



24 January 2023

Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: ec.sen@aph.gov.au

Dear Committee Secretary,

RE: Safeguard Mechanism (Crediting) Amendment Bill 2022

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Department regarding the Safeguard Mechanism (Crediting) Amendment Bill 2022.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the length and breadth of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

Overall, the Safeguard Mechanism is of little direct concern for the agricultural sector, given it is not classed as emissions intensive, and is not included in the list of the 215 largest greenhouse gas emitters. The NFF did provide a response regarding the Review of the Safeguard Mechanism Reform in September 2022 and would like to reiterate the important impacts the Safeguard Mechanism could have on agriculture.

- A concern within the agricultural sector is that as ratcheting of the Safeguard Mechanism is implemented, there will be an intensified reliance and demand on offsets. As agriculture already has a demand to offset their own emissions (insetting), the increase in demand on this may impact the ability for food and fibre production. While we do not seek to dictate how an individual farmer manages their business, there will be considerable concern if external investors seek to acquire significant tracts of agricultural land for offsetting their own emission reductions obligations. While there is recognition this is a legitimate



pathway, the inherent conflict with food and fibre production is likely to be problematic. Additionally, once the offsetting period expires (25 or 100 years) what is the likely subsequent use of that land. Will it become available for agriculture, or will it simply remain an unmanaged harbour for pests and weeds (will the management obligation extend beyond the life of the project?)

- Additionally, there needs to be an active disincentive to retiring offsets. Emitters should be taking steps to mitigate their emission as a principal response. A market signal that requires multiples of ACCUs to be established or acquired for each tonne or surplus emission would refocus the need to innovate and mitigate rather than choose the low-cost option, such as vegetative offsets, that may create turbocharged competition for agricultural land. The current ERF auction system is complicit in encouraging these outcomes by promoting minimal pricing of ACCUs. Once ACCUs are able to develop an international parity with other carbon markets then this may be subject to review. Implementation of Article 6 measures should take account of this requirement.

NFF seeks to be continually engaged in the consultation relating to the development of the Safeguard Mechanism. In addition to the reasons above, we are concerned that changes to the Emissions Intensive Trade Exposed framework may have unintended consequences on which we may have a view.

Please contact NFF General Manager Natural Resource Management, Warwick Ragg, (wragg@nff.org.au) in the first instance to discuss these issues further.

Yours sincerely,

TONY MAHAR
Chief Executive Officer