Woodside Energy Ltd.
ACN 005 482 986
Mia Yellagonga
11 Mount Street
Perth WA 6000
Australia
T +61 8 9348 4000
www.woodside.com

FOR PUBLICATION

22 January 2024

Department of Climate Change, Energy, the Environment and Water (DCCEEW)
Safeguard Mechanism Operational Policy Team

Via email: safeguard.mechanism@dcceew.gov.au

Dear Safeguard Mechanism Operational Policy Team

SUBMISSION: SAFEGUARD MECHANISM REFORMS, INCLUDING INTERNATIONAL BEST PRACTICE BENCHMARKS

Woodside welcomes the opportunity to provide feedback on DCCEEW's proposed Safeguard Mechanism reforms released in December 2023, with specific reference to the draft international best practice benchmarks for use by new facilities and facilities producing new products.

As DCCEEW is aware, Woodside aims to thrive through the energy transition by building a low cost, lower carbon, profitable, resilient and diversified portfolio.[1] Our climate strategy has two key elements: reducing our net equity scope 1 and 2 greenhouse gas emissions and investing in the products and services that our customers need as they secure their energy needs and reduce their emissions.

We reiterate our view that a fair, robust and transparent Safeguard Mechanism can lead to a reduction in Australia's emissions, including by encouraging businesses to invest, innovate and adopt new practices and technologies. However, it is important that this goal be pursued in a manner that is consistent with published policy positions and supports Australia's competitiveness in a decarbonising global economy.

The key recommendations from our submission, detailed in the Attachment, are:

1. Publish open, transparent, and aggregated data sets and calculations for the international best practice values to promote transparency and integrity and allow for detailed discussion on proposed metrics.
2. Re-engage industry to discuss alternatives for setting the international best practice. Consistent with Woodside's previous submission on this topic, a more appropriate approach that aligns with the Guidelines would be using top quartile (or similar) facility level performance data.
3. Establish a verification process with industry to ensure the international best practice values determined under the Guidelines are appropriate, accurate and reflective of real-word operations.
4. Detail how DCCEEW have adjusted the international best practice values for the gas industry for Australian conditions, and if no or limited adjustments have been made, outline how the characteristics of facilities selected can be replicated by the Australian gas sector so that it is consistent with the Safeguard Mechanism Guidelines for Setting International Best Practice Benchmarks (the Guidelines).[2]
5. Confirm if impacts (to jobs, investments, domestic gas provision or other socio-economic matters) from the proposed international best practice values have been modelled and

[1] For Woodside, a lower carbon portfolio is one from which the net equity scope 1 and 2 greenhouse gas emissions, which includes the use of offsets, are being reduced towards targets, and into which new energy products and lower carbon services are planned to be introduced as a complement to existing and new investments in oil and gas. Our Climate Policy sets out the principles that we believe will assist us achieve this aim.
[2] Guidelines for setting international best practice benchmarks (dcceew.gov.au).

considered for each distinct industry, particularly given the interrelated related nature of some industries (for example, those that are anticipating gas to support their emissions reduction activities and / or manufacturing processes).

Australia has the natural resources to support both the renewable and non-renewable energy developments which will be needed as populations increase and energy consumption rises. These natural endowments provide Australia with an opportunity to be a regional and global leader in the energy transition in line with our climate commitments. But we must get the policy settings right to embrace the opportunities presented by a strong Australian gas industry, and we look forward to engaging constructively to achieve this outcome.

Woodside has appreciated DCCEEW's open and constructive engagement to date on the Safeguard Mechanism rules and looks forward to further discussions as to how the international best practice benchmarks are set.

Yours sincerely

Tony Cudmore
Executive Vice President Strategy and Climate

Attachment 1: Woodside response to the Safeguard Mechanism Reforms, Including International Best Practice Benchmarks

Issue	Comment
Lack of open, transparent, and aggregated data sets and calculations used to determine the international best practice benchmarks.	Given the interest and debate on climate and energy policy, Woodside's preference would be for the data, facility information, calculations and any adjustments under the Guidelines to be published. This would promote transparency and trust in the Safeguard Mechanism scheme and also reflect best practice for policy formulation. At present, it is unclear why this information cannot be shared openly, or confidentially with impacted safeguard facilities if there are privacy or confidentiality concerns. This issue is relevant when considering how DCCEEW has followed the Guideline to set the draft international best practice values proposed versus other open-source best practice metrics. As Woodside stated in its last submission in August 2023, selecting top quartile performance or the top 20 performing facilities would be a better reflection and consider broader trends and not outliers. In the scenario whereby DCCEEW review the proposed international best practise emissions intensity for oil and gas extraction and remove international facilities whose data sets are unclear, we would expect a revised emissions intensity value to be based on the top 10% of domestic production. In this scenario we would heavily caution cherry-picking local facilities which are not representative of Australian conditions or global industry performance. For example, Woodside's not-normally staffed Pluto A Platform was designed with limited offshore processing facilities initially installed prior to the installation of water handling facilities later in field life resulting in emissions intensity performance significantly lower than the Australian industry average, represented by the default production variable for oil and gas extraction. If this facility was selected to represent domestic top 10% best practice emissions intensity for oil and gas extraction, this would not be representative of the technology and design options available for future offshore development activities. Therefore, it would risk setting onerous emission intensities based on an outlier facility, which is a position Woodside noted in our original submission. **Recommendation:** **1.** Publish open, transparent, and aggregated data sets and calculations for the international best practice values to promote transparency and allow for detailed discussion on proposed metrics. **2.** Re-engage industry on the proposed international best practice values. **3.** Establish a verification process with industry to ensure the international best practice values are appropriate, accurate and reflective of real-word operations.

Adjustment of the international best practice benchmarks for Australian conditions.	Per the Guidelines, DCCEEW will make adjustments for the geology and climate to ensure Australian conditions are considered. Given this policy position, DCCEEW should publish what consideration was given to Australian conditions across each of the proposed international best practice benchmarks (where applicable) and what changes, if any, this resulted in. Woodside has also previously raised concerns during Safeguard Mechanism consultations in 2022 and 2023 on the exclusion of emissions associated with imported electricity. Woodside understands that the facilities selected to represent international best practice for LNG production have selected electricity drive technology supported by imported electricity which results in scope 1 emissions that are not representative of the complete facility performance. **Recommendation:** **4.** In the scenarios whereby international facilities are used in the data set, detail how DCCEEW have adjusted the international best practice values for the gas industry for Australian conditions, and if no or limited adjustments have been made, outline how the characteristics of facilities selected can be replicated by the Australian gas sector so that it is consistent with the Guidelines.
It is unclear if any socio-economic impact modelling has been done to understand economy wide impacts or to confirm if calculations across sectors are consistent.	Woodside is concerned there may be significant unintended consequences from the unintentional misapplication of the Guidelines to determine values across not just the oil and gas sector but to adjacent industries that rely on, or are targeting the use of, gas as a feedstock as part of their energy and / or decarbonisation plans. **Recommendation:** **5.** Confirm if impacts (to jobs, investments, domestic gas provision or other socio-economic matters) from the proposed international best practice values have been modelled and considered for each distinct industry, particularly given the interrelated related nature of some industries (for example, those that are anticipating gas to support their emissions reduction activities and / or manufacturing processes).