



Australian Government

Department of Climate Change, Energy,
the Environment and Water

Mr James Leslie
A/g Executive Director
Office of Impact Analysis
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Email: helpdesk-OIA@pmc.gov.au

Dear Mr Leslie

Regulatory Impact Analysis – Safeguard Mechanism reforms – Second Pass Final Assessment

I am writing in relation to the attached Regulatory Impact Analysis (RIA) prepared for the Safeguard Mechanism reforms.

I am satisfied that the RIA addresses the matters raised in your letter of 14 April 2023. Specifically:

- A quantitative regulatory burden estimate has been included for administrative compliance costs for all three policy options.
- The impact assessment contains a clearer summary of the range of impacts of the reforms, including primary and secondary.
- The reasons for taking a largely qualitative approach, and preventing further quantitative assessment of net benefits, are explained. Many of the expected costs and benefits cannot be quantified due to challenges in isolating and attributing the impacts of specific policies relative to other drivers of abatement activity, including corporate climate commitments and shifts in global capital markets. Further, methods to quantify the benefits from resolving policy uncertainty are not well developed.
- The Reviews and evaluation section has been expanded to identify how expected impacts on Safeguard facilities will be tracked and inform the 2026-27 review and ongoing evaluation of the reforms. Qualitative information on impact of the reforms, including of the benefits that could not be quantified, will be collected through ongoing monitoring, including to feed into the 2026-27 review.

The administrative regulatory costs are estimated to average between \$3.7 million (Option 1 industry average baselines) and \$4.5 million per year (Option 3 hybrid baselines).



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Accordingly, I am satisfied that the RIA is consistent with the six principles for Australian Government policy makers as specified in the *Australian Government Guide to Regulatory Impact Analysis*.

I submit the RIA to the Office of Impact Analysis for formal final assessment.

Thank you to you and the Office of Impact Analysis for your work and engagement on this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Rowley', written in a cursive style.

Kath Rowley

A/g Deputy Secretary

Climate Change and Energy Group

Department of Climate Change, Energy, the Environment and Water

19 April 2023