

National
Farmers
Federation

2026-27 Safeguard Mechanism Review

September 2026



The National Farmers' Federation (NFF) is the voice of Australian farmers.

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 breadth and the length 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.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade, and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

NFF Member Organisations



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Executive Summary

The *National Farmers' Federation* (NFF) welcomes the opportunity to provide a submission to the *Department of Climate Change, Energy, the Environment, and Water* (DCCEEW) 2026-27 Safeguard Mechanism Review (Review) Discussion Paper.

This Review is seeking feedback primarily on whether the broader policy settings of the Safeguard Mechanism are “*appropriately calibrated*” and “*continue to deliver emissions reductions in line with Australia’s targets*”. In addition to this focus and as determined during the 2023 reforms (specifically in the *Explanatory Statement* accompanying legislative changes) and in *Australia’s Net Zero Plan*,¹ the Review is also considering a broad range of issues including but not limited to:

- *The post-2030 decline rate for baselines.*
- *Whether the Scheme is appropriately incentivising on-site abatement.*
- *The treatment of domestic and international offsets.*
- *Potential changes to Scheme coverage.*
- *Consideration of the Final Report from the Carbon Leakage Review led by Prof. Frank Jotzo.*

We also acknowledge and welcome commitments from the Minister that “*the Review is not intended to fundamentally redesign the Safeguard Mechanism*” (i.e., no radical changes to core design), and that keeping industry competitive is a key guiding priority.² We also support the position that substantive changes should generally apply from 1 July 2030 and that the primary focus should remain on post-2030 settings and longer-term investment certainty.

This position is supported by the performance of the existing framework to date. As stated in the Discussion Paper and reflected in the latest national emissions projections published by the Department, Australia is projected to meet its 2030 emissions target on a budget basis and remains within reach of the 43% below 2005 point-in-time target. The Safeguard Mechanism is similarly tracking toward its legislated 2030 outcomes. This should be an important starting point as the evidence indicates that the existing settings are broadly operating as intended and remain on track to perform the task for which they were designed.

Although agriculture is not captured by the Safeguard Mechanism’s threshold requirement, it would be incorrect to assert that the Review has limited effect or relevance to the sector. Safeguard settings have a substantial indirect impact on agriculture by creating demand for *Australian Carbon Credit Units* (ACCUs) (with the market generally directing investment toward lower-cost options of eligible abatement), increasing competition for agricultural land where land-based sequestration is pursued, influencing demand and investment signals for ACCUs generated through emerging agricultural abatement

¹ 2025, Commonwealth of Australia: [Australia’s Net Zero Plan](#)

² August 2026, The Hon Chris Bowen MP (Minister for Climate Change and Energy): [Keep Industry Competitive While Cutting Emissions – Media Release](#)

methodologies, and the cost of critical farm inputs (due to the Review’s consideration of recommendations arising from the *Carbon Leakage Review*).

These are longstanding concerns for the agricultural sector. As part of the 2023 reforms process, NFF warned that increased demand for offsets could place additional pressure on farmland and exacerbate land-use conflict where food and fibre producing land is converted for the purposes of carbon sequestration. Climate action must not come at the expense of food and fibre production, and we reiterate that this is a key foundation and commitment underpinning the *Agriculture and Land Sector Plan*.³

Specifically, we note the following:

- *“First, Australian producers remain global leaders in low-emissions food and fibre production. Action on climate change cannot come at the expense of food security. Therefore, continued efficiency gains and improvements to the emissions intensity of production will be necessary to meet growing demand while contributing to emissions reduction goals”.*
- *“Second, we must support diverse landscapes that balance agricultural production, carbon storage and nature repair. Growing carbon storage in the land is critical for Australia to meet its net zero goal. However, in doing so, we must consider multiple priorities and land uses”.*
- *“Finally, decarbonisation of agriculture and land must deliver real benefits for regional communities, producers and land managers”.*
- *“It is critical to enable a fair and orderly transition for regional, rural and remote communities”.*

These core interactions must be considered alongside the unique characteristics of the sector. **Agriculture is a uniquely complex and significantly hard-to-abate sector that is both an emitter and sequestor of carbon as well as a producer of high-quality nutritious food and fibre.** Unlike other sectors of the national economy, a substantial majority of agricultural emissions are derived from biological processes inextricably tied to production (i.e., enteric fermentation (70% plus),⁴ nitrous-oxide, and emissions from agricultural soils).

These realities must also be considered against the bipartisan ambition to reach \$100 billion in farm-gate output by 2030, Australia’s obligation to meet growing domestic and global demand (including across rapidly growing *South-East Asian* markets), and the fact that commercially viable mitigation technologies capable of reducing key agricultural emissions (i.e., enteric methane) are not yet readily available or deployable at-scale across production systems. This is best reflected by the *Climate Change Authority in its Fossil Methane: A Near-Term Abatement Paper* which recognises that unlike fossil methane

³ 2025, Commonwealth of Australia: [Agriculture and Land Sector Plan](#)

⁴ Australian Government, Department of Climate Change, Energy, the Environment and Water: [National Inventory Report 2023 – The Australian Government’s Submission to the United Nations Framework Convention on Climate Change, Australian National Greenhouse Accounts](#)

where emissions are comparatively more concentrated and there are more established technologies and practices to support and drive abatement, **commercially viable technologies to address enteric methane remain limited in Australia and especially across extensive livestock production systems.** While we note that ongoing research and development including through the Commonwealth-funded *Methane Emissions Reduction in Livestock* (MERiL) Program has yielded promising results,⁵ commercially ready delivery systems and technological solutions are simply limited, and real-world outcomes have in some cases underperformed initial expectations.

Separate to the above, and at a high-level, NFF supports an economy-wide aspiration of net-zero emissions by 2050, provided there are identifiable and economically viable pathways, Commonwealth and State legislation is effective and equitable, no sector or regionally specific targets are imposed on agriculture, and food security is considered alongside emissions objectives.

We also stress the importance of supporting the continued development of ACCU methodologies beyond the current concentration on sequestration-based outcomes and toward genuine emissions avoidance for agriculture specifically. A key example is the long-promised *Integrated Farm and Land Management* (IFLM) Methodology. This will become increasingly important as ACCU supply is expected to tighten toward 2030, at the same time as Safeguard compliance demand increases as facility baselines continue to decline. There is considerable, and to some extent untapped, opportunity for agriculture to be supported to reduce its own emissions in ways that make commercial sense for farm businesses while also contributing to the broader supply of high-integrity ACCUs available to the Safeguard Mechanism.

This, however, must not translate into a policy architecture where agriculture is taken for granted to do the heavy lifting for other sectors. Safeguard settings must not compromise Australia's long-term capacity to produce food and fibre. The significant role ACCUs already play in Safeguard compliance, together with the limited near-term abatement options available to some covered facilities, creates a real risk of increasing structural reliance on land-based offsets. The objective should be to enable agriculture to contribute genuine additional abatement where this is commercially and practically viable, without creating an expectation that the sector will absorb an ever-increasing residual emissions task from elsewhere in the economy. Without appropriate policy settings, increasing Safeguard demand could instead intensify pressure on agricultural land and competition between carbon sequestration and food and fibre production.

At a high-level, the Review must:

- *Maintain policy stability through to 2030, recognising that the Safeguard Mechanism is presently tracking to achieve its legislated outcomes.*
- *Ensure that any increase in the Safeguard's emissions reduction task or coverage continues to prioritise genuine emissions reduction at-source rather than increasing*

⁵ Australian Government, Department of Climate Change, Energy, the Environment and Water: [Reducing Agricultural and Land Sector Emissions – Reducing Methane From Livestock](#)

reliance on offsets and shifting a greater residual emissions task onto the agriculture and land sector.

- *Keep primary agricultural production outside the Safeguard Mechanism.*
- *Retain access to ACCUs and not introduce quantitative caps, discounting, or other restrictions as contemplated that undermine investment in emerging agricultural abatement activities, including but not limited to methodologies for livestock emissions reduction and enteric methane.*
- *Require that any measure increasing Safeguard demand for land-sector offsets be accompanied by a published assessment of its impact on food and fibre production capacity, before that measure is finalised.*
- *Recognise agricultural land as a protected productive asset in its own right within Safeguard policy design, in the same way the Review recognises the competitiveness of trade-exposed industries, rather than treating land-use impacts as an incidental consequence of ACCU demand.*
- *Support the development of additional ACCU supply, including new agricultural methodologies, in recognition of expected tightening supply in the market.*
- *Retain future consideration of credible high-integrity international units as an additional compliance option capable of diversifying supply and reducing excessive pressure on the agriculture and land sector.*
- *Keep primary agricultural production outside of the Safeguard and ensure that any consideration of broader Scheme coverage properly accounts for indirect costs and pressures imposed on agriculture, including commitments made under the Agriculture and Land Sector Plan around food security, no targets, just transition, and genuine benefits for regional communities and land managers.*
- *No Australian Carbon Border Adjustment Mechanism (CBAM) is implemented for ammonia, fertilisers, and other critical agricultural inputs.*

Regional Investment, ‘Co-Benefits’, and Broader Socio-Economic Outcomes and Land-Use Conflict

Regional Economic Impacts and Opportunity Costs

Pages 1-2 of the Discussion Paper state the following:

- *“In addition, Safeguard demand for land sector offsets is channelling significant investment into regional communities. These projects have the potential to create regional jobs, including in First Nations communities; and protect Australia’s landscape—improving soil health and reducing erosion, enhancing biodiversity, and mitigating wildfire risk”.*

NFF does not accept the proposition that increasing Safeguard demand for land-sector offsets necessarily translates into beneficial investment for regional communities. While individual carbon projects may provide income diversification and other benefits for participating landholders (i.e., a farmer proponent seeking to maximise returns), those benefits are more often than not concentrated among project participants and should not be assumed to flow through evenly across the wider regional economy. A positive return to an individual landholder does not, of itself, establish a positive socio-economic outcome for the surrounding community.

Where agricultural land is identified or mapped by a jurisdiction as important to production or as contributing materially to a local or regional economy, that information should also form part of any assessment of the impacts of its conversion to carbon sequestration. The relevant impact extends beyond the foregone production of an individual property and should account for the land's broader contribution to regional agricultural production, supply chains, employment, and economic activity.

The recent Rushy Lagoon transaction in North-East Tasmania illustrates the scale of these pressures, the intervention of a government entity that seems to create distortionary impacts is unhelpful.

There are also broader opportunity costs associated with committing agricultural land to long-term carbon sequestration that must be recognised as part of any assessment of regional impacts. NFF recognises that not all ACCU methodologies completely exclude agricultural production and some allow continued productive use. For example, the *Reforestation by Environmental or Mallee Plantings FullCAM 2024 Methodology* permits grazing within project areas provided it does not compromise the achievement or maintenance of forest cover or applicable stocking-density requirements. Other ACCU methodologies are more directly integrated with production such as the *Soil Carbon Methodology* and *Animal Effluent Management Methodology*.

Nevertheless, where land is committed toward a carbon project, its productive use in most cases is constrained or prohibited entirely, and this has the effect of taking land out from production and economic activity. The extent of that impact of course varies depending on the methodology and project design, but the opportunity cost should not be discounted simply because some agricultural activity may continue.

Dominance of Safeguard Reliance on Land-Sector Australian Carbon Credit Units

These considerations are particularly relevant given the composition of ACCUs currently being used for Safeguard compliance. The *Clean Energy Regulator's 2024-25 Safeguard Mechanism Data Insights* shows that *Human-Induced Regeneration* accounted for 34% of ACCUs surrendered and *Avoided Deforestation* a further 19%. These two land-sector methodologies together accounted for 53% of all ACCUs surrendered for Safeguard compliance in 2024-25. By comparison, landfill gas accounted for 29%, savanna fire management 5%, and other methodologies 13%.

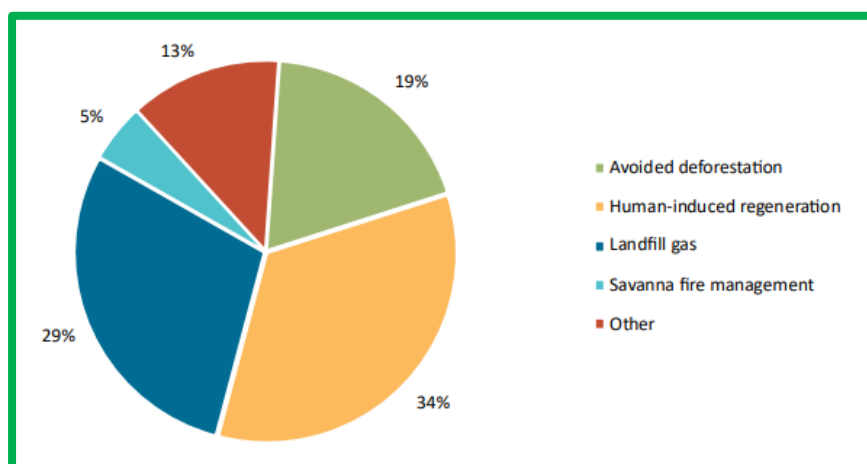


Figure 1: 2024-25 ACCU surrenders by methodology type.⁶

The broader compliance data reinforces the extent to which the Safeguard currently relies on purchased units to manage excess emissions. In 2024-25, 141 of the 208 covered facilities had net-emissions above their baselines prior to managing excess emissions, representing 13.7 Mt CO₂-e. To meet those obligations, covered entities surrendered 10.8 million ACCUs and 2.6 million *Safeguard Mechanism Credits* (SMCs). The Regulator also notes that the increase in unit surrender reflects declining baselines and that many emitters are yet to adopt large-scale decarbonisation initiatives.

Further, 23 facilities surrendered ACCUs equivalent to at least 30% of their baseline in 2024-25, triggering a requirement to explain why greater on-site abatement had not been undertaken. These outcomes demonstrate that purchased ACCUs perform a material compliance function under the Safeguard and, when considered alongside Figure 1, that a substantial proportion of this demand is presently being met through land-sector methodologies.

It is important in this context to distinguish between where emissions abatement occurs and where the resulting compliance benefit is realised. Where an ACCU is generated through an eligible activity on agricultural land and subsequently surrendered by a Safeguard facility, the underlying abatement activity occurs within the agricultural sector, while the unit is ultimately used to meet a compliance obligation elsewhere in the economy. While this is a legitimate feature of a functioning carbon market and can provide valuable commercial opportunities, as Safeguard demand increases, the Review must remain cognisant of the extent to which the residual compliance task is being met through abatement sourced from agricultural landscapes.

NFF does not support a policy architecture that increasingly relies on agriculture to supply lower-cost offsets for residual emissions generated elsewhere in the economy.

Agriculture cannot be taken for granted to do the heavy lifting for other sectors that carry on as business-as-usual, particularly where those sectors have access to more established and mature opportunities to reduce emissions at-source. The availability of comparatively lower-cost land-sector abatement should not become a substitute for

⁶ Australian Government, Clean Energy Regulator: [2024-25 Safeguard Mechanism Data Insights](#)

genuine industrial decarbonisation or entrench a compliance model in which residual emissions are routinely shifted onto agricultural landscapes. We understand that this Review has raised separate questions as to how Safeguard settings can further support and strengthen incentives for greater on-site abatement, and that is supported. For instance, there may be opportunities to pull complementary policy levers beyond the Safeguard itself to accelerate on-site decarbonisation as baseline requirements tighten, including through targeted co-investment or public-private partnerships to enable new infrastructure (as is the case internationally). However, the broader test must remain whether the transition is delivering genuinely just outcomes for regional communities, rather than allowing the residual emissions task of other sectors to be shifted onto agriculture and food and fibre production.

From that perspective, NFF supports strengthening targeted safeguards for large land-sector projects that may materially affect agricultural production or regional communities under the *Carbon Credits (Carbon Farming Initiative) Rule 2015*. This includes extending the existing 30% threshold for Ministerial consideration to environmental planting projects on agricultural land, provided it is applied flexibly and does not constrain landholder decision-making or property rights.

NFF also recommends that the Review consider an explicit mechanism to contain the extent to which Safeguard compliance is met through land-sector ACCUs over time. This approach is consistent with the proportionality principle Treasury has proposed in its parallel consultation on *Climate-Related Financial Disclosure* (CRFD), which similarly seeks to prevent large reporting entities from placing disproportionate and open-ended compliance burdens on smaller value-chain participants, including agricultural suppliers.⁷

Permanence and Environmental Management

It is important to recognise that the land-use and socio-economic consequences of an ACCU project do not cease once it has been established. Permanence requirements underpinning sequestration projects mean that their implications can endure well beyond the initial investment decision. Area-based sequestration projects can carry permanence obligations of 25- or 100-years, meaning decisions to commit agricultural land to carbon sequestration can constrain productive use and future land-use across multiple generations of ownership and farm management.

The same long-term perspective is required when assessing the environmental co-benefits identified in the Discussion Paper. Improvements to soil health, biodiversity, erosion outcomes or wildfire resilience should not be treated as an automatic consequence of establishing a carbon project. These outcomes depend on there being accountable and ongoing land management to avoid perverse outcomes bleeding out into the landscape including but limited to increased pest and weed pressure and management fuel loads to name a few.

⁷ August 2026, Australian Government, The Treasury: [Improving the Efficiency of Climate-Related Financial Disclosures](#)

Safeguard Coverage and Threshold

The Review is considering whether the existing 100,000 tonne CO₂-e threshold remains appropriate. It remains our firm view that primary agricultural production remains outside the scope of the Safeguard and that no emissions reduction targets or equivalent facility-level obligations are imposed on the sector, consistent with the policy approach and commitment underpinning the *Agriculture and Land Sector Plan*. We also note that the Scheme is not an appropriate regulatory model for agriculture given our distinct operating environment and predominantly biological emissions, which are intrinsically linked to the realities of production.

NFF therefore does not support any expansion of the Safeguard Mechanism into primary agricultural production. Doing so would impose an additional layer of regulatory burden on a sector that is already responding to increasing emissions-accounting expectations, while the methodologies and practical tools required to measure our predominantly biological emissions continue to develop.

Even where primary agricultural production remains outside the Scheme, any consideration of a lower coverage threshold must account for the potential consequences for agricultural supply chains and regional industries. The Discussion Paper does not provide sufficient detail to determine which agricultural supply-chain facilities would be captured under the alternative threshold options. Lowering the threshold could capture a broader range of facilities involved in activities such as grain storage, handling, processing, fertiliser production and distribution, and port operations.

NFF recommends that, before any change to the threshold is contemplated, the Commonwealth publish detailed analysis identifying the sectors and facility types that would be captured under each threshold option, together with the likely compliance and economic implications. Such information is necessary to allow affected stakeholders to properly assess the costs, benefits, and potential unintended consequences of any expansion in Safeguard coverage.

Agricultural Land and Restrictions Around Australian Carbon Credit Units

Ensuring Long-Term Strategic Vision and Achievement of Genuine Emissions Reduction At-Source

NFF supports an industrial decarbonisation framework that prioritises emissions reduction and avoidance within covered sectors, including abatement at source (i.e., insetting), before reliance on offsets. While carbon offsets play an important complementary role in providing compliance flexibility, they must not become a substitute for genuine emissions reductions by covered facilities. Over-reliance on offsets also risks deferring necessary investment in direct abatement and creating greater adjustment pressures as the Safeguard is (likely) progressively aligned with Australia's *Nationally Determined Contribution* (NDC) commitments and the 2050 policy horizon edges closer. Agriculture must not be taken for granted to do the heavy lifting for other sectors where opportunities to reduce emissions at source remain available or can be brought forward through appropriate investment and policy support.

To that end, NFF supports settings that strengthen the capacity and incentive for industrial facilities to undertake on-site abatement, including complementary measures outlined elsewhere in this submission such as targeted co-investment, public-private partnerships, and enabling infrastructure (models that have been executed elsewhere internationally). This would also help avoid Safeguard settings distorting land-use and investment signals by concentrating demand in comparatively lower-cost land-sector sequestration simply because it provides a cheaper compliance pathway, particularly where this results in the long-term constraint or displacement of agricultural land under extensive permanence obligations. Participation in carbon markets should remain a legitimate and voluntary commercial opportunity (including for agricultural landholders) but the Safeguard should not evolve in a way that increasingly depends on agricultural landscapes to undertake that heavy lifting.

Options Canvassed

The Discussion Paper canvasses three broad approaches to restricting or modifying the use of ACCUs for Safeguard compliance (which could be applied either individually or in combination):

- **Quantitative Limits:** Restricting the volume of ACCUs that a facility can surrender, for example as a proportion of its baseline, gross emissions, or exceedance.
- **Discounting:** Requiring a facility to surrender more than one ACCU for each tonne of emissions above its baseline, either generally or above a specified threshold.
- **Qualitative Restrictions:** Limiting the types or vintages of ACCUs eligible for Safeguard compliance.

Given their potential to materially alter the way covered facilities meet their obligations, the above options raise a legitimate question as to how that would be reconciled with the Commonwealth's commitment that the Review will not fundamentally redesign the Safeguard Mechanism.

NFF also notes that Treasury's parallel consultation on CRFD proposes a proportionality test for information requests made of smaller value-chain participants, based on what is reasonable and supportable without undue cost or effort, and commensurate with the skills, capabilities, and resources available to the party bearing the request. NFF submits that an equivalent proportionality principle should apply to Safeguard settings that affect agricultural land, and that any restriction on ACCU use should be assessed against its effect on the commercial viability of emerging agricultural abatement methodologies, including livestock and enteric methane reduction activities, rather than being assessed only against its effect on covered facilities' compliance costs.

Quantitative Limits

Notwithstanding that question, NFF does not support a blunt quantitative cap on ACCU use. The Discussion Paper acknowledges that such limits would reduce ACCU demand and place downward pressure on prices. For agriculture, there is a risk that such an approach could weaken the investment signal for emerging emissions-reduction activities within productive systems, including new livestock and enteric methane emissions-reduction methodologies being actively developed under the leadership of *Meat & Livestock Australia*, which will require credible market demand to support their development and commercial uptake.

Discounting

NFF similarly does not support discounting arrangements. As recognised in the Discussion Paper, requiring more than one ACCU to offset each tonne of emissions could increase aggregate ACCU demand, while the ultimate effect on ACCU prices remains uncertain. This could further intensify pressure on the land sector at a time when Safeguard compliance demand is increasing and ACCU supply is expected to tighten, while agricultural land is already subject to increasing competition from renewable energy, transmission infrastructure, critical minerals, and other competing uses.

Qualitative Restrictions and ACCU Vintage

NFF has concerns that restrictions on ACCU vintages could have unintended consequences for agricultural carbon projects, many of which involve significant upfront investment and long-term commitments (i.e., 25- or 100-year permanence obligations for sequestration projects). Changes to the future eligibility of ACCUs for Safeguard compliance could affect project viability, undermine confidence, and weaken participation in agricultural carbon projects. Any vintage restrictions must recognise the long-term nature of such projects and avoid retrospectively undermining legitimate investment expectations. Projects established under existing policy settings should be appropriately grandfathered.

If vintage restrictions are nevertheless pursued, transitional arrangements should be sufficiently long and clearly defined to allow existing agricultural projects a reasonable opportunity to realise value from ACCUs generated under current arrangements and minimise disruption to participants that have made long-term commitments under the ACCU Scheme.

International Units

NFF supports keeping future access to credible international units under active consideration. It is our view that international carbon trading should remain available provided that it is high integrity, transparent, and accounting requirements are met. Significant progress has occurred in the development of these arrangements, most notably at COP29 where Parties agreed to key rules to operationalise international carbon markets under Articles 6.2 and 6.4 of the *Paris Agreement*.

NFF recognises and supports the principle that domestic and on-site abatement remains the primary focus of the Safeguard Mechanism. International units should complement, rather than substitute for, genuine emissions reductions by covered facilities. This, however, does not warrant permanently excluding international units from future Safeguard compliance as Article 6 markets continue to develop and mature. Consistent with this view, NFF would support future access to high-integrity International units being subject to an appropriate quantitative limit. Consideration should be given to allowing no more than, say, 50% of a covered entity's annual Safeguard compliance obligation to be met through such a pathway.

The Discussion Paper itself recognises the tension between retaining international trading as an option and maintaining focus on domestic action as it notes that while Australia's current plans are focussed on domestic action, "*international trading remains a mechanism under the Paris Agreement to enable the action required for achieving net zero globally*". It further recognises that any future consideration of international units under

the Safeguard would be limited to units capable of counting toward Australia's NDC, including units created under Article 6 of the *Paris Agreement*.

This is an important consideration for the Review. While the immediate task is to consider how the Safeguard should contribute to Australia's 2035 NDC, the Scheme should also (and is designed to) operate within the longer-term trajectory 2050 net-zero. From this view, retaining the future option of Article 6 units is consistent with both the nearer-term objective of meeting Australia's 2035 target and the broader pathway to 2050 and is therefore supported by NFF.

Any future access must, however, be limited to high integrity credible units that can be appropriately accounted for toward Australia's NDC and supported by robust accounting and transparency arrangements, including safeguards against double counting. Subject to those integrity requirements being satisfied, NFF does not consider that the Commonwealth should foreclose a legitimate future source of compliance flexibility. As Article 6 markets mature, market participants should be able to assess the relative value of eligible domestic and international units within the parameters established by the Safeguard.

This is also relevant given the expected tightening of domestic ACCU supply and increasing compliance demand toward and beyond 2030. High integrity and credible Article 6 units could ultimately provide an additional source of abatement and compliance flexibility, while reducing the assumption that increasing domestic compliance demand must necessarily be met through greater reliance on the land sector and inevitably, agricultural land.

Responding to 'Carbon Leakage'

As referred to in the NFF Submission to the Carbon Leakage Review Consultation Paper: November 2024:

Headline

It is imperative that any action and policy approach (if considered desirable and necessary to match the extent of carbon leakage risk) is aligned with the international rules-based trading system, including established *World Trade Organisation* (WTO) rules regarding non-discrimination.

It is our view that the Review process conducted in 2024 did not demonstrate that carbon leakage is a serious issue that is hindering achievement of Australia's national commitments under the *Paris Agreement* that would necessitate additional measures beyond existing Commonwealth policy.

Policy Position

At a high-level, while recognising the intent of a CBAM, the NFF do not support implementation of a CBAM for the following reasons:

- 1. The NFF holds the view that agricultural trade needs to be free and liberalised. Any non-tariff distortion that creates a market access barrier should be removed and**

refrained from implementation. As stated in NFF Policy, industry (agriculture) needs “clear assurances that targets and taxes will not be placed on agriculture. This would provide certainty around what we can expect from the Government in the future”.

The *NFF Climate Policy* is attached and available at **Attachment 1**.

NFF question the rationale that a CBAM does not interfere with principles of non-discrimination if it mirrors domestic policy settings for imported goods (i.e., the import adjustment has already been paid by 100% of domestic market producers affected by the Safeguard Mechanism). The central issue arises with the quantification of carbon cost, and whether the proposed approach of using an average emissions intensity factor will accurately quantify this cost for each import product across different country conditions.

Liberalised agricultural trade plays a critical role in supporting sustainable agriculture, climate action, and safeguarding global and domestic food security requirements. If a CBAM were to be applied at the Australian border, this will impact the accessibility and cost of critical farm inputs, particularly urea, liquid fuels used in diesel-intensive activities, and chemical products to support production. 80% of energy consumed on farm comes from diesel.⁸

While the preliminary findings of this Review find that the maximum price uplift impacts on goods such as wheat which is ammonia-use *intensive* “*would be very small*” (0.04-0.11% of an average \$425 tonne of wheat) the economic impact of a CBAM on other agricultural products have not been assessed. NFF re-emphasises the point made in the Review that economic outcomes of an adjustment on commodities including ammonia “*should not be viewed as predictions or forecasts, but as an illustrative description of a possible future outcome*”.

- 2. A better regulatory approach would be for the Commonwealth, through financial assistance, to offset the initial costs of adopting new technologies in sectors, including agriculture, that are undertaking considerable investment and adaptation to reduce emissions output. Additional measures should include funding to support innovation and R&D in the development of cleaner, locally produced fertiliser chemicals in the ‘ammonia and other derivatives’ commodity group alongside the promotion of Australian fertilisers and agricultural commodities as low-carbon products. Like a CBAM which seeks to create a market premium by equalising carbon costs, this measure would help create a market premium for domestic green ammonia production and the grains market while also mitigating carbon leakage risk. Encouraging key trading partners to adopt similar standards as those in Australia including for ammonia production should also be considered.**

This is the regulatory path of least resistance and is fairer and more conducive to the principles of free trade and multilateral collaboration. These measures are

⁸ New South Wales Government, Primary Industries and Regional Development of New South Wales: [On-Farm Energy Efficiency and Renewable Energy](#)

crucial to ensuring that Australian farming families and agricultural businesses are not disadvantaged in the global market.

Should a CBAM be recommended to the Commonwealth for implementation, an initial exemption for the agriculture sector must be put forward. This is a consistent measure with the *European Union* (EU) equivalent whereby agricultural products are not currently covered. For context, the EU is the only jurisdiction that has implemented a CBAM policy, and this measure would align with the Review's findings that point to significant practicality issues for the 'ammonia and other derivatives' commodity group as it is not 100% Safeguard covered.

- 3. This Consultation Paper has not demonstrated that carbon leakage is a serious issue that is hindering achievement of Australia's national commitments under the Paris Agreement that would necessitate additional measures beyond existing policy. The argument that a CBAM for the ammonia group of products may create durable preconditions for the emergence of a green ammonia industry in Australia is not demonstrated and can be considered far-reaching. As identified in Point 3, there exist alternative policy options that support this outcome with little to no regulatory cost to the agriculture sector.**

The development of renewable hydrogen to replace steam methane in the ammonia production process is not an established or economically mature alternative at present, and the competitiveness of electrification of heat process needs to be demonstrated.

CBAM generated funds should not be provided for programs to support implementation and industrial decarbonisation objectives in trade partner developing jurisdictions without strong conditions. This is a counterproductive approach.

- 4. Uncertain durability as a long-term policy solution provided existing questions around compliance with established WTO trading rules and broader international rules-based trade order that remain prevalent in the midst EU implementation and largely untested and unresolved. There also include anticipated secondary impacts including diminished trade relationships and global competitiveness among international counterparts, particularly our Asia-Pacific partners.**

As this submission has already identified, ensuring policy approaches are durable is a key Review guiding principle that will provide a reference point for any future policy adjustment. Australia's economic prosperity has been enhanced strongly by free and open trade. Where there exists doubt regarding international compliance with established rules and impacts to trade relationships, a precautionary approach should be embraced and the policy measure avoided.

- 5. Addressing carbon leakage is a complex international challenge that will require international cooperation and ongoing discussion to resolve. Implementation of an Australian CBAM equivalent resembles an individualistic approach rather than one based in multilateral cooperation. Market premiums for Australian low emissions export commodities are only possible if well-designed CBAM adjustments are adopted in other jurisdictions. This requires all jurisdictions to participate, and currently only the EU have plans to adopt such an approach. This should not be a**

race to be first; Australia must implement policy that is practical and aligns with international trading rules.

- 6. Significant feasibility concerns regarding implementation, particularly for TEBA provisions and ‘ammonia and other derivatives’ which is not 100% covered under the Safeguard Mechanism.**
- 7. CBAM implementation will likely necessitate procedures for emissions monitoring, reporting, and verification for applied sectors to ensure that adjustments are accurate. This will extend to Scope 1 emissions only. There will be concerns around administrative costs and a need to preserve confidentiality and proprietary production data.**

Closing Remarks

At a high-level, Safeguard settings must not compromise Australia’s long-term capacity to produce food and fibre. We again note that Treasury is separately consulting on reforms to CRFD requirements, including measures to prevent large reporting entities from placing disproportionate compliance costs on smaller value-chain participants, with agriculture specifically identified as a sector of concern. NFF submits that DCCEEW should have regard to this parallel process when finalising post-2030 Safeguard settings, to ensure a consistent, whole-of-Government approach to protecting smaller and less-resourced participants, including agricultural landholders, from bearing a disproportionate share of compliance costs generated elsewhere in the economy.

We look forward to continued discussions with respect to this endeavour. Please do not hesitate to contact Warwick Ragg, General Manager, Natural Resource Management, via e-mail: WRagg@nff.org.au at the first instance to progress this discussion.

Attachments List

- 1. NFF Climate Policy (May 2026)**



National
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Leading
Australian
Agriculture

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Climate Policy

Policy Principles

The following set of policy principles are to both inform NFF activities and priorities, and also to influence the policy design and development processes of Governments:

- Agriculture's significant progress in reducing net-emissions and emissions intensity of production is recognised;
- Agriculture is complex and a hard-to-abate sector that has already made significant progress in emissions reduction relevant to other sectors of the economy. It is an emitter, sequestor, and food and fibre producer to domestic and global markets;
- Innovation focussed on commercially viable technologies and solutions, together with maturing markets for carbon is required to reduce emissions intensity of production and contribute to emissions objectives;
- Continued public and private investment is required to support innovation and economic adaptation;
- Impacts from Government legislation, for example reforms to the *Environment Protection and Biodiversity Conservation (EPBC) Act 1999*, must not have unacceptable nor perverse impacts on achieving climate outcomes, food and fibre production, and innovation;
- Any requirement for climate-related reporting that is not mandated must be a negotiated commercial transaction recognising the value of the data or information that a farmer holds;
- Coordinated whole-of-Government policy settings across all sectors, particularly energy and transport, are required to ensure policy coherence, avoid unintended outcomes particularly on production and productivity, and support a just transition;
- Action on climate change does not come at the expense of food and fibre production nor farmers' property rights. Where rights are compulsorily acquired, this must occur on just terms.

- Paris Agreement commitments continue to be acknowledged. Policy recognises Article 2 language that *“increasing the ability adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas [GHG] emissions development, in a manner that does not threaten food production”* and that Parties are on different GHG trajectories;
- Policy settings are evidence-based, reflect what is achievable on-farm, support long-term farm profitability and productivity, and are informed by both emissions reduction and emissions intensity outcomes will provide agriculture with the necessary confidence to continue and grow;
- Emissions reduction Schemes are well considered, promote stability and confidence, and not be impractical nor inappropriate for agricultural production;
- The biogenic carbon cycle is appropriately quantified and accounted for to support equitable, science-based reporting of agriculture’s full emissions profile, especially of enteric methane;
- Enteric methane, which is agriculturally specific, is different in character and atmospheric behaviour than fossil methane; and
- As more is understood about the accuracy and viability of alternate reporting metrics, then ways to utilise those so that agriculture is treated equitably must be progressed.

Policy Position

The NFF supports an economy-wide aspiration of net-zero emissions by 2050 provided that:

- There are identifiable and economically viable pathways to net-neutrality, including impacts from inputs such as energy are available to the sector; and
- Commonwealth and State legislation is effective, equitable, and advantageous to deliver on ground programs that benefit agricultural interests and do not provide unnecessary regulatory impediment or unintended constraints that could restrict the sector’s capacity to produce climate-smart low-emissions food and fibre, including that:
 - No sector nor regionally specific targets are imposed;
 - Global and local food security is considered in conjunction with overarching goals, not separately; and
 - Food production is recognised as an essential service.

NFF will review its position regularly to ascertain if technological and economically credible pathways to achieve this aspiration remain evident. NFF will hold Government to its policy commitments outlined during the Sustainable Agriculture Summit and now reflected in the Agriculture and Land Sector Plan. Specifically:

1. Action on climate change cannot come at the expense of food security;
2. Support diverse landscapes that balance agricultural production, carbon storage and nature repair; and
3. Decarbonisation of agriculture and land must deliver real benefits for regional communities, producers, and land managers. It is critical to enable a just transition for regional, rural, and remote communities.

NFF opposes any agriculture sector targets under the voluntary and non-binding Global Methane Pledge. Australian producers remain global leaders in low-emissions food and fibre production. Continued efficiency gains and improvements in emissions intensity will be necessary to meet growing demand while contributing to broader objectives.

NFF recognises that enteric methane and nitrous-oxide emissions require sector-specific consideration due to their distinct characteristics and warming impacts. While a net-zero target is appropriate for carbon-dioxide, alternative approaches are required for other GHGs.

Government needs to ensure, should it seek to make international agreements and as the upcoming scheduled Subsidiary Body for Scientific and Technological Advice 2027 Review of Common Reporting Metrics becomes more prominent in policy discussions, agriculture is closely consulted on:

- How these agreements will translate;
- How and what assurances will be provided;
- How appropriate reporting metrics can be incorporated to better reflect agriculture's impact and achievement for example including dual split-gas reporting of emissions in both GWP* or another suitable metric and existing GWP100 for agriculture;
- Ensuring agriculture is not unfairly or unnecessarily targeted; and
- That the achievements that agriculture has already made are clearly recognised.

NFF recognises that Research and Development Corporations (RDCs) will continue to support industry to progress low-emissions pathways which underpin agriculture's \$100 billion growth target. Coordinated research through RDCs and other research organisations including the Zero Net Agriculture CRC accelerate progress and strengthen Australia's leading position in producing low-emissions agricultural products.

In meeting Australia's emissions reduction goals, Australian farmers expect a greater focus on industry and Government investment in integrating practical climate solutions that strengthen farm resilience and productivity. This can be delivered by:

- Focusing on innovative technologies that provide a competitive advantage for existing products;
- Developing new markets that benefit from innovative GHG reducing technologies;
- Collaborating across all of industry to make the greatest gains from the adoption of the latest R&D;
- Adapting and adopting proven and credible alternate metrics in the National Greenhouse Gas Inventory;
- Supporting efforts to accurately and appropriately attribute emissions reductions and sequestration outcomes from Land Use, Land-Use Change and Forestry (LULUCF) to agriculture; and
- Promoting a split-gas approach to accounting and reporting of GHGs.

The long-term success of Australian agriculture depends on its ability to innovate and adapt to a changing climate, while maintaining secure access to productive land and water. Australian farmers have always operated in a challenging and varied environment, and their continued prosperity relies on both effective climate action and the protection of agricultural assets. Agricultural land is a strategic national resource that Governments must preserve for the future of the sector and the nation. Land-use decisions must ensure compatibility with agriculture, enable farmers to genuinely influence outcomes, and protect land from unreasonable change or regulation.

This policy document is complementary to NFF policy positions on Natural Capital, Electricity, Climate-Related Financial Disclosure, Energy and Industry Engagement Guidelines for On-Farm Activities.

Background

NFF recognises that climate change presents both significant challenges and opportunities for Australian farmers. The world's population is forecast to exceed 9.8 billion people by 2050, and demand for food and fibre is on track to increase 70% from 2005-07 levels by that timeframe.

Agriculture is Australia's largest land-use and is closely connected to the land sector, including LULUCF and forestry, which together represent Australia's largest terrestrial carbon sink. Agriculture contributes to Australia's National Greenhouse Gas Inventory through carbon sequestration in soils and vegetation and GHG emissions from practices such as livestock production, cropping, fertiliser use, and savanna burning. Combined, agriculture accounts for 18-19% of national emissions.

NFF recognises that climate ambition is a significant factor influencing agricultural market access and Australia's reputation as a global leader in climate-smart agriculture.

Issue

Climate policy must recognise agricultural producers for the role they play in the sustainable management of Australia's landscapes, their contribution to food security, and must provide a pathway for a profitable, productive, and sustainable sector into the future.

Agriculture seeks that other sectors of the economy to contribute to their own emissions reductions and not rely on agriculture or agricultural land as a primary source for their offsets. NFF is concerned that current rules and regulations do not adequately ensure other industries reduce emissions within their operations, instead allowing them to rely on agricultural land to meet legislated targets. This risks distorting land-use and placing an inequitable burden on agriculture.

In line with the Intergovernmental Panel on Climate Change (IPCC), agriculture recognises that different GHGs have different warming characteristics and trajectories. The IPCC's Sixth Assessment Report indicates that limiting global warming to 1.5°C with no or limited overshoot involves reducing global methane emissions by approximately 45% and nitrous-oxide emissions by 20% by 2050 relative to 2019 levels. Achieving these reductions in agriculture remains constrained by technological, economic, and scalability barriers, requiring innovation at-scale to build productivity without compromising animal welfare and cost structures.

While emissions reduction is one goal, broader social, environmental, and (particularly regional) community impacts must also be considered. There is a strong need for enhanced guidance on how to manage and incentivise new projects that have multiple co-benefits. This would facilitate a range of technology options and land-based activities which can deliver cost-effective outcomes for emissions reduction and broader economic, social, and environmental outcomes.

Progress

The Australian agricultural sector remains at the forefront of national emissions reduction since the 1990s, primarily due to the land clearing legislation imposed on farmers to meet Kyoto Protocol emissions reduction targets.

Between 1990-2023, agriculture reduced its net-GHG emissions by at least 12.58% or 11.85 Mt CO₂-e. These reductions have been achieved while advancing profitability, productivity, and sustainability without the imposition of sector specific targets consistent with the Red Meat 2030 Vision and MLA Strategic Plan 2030. Australian

agriculture has among the lowest emissions intensities of major agricultural exporters, with emissions estimated to be upward of 42% lower than comparable peer nations. This has been achieved alongside a 20% reduction in GHG emissions and a 60% increase in output since 1990.

The sector also continues to make significant voluntary industry-led contributions. For example, the red-meat sector has reduced its net-GHG emissions by 70.1% since 2005 and other sectors are committing to outcomes as early as 2030.

Agriculture also delivers significant environmental co-benefits, including but not limited to biodiversity stewardship, landscape management, soil health improvement, and sustainable natural resource management.

The Carbon Farming Initiative (CFI) and subsequent Australian Carbon Credit Unit (ACCU) Scheme continues to be the substantive mechanism under which farmers have reduced emissions. Care must be taken to ensure that philosophical drivers do not compromise the scope and opportunity for ACCU method development and that agriculture is not treated as an offset for other sectors to carry on as business-as-usual.

What the Industry Needs

Policy

Economic

- Maintain clear assurances that no targets and taxes are placed on agriculture;
- Non-tariff barriers including a Carbon Border Adjustment Mechanism are not imposed on agriculture or critical inputs to agriculture;
- Appropriate restrictions are placed on the Safeguard Mechanism ensuring that agriculture is not adversely impacted by offset purchases that diminish agricultural productivity and food and fibre production;
- Amend the Carbon Credits (Carbon Farming Initiative) Rule 2015 to apply the 30% threshold for Ministerial consideration to environmental planting projects on agricultural land, provided it is applied flexibly and does not restrict landholders' decision-making authority nor property rights;
- NFF will collaborate with other aligned jurisdictions to promote a split-gas approach to accounting and reporting of GHGs;
- Ensure that Government attributes LULUCF equitably to agriculture;
- Recognise and compensate landholders for emissions reduction delivered under mandatory land-clearing legislation to meet Australia's Kyoto Protocol obligations;
- Acknowledge that mandatory cap and trade policies are not suited to the farm sector, and specifically exclude the sector from any such schemes;

- Recognise that more than 79% of Australian agricultural produce is exported, and that as a trade-exposed sector, we must remain competitive within those markets;
- Reintroduce legislation that would see carbon and biodiversity income treated as primary production income for all typical farm business models to ensure that eligible business input deductions can be appropriately offset against farm income;
- Forestry residues are recognised as carbon storage within accounting frameworks; and
- Engage in or facilitate the review property valuation methodologies at least to the extent that those methodologies are not adequately acknowledging the income or capital growth attributable to carbon and other non-core commodities; and

Regulatory Alignment

- In consultation with the agricultural sector, ensure that the most equitable, defensible and appropriate reporting mechanisms are used that recognise international reporting obligations, improved or more accurate measurement systems, and apply principles of equity and balance for the agricultural sector;
- Ensure eligibility for the instant tax/asset write off includes climate action investments;
- Ensure vegetation management policies do not burden farmers with the cost of achieving emissions reduction goals, nor unreasonably restrict development by imposing on existing land management practice;
- Ensure the operation of the EPBC Act and other relevant Commonwealth, State and Territory environmental and planning frameworks do not create unnecessary regulatory impediments to the production of low-emissions food and fibre for domestic and global markets, with timely and proportionate approval processes that support climate-smart, globally competitive agriculture;
- Prioritise development of CFI methodologies that encourage and provide ACCUs for the adoption of methane reducing livestock feed, coated or slow-release fertilisers, and other technologies as soon as practical;
- All market-based policies for emissions reduction that seek to incentivise climate outcomes must have mechanisms such as standardised contract terms, dispute resolution processes, and upfront transparent pricing; and
- Agriculture needs harmonisation of methodologies, reporting frameworks, and auditing across all jurisdictions.

Education and Awareness

- Recognise it may be more beneficial for farmers to identify carbon and use this within their own business (insetting) rather than selling to other sectors (as offsets), and that care is needed to prevent market and regulatory distortions.

Incentives

- Allocate a component of investment from the National Reconstruction Fund to fast-track the viability assessment and establishment of regional low-emissions input fertiliser manufacturing capability in regional Australia and ensure funding under the Future Made in Australia initiative is directly allocated to improving domestic manufacturing for critical agricultural inputs;
- Provide refundable tax offsets on equipment which reduces emissions such as that used in zero till and controlled traffic systems;
- Ensure biodiversity certificates and payments are accessible for the agriculture sector; and
- While Australian Carbon Credit Unit methodologies are supported, they will not be suitable for all farm businesses and Government should provide complementary incentives, including grants and other financial measures, to support broader participation in emissions reduction.

Coordination

- That the Safeguard Mechanism and National Greenhouse and Energy Reporting Scheme continues to focus on large scale fugitive emissions only.

Operational

Economic

- Support adaptation and facilitate investment into R&D to ensure agriculture remains productive, competitive, and prepared to address emerging challenges under changing climatic conditions; and
- Continue to ensure opportunities for emissions reduction and sequestration in the farm and forestry sectors, and facilitate participation of farmers and foresters in carbon markets and natural capital markets;

Education and Awareness

- Develop on-farm extension programs to support natural capital measurement and markets as a key facilitator of climate change mitigation. Support investment in education decision support tools and awareness programs to assist farmers' understanding of carbon emissions, baseline accounting, sequestration, offsets, insetting, and carbon markets, including:
 - a) support for what producers at the farm level are currently doing;
 - b) support for navigating the current system of markets and incentives;

- c) on-farm support to engage in new and emerging practices to increase emissions reduction; and
- d) the need for a positive, constructive, and overarching climate policy for the agriculture sector, along with providing incentives and subsidies to farmers, including for batteries.

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