

Rest Super Submission to the 2026-27 Safeguard Mechanism Review

September 2026

Rest welcomes the opportunity to provide views to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) during its 2026-27 Safeguard Mechanism Review.

Rest is one of Australia's largest superannuation funds, with over two million members – or around one-in-seven working Australians – and around \$112 billion in assets under management¹. We represent around one million members under the age of 30, who are decades from retirement. Many of our members work in part-time or casual jobs which can make it harder to build super consistently over their working lives. We put our members needs at the centre of everything we do, and we are deeply committed to maximising the retirement outcomes of our members.

Climate change poses a material financial risk to our members' retirement savings. Actions to manage against these risks provide investment opportunities as the world transitions to a low-carbon economy². Rest expects that unmitigated climate change could negatively affect returns over the long term, and we are therefore managing this risk and the opportunities accordingly. Rest has a long-term objective to achieve a Net Zero carbon footprint for the fund by 2050. Rest's approach is framed by and consistent with our regulatory and fiduciary obligations, including the best financial interests duty (BFID) we have to our members.

Climate change is an important concern of Rest's members. In a recent Rest member survey, 86% of our members said it is important that we invest in and support renewable energy and other sustainable initiatives³.

Rest considers that Government policies should incentivise decarbonisation more effectively across the economy. We welcome the Government's 2035 Nationally Determined Contribution (NDC), which provides a clear range (emissions reduction of 62% to 70%, on 2005 levels), and is one of many useful inputs into how we construct portfolios and in providing a level of certainty during investment decision-making.

We note recent Climate Change Authority advice to Government outlining that if the Government's 2030 emissions reduction target is to be achieved, the pace of emissions reductions must at least double, compared with the average rate achieved in the past 5 years⁴. To meet a 70% emissions reduction by 2035, the pace must more than triple. Government policies, including the Safeguard Mechanism, will play a critical role in driving this required acceleration in emissions reductions. The Government's *Net Zero Plan* identifies the Safeguard Mechanism as having the potential to help fill the gap. This is because the Safeguard is an established and stable scheme that is well understood by businesses⁵.

Importance of the Safeguard Mechanism to Rest

As a universal owner and long-term global investor, Rest acknowledges that climate change is a systemic issue which could lead to catastrophic economic and social consequences. As outlined in

¹ As at 30 June 2026.

² Rest (2025) [Climate Change Policy](#).

³ Research conducted by Redbridge Group, on behalf of Rest, via an online survey of 1,007 Rest members aged 18 and above between 23 January and 6 February 2025. The data is weighted based on Rest's gender and age weights to reflect Rest's membership profile.

⁴ Climate Change Authority (2025) [2025 Annual Progress Report](#).

⁵ DCCEEW (2026) [Safeguard Mechanism Review Consultation Paper](#). Page 35.

our Climate Change Policy, climate change and the transition to a lower-carbon economy will impact communities, regions, assets and sectors differently, presenting both risks and opportunities to the Fund.

Rest acknowledges the important role that the Safeguard Mechanism plays in driving abatement by Australia's largest industrial facilities. The Safeguard Mechanism applies to facilities that emit more than 100,000 tonnes of carbon dioxide equivalent (CO₂-e) in a year. It sets legislated limits, known as baselines, on the net greenhouse gas emissions of covered Safeguard facilities. The Safeguard's decline rate trajectory to Net Zero in 2050 provides a clear investment signal, particularly to in scope companies, which should help to develop emerging and prospective emissions reduction technologies.

The Safeguard limits the emissions of around 200 of Australia's biggest emitters. In 2024–25, covered emissions from Safeguard facilities made up 29.9% of Australia's total emissions⁶. We note DCCEEW's assessment that the Safeguard is now delivering a proportional share of Australia's 2030 emissions target.⁷

We note that the reviewed Safeguard Mechanism would be expected to continue to deliver a proportionate share of the 2035 emissions reduction target, similar to its contribution to the 2030 target, starting 1 July 2030. This would not preclude earlier resolutions raised by stakeholders on implementation issues, where consistent with the overall framework.

It is important to keep clear and credible rules in place for the Safeguard Mechanism, to ensure it continues to drive emissions reductions and provides clear policy intent and investment signals to companies, and investors like Rest.

Rest input into Review

As outlined in our Pre-Budget Submission 2026-27⁸, we believe that Government policy settings should align with driving Australia's emissions reduction to the top of the 2035 national emissions reduction range (emissions reduction of 62% to 70%, on 2005 levels). The Safeguard should play a proportional share in driving ambition in achieving this emissions range. Reforms to the Safeguard should deliver lowest-cost, most efficient abatement to the Australian economy⁹.

As noted by DCCEEW, a key source of flexibility for Safeguard facilities is the option to surrender project-based offsets—ACCUs—from outside the scheme. Offsets give Safeguard facilities access to an additional source of abatement—which may be cheaper than reducing their own emissions. We also note that Safeguard demand for land sector offsets is channelling investment into regional communities. These projects have the potential to create regional jobs, including in First Nations communities; and protect Australia's landscape—improving soil health and reducing erosion, enhancing biodiversity, and mitigating wildfire risk¹⁰.

IGCC research has found, however, that the present design of the Safeguard Mechanism will not drive significant on-site abatement and heavy reliance on offsets could continue¹¹. This is because

⁶ Clean Energy Regulator (2026) [2024-25 Safeguard Mechanism data](#). Page 5.

⁷ DCCEEW (2026) [Safeguard Mechanism Review Consultation Paper](#). Page 1.

⁸ Rest (2026) [Pre-Budget Submission 2026-27](#). Page 13.

⁹ IGCC research has found that a 5 to 7% decline rate from 2031 to 2035 is consistent with the 2035 target range. IGCC (2026). [Safeguard Mechanism Reforms: How to Futureproof Industry](#).

¹⁰ DCCEEW (2026) [Safeguard Mechanism Review Consultation Paper](#). Page 2.

¹¹ IGCC (2026). [Safeguard Mechanism Reforms: How to Futureproof Industry](#). IGCC also highlights long-run price visibility in the carbon market as an issue of concern.

the carbon signal sits below the cost of most on-site abatement, so facilities offset their emissions instead.

Rest supports the Government exploring the most efficient ways that the Safeguard Mechanism design can further accelerate on-site abatement relative to use of offsets in the least cost and most efficient way. On-site emissions abatement in Australia's largest industrial facilities can reduce long-term transition asset risks. Transition risks, in aggregate, can pose a risk to expected member returns. Investing in emissions abatement technologies can also create opportunities for companies and investors.

While the Safeguard is Australia's most important driver of the Net Zero trajectory, it currently only covers around one third of Australia's emissions. For Australia to reach Net Zero by 2050 in an orderly way, other Government policies will also need to drive an acceleration in economy-wide emissions reduction.

As noted in our 2026-27 Pre-Budget Submission, another important driver of Australia's success in meeting its emissions reductions targets will be ensuring public and private capital work cohesively in supporting the clean energy transition¹². Recent industry research outlines Australia's Specialist Investment Vehicles (SIVs) focused on clean energy collectively manage over \$60 billion in public funds, but have \$30 billion yet to be deployed¹³. As noted in the report, these public funds have tended to invest in the same areas as private capital, limiting their ability to de-risk early-stage or higher-risk transition projects. Rest supports the Government continuing to consider how the SIVs' roles can be enhanced to better support the crowding in of private capital (including the super sector) to the clean energy transition, where it is in the best financial interests of members.

The Future Made in Australia (FMIA) reforms will help Rest, and other institutional investors, identify a long-term pipeline of good-quality investments that generate valuable financial benefits for our members and also support investments into areas including the energy transition to a low carbon future. FMIA reforms can also drive the development of technologies that support carbon abatement and assist hard-to-abate sectors to decarbonise. Rest encourages the Government to monitor how FMIA support is incentivising investment in emerging industries and crowding in institutional investment to those industries. This includes where blended finance, such as Government entities investing alongside the private sector, is supporting the Net Zero transition.

Conclusion

Rest values the opportunity to engage in DCCEEW's consultation and provide this submission. We would welcome the opportunity to further discuss any matters outlined in this submission at your convenience.

¹² Rest (2026) [Pre-Budget Submission 2026-27](#). Page 13.

¹³ Mandala (2025) [Optimising Australia's Specialist Investment Vehicles for the Net Zero Journey](#).