



Climate change and energy – reform the Safeguard Mechanism	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal would reform the Safeguard Mechanism to align with 1.5 degrees by tightening baselines and limiting offsets to hard-to-abate sectors only. This would include regulatory changes to ensure covered emissions, baselines and the decline rate are recalibrated to what the science requires and ACCU offsets will be limited to those few hard-to-abate sectors.</p> <p>The proposal would start on 1 July 2025 and end on 1 July 2029.</p>	
<p>Additional information (based on further advice provided):</p> <p>The proposal would provide \$3.2 million over 4 years to implement the regulatory changes.</p> <p>The proposal would be non-ongoing, not indexed, and distribute funding evenly over 4 years.</p>	

## Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$3.2 million over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in departmental expenses.

The proposal would not be expected to have an impact beyond the 2025-26 Budget forward estimates period, other than for public debt interest (PDI) costs. A breakdown of the financial implications (including separate PDI tables) over the period to 2035-36 is provided at Attachment A.

The Parliamentary Budget Office (PBO) has not made any assessment as to whether the specified funding would be sufficient to meet the objectives of the proposal.

**Table 1: Climate change and energy – reform the Safeguard Mechanism – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-0.8	-0.8	-0.8	-0.8	-3.2
Underlying cash balance	-0.8	-0.8	-0.8	-0.8	-3.2

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

## Key assumptions and methodology

The proposal is capped at a fixed amount, evenly distributed over 4 years from the commencement date. All funding would be departmental in nature. We assume that no funds allocated to a given year are left unspent.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>1</sup>

## Data sources

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

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<sup>1</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Attachment A – Climate change and energy – reform the Safeguard Mechanism – Financial implications

**Table A1: Climate change and energy – reform the Safeguard Mechanism – Fiscal and underlying cash balances (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Expenses</b>													
<b>Total – departmental</b>	-0.8	-0.8	-0.8	-0.8	-	-	-	-	-	-	-	-3.2	-3.2
<b>Total (excluding PDI)</b>	-0.8	-0.8	-0.8	-0.8	-	-	-	-	-	-	-	-3.2	-3.2

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

**Table A2: Climate change and energy – reform the Safeguard Mechanism – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Fiscal balance</b>	..	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-1.7
<b>Underlying cash balance</b>	..	..	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.5

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary.<sup>2</sup>
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- .. Not zero but rounded to zero.

<sup>2</sup> [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/online-budget-glossary)