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AIGN submission

NSW Net Zero Commission Consultation Paper

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Introduction

AIGN is a network of industry associations and corporations that provides a forum for discussion on key climate change issues, as well as information and analysis on national and international climate change policy, and the role industry can play in the transition to net-zero emissions by 2050.

AIGN is committed to supporting cohesive, efficient, and predictable climate policies that align with Australia's Paris Agreement targets. We believe a harmonised approach across federal, state, and territory jurisdictions is essential to achieving our emissions reduction targets while maintaining investment stability and minimising sovereign risk.

The transition to a net-zero economy is complex and ambitious, and it needs to be managed collaboratively and with open dialogue. AIGN corporate members are on the frontlines of this transition; association members are valuable sources of expertise on the specific needs and challenges of their respective industry sectors as they move towards a net-zero future.

Summary

This submission makes three principal recommendations for NSW's net-zero strategy:

1. **Prioritise national coordination over fragmented or duplicative jurisdictional approaches.** NSW's 70% reduction target by 2035 cannot be achieved efficiently in isolation from national efforts. The interconnected nature of energy markets, supply chains, and industrial operations necessitates unprecedented coordination through mechanisms such as the Energy and Climate Change Ministerial Council (ECMC).
2. **Streamline approvals for transition-enabling projects.** Current regulatory processes make achieving a net-zero by 2050 goal logistically challenging. Projects typically face approval timeframes of 5-8 years and overlap with federal, state, and local requirements. NSW should champion coordinated approvals reform that extends beyond renewable energy to include critical minerals, industrial decarbonisation, and enabling infrastructure.
3. **Align policy, reporting and monitoring frameworks with national systems.** Multiple, disconnected policy frameworks and compliance requirements drain resources from decarbonisation activities. NSW can demonstrate leadership by harmonising with NGERS, the Safeguard Mechanism, and emerging federal frameworks while developing innovative monitoring tools that other jurisdictions can adopt.

National coordination is essential for success

While diverse state approaches can encourage innovation in some areas, Australia's emissions reduction goals require consistent, coordinated frameworks across jurisdictions to achieve the scale and speed of transformation needed by 2050.

NSW's ambitious 70% reduction target by 2035 cannot be achieved in isolation from national efforts, particularly given the interconnected nature of energy markets, supply chains, and industrial operations.

AIGN encourages NSW to commit to working co-operatively with the Australian government when implementing new programs and policies within its remit.

Actions at the state level should complement the broader national climate policy to effectively meet our emissions reduction commitments and ensure a smoother transition to a net-zero economy. AIGN encourages a strengthened effort towards jurisdictional coordination through the Energy and Climate Change Ministerial Council (ECMC). It notes that jurisdictions should align their approaches with national and international standards and refrain from duplicating efforts or creating policy inconsistencies.

NSW can support the coordination of measures and ensure consistency of engagement, playing a leadership role in ensuring that any new measures add value to the existing suite of policy measures and don't compromise the outcomes and potential success of the national policy approach.

AIGN Submission to Productivity Commission: Pillar 5 – Investing in cheaper, cleaner energy and the net-zero transition (June 2025)

Australia has an opportunity to further expand its competitiveness in lower-emission energy exports, building on its position in traditional export markets, e.g., LNG, particularly in emerging clean fuels and critical minerals - while strengthening key industries and achieving climate targets. Success requires clear, consistent, and streamlined policy approaches across jurisdictions that promote technology neutrality, reduce regulatory duplication, and accelerate approval processes without compromising environmental standards.

AIGN encourages the Net Zero Commission to consider its submission to the **Productivity Commission**, specifically on Pillar 5 – Investing in cheaper, cleaner energy and the net zero transition (https://www.aign.net.au/documents.html). That submission answers critical questions that the Net Zero Commission is asking in detail; however, considering the role State Governments can play in the net zero transition, AIGN reiterates these observations:

- **States play a critical role in enabling Australia's emissions targets through streamlined planning and approvals.** While states are not directly accountable for national emissions targets under International Agreements, their responsibility for land use, planning, environmental and development approvals gives them significant influence over the pace and cost of the net-zero transition. Efficient and well-coordinated state approval processes are crucial for unlocking investment and facilitating emissions reductions across the economy. Jurisdictions that move early

to streamline and coordinate planning frameworks will attract greater investment and play a leading role in enabling the national transition to net-zero.

- **Fragmented and inconsistent state-based processes are delaying transition-aligned projects:** State-led approval regimes often overlap with federal and local frameworks, creating delays, uncertainty, and increased costs for clean energy, industrial, and resources projects. These delays risk misalignment with national emissions targets, stranded investment, and reduced energy reliability.
- **Coordination is crucial for achieving national climate policy goals:** AIGN urges state governments to adopt nationally coordinated planning and environmental assessment approaches, including accredited bilateral processes, lead agency models, and time-bound approvals. State-based processes should complement, not duplicate, federal mechanisms like the Safeguard Mechanism and the National Greenhouse and Energy Reporting scheme.
- **States can support consistency and investment certainty by aligning with national policy instruments.** Alignment with the Commonwealth's Safeguard Mechanism, sectoral decarbonisation plans, and sustainable finance frameworks is essential.
- **States should lead in building social licence for transition infrastructure.** Through transparent, early, and regionally sensitive engagement, including with Traditional Owners and local communities, state governments can play a leading role in securing community support and reducing project risk. Coordinated efforts, such as regional planning hubs and standardised benefit-sharing frameworks, can help deliver more equitable and durable outcomes.

NSW opportunities in the net zero transition

It is a consistent view of AIGN, aligned with its policy principles, that to support national greenhouse gas emissions reduction targets and the efficient transition to a net-zero economy, actions at the state level should be designed to support an overall national climate policy approach.

An aligned, efficient, and predictable policy landscape is crucial for attracting investment, mitigating sovereign risk, and creating an environment where our international commitments can be fulfilled. AIGN is keen to continue engaging in open and frequent dialogue with State Governments to support this outcome.

To support this engagement, AIGN provides the following views.

1. Planning and approvals: where state leadership is essential

While mitigation should be focused on a national level, AIGN recognises that state and territory governments will focus their climate change policy approach within their specific areas of responsibility.

Specifically, they play a crucial role in planning approvals and processes for projects, including those that will support the transition to net zero and EPA licensing and

approvals. However, every endeavour should be made to ensure these align with national and international best practices.

Project planning and approvals

Conditions in all states and territories must deliver timely, cost-effective projects that attract investment in a competitive international environment. However, the often complex and protracted project approval processes risk disadvantaging these projects.

The scale of infrastructure deployment required to achieve net zero by 2050 cannot be achieved within the current approval timeframes. Industry members consistently report project delays of 12-36 months due to regulatory complexity, with some projects taking 5-8 years from conception to construction. At these timeframes, it is difficult to deploy enough clean energy, industrial transformation, and enabling infrastructure to meet our 2050 targets.

The challenge goes beyond headline approval timeframes to encompass "subordinate approvals" - the multiple secondary permits required from roads authorities, fire services, heritage bodies, and other agencies. While these seem minor compared to main approvals, they often take disproportionate time and pose significant project risks.

For example, one industrial decarbonisation project required detailed noise impact studies for introducing a backhoe at a remote facility with no residential neighbours within kilometres. Such requirements demonstrate how approval processes often lack proportionality and common-sense application of regulatory requirements.

Governments can promote streamlining and, ultimately, investment in the transition to net zero by coordinating with other jurisdictions, federal counterparts, and colleagues to develop measures to address these areas of the climate policy suite (e.g., project approvals reform, infrastructure projects, and data provision).

The approval process must facilitate the meaningful assessment and mitigation of potential project impacts within clearly designated (and adhered to) assessment timeframes. This will give project proponents certainty to incentivise the significant capital investments required.

AIGN members observe that the regulatory and policy frameworks of federal and state government agencies overlap, further exacerbating inefficiencies, adding compliance costs, and creating competing narratives that confuse stakeholders.

Greenhouse gas emissions and climate change are global environmental challenges addressed nationally through comprehensive legislative frameworks. These include robust systems for measurement, reporting, and verification; emissions caps with associated penalties; and policies to support the transition to a net zero economy.

Duplicating these frameworks at the subnational level does not enhance environmental outcomes. Instead, it increases the cost and complexity of project development and expansion, adding regulatory risk without commensurate benefit.

Greater alignment of sectoral pathways and industrial strategies across national, state, and territory governments would reduce confusion, eliminate inconsistencies, and minimise unnecessary regulatory burden.

To address these challenges, it is recommended that assessments for large projects be coordinated through a single process, providing a more straightforward pathway for both project proponents and regulators. Additionally, implementing bilateral agreements covering approvals between federal and state governments is essential.

In that context, we note that the Australian Energy Infrastructure Commissioner's (AEIC) Community Engagement Review recommended that:

> *The Commonwealth works with state and territory governments to review and/or implement appropriate oversight governance arrangements that should be in place for transition projects of national significance.*

In its response, ECMC Ministers agreed in principle to this recommendation. Acknowledging the review focused on renewable and transmission projects, the principal idea is sound.

While AIGN recognises that, in many cases, states and territories will lead on the governance arrangements related to projects, we encourage them to collaborate with other national agencies and to explore new ways of working together on significant projects. This should not be to add additional obstacles to project development and approval but rather improve the coordination of project approvals to better balance the timelines for approval with environmental assessment and community engagement.

AIGN encourages NSW to improve coordination with the Australian Government's project assessment and approvals and to coordinate with the Clean Energy Regulator on information relating to emissions management from proposed projects.

Clear and persistent leadership in this area from all jurisdictions is essential. This will involve robust conversations across jurisdictions and with multiple stakeholders.

Competing land use requires sophisticated analysis and coordination

NSW's transition planning must address competing demands for the same land resources. Renewable energy zones, critical minerals projects, carbon farming, industrial transformation facilities, and new agriculture to grow feedstocks for low-carbon liquid fuels and traditional agriculture often compete for the same "sub-economic marginal land" in regional areas.

Current planning processes often evaluate land uses separately, leading to the false assumption that unlimited, suitable land exists for all purposes. NSW requires more advanced analysis that maps competing uses, recognises genuine conflicts, and creates frameworks to resolve them, aiming to maximise overall benefits from the transition.

The NSW Agriculture Commissioner's land use mapping project provides a foundation for this work, but it should be expanded to include all transition-related land uses. This analysis should inform both state planning processes and contribute to federal frameworks like the Australian Carbon Credit Unit scheme.

Such mapping could also increase certainty for project proponents by identifying potential conflicts early in the development process, reducing project risk and supporting more efficient capital allocation.

A coordinated approach must extend beyond clean energy projects

While clean energy projects are crucial to NSW's transition to net-zero by 2050, other projects in the resource and industrial sectors are just as significant. The approval process for all projects supporting the net-zero transition must be streamlined. This does not mean lowering environmental standards, but rather acknowledging that certain energy, resource, and industrial projects are essential to global decarbonisation and national interest goals.

The development of critical minerals, for example, is crucial to the net-zero transition because it provides the components necessary for clean energy and infrastructure projects. The NSW Government's Critical Minerals Strategy recognises the role of the resources sector in achieving net-zero emissions; however, the strategy's success depends on reforms to approval processes that go beyond renewable energy projects.

For significant new clean energy capacity to be economically viable, the incoming supply must be matched by demand. Supporting the development of industrial projects will help attract investment in large clean energy initiatives. Reforms to approval pathways should enable tailored processes that consider the strategic importance and risk profile of all transition-aligned projects.

The Net Zero Commission could promote a strategic, national approach to project approvals that allocates responsibilities between state and federal authorities. Environmental considerations should be managed through applicable state and federal environmental laws, while climate-related issues should be addressed through suitable legislative tools such as the Safeguard Mechanism.

2. Community engagement requires early partnership, not late consultation

Successful infrastructure deployment requires community partnership from project conception, not consultation after designs are finalised. NSW's Renewable Energy Planning Framework and Benefit Sharing Guideline provide useful foundations, but they need to be expanded beyond renewable energy to cover all transition infrastructure.

The Energy and Climate Change Ministerial Council's work on community engagement provides a model for broader application. NSW should champion the development of national benefit-sharing standards that reduce transaction costs, improve consistency, and ensure communities see genuine value from hosting transition infrastructure.

This approach should recognise that energy infrastructure must be seen as a net benefit to local communities and the broader economy. Community support reduces legal risk, improves project timelines, and enhances social cohesion, all key enablers of the productivity benefits that infrastructure delivers.

3. The practical impact of policy fragmentation on business decisions

AIGN members report that policy uncertainty affects investment decisions across all business sizes, from SMEs to Australia's largest energy consumers. The fundamental challenge is energy access certainty - companies cannot commit to electrification or other decarbonisation investments without confidence in a reliable, competitively priced clean energy supply.

This uncertainty cascades through the economy. Businesses choose not to invest in electric alternatives because they cannot secure long-term energy supply agreements. Large facilities delay transformation projects due to unclear transmission pricing methodologies and access arrangements. These decisions compound over time, making emission reduction targets harder and more expensive to achieve.

The complexity around Australian Carbon Credit Unit (ACCU) accounting exemplifies these challenges. NSW's requirement for in-state ACCU generation, while understandable from an accounting perspective, creates potential dual reporting obligations for Safeguard facilities using both SMCs and ACCUs. A facility may need to report one set of numbers under federal requirements and another under state frameworks, resulting in additional compliance costs without any environmental benefits.

Article Six-style "corresponding adjustments" between state borders add further complexity. These accounting mechanisms may be necessary for state-level target tracking, but they should not create additional operational burdens for facilities already subject to comprehensive federal frameworks.

4. Jurisdictional coordination within a complex policy environment

A significant and complex policy agenda exists within the Australian Government and across states and territories. We encourage the NSW Government to support efforts across government to avoid misalignment, duplication of effort, and unintended consequences.

Investment conditions and stability

In AIGN's view, Australia must set and maintain conditions that support growth in a thriving economy transitioning towards a sustainable pathway, in line with Australia's net-zero by 2050 target. Such conditions will influence the pace and direction of climate policy, economic activity, and investment in Australian industry in the coming decades.

Institutional stability (particularly in the form of predictability of policies and regulations) is essential to attract the investment growth needed to increase renewable

energy generation and other technologies, support clean growth, and meet Paris Agreement goals.

A stable policy environment that encourages investment and facilitates timely approvals is crucial for industry to continue its role in the energy transition and ensure ongoing energy security. Concerted efforts in facilitation, cooperation, and streamlining by both State and Federal governments will be essential to advance the development of future resources, decarbonisation initiatives, and new energy projects.

Inconsistency in state and federal policy undermines the integrity of all schemes, and incremental policy builds a service sector culture of consultant-based reporting, rather than driving the critical investment in transformational low and zero-emission technology.

The Safeguard Mechanism and alignment with state and territory policy

Emission limits from large industrial facilities are managed via the Safeguard Mechanism.

The Mechanism has recently undergone substantial reforms that are designed to transition industry to net zero by 2050 and which are aligned with the Paris Agreement and Australia's nationally determined contributions (NDCs). With the implementation of these reforms, the Safeguard Mechanism now requires covered facilities to meet ambitious emission reduction targets (expressed as facility-specific declining baselines).

The Safeguard Mechanism is a carefully considered national approach that supports Australia in achieving its net-zero emissions target for the industrial sector by 2050. It has undergone significant engagement and testing. By imposing stringent emission reduction targets on large industrial facilities, the SGM creates a robust framework for decarbonisation.

The discussion paper seeks feedback on measures that should be considered beyond the Safeguard Mechanism to reduce emissions of the resources sector. The SGM offers incentives for decarbonisation – for example, shifting to low-carbon liquid fuels, further support to address the green premium transition could be considered.

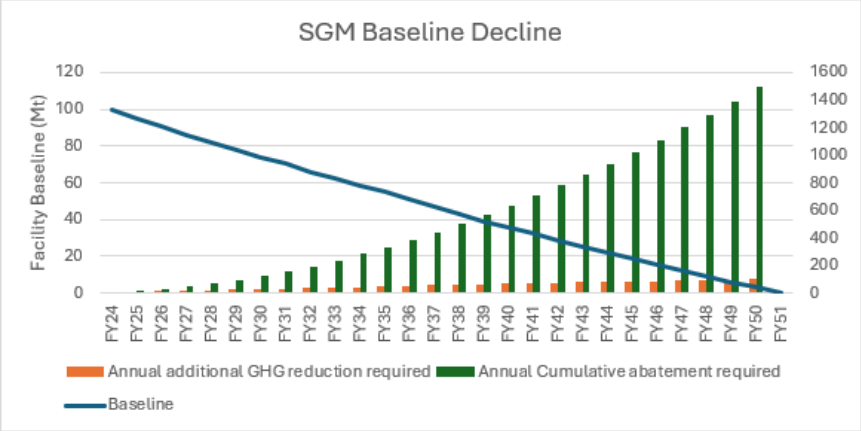
The NSW approach to Safeguard Mechanism facilities must be cognisant of the legal obligations they are subject to. Applying additional state-based emissions compliance obligations to Safeguard facilities is unnecessary and risks imposing additional burdens on NSW-based entities that are not experienced elsewhere.

AIGN urges NSW to recognise the detailed evidence base and incentives to decarbonise represented by the Safeguard Mechanism and align its policies with the national framework.

The following table shows the decline rate applied to baselines using an 'emission reduction contribution' factor representing the total baseline decrease since 1 July 2023:

Financial year	Decline rate	Emission reduction contribution
2023–24	4.9%	95.1%
2024–25	4.9%	90.2%
2025–26	4.9%	85.3%
2026–27	4.9%	80.4%
2027–28	4.9%	75.5%
2028–29	4.9%	70.6%
2029–30	4.9%	65.7%
2030–31	3.285%	62.4%

The following graph demonstrates the baseline trajectory and commensurate carbon units required for a notional facility covered by the Safeguard Mechanism.



The Safeguard Mechanism has also introduced steep penalties for not decarbonising at the pace set out by the annual decline rate for facility baselines. These facility baseline reduction targets can be achieved through onsite emissions reduction, technology transformation, or by offsetting any residual emissions above the annually declining facility baseline. If a facility is in excess as of 1 April following the relevant monitoring period, then:

- a penalty unit (currently $313) per tonne above the facility baseline is applied; and
- for each day that the facility remains in excess, an additional 100 penalty units per day will be applied.

In addition, the Regulator may also issue an infringement notice equal to the lesser of:

- One-third of the maximum penalty that a court could impose; or
- 150,000 penalty units (currently $47 million).

AIGN encourages the Commission to acknowledge the comprehensive nature of these policies and align its project approval processes accordingly. NSW's regulations for Safeguard Mechanism facilities must be consistent with the national framework, ensuring a cohesive and efficient approach to Australia's decarbonisation efforts.

5. Technology neutrality requires consistent recognition across policy frameworks

The transition to net zero requires all credible abatement technologies, including those that may serve as bridges to longer-term solutions. NSW's policy frameworks should recognise technologies like carbon capture, utilisation and storage (CCUS), low-carbon fuels including those domestically co-processed, industrial electrification, and firming generation (to support greater renewable deployment) from gas.

Inconsistent treatment of these technologies across different policy frameworks undermines investment certainty. For example (but not limited to), gas-fired generation may be recognised as essential for electricity reliability but excluded from sustainable finance taxonomy definitions, the capacity mechanism and the capacity investment scheme. Such inconsistencies create regulatory risk and deter investment in necessary transition infrastructure.

NSW should advocate for consistent technology recognition across federal and state frameworks, ensuring that all viable decarbonisation pathways receive appropriate policy support during the transition period.

6. Alignment on climate and energy reporting

Reducing greenhouse gas emissions is a global effort, as reflected in the consensus view of nations worldwide, as represented by the Paris Agreement. Therefore, it is appropriate for mitigation to be addressed at the national level.

We should aim for a globally consistent, verified national scope one greenhouse gas emissions inventory. If every country reported its Scope 1 emissions, which cover direct emissions from sources within its borders, Scope 2 and Scope 3 emissions would become redundant to report globally, as these indirect emissions (from electricity consumption and the supply chain) would already be captured in another country's Scope 1 inventory. This prevents double-counting and ensures all emissions are accounted for at the source.

While the transition toward comprehensive global emissions inventories and comparable reduction targets is ongoing, Scope 2 and Scope 3 emissions reporting offers insights into consumption-based emissions profiles. However, it is essential that we prioritise Scope 1 direct emissions, which are - and will continue to be - central to achieving emissions reduction targets consistent with the Paris Agreement.

A national approach: National Greenhouse and Energy Reporting Scheme

AIGN members must report their emissions information through the National Greenhouse and Energy Reporting Scheme (NGERS), an internationally recognised framework that is a foundation of Australia’s climate mitigation approach. Since its inception in 2008, NGERS has undergone regular reviews to update and refine its methodologies.

AIGN members, who represent a significant portion of NGERS-liable entities, have a strong track record of compliance. These members have invested substantial resources in building internal capacity and securing support services, such as consulting, measurement, reporting, and verification/auditing. They have also developed expertise in managing compliance requirements, including maintaining emissions databases and training personnel.

Given their experience, AIGN members are well-positioned to provide feedback on the impact of NGERS reporting (and state-based reporting) requirements on the day-to-day operations of liable entities. They can also offer informed perspectives on any proposed changes or additions to mandatory reporting.

Treatment of greenhouse gas species

Carbon dioxide equivalent (CO_2e) reporting provides a consistent and comprehensive framework to account for the cumulative warming impact of all greenhouse gases. This approach enables balanced prioritisation across sectors and emission sources, supporting a more effective and equitable climate strategy.

Prioritising methane reporting over carbon dioxide risks undermining this balance by isolating a single greenhouse gas, rather than addressing the full emissions profile. While methane is a potent short-lived climate pollutant, carbon dioxide has a far longer atmospheric lifespan and remains the principal driver of long-term climate change.

Overemphasis on methane may inadvertently delay necessary CO_2 abatement or encourage emissions shifting to other gases. A holistic approach, grounded in CO_2e reporting, is essential to ensure climate policies address both immediate and long-term climate risks effectively.

Scope 1, 2 and 3 reporting

Our primary goal must be a verifiable Scope 1 greenhouse gas emissions inventory that is globally consistent.

If every nation accurately reports its Scope 1 greenhouse gas emissions, which cover direct emissions from sources within its borders, Scope 2 and Scope 3 emissions become unnecessary to report globally, as these indirect emissions (from electricity consumption and the supply chain) would already be captured in another country's Scope 1 inventory. This prevents double-counting and ensures all emissions are accounted for at the source.

The NGERS framework is based on the concept of operational control and requires companies to report emissions produced at facilities they operate and control. Scope 1 emissions form the foundation of NGERS reporting, as they represent the direct greenhouse gas emissions from sources that a company owns or controls. Since these emissions are directly within a company's control, they represent the most immediate and direct contribution a facility may have to CO_2e emissions nationally. They are the most actionable in terms of reducing emissions.

This clarity is crucial for establishing a baseline for carbon accounting and regulatory compliance.

Measuring and reporting Scope 2 emissions can provide insights into a company's indirect emissions related to energy consumption. While these emissions are not generated within operational boundaries, they show an organisation's external energy demand. Including Scope 2 emissions aligns Australia with International greenhouse gas accounting standards, such as the Greenhouse Gas (GHG) Protocol.

Companies are accountable for their direct contributions and are actively implementing actions to manage and reduce these emissions. For example, companies can identify opportunities to improve energy efficiency, reduce fuel consumption, and lower operational costs. It can also drive innovation, develop cleaner technologies and processes, or support the transition to energy from lower-emission sources.

Reporting of Scope 3 emissions

Stakeholders hold differing views on the purpose and value of Scope 3 reporting. For AIGN members, the primary value lies in identifying and managing risk. Incorporating Scope 3 emissions into regulatory frameworks such as NGERS, which informs Safeguard Mechanism obligations, risks overstating a facility's influence over emissions and undermining data reliability.

While governments are progressing Scope 3 reporting requirements, AIGN emphasises the need for balanced, practical, and cost-effective approaches that reflect the limits of operational control. Scope 3 emissions—arising from suppliers and other third parties—are outside a company's direct control and are inherently complex, resource-intensive, and methodologically challenging to measure accurately, particularly where international supply chains are involved.

AIGN acknowledges that mandatory climate-related financial disclosures will include Scope 3 emissions reporting from the second year of implementation. To ensure a consistent and credible approach, we recommend that the ECMC establish a dedicated working group. This group should include representatives from reporting entities, investors, and auditors to examine the treatment of Scope 3 emissions across regulatory frameworks.

This working group should focus on several key areas:

1. **Purpose:** Clarifying why Scope 3 emissions data is needed and how different stakeholders will use it.
2. **Materiality:** Assess the significance of various Scope 3 emissions sources, such as supply chain emissions versus those from business operations and administration.
3. **Integration:** Ensure alignment with existing frameworks, such as Treasury's climate-related financial disclosures initiative and carbon border adjustment mechanisms.

A nationally coordinated, risk-based approach will support robust and meaningful Scope 3 reporting, while preserving clarity around regulatory expectations and reducing unnecessary compliance burdens.

State and territory approaches

AIGN members recognise that states and territories rely on reliable greenhouse gas reporting to support decision-making and use NGERS data to support their climate policy frameworks. This means that state and territory alignment with NGERS is essential. In mandating approaches to reporting that satisfy multiple priorities, a balance is required to ensure that the underlying data on which domestic climate policies (including state and territory policy) and our international climate commitments are based is credible, verifiable, and reported.

State and Territory governments can play a vital role in supporting a streamlined national approach that uses appropriate policy signals to achieve net-zero emissions while maintaining a robust economy. To ensure consistency and streamlining, all jurisdictions should ensure harmonisation with national greenhouse gas regulation, including using information and understanding the impacts of the National Greenhouse and Energy Reporting Scheme (NGERS) and the Safeguard Mechanism.

Harmonised and consistent reporting across multiple schemes supports the objective of providing Australians and investors with greater transparency and standardisation in this space. It also improves data consistency, reducing inconsistency that may undermine confidence in reporting.

AIGN encourages states and territories to make more effort to improve the coordination of their processes with NGERS reporting and other Australian Government initiatives (including mandatory climate-related financial disclosures) and to use these national frameworks to support their decision-making and approach to policy and program development.

7. Offset Guidance and recognition of ACCUs and international units

Carbon credits and offsets are crucial in Australia's Safeguard Mechanism, particularly in hard-to-abate sectors. Effective coordination between the Australian Government and State and Territory government agencies on treating offsets is essential to designing offset requirements that meet our emissions reduction objectives.

Offsetting emissions allows organisations the flexibility to meet targets while asset and technology decarbonisation plans mature, become economically viable, and are implemented. Hard-to-abate sectors use certified carbon credits to offset Scope One and Two emissions after implementing other measures to reduce emissions at a facility (e.g., design-out and operate-out).

Organisations need flexibility and diversity in their carbon credit portfolio, as this reduces exposure to any single country, geopolitical, method, developer, or Standard body risk that may impact supply and subsequently manage regulatory (i.e., State and Federal, SGM) and voluntary (i.e., corporate targets) demand.

This includes domestic and international units across a diverse range of abatement activities, which can be summarised under either avoidance, reduction, or removal activities.

NSW offset requirements are more restrictive than current federal standards, prioritising NSW-based projects and excluding international offsets. This limitation risks increasing compliance costs and reducing flexibility in achieving emissions reductions. Further, the requirement to provide detailed offset sourcing plans before project approval is impractical and could delay important developments.

High-integrity offsets, whether generated domestically or internationally, provide the same emissions offset benefit. NSW should avoid imposing restrictions based on geographic origin that undermine least-cost abatement.

To address climate targets, all abatement activities must be incentivised. We encourage regulation to consider a broad range of offsets, subject to minimum standards, including both Australian and International offsets.

8. Monitoring frameworks should enable transparency without creating duplication

The Commission's monitoring framework presents an opportunity to demonstrate how state and federal climate policies can work together efficiently. The framework should align with existing federal reporting systems, particularly NGERS, while providing additional insights into NSW's specific progress in transition.

Key indicators should include both emissions-related metrics and enabling factors such as:

- Renewable energy deployment rates against pipeline capacity
- Industrial transformation project progress and barriers
- Average approval timeframes for different project types
- Community engagement effectiveness measures
- Clean energy workforce development indicators

Data sharing between federal and state governments should be improved through "tell us once" approaches that reduce reporting burdens while improving policy coordination. This includes better integration of energy market data, industrial emissions data, and economic impact assessments.

NSW could champion a regulatory tracker approach

NSW could demonstrate national leadership by developing a comprehensive regulatory tracker that monitors approval timeframes, identifies bottlenecks, and tracks improvement measures. Victoria's online renewable energy project mapping tool provides a useful model that could be expanded to cover all transition-enabling projects.

Such a tracker would serve multiple purposes: providing transparency for government performance management, giving industry visibility of pipeline projects, and enabling evidence-based reform of approval processes. Most importantly, it would allow NSW to identify and address regulatory inefficiencies proactively rather than reactively.

The tracker should monitor approvals across all transition-enabling sectors - renewable energy, transmission, critical minerals, industrial transformation, and enabling infrastructure. This whole-of-economy approach would help NSW optimise its approval processes for maximum emission reduction impact.

Coordination and inconsistency: the gap between intent and practice

AIGN members recognise there is generally a sincere intent to align state and territory initiatives with the systems and methodologies used at a national level. However, for AIGN members, there are observable inconsistencies and a need for improved coordination. Without better alignment, there is a compliance cost, but there is also the potential for undermining confidence in data due to misinterpretation and misrepresentation.

In addition to the comments provided previously, the following challenges are observed by AIGN members

Theme	Feedback
Different thresholds for emissions reporting	The National Greenhouse and Energy Reporting Scheme (NGERS) has a facility-level threshold of 25,000 tonnes of CO_2e (Scope 1 and Scope 2) and a corporate threshold of 50,000 tonnes or more of CO_2-e that determines if a corporation has a reporting obligation. Parallel to this, the Safeguard Mechanism applies to facilities that emit more than 100,000 tonnes of CO_2e per year. State Government agencies do not tend to have those specific thresholds. While most AIGN members will be captured under the company threshold for emissions reporting at a national level, state-based initiatives should align with reporting thresholds and other obligations with national thresholds.
Treatment of emissions by source	The treatment of emissions by source introduces complexities due to differing regulations at the federal and

	state levels. Some states require more detailed lifecycle assessment methodologies for approvals reporting, including emissions from clearing, vegetation, and embodied emissions. Additionally, the Best Available Technology (BAT) must be used, even if it requires technology that is not readily available. Emissions from construction and decommissioning are also, at times, calculated and treated inconsistently with NGER requirements.
Independent assurance	A related issue is the matter of independent assurance. Where liable entities can rely on another corporate (multinational) report (e.g., ISSB) or an NGER report (completed at the level and with the information required by the framework), they should be able to use them. Likewise, it should be explicitly acknowledged that the independent assurance of these reports should also be accepted for compliance purposes. Accepted assurance should establish the validity of any claims made and have legal standing to be used to disprove any greenwashing claims brought against liable entities in interlinked guidelines.
Improved information sharing between jurisdictions for reporting and compliance	In recent years, governments, in Australia and internationally, have made progress on "tell us once" initiatives. While these have largely been targeted at improving the interactions between citizens and government, given the volume and scope of information now being collected by the Australian Government, states, and territories, there is value in governments considering how to better align programs (i.e. NGERS and state-based reporting) and the information required and apply a "tell us once" lens. There are likely data security and privacy matters to manage; however, systems have now evolved, and with the volume of information now required by government and already reported by companies, it is time to revisit our approach, both nationally and across jurisdictions.

AIGN members are available to engage further on these matters.

Conclusion: NSW can lead through coordination, not competition

NSW has significant opportunities to demonstrate national leadership in achieving net zero while maintaining economic competitiveness. However, success requires coordination rather than competition between jurisdictions, streamlined regulatory processes that extend beyond renewable energy, and policies that enable private sector investment in all transition technologies.

The Commission's independent status positions it well to advocate for policy coherence across governments and sectors. AIGN encourages the Commission to use this platform to champion practical coordination mechanisms through ECMC, evidence-based regulatory reform, and integrated monitoring approaches that other jurisdictions can adopt.

Industry is ready to partner with government in achieving these objectives but needs policy frameworks that reduce rather than increase regulatory complexity. The coordination challenges identified in this submission can be addressed with political will and practical collaboration between governments.

NSW's success in achieving its ambitious targets will ultimately depend on how well it integrates its efforts with national frameworks while maintaining the policy innovation and leadership that can benefit the broader Australian transition to net zero.