

7 August 2026

Climate Change Authority

Submitted online



2026 Annual Progress Advice

The Australian Financial Markets Association (AFMA) is responding to the Climate Change Authority's (the Authority) 2026 Annual Progress Advice consultation paper.

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, energy and other specialist markets including carbon. We have more than 140 members, from Australian and international banks, leading brokers, securities companies, and government treasury corporations to fund managers, energy firms, and industry service providers. Many AFMA members are key participants in both the ACCU and SMC markets and Safeguard Mechanism liable entities.

Key Points

- **The current technology-neutral, market-based approach to emissions reductions is functioning efficiently to reduce emissions**
 - **Any reforms should look to preserve the principles that:**
 - **All emissions reductions are of equal value**
 - **The market should be used to identify the lowest cost reduction**
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The Authority has an important role in reviewing the efficiency, effectiveness and equitability of emissions related policies at a Commonwealth level. This could include assisting the Government to consider how to address the Productivity Commission's advice that emissions reductions policies require a national target-consistent carbon value for their cost-effectiveness to be consistently and transparently assessed against.¹ It is also important that the Authority's advice complements existing reforms in other policy areas, such as the NEM Review, to avoid duplicating or undermining collective efforts to achieve net zero by 2050.

The Safeguard Mechanism is working positively to help reduce industrial emissions and support this economy-wide transition. It is AFMA's view that this is as a direct result of its design, allowing the market to drive activity, at lowest cost and in the most efficient manner. AFMA therefore encourages the Authority to ensure that any proposed reforms identified in its advice, preserve the schemes' markets-based, technology-neutral approach.

¹ https://assets.pc.gov.au/2025-12/net-zero.pdf?VersionId=24kY9x7Ou_YqHvzI0z25kQO11I298byU&_gl=1*1yldh0z*_gcl_au*MTMxMDAyNTQ5Ny4xNzgZNTY5MzgW*_ga*MTIxMjE3MzAzNy4xNzQ2NDkzODcw*_ga_XNW84J8HF8*_czE3ODQ4NjkzNjckbzEzMiRnMC_R0MTc4NDg2OTM2NyRqNjAkBDaKaDA.

Question 4 – promoting solar, batteries and EVs

Consumer take up of rooftop solar and domestic batteries is currently very strong and electric vehicles are a growing part of new car sales.² AFMA notes that there are currently a number of markets-based schemes that are boosting household electrification such as the NSW Energy Savings Scheme, Peak Demand Reduction Scheme and Victorian Energy Upgrades Program. There are also a number of active rebates, concession and other programs available such as the Cheaper Home Batteries Program and Household Energy Upgrades Fund, as well as the various state-specific and private sector offerings. Therefore, while AFMA appreciates the policy objectives posed in this section to drive household electrification and transition to lower emissions technologies, given the array of incentives already on offer and their high levels of take up by consumers, we question the extent to which any additional incentives would be of value. Although there may be value in considering how effective this broader system is operating, in a similar manner to the review of the demand-side incentives provided by the Electric Car Discount earlier this year.

Question 7 – sector specific baselines

We do not support prioritising technologies, sectors, or facilities, beyond existing arrangements or TEBA facilities. Using the example presented to the Authority on the implications of prioritising emissions reductions from the coal and gas sector, we see no merit in prioritising carbon emissions from one sector or activity to another. A foundation of markets-based emissions reduction policies is that every tonne of emissions reductions, when standardised to CO₂-e, is equal. Changes to that basis moves away from the scheme's fundamentals, distorts the established market signals, and are likely to increase the cost of achieving Australia's emissions reduction targets. If some sectors are able to decarbonise at a faster rate than others, then AFMA sees this as a signal that the market is functioning well to provide least cost emissions reductions. These sectors will also be incentivised by existing mechanisms, such as the ability to generate tradeable Safeguard Mechanism Certificates (SMCs). As the paper highlights, differentiation will increase complexity and reduce scheme predictability. AFMA does not view the Safeguard Mechanism as the appropriate place to determine industry policy and regards the sectoral pathways and the associated complementary policies as the tool to work through sector specific abatement issues and opportunities.

Question 10 – onsite abatement

AFMA does not support preferencing onsite abatement and prefers allowing the market to determine the least cost way to reduce emissions. This would undermine the foundation of Australia's emissions policy that every tonne is equal. As the paper acknowledges, many onsite abatement activities and projects often require significant capital investment with long lead times and for these facilities, restricting the use of offsets will increase compliance costs and increases the risk that they may fail to meet their targets. Allowing the use of ACCUs gives liable entities flexibility about how they meet their targets and enables the scheme to achieve more ambitious emissions reductions more quickly and at a lower cost. To the extent that government wishes to provide further incentives for onsite abatement, we consider that this should be done outside of the scheme, to avoid distorting the market.

² https://www.aemo.com.au/-/media/files/major-publications/isp/2026/2026-integrated-system-plan-isp.pdf?rev=f2f142d0a8d740a986f186da17bb8a9d&sc_lang=en

AFMA views the current market-based framework as the optimal design to drive least cost emissions reduction and that within that framework, liable entities are best placed to determine the fastest, most economical and low-cost pathways to reducing their emissions. We also note that increasingly onsite abatement activities are being integrated into business-as-usual operations, including through the introduction of climate related financial disclosures, which will make it increasingly difficult to isolate investment for abatement from broader operational improvements. We think the existing requirement for entities to disclose if more than 30% of abatement activity comes from the use of offsets is appropriate, and do not think further action is required to drive onsite emissions reduction at this time.

As discussed above, AFMA thinks that it is important to preserve the principles that all emissions reductions are of equal value and that markets should be used to identify the lowest cost reduction. We think that options 2, 3 and 4 presented in Table 4 are not consistent with a market based approach and encourage the Authority to consider alternative market based approaches.

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide additional information or clarity as required. Please contact Monica Young via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,



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