



Mr Jason McNamara  
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Dear Mr McNamara

**REGULATION IMPACT STATEMENT – FINAL ASSESSMENT SECOND PASS**

I am writing to seek final assessment of the attached draft Regulation Impact Statement (RIS) (see **Attachment A**) prepared for the Emissions Reduction Fund Safeguard Mechanism (OBPR ID NO. 16068).

I would like to thank your officers in the Office of Best Practice Regulation for their assistance in working with officers of the Department of Environment to finalise the RIS in accordance with your letter of 6 July 2015.

The estimated regulatory burden has, as far as possible, been quantified and offsets have been identified and quantified using the Regulatory Burden Measurement Framework.

I am satisfied that the RIS addresses the concerns raised in your letter, and further feedback provided by your office. The attached RIS has undergone revision to address your key concerns and now:

- provides a brief description of the policy context of the proposals, including how the individual proposals relate to the broader policy context and objectives;
- highlights the most significant proposals; and
- weights the analysis of the proposals according to their significance, with additional analysis of the most significant proposals.

Attachment B details the changes made to the RIS to address the comments made by the Office of Best Practice Regulation.

I am satisfied that the final RIS now achieves best practice consistent with the Australian Government Guide to Regulation and submit it to OBPR for formal final assessment.

Yours sincerely

Steven Kennedy  
Deputy Secretary  
Department of the Environment

21 August 2015

## Responses to OBPR's comments

I am satisfied that the RIS addresses the thirteen concerns raised in your letter of 6 July 2015. I have summarised OBPR's comments in bold below and set out the changes made to the RIS in response to each of these.

### General Comments

- 1. The RIS provides a short description of the overall policy context. This description should be slightly expanded to give the reader a better understanding of how the safeguard mechanism is intended to interact within the framework of related policies.**

Chapter 1 of the RIS has been updated to outline in more detail what the safeguard mechanism is, what it has been designed to achieve, and how it fits into the overall policy framework.

- 2. The RIS should highlight the most significant proposals, and weight the analysis and description of each proposal according to the magnitude of its impacts.**

A table has been included in the RIS that identifies the significance of each design decision. . Where decisions are considered key design elements, the options put forth for these elements, and the consideration of these options, have been treated accordingly..

- 3. The RIS should identify those proposals which can be considered to be minor changes.**

The RIS now identifies those design options/proposals which are considered to be minor changes in the design decisions table at Chapter 2 of the RIS and at Chapters 2.2.1, 2.2.2, 2.3.1, 2.3.3, 2.4.1, 2.4.2 and 2.4.4.

### Options and Impact Analysis

- 4. The options and analysis sections should focus on the proposals with the most significant impacts.**

This has been addressed by updating the RIS to address point 2 of the general comments.

- 5. The RIS should clearly outline whether the safeguard mechanism is intended to affect investment and production decisions, this should be clarified in terms of the overall policy and any investment distortions of specific proposals.**

Chapter 3 of the RIS, dealing with analysis of impacts, now identifies the impact of the safeguard mechanism on investment and production decisions.

- 6. The RIS should clearly state the overall objective of the safeguard mechanism in terms of both emissions intensity and the total level of emissions , and indicate how proposals contribute to meeting this objective.**

Chapter 1 of the RIS includes what the safeguard mechanism has been designed to achieve in terms of total emissions and emissions intensity. Where appropriate, options considered in the RIS identify how proposals fit in to the objective of the safeguard mechanism.

- 7. The RIS considers environmental benefits of the policy. . Any discussion of the environmental benefits of the policy and any conclusions should be appropriately framed in the context of the mechanism's objective.**

## Attachment B

The RIS has been adjusted so that comments around benefits are appropriately framed.

**8. The RIS should further analyse the distributional impacts of the policy across the economy.**

Chapter 3 of the RIS, dealing with analysis of impacts, now includes additional explanation of the expected distributional impacts.

**9. Where possible the RIS should include data from reliable sources that do not have an interest in the outcomes of the proposal. Where such data is unavailable, the RIS should discuss data limitations, and be appropriately circumspect about any conclusions.**

The RIS, and major design options in particular, have been expanded where appropriate to include additional sources of data and information used in the analysis of the design options.

**10. The RIS should clearly outline the significance of different timeframes, in particular where a component of the policy (such as a baseline) will continue in perpetuity and another component (such as ability to participate in the Emissions Reduction Fund) may terminate in the future.**

Additional information has been included in the RIS to clarify that the Emissions Reduction Fund (ERF) and the safeguard mechanism are enduring mechanisms.

**11. The RIS should clearly state that it recommends the set of options with the highest likely net benefit.**

The RIS now identifies in the first paragraph of Section 3 'Impact Analysis' that the recommended implementation options are those with the highest likely net benefit.

**12. Regulatory costings to be agreed by OBPR through further discussion.**

These costings have been agreed between the Department of Environment and OBPR.

### **Consultation**

**13. The consultation section focuses on the process of consultation but should also further outline key themes covered during consultation, how the views canvassed during consultation were incorporated into the policy and the extent of consultation undertaken on the regulatory costs of the proposals.**

Additional information has now been included in a new section 5.6 of the RIS, identifying the key themes raised during consultation and how the views of stakeholders canvassed during consultation were taken into consideration in the development of the policy. This new section also outlines how the regulatory impact was discussed with stakeholders as part of the consultation process.