



3rd November 2022

Liberty Primary Metals Australia

Consultation Response Submission: NSW EPA Draft Climate Change Policy and Action Plan 2022-25

Introduction to Liberty Primary Metals Australia

Liberty Primary Metals Australia is a member of GFG Alliance (GFG), which is an international group of businesses with steel, mining and energy assets across Australia, the United Kingdom, the United States and Europe.

Operations within Liberty Primary Metals Australia (LPMA) includes fully integrated steel manufacturing, a ferro metallurgical alloy operation, iron ore, and coal mining. Facilities span across South Australia, Tasmania and New South Wales, with SIMEC Tahmoor Coal the only facility within the New South Wales boundary. SIMEC Tahmoor Coal will be directly impacted by the implementation of the New South Wales (NSW) EPA Draft Climate Change Policy and Action Plan 2022-25.

Tahmoor Coal is an underground coal mining operation situated in the Southern Highlands Region of New South Wales, that is located just south of the Tahmoor township and approximately 75km south west of Sydney. The operation employs approximately 400 employees and contractors and supports many local businesses and charities through its sustainable development programs and sponsorships. Tahmoor Coal operates in the Bulli coal seam, with majority of its product being hard coking coal, while also producing small amounts of a speciality blend coal. The coking coal, used for steel making, is distributed domestically within Australia, and to European and Asian markets.

Executive Summary

Liberty Primary Metals Australia supports the New South Wales Environment Protection Authority (NSW EPA) commitment to strengthening its regulatory response to climate change through the Draft Climate Change Policy and Action Plan 2022-25. The actions proposed by NSW EPA reaffirms the NSW Government's net zero targets of a 50% reduction in greenhouse gas emissions by 2030, compared to 2005 levels, and net zero by 2050.

Liberty Primary Metals Australia agrees with key fundamentals of the draft plan in relation to:

- The strong narrative around sourcing feedback and collaborating with the regulated community. This includes NSW EPA consulting on the setting of sector-specific targets, the feasibility of applying licence requirements, and development of climate change mitigation and adaptation guidelines.
- Staging of the actions defined within the Climate Change Action Plan 2022-25, recognising the complexity of climate change policy. The approach is expected to be deliberate, systematic and well informed, allowing the regulated community time to consider and respond to new information and obligations.
- NSW EPA stating that they will seek to complement emission limits and other licence requirements set by NSW Government, with actions already taking place under the NSW Net Zero Plan. In addition, NSW EPA will consider alignment with actions proposed by the Commonwealth Government, such as the Safeguard Mechanism.
- The proposal that greenhouse gas limits could be applied as emission intensity based (CO₂-e per unit production), rather than an absolute. Taking an intensity based approach would allow for unconstrained production across industries and would decouple emissions from advancing economic growth.

LPMA recommend that in the design of the NSW EPA Draft Climate Change Policy and Action Plan 2022-25, that the NSW EPA further considers:

- The facilities that are captured under the Commonwealth Government's Safeguard Mechanism (SGM), which is being amended to deliver the Commonwealth Government's commitment to reduce national emissions to 43 per cent below 2005 levels by 2030. LPMA recommends that an exemption for NSW state-based targets is provided for those facilities with Safeguard Mechanism reducing baseline targets or regard the SGM target as a target for the purpose of the NSW Climate Change Policy. Alignment will reduce the associated administrative burden in reporting against alternate targets. In addition, the EPA must consider the fairness of applying penalties to businesses twice, where penalties or costs would already be applied under the Safeguard Mechanism.
- The definition of greenhouse gas emissions within the plan, which would ideally cover scope 1 and scope 2 under the same reporting framework used under the National Greenhouse and Energy Reporting (NGER) scheme, thus creating alignment between national and state frameworks, and reduce additional administrative burden.
- A level playing field is ensured for the existing regulatory community as they transition.
- Investment is Incentivised to achieve step-change reductions in emissions, without forcing Industry to invest in small step change improvements that will only become redundant.

- Taking an informed approach when considering stronger regulatory action in the medium to longer term, ensuring that suitable engagement is undertaken to understand the feasibility of climate change actions across industries.

Detailed Response

1. Staging the actions within the Climate Change Action Plan (CCAP) 2022-25

The Climate Change Action Plan 2022-25 indicates that the actions defined by the NSW EPA will be staged to cater for the complex and evolving climate change policy landscape. Liberty Primary Metals Australia agrees that staging is an important factor in implementing change, particularly in an evolving climate. This will ensure progressive and informed alignment with other emission reduction initiatives and accommodate industry specific considerations.

Liberty Primary Metals Australia recommends:

- NSW EPA not only implements an initial mandatory survey for licensees but assumes early and ongoing consultation to ensure an achievable pace is planned, noting consideration for other expectations, actions and proposals within the climate change space.
- Staging is tailored to specific industry sectors, with a transparent, evidence-based approach on setting reduction targets.
- Consideration is given to the regulated community to undergo a transition phase that allows the necessary time to prepare and meet additional obligations.

2. Requirement for Climate Change Mitigation and Adaptation Plans (CCMAPs)

The Climate Change Action Plan 2022-25, pillar 1, new action 2, expects the regulated community to develop and implement plans to minimise emissions and exposure to climate risks. Sub-action 2b details the progressive requirement for licensees to prepare and report in the form of climate change mitigation and adaptation plans (CCMAPs), with some sections expected to be published on corporate websites. Liberty Primary Metals Australia supports the request for transparency on plans to continuously improve on climate change mitigation and would seek an opportunity to be active in providing feedback throughout development of the CCMAPs framework.

Liberty Primary Metals Australia recommends:

- In addition to mandatory surveys, an opportunity for public consultation on the draft CCMAPs framework, with the option to review and give feedback specific to industry. Collecting specific feedback from varying sectors would give visibility to the EPA in developing a framework that's agreeable across the board.
- Noting that the EPA will consider using licence conditions to explicitly require mitigation adaptation actions to be implemented, it is encouraged that the approach taken is fair and reasonable, not to detract from progress made.
- Per Climate Change Action Plan 2022-25, pillar 2, new action 8, the EPA will prepare or adopt climate change mitigation guidance to support CCMAPs. The recommendation around guidance is that it is fit-for-purpose and the sought outcomes are created in conjunction with not only expert advice, but respective industries.

3. Development of greenhouse gas emission reduction targets

The Climate Change Action Plan 2022-25, pillar 2, new action 7, proposes the implementation of a series of greenhouse gas emissions reduction targets to support the NSW Government's net zero targets of a 50% reduction in greenhouse gas emissions by 2030, compared to 2005 levels, and net zero by 2050. Liberty Primary Metals Australia appreciates the importance of setting informed reduction targets and agrees with the intention to vary targets across sectors of the NSW economy.

Liberty Primary Metals Australia recommends:

- The NSW EPA engages in pro-active consultation with state and national Government departments to ensure alignment in objectives and targets, which will minimise additional administrative burden. Particularly, facilities recognised under the Commonwealth Government's Safeguard Mechanism (SGM), which will soon be required to implement reducing baseline targets. LPMA highly recommends an exemption for NSW-based targets for those facilities under the SGM, or alternatively, the SGM target is set as a target for the purpose of the NSW Climate Change Policy. In addition, the NSW EPA must consider the equality of applying additional penalties to facility, on top of penalties that would already be applied under the SGM.
- That not only are sector averages considered when setting reduction targets, but also site-specific conditions, such as inherent and uncontrollable differences, being the property of ores, a coal body itself, or the amount of gas in a coal seam. Other factors site-specific factors include the point in improvement project lifecycles, technology hurdles and costs, which will differ across businesses.
- It is encouraged that NSW EPA consider the use of intensities for reduction targets, rather than absolute emissions, which will allow unconstrained production and will decouple emissions from economic growth.
- The NSW EPA provides clarification on the boundary of what greenhouse gas emissions are included within the reduction target.
- Consideration be given to licensees regarding the potential cost impacts, as well as the availability and time required to implement relevant technologies to meet reduction targets.

4. Measurement and reporting of greenhouse gas emissions

To comply with the implementation of emission reduction targets per Climate Change Action Plan 2022-25, pillar 2, new action 7, an appropriate method of measurement and reporting will need to be set up. Liberty Primary Metals highlights the administrative efforts required to measure, collate and report on greenhouse gas emissions within industry and suggests that streamlining this task with other reporting requirements be a key consideration.

Liberty Primary Metals Australia recommends:

- The NSW EPA engages in pro-active consultation with other Government departments and regulators to ensure alignment in reporting definitions.
- Reporting of greenhouse gas emissions to consist of scope 1 and scope 2 emissions and exclude scope 3 emissions. Inclusion of scope 3 emissions in reporting requirements would require additional time and resources, where scope 1 and scope 2 should remain a focus.

- Consideration given to the use of the reporting method used under the National Greenhouse and Energy Reporting (NGER) scheme, which would create alignment between national and state frameworks, and reduce additional administrative burden.

5. Implementing licence emission limits and the ability to offset

Per Climate Change Action Plan 2022-25, pillar 2, new action 9, it is expected that greenhouse gas emission limits will be applied to licences for key industry sectors. Liberty Primary Metals Australia agrees that this is a practical action, with the sight that limits will be feasible and evidence-based greenhouse gas emission limits.

Liberty Primary Metals Australia recommends:

- Measurement and reporting on greenhouse gas emissions against limits aligns with the methodology proposed for measurement and reporting against reduction targets, e.g., NGER methodology.
- Introduction of an appeal process, such that site-specific and other factors can be put forth for consideration to lower non-feasible greenhouse gas limits.
- As with greenhouse gas reduction target setting, it is encouraged that NSW EPA consider the use of intensities for limits, rather than absolute, which will allow unconstrained production and will decouple emissions from economic growth.
- The ability to utilise offset units to gain a net decrease in greenhouse gas emissions and assist licensees in staying below applied limits.
- Consideration where there is an intention to apply offset units, but the market conditions are a barrier, with low-supply and high-demand.

6. Future consideration on a stronger regulatory response

The Climate Change Action Plan 2022-25 indicates that if reviews and reporting progress does not meet expectations, there will be consideration to further strengthen the regulatory response. The NSW EPA suggests this could be in the form of market-based instruments, or other economic incentives. Liberty Primary Metals Australia recognises the potential need for further action, provided decisions to implement such instruments are not to the detriment of the regulatory community, but rather support ongoing improvement efforts.

Liberty Primary Metals Australia recommends:

- Consultation with the regulated community prior to further strengthening the regulatory response through the introduction of market-based instruments, which should include feedback at a site level.
- Support in the form of incentives to assist industries meet their greenhouse gas emission obligations, particularly where there are clear barriers to continuously improve.

For further information or clarification in relation to this submission, please contact:

Emma James, Principal Sustainability Specialist, LPMA
Phone: 0401 438 357
Email: emma.james@libertygfg.com