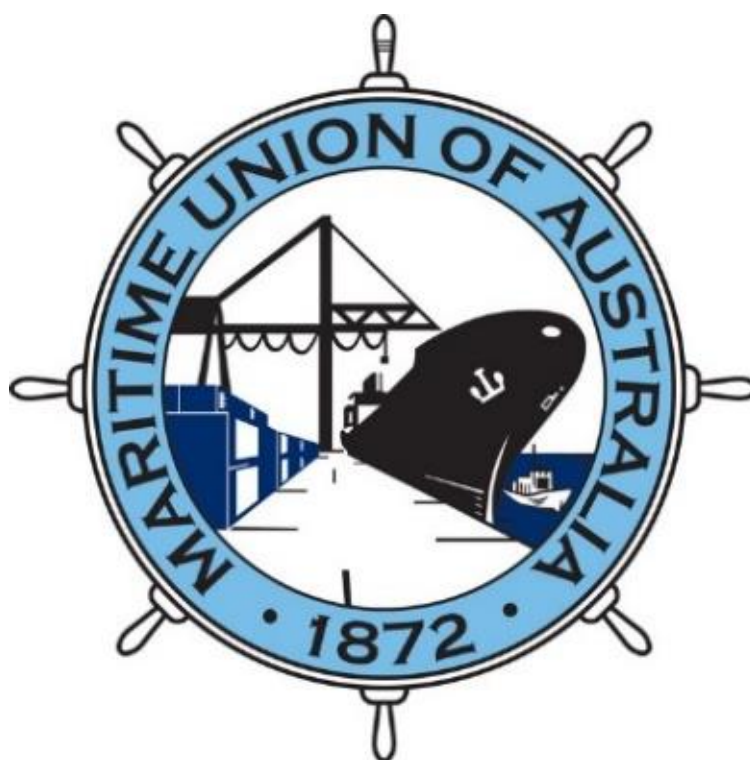


**Maritime Emissions Reduction  
National Action Plan Issues Paper:  
Regulation and Standards**

**Response from the Maritime Union of Australia**



**3 October 2023**

*Department of Infrastructure and Transport*

Submitted via: MERNAP@infrastructure.gov.au

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## Background

This submission has been prepared by the Maritime Union of Australia (MUA).

The MUA represents approximately 14,000 workers in the shipping, offshore oil and gas, stevedoring, port services and commercial diving sectors of the Australian maritime industry.

This includes coal export terminals and port and shipping services to many emissions-intensive industries, such as aluminium smelters and steel manufacturing facilities. The MUA is also part of the Offshore Alliance (with the Australian Workers' Union) which represents workers on offshore oil and gas facilities.

The MUA is a Division of the 120,000-member Construction, Forestry, Maritime, Mining and Energy Union and an affiliate of the 20-million-member International Transport Workers' Federation (ITF).

The MUA supports the government taking action to address climate change. We are working hard to prepare our membership and industries for the necessary transition to a zero-net emissions economy and society. We recognise the need to urgently reduce emissions globally and in Australia to prevent global heating from exceeding 1.5°C, but this will have a very significant impact on the jobs held by many of our members. Our ability to provide climate leadership in these industries depends on the ability of governments and of our union to deliver a just transition to our members working in fossil fuel industries, and their communities. If we cannot provide such a transition, we risk significant reductions to workers' living standards, deepening inequality, and a very significant political backlash which could stall the transition we need.

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## MERNAP Objectives

We are pleased to see the Department adopt as an objective for MERNAP to ‘promote a safe and equitable transition for the maritime sector, particularly for the maritime workforce.’ This is very welcome and a critically important principle going forwards.

However we note that this language has been somewhat watered down from the original IMO resolution which calls for ‘a just and equitable transition for seafarers and other maritime workforce that leaves no one behind’.<sup>1</sup> This echoes language from the Paris Agreement, which recognises ‘the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.’<sup>2</sup>

We ask that the Department examine the language used by the IMO and the Paris Agreement further and reinstate some of the missing language.

Going forwards, it will be critically important to embed the objective of a ‘safe and equitable transition’ into the MERNAP and its policy recommendations. This will include:

- Prioritising safety in all aspects of the regulation of new energy sources
- Ensuring workers are fully funded to access quality training to work with new energy sources
- For any government grants and incentives delivered under MERNAP, requiring that all projects maximise the contribution of the project to the Australian economy and local communities, including to:
  - a) ensure quality jobs through the implementation of a Secure Jobs Code, to be applied across government-funded projects.
  - b) maximise the use of locally produced and supplied goods and services
  - c) maximise the employment of suitably qualified local workers, including energy workers, engaged under registered industrial instruments, agreed between relevant unions and employers
  - d) provide for training and skills development of local workers, minimum requirements for trainees and apprentices, worker transition opportunities from industries facing closure, and the employment of workers from groups underrepresented in the workforce.

## Current opportunities

As an affiliate of the Australian Council of Trade Unions, the MUA is participating in the campaign for a \$100 billion investment in an Australian Renewable Industry Package, including in zero carbon transport and fuels.<sup>3</sup> We understand a package is being developed by a Renewable Superpower

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<sup>1</sup> IMO Resolution MEPC.377(80), [2023 IMO STRATEGY ON REDUCTION OF GHG EMISSIONS FROM SHIPS](#), 7 July 2023, para 5.6

<sup>2</sup> A Just Transition is defined in the UNFCCC, [Report of the Conference of the Parties on its twenty-first session](#), held in Paris from 30 November to 13 December 2015.

<sup>3</sup> Paul Karp, [Investors and unions press Labor to invest \\$100bn to compete in global green economy](#), *The Guardian*, Monday 11 September 2023.

Task Force within the Department of Energy, supported by \$5.6 million in funding from the most recent Federal Budget. It would be important for the MERNAP team to see what cross-over funding would be possible that can be used to support maritime decarbonisation.

## Part One: Australia's Maritime Sector and principles for regulation

*Q What aspects of the domestic and international industry do you think we should be particularly mindful of?*

*Q These principles will help us provide advice to Government on what the potential future next steps might be. Do agree with these principles? What other aspects should we consider?*

The proposed principles are sensible. We would also support the addition of the following principles:

- Strong regulation to prioritise safety of the workforce and community

While it is critically important to develop new energy sources for the maritime sector, virtually every option comes with a substantial range of new and very serious hazards which must be addressed in vessel and equipment design, safety processes, as well as worker training and experience. Corners must not be cut in this process.

- As a key priority, target incentives to support decarbonisation of domestic shipping activities, and particularly areas where government support or procurement can be leveraged to accelerate decarbonisation.

The MERNAP should specifically address and align with the Government's shipping policy commitments to revitalise Australian shipping. Not only must policy ensure that Australian ships are not disadvantaged relative to foreign registered ships, but they should be supported and given an advantage in decarbonisation, thus helping rebalance the very unbalanced competitive playing field that currently exists. The [APS Net Zero Emissions by 2030](#) policy may also apply to government owned or contracted vessels.

Likewise various levels of government play a role in procuring and/or supporting maritime transport services, particularly ferries but also passenger and freight transport across the Bass Strait and to Kangaroo Island, and potentially freight transport in Queensland and West Australia. Likewise many ports around Australia are owned or at least regulated by state governments.

- Avoid a perverse outcome that drives transport activity away from shipping to less energy efficient forms of transport. (In avoiding this outcome government must ensure that regulation applying to the maritime industry does not impose costs that are disproportionately imposed upon the maritime sector and not on other modes of transport.)
- Avoid perverse incentives to shift away from the use of Australian registered ships, that could result in those ships being replaced by foreign registered ships.

The complex international nature of the shipping industry means that there is a potential for ‘offshoring’ of the obligation to decarbonise by for example, transferring the cost and risk to another jurisdiction with less stringent regulation. MERNAP policies will need to be clear on how to avoid such a regulatory imbalance. For example, given the overweight volume of international ships visiting Australian ports, in what jurisdiction does the obligation lie to meet a regulatory standard? Is it in the nation where the ship is registered, in the nation of beneficial ownership, or in the nations where the ship uses ports?

Australian ships compete for cargo with (i) foreign ships (e.g. those licensed to operate in coastal trading); and (ii) with rail and road in coastal corridors. The regulatory framework that is put in place for ships and ports must be harmonised with the regulatory arrangements encouraging or mandating decarbonisation in those competing modes of transport, otherwise sea freight could be disadvantaged.

- Through domestic reserves or another mechanism, allocate supply of green hydrogen to the domestic production of green shipping fuels for bunkering.

A rush to export renewable fuels must not be allowed to undermine domestic supply.

## Part Two: Regulatory Barriers and Opportunities

Key principles are set out above.

The Commonwealth must take a lead role in:

- creating clear incentives for decarbonisation in areas where it is currently technically feasible, and addressing roadblocks that are identified
- funding and incentivising investments and new infrastructure, including:
  - common user facilities operated by state and/or local governments (eg. port transmission infrastructure, shore power, and bunkering facilities), and
  - funding for higher decarbonisation ambition in procurement decisions by state and/or local governments (eg. for ferries and charging infrastructure)
  - funding whole-of-port or whole-of sector decarbonisation plans in specific places or industries.
- establishing certainty for industry and the workforce moving forwards

- participating in the development of nationally and internationally consistent maritime safety regulation covering vessel and bunkering standards, safety processes and crew training.
- Ensuring maritime training facilities have appropriate infrastructure in place to provide experience in handling all new energy sources and the associated risks.

Establishing the MERNAP and the industry working group is an important first step, but to achieve an effective energy transition, government will need to take a more interventionist role than it has played in industry for decades.

Going forwards, it will also be critically important to understand how domestic and international shipping emissions are counted and reported, so we can understand the implications of various policy options. We understand this will be covered in an upcoming MERNAP paper on shipping emissions.

We support the Government's exploration of a Carbon Border Adjustment Mechanism for Australia (CBAM). An Australian CBAM has the potential to support global decarbonization and protect Australian industry and workers from unfair competition with foreign industry not required to abide with Paris-aligned emissions regulation. Any Australian CBAM will need to carefully consider the question of ships' emissions and how they are reported and allocated to prioritise and encourage the use of high-quality domestic shipping, to complement the government's agenda to revitalise Australian shipping.

#### Safety and community confidence

All new maritime energy sources under consideration have new and very serious hazards which must be addressed in vessel and equipment design, safety processes, as well as worker training and experience.

Seafarers, firefighting personnel, search and rescue personnel, pilots, dockers, bunkering handling personnel and tugboat personnel are directly and indirectly affected and involved in on-the-job operations. Companies, maritime authorities, suppliers, protection and indemnity insurance providers, and recognised organisations must ensure the safety of those mentioned above.

Unions play a key role in ensuring workplace safety. Australia's process-based Work Health and Safety laws apply concurrently with maritime safety regulation, and they rely on the participation of Health and Safety Representatives and full consultation with the workforce. Workers can only participate in these processes properly and with confidence if they are in secure work, are not fatigued, and have the support and protection of a union. Conversely, casualisation of work significantly undermines safety, and also makes it more difficult for industry to retain skills in new technologies.

Maritime education and training institutes, medical practitioners, and safety regulators are to ensure safety culture is firmly embedded in the whole system.



For all stakeholders, appropriate competencies and establishing a safety culture are essential for health and safety for both the human element and the environment.

Introducing a new type of energy source encompasses the entire life cycle from manufacturing, transporting, bunkering, storage, and energy processing onboard.

To protect human lives in this transition, it is necessary to have a clear vision of the safety dynamics associated with each energy source. This can be accomplished by acquiring the correct knowledge about the energy sources being used and obtaining the proper competencies necessary for the whole operation, including emergency circumstances. Competencies must therefore include knowledge of operations that may include, inter alia, extreme temperatures and pressures, toxicity, corrosiveness and high voltage, all of which can inflict harm and/or accidents.

When introducing alternative energy sources, the following are crucial:

- Collaboration with the relevant union/s, workplace safety committee, and Health and Safety Representatives
- A robust training scheme that guarantees the highest level of safety culture
- appropriate training that covers communication, risk analysis, operation and emergency situations
- knowledge about construction and design and relevant regulations
- adequate fire detection and fire-fighting equipment
- availability of proper lifesaving appliances
- provisions of adequate personal protection equipment for all personnel

## Ports

A holistic approach should be taken to port decarbonisation to ensure adequate planning for the required infrastructure. The paper focuses mainly on the provision of shore power, but this is simply one part of the picture. Technologies to support port electrification are available now, covering smaller vessels such as ferries, lines vessels, port workboats and even tugs. Likewise significant cargo handling equipment in ports could also be electrified, along with port vehicles. These will also require adequate charging stations which are resilient to flood and severe weather events.

The potential required electrical capacity for port electrification must be understood and factored into electricity system planning. It is likely that most ports will need substantial upgrades to their electrical supply and electrical system. If this work is not undertaken, a lack of electrical capacity will prevent the implementation of existing technologies.

We suggest that MERNAP include funding to support the development of whole-of-port decarbonisation plans, which would include:

- shore power
- electrification of port vessels
- electrification of port vehicles and machinery

- total potential port electrical demand, and any required upgrades to port electrical supply/transmission and port electrical and charging systems
- potential energy sources for larger vessels, bunkering needs, and any common user facilities required to support this.
- Any new risks and hazards to be managed

MERNAP should also provide a pool of funding to support the installation of the required port infrastructure. Clear expectations must be attached to this funding that the introduction of any new port electrification technologies not be used to undermine the existing port workforce or negatively impact port working conditions.

#### Bunkering of New Low or Zero Carbon Fuels

We support the development of port bunkering facilities, which we would understand are likely to be classified as Major Hazard Facilities under the WHS Act. Our comments above on safety also apply.

#### Shipping

We note the document's negative comment about AMSA's [Novel Vessel Policy](#), which requires DCVs powered by hydrogen, ammonia, or with electric propulsion and an installed battery power greater than 30kWh to be constructed and maintained in accordance with Class rules (with some flexibility in the application to battery-powered vessels).

Given the risks involved and the lack of clear standards for the construction of vessels with these fuels, this is an entirely reasonable policy. It is disappointing to see vessel operators complain about the cost of safe regulation.

The gap we see with this policy is that it does not address the training requirements for crew of these vessels. Our view is that at present the *Marine Safety (Domestic Commercial Vessel) National Law* provides a wholly inadequate framework for the safe regulation even of conventional vessels and training of their crew.<sup>4</sup>

Hydrogen is highly explosive. Ammonia is highly toxic to people and the environment – it is classified as 'Hazardous' by Safe Work Australia, as toxic by inhalation, and causing burns. At high concentrations, it can cause death by inhalation.<sup>5</sup> A liquid ammonia explosion in April 2013 decimated 4 blocks around a Texas facility, and shook the ground over 100km away.<sup>6</sup>

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<sup>4</sup> Maritime Union of Australia, [Stopping the Race to the Bottom on Maritime Safety in Australia](#), May 2021.

<sup>5</sup> IMAP – Accelerated assessment of industrial chemicals in Australia, [Ammonia and Ammonium hydroxide: Human health tier II assessment](#), 04 July 2014

<sup>6</sup> Ker Than, [Explosion Highlights Dangers of Anhydrous Ammonia](#), *National Geographic News*, April 21 2013.

Any vessels powered by hydrogen or ammonia or carrying these energy sources as cargo should be required to be Regulated Australian Vessels under the *Navigation Act*. Crew must have Navigation Act qualifications and vessels must have clear Minimum Safe Manning documents (MSMD) that reflect the danger and complexity of the energy source and/or cargo. Tripartite consultations with unions should take place on the MSMD.

This would ensure much higher standards for vessel construction, including Class standards, but also an appropriate number of crew trained to a significantly higher standard with much more seagoing experience. Entry level qualifications under the DCV National Law require no seagoing experience at all. Dangerous goods training under the National Law is not at all sufficient.

The inadequate regulation of higher-risk vessels under the National Law has been acknowledged in the recent review of the Law, which says that ‘there are DCVs that pose a higher risk that is not currently appropriately managed under the applicable NSCV standards,’ including vessels that carry ‘dangerous goods or hazardous and noxious substances’ and ‘novel’ vessels. The review suggests that AMSA should identify requirements to apply to higher risk DCVs, including relevant Marine Orders under the Navigation Act.<sup>7</sup>

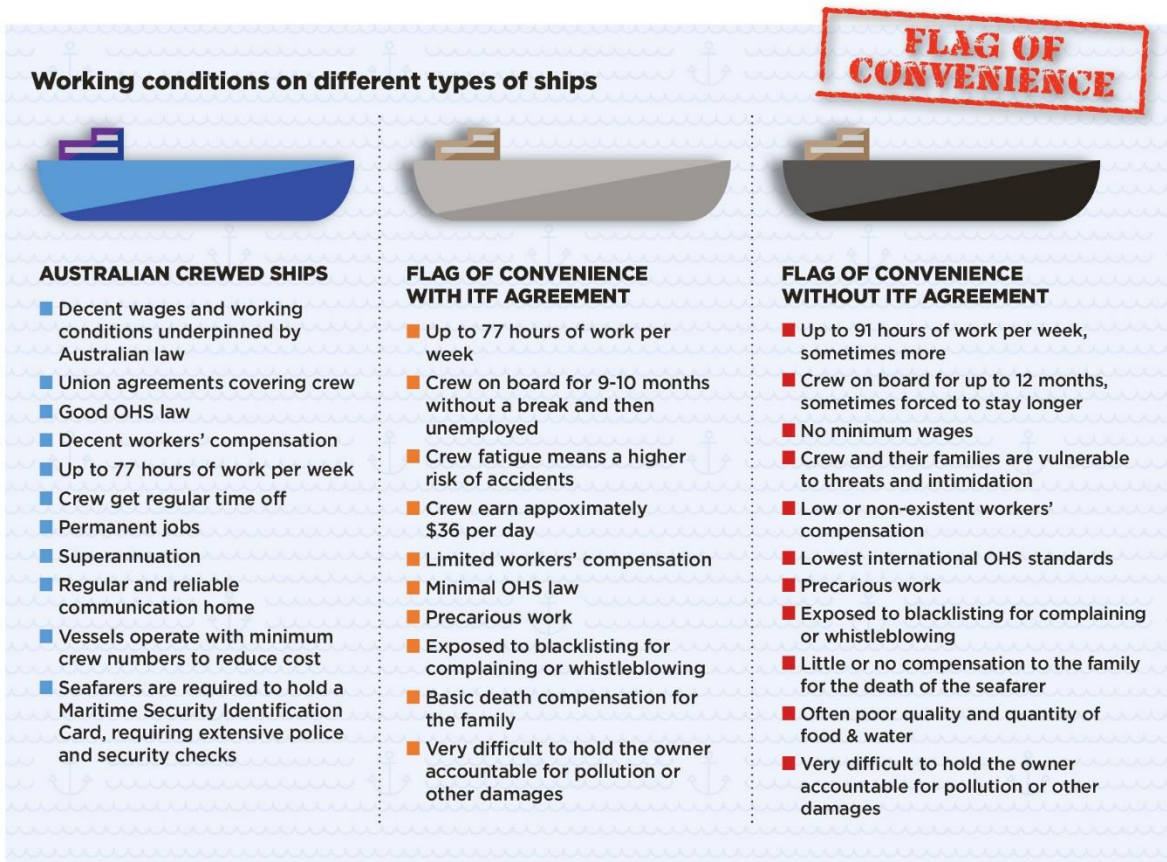
Seafarer qualifications will need to be updated to address all aspects of safe storage, transport and handling of these materials. Similar training updates will need to occur for workers in port terminals loading these materials.

Trading vessels carrying large volumes of hydrogen and ammonia within Australia and from Australia to international ports should also be Australian flagged and crewed ships, governed by Australian WHS and fatigue standards and regulated under the *Navigation Act 2012*.

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<sup>7</sup> [Independent Review of Domestic Commercial Vessel Safety Legislation and Costs and Charging Safety Report—Phase 1](#), September 2023, p.29-30

**Figure 1:** A comparison of working conditions on Australian and international ships.



**Source:** Maritime Union of Australia and International Transport Workers Federation

#### Application of other areas of regulation to the maritime industry

Appendix A covers our knowledge about how Safeguard, the NRF, and the PRF apply to the maritime sector. This is drawn from MUA submissions on these programs made earlier this year.

Topics include:

- Safeguard Mechanism and how it applies to maritime sector. Consequences of it only applying to certain companies in maritime.
- To understand if shipping emissions from the operations of Safeguard facilities are included in emissions reporting by those facilities? Or are they counted separately?
- Availability of funding and programs for the maritime sector in the National Reconstruction Fund and the Powering the Regions Fund, including the Industry Transformation Stream.

## Future Global Regulatory Environment

AMSA run excellent briefing sessions on the IMO MSC work program. It would be great to have a similar process on the IMO MEPC discussions.

It would be good if MERNAP could provide a summary of the relevant IMO MEPC and MSC workstreams around maritime decarbonization.

## Appendix A: Application of Safeguard, the National Reconstruction Fund and Powering the Regions to the maritime sector

### Powering the Regions Fund

#### **MUA Recommendations, 17 February 2023**

Shipping and dockwork is generally considered a ‘service’ to other industries. The PRF must be structured so as to specifically include the option for ‘services’ to be supported, as well as ‘projects’.

It is important that strategic fleet ships, and in fact all Australian registered ships that emerge from implementation of the Government’s shipping policy initiatives, are able access the *Powering the Regions Fund*.

We want assurances that the Fund, particularly the dedicated \$600 million Safeguard Transformation Stream within the Fund for trade exposed facilities where shipping provides a vital support service, could potentially be accessed by ship owners, ship operators or charterers of strategic fleet ships and other Australian registered ships that agree to meet or exceed a predetermined emissions reduction target for a strategic fleet ship or ships. This will help offset the cost differential disadvantage faced by Australian ships relative to foreign registered ships and help ensure a supply of fit for purpose ships that service industries, particularly in energy production, manufacturing, resources, agriculture/aquaculture and construction, that are seeking ways to address their scope 1, 2 and 3 emissions under the Government’s emissions reduction strategies and programs.

**Update on the application of the Powering the Regions Industry Transformation scheme** provided by Powering the Regions Fund – Policy Section on 2 June, 2023 ([Damian.Doyle1@dcceew.gov.au](mailto:Damian.Doyle1@dcceew.gov.au))

“The full details of project eligibility and merit assessment criteria will be confirmed when ARENA publishes the Program Opportunity Guidelines for the Industry Transformation Stream (ITS). You can register your interest with ARENA [here](#) to receive updates as the ITS is developed.

“We expect the ITS will be open to a wide range of sectors. The critical factor is whether the relevant entity and facility is required to report emissions under the National Greenhouse and Energy Reporting Scheme (NGERS) administered by the Clean Energy Regulator.

“Where a business is captured by NGERS, it is expected to be eligible to apply for ITS funding for projects such as fuel switching and electrification. You can find more information on NGERS, including who currently reports, on the Clean Energy Regulator [website](#).”

Based on our brief investigation, it seems like its eligibility comes down to whether the company is on the lists here:

<https://www.cleanenergyregulator.gov.au/NGER/National%20greenhouse%20and%20energy%20reporting%20data/Extract-of-National-Greenhouse-and-Energy-Register-by-year/national-greenhouse-and-energy-register-2021-22>

We did a few sample searches, and found the following maritime companies on the list: Teekay, Rio Tinto Shipping, Searoad, Transdev, Qube, DP World, Kelsian Group (Sealink).

However ASP, Hutchison, and TLine are not.

This is just indicative, please confirm any details with the Department of Energy.

## National Reconstruction Fund

Of the seven priority areas articulated for the National Reconstruction Fund to date, the following have a strong maritime component:

- Transport, although the consultation document did not specifically mention shipping
- Renewable energy, which includes offshore wind, and port facilities and vessels required for onshore and offshore renewable energy
- Value-add in resources, which almost always has a shipping component – either to transport raw materials to the refining facility, or to export refined materials

## The Safeguard scheme and shipping

### Excerpts from the MUA submission to the Safeguard consultation, 28 February 2023

Shipping services many of the high emissions industries which are included in the Safeguard Mechanism, such as steelworks (with ships carrying iron ore, coal, scrap steel, and steel products), alumina refineries (with ships carrying bauxite), aluminium smelters (ships carrying alumina and aluminium products), and many other industrial facilities.

There are also some ships directly included in the Safeguard Mechanism due to their emissions, including the Straitlink/Toll and TLine vessels that connect Tasmania to mainland Australia, and the Rio Tinto Marine vessels that carry bauxite from the NT and north Queensland to alumina refineries in Gladstone.

The Government has commenced implementation of its shipping policy election commitments. It has established a Strategic Fleet Taskforce (Taskforce) and is considering ways to close loopholes in the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (CT Act) which regulates Australian coastal shipping.

In December 2022, the Taskforce provided an Interim Report to the Government and is currently considering ways the strategic fleet could be established and operate in advance of providing a Final Report to the Government by 30 June 2023. An element of that consideration is examining how the strategic fleet and Australia’s marine transportation capability can not only be revitalised but support industries that are in transition and new industries to emerge, in response to decarbonisation imperatives.

It is important that strategic fleet ships, and in fact all Australian registered ships that emerge from implementation of the Government’s shipping policy initiatives, are able access the *Powering the Regions Fund* particularly the dedicated \$600 million Safeguard Transformation Stream within the Fund for trade exposed facilities where shipping provides a vital support service. Ships must also be able to benefit from any other funds for decarbonisation raised through the scheme, for example the new Safeguard Mechanism Credits, or any other future reforms directing support to industry decarbonisation. Large quantities of shipping services are used by Safeguard Mechanism facilities, and some of key areas are outlined in Table 1 below.

**Table 1:** Emissions from selected existing industrial facilities within the Safeguard mechanism with substantial shipping and maritime facilities.

|                               | <b>Facility</b>          | <b>Annual emissions<br/>Tonnes per annum<br/>CO<sub>2</sub>-equivalent</b> | <b>Maritime and shipping<br/>needs</b>   |
|-------------------------------|--------------------------|--|--|
| <b>Steelworks</b>             | Bluescope Steel          | 6,260,763  | Port facilities and shipping<br>for iron ore, coal, scrap<br>steel, steel products |
|                               | Liberty Steel, Whyalla   | 2,346,007  |  |
| <b>Alumina<br/>refineries</b> | Worsley refinery, WA     | 3,657,800  | Port facilities and shipping<br>for bauxite, alumina                               |
|                               | QAL refinery, Gladstone  | 3,300,358  |  |
|                               | Rio Tinto Yarwun         | 2,130,417  |  |
|                               | Pinjarra refinery        | 1,576,697  |  |
|                               | Kwinana refinery         | 1,292,269  |  |
| <b>Cement</b>                 | Cement Australia (Qld)   | 1,618,328  | Port facilities and shipping<br>for cement, limestone,<br>clinker                  |
|                               | Cement Australia (Tas)   | 1,047,925  |  |
|                               | Boral Cement NSW         | 1,019,669  |  |
| <b>Aluminium<br/>smelters</b> | Tomago, NSW              | 1,181,106  | Port facilities and<br>shipping for alumina,<br>aluminium ingots and<br>products   |
|                               | Boyne, Qld               | 898,887  |  |
|                               | Portland, Vic            | 594,849  |  |
|                               | Bell Bay                 | 355,698  |  |
| <b>Iron Ore</b>               | Pilbara rail operations  | 656,605  | Port facilities and shipping<br>for iron ore                                       |
|                               | Sino Iron – Cape Preston | 1,241,225  |  |



|                            |                         |           |   |
|----------------------------|-------------------------|-----------|---|
| <b>Transport</b>           | Qantas                  | 2,466,674 | Port facilities and shipping for fuel                                       |
|                            | Pacific National        | 912,770   |   |
|                            | Virgin Australia        | 845,653   |   |
|                            | Toll National Transport | 444,449   |   |
| <b>Lead/silver smelter</b> | Nyrstar Port Pirie      | 342,966   | Port facilities and shipping for ores and lead and zinc ingots and products |
| <b>Bauxite Mine</b>        | Rio Tinto Weipa         | 245,840   | Port facilities and shipping for bauxite                                    |
| <b>Vessels</b>             | TTLIne (Bass Strait)    | 129,262   | Vessels linking Tasmania and Victoria                                       |
|                            | Rio Tinto Marine        | 108,109   | Bauxite carrying vessels (NT/Qld)   |

**Source:** Downloaded from the Clean Energy Regulator, [Safeguard Scheme Reported Emissions 2020-21](#).

### Emissions-intensive, trade-exposed businesses and shipping

We welcome the proposed arrangements for tailored treatment for emissions-intensive, trade-exposed (EITI) businesses including dedicated funding to support low carbon investments through the Powering the Regions Fund, and differentiated decline rates for facilities with an elevated risk of carbon leakage.

We acknowledge the special requirements of EITI industries to decarbonise because of their high CO<sub>2</sub> emissions in the processing aspects of production. We further note that some of those industries are exploring carbon capture and storage (CCS) of emissions e.g. the cement industry, which is exploring technological options to extract carbon from the CO<sub>2</sub> intense calcination process. Given the location of cement production facilities relative to CCS storage facilities, sea transportation of captured CO<sub>2</sub> from production sites to CCS facilities remains a pathway under consideration by that industry to help meet its obligations in line with the requirements under the Safeguard Mechanism.

We note also that the cement industry, having regard to the Safeguard Mechanism Reforms outlined in the Position Paper, and the stage reached in the commercialisation of abatement measures is continuing to advocate for a Carbon Border Adjustment Mechanism (CBAM). We understand that now that the EU has given provisional agreement on a Carbon Border Adjustment Mechanism (CBAM), the concept is likely to be given renewed consideration in Australia.

Given the policy support being advocated in the Position Paper for tailored treatment of EITI businesses, including a possible Australian CBAM, and that shipping might form part of a CCS solution if that is proven commercially viable at scale, then we urge the Government and

Department to require a higher level of Australian content in the shipping components of the industry's supply chains, including ships that may be required for transporting captured CO<sub>2</sub>. We urge the Government and Department to ensure that the role for shipping, and a role for Australian shipping, in the decarbonisation of industries covered by the Safeguard Mechanism is integrated into the special requirements that Government is foreshadowing for the industries covered by Safeguard Mechanism, and in particular hard to abate EITI industries.

### Coverage of the Safeguard scheme and industrial transformation

It is also an issue with the overall design of the mechanism that not all facilities in an industry are covered by the Safeguard scheme. In the maritime industry, shipping companies Rio Tinto Marine and TLine are included, but others may not be directly included, depending on how emissions are reported between companies. We are unsure what the long term effects of this will be. All ship operators face similar challenges of reducing emissions from vessel fuels, including upgrading engines to use new zero-carbon fuels. Action should be coordinated across the whole industry.

### Australian Carbon Border Adjustment Mechanism

We support the Government's exploration of a Carbon Border Adjustment Mechanism for Australia (CBAM). An Australian CBAM has the potential to support global decarbonization and protect Australian industry and workers from unfair competition with foreign industry not required to abide with Paris-aligned emissions regulation. The government has flagged a future consultation on the introduction of an Australian CBAM, and this will need to carefully consider the question of ships' emissions and how they are reported and allocated to prioritise and encourage the use of high-quality domestic shipping, to complement the government's agenda to revitalise Australian shipping.