism obligations. In feedback to the AICD, directors support a well-designed and effective Safeguard Mechanism and view it as critical to supporting meaningful emissions reductions across the economy.

We strongly encourage the Taskforce to undertake direct consultation with Safeguard Mechanism entities on the relevant technical policy settings. Our comments are limited to high-level policy principles, set out below:

- The consultation paper highlights that the Safeguard Mechanism is on track to meet its legislated 2030 emissions reductions with net emissions projected to be 90 Mt in 2030, outperforming the 100 Mt emissions target. The AICD notes that the Review is not intended to make fundamental reforms to the Safeguard Mechanism's design and that a key objective is assessing whether existing policy settings are

[1] Climate Governance Initiative Australia (accessed 18 September 2026). How is the Climate Governance Initiative governed. Available here.
[2] AICD submission (15 September 2025). Productivity Commission inquiry on the five pillars of productivity – Interim Reports. Pillar Five. Page 26. Available here. AICD submission (28 February 2023). Safeguard Mechanism Reform: Consultation on proposed design. Available here.

working as intended and are appropriately calibrated. Any significant changes to coverage thresholds or the use of Australian Carbon Credit Units (**ACCUs**) should be supported by a clear evidence base and careful assessment of economic impacts.

- We encourage detailed consultation in considering whether to change coverage thresholds. Any decision to expand coverage should be subject to a rigorous cost-benefit analysis, especially as business continues to be subject to the effects of cumulative federal regulatory requirements and compliance costs.[3] The analysis should also be informed by advice from the Climate Change Authority (**CCA**) regarding the extent to which on-site abatement is being driven by the Safeguard Mechanism across the existing cohort of facilities.

- ACCUs have a particularly important role in hard-to-abate sectors where certain energy and emissions-intensive processes do not have accessible and cost-effective lower emissions alternatives. In time, technological advances may assist these sectors and allow less reliance on ACCUs, where more opportunities for on-site abatement become available. Therefore, any proposal to materially restrict ACCUs or increase their cost should be subject to careful analysis of both the emissions reduction benefits and any unintended consequences, such as impacts on the viability of Australian manufacturing facilities.

- Assessment of the ACCU market should also consider the impact on non-Safeguard Mechanism participants. The CCA noted that in 2024-25, that whilst Safeguard Mechanism compliance accounted for around 80% of ACCUs surrendered or cancelled, the remainder includes businesses that purchase ACCUs to meet voluntary targets.[4]

- The AICD does not support additional reporting requirements for the regime, including the suggestion in the consultation paper that facilities could be required to submit compliance strategies on planned on-site abatement (page 16). Our strong view is that this would only duplicate existing disclosure obligations and would not meaningfully prompt or incentivise a focus on on-site abatement, adding to regulatory complexity and compliance costs.

- We recommend that the Taskforce consider how disclosure requirements interact with disclosure requirements under the mandatory climate reporting regime. In its early observation of the mandatory climate reporting regime, the Australian Securities and Investments Commission (**ASIC**) has reminded reporting entities that the definition of ‘climate-related targets’ in AASB S2 includes greenhouse gas emissions targets such as the Safeguard Mechanism. We recommend the Taskforce consider incorporating findings from ASIC’s final observations which will be published in the second half of 2026.

Next Steps

We hope our submission will be of assistance. If you would like to discuss any aspects further, please contact Sean Dondas, Policy Adviser at sdondas@aicd.com.au.

Yours sincerely,

Louise Petschler GAICD
GM, Education and Policy Leadership

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[3] AICD and Mandala Partners (24 November 2025). $160bn and Counting: The Cost of Commonwealth Regulatory Complexity. Available here.
[4] CCA (September 2026). 2026 Review of the Australian Carbon Credits Unit Scheme. Page 47. Available here.