

7 October 2025

Director Policy & Strategy
NSW Environment Protection Authority
Head Office
Parramatta NSW 2124

Dear Director Policy & Strategy

NSW must not expand on federal emission reduction policies and increase red tape

The purpose of this letter is to share research and analysis conducted by the Institute of Public Affairs (IPA) with the NSW Environment Protection Authority (NSW EPA) as it conducts its consultation on proposed requirements for NSW's large greenhouse gas emitters.

As part of the state's pursuit of net zero emissions by 2050, the NSW EPA has proposed new rules targeting the reduction of greenhouse gas emission by NSW businesses. This includes imposing additional reporting requirements on businesses that emit more than 25,000 tonnes of CO₂-e emissions per annum (directly and indirectly), and obligations to create and implement Climate Change Mitigation and Adaption Plans (CCMAPs) setting out facility-level emission reduction targets and plans to meet those targets.

IPA analysis finds the proposed emission reduction rules present a risk to energy security and NSW's economic prosperity through excessive and duplicative regulations on Australian industries.

The NSW EPA proposed rules should be abandoned, and the policy of net zero by 2050, the interim emission reduction targets, and the *Climate Change (Net Zero Future) Act 2023*, must be repealed and abandoned.

Net zero will impose harsh economic and humanitarian costs on New South Wales, despite the state's negligible contribution to global emissions

Australia emitted approximately 1 per cent of the world's total CO₂ in 2023, and New South Wales itself only contributes roughly 0.25 per cent of the world's emissions.

At roughly 8.7 megatonnes, industrial processes in New South Wales – the types of entities likely to be captured under the EPA's proposed rules – contributed only 0.02 per cent to the world's aggregate share of CO₂ emissions in 2023.

The focus on carbon emissions at a state level will have negligible impact on global emissions. But they will have significant economic and energy reliability impacts locally. There is already observable and documented evidence that emission reduction goals have jeopardised NSW's energy security.

The Australian Energy Market Operator's (AEMO) 2023 National Electricity Market Electricity Statement of Opportunities report (ESOO) identified a reliability gap in NSW starting from the current 2025-26 financial year. A subsequent update to the 2023 ESOO forecasted a further escalation to the NSW electricity grid's supply reliability gap between the 2025-26 and 2027-28 financial years. It was only after the decision was made to delay the retirement of the Eraring coal-fired power station, following the release of IPA research,¹ that the forecast reliability gap was able to be addressed for the aforementioned period. However, this decision contradicts the priorities of the NSW EPA, which is to reduce emissions from coal mining.

¹ Scott Hargreaves, Daniel Wild and Kevin You, *Liddell The Line In The Sand* (Institute of Public Affairs Research Report, May 2023)

IPA research has identified that significant number of jobs in high-emitting industries of manufacturing, agriculture, mining, and energy supply will be put at risk in the process of reducing emissions to net zero. The analysis estimates that up to 138,095 jobs across NSW will be put at risk, with 67 per cent of these jobs located in rural and regional NSW.²

These are jobs that are likely to never return. IPA analysis has found that since 2010, for every one job created in ‘renewable activities’, five manufacturing jobs have been destroyed.³

The EPA’s proposal will add to record red tape levels imposed in New South Wales

Under the NSW EPA’s proposed rules, strict climate change conditions will be written into Environment Protection Licences held by owners or operators of various industrial premises to implement best practice regarding recycling, reuse, and prevention of pollution.

The conditions proposed would cover five key areas of annual emission reporting, the preparation of Climate Change Mitigation and Adaptation Plans (CCMAP), undertaking industry-specific mitigation actions, measuring emissions, and setting emission limits. These conditions would be requirements to obtain Environment Protection Licences that amounts to a significant increase regulatory and administrative burden for any entity subject to it.

The proposed emission reporting changes by NSW EPA are also a duplication of federal regulation. Reporting on emissions is a regulatory framework that already exists at the federal level under the National Greenhouse and Energy Reporting Scheme (NGERS). While the *Climate Change Mitigation and Adaptation Plans: Proposed Mitigation Requirements* consultation draft states that NSW EPA will accept information provided under the NGERS, it will also capture facilities that do not currently report under the NGERS.

Such a duplicative reporting scheme needlessly increases regulatory burden onto existing industries, and to capture other industries in the emission reporting framework, opening up those industries to further regulation and more stringent emission reduction targets.

There is already a record amount of red tape imposed on businesses throughout the country. Red tape at the federal level (which applies nationally, including in New South Wales) has grown by 88 per cent since 2005. In addition, the state government enforces over 111,000 restrictive clauses in primary and delegated legislation, according to previous research by the IPA.⁴ The level of restrictive clauses currently in NSW, and in every state and the federal government, is the highest on record.⁵

The EPA’s proposal will expand on the federal government’s costly Safeguard Mechanism

The proposal to require high-emission facilities to reduce emissions by way of CCMAPs will apply to any facility that emits more than 25,000 megatonnes of greenhouse gas annually. This is a significantly lower threshold than even the federal government’s Safeguard Mechanism sets at 100,000 megatonnes of greenhouse gas emissions.

The Safeguard Mechanism mandates that Australia’s most emission-intensive facilities must reduce their carbon emissions below a specified threshold, with the excess to be offset by way of purchasing carbon credits. These can be in the form of Safeguard Mechanism Credits from other facilities that

² Daniel Wild and Kevin You, *An Analysis Of The Employment Consequences Of A Net Zero Emissions Target In NSW* (Institute of Public Affairs Research Report, February 2023)

³ Cian Hussey and Daniel Wild, *Net Zero Jobs: An Analysis of the Employment Impacts of a Net Zero Target in Australia* (Institute of Public Affairs Research Report, February 2021)

⁴ Lachlan Clark and Saxon Davidson, *The Growth of Red Tape: Causes and Solutions* (Institute of Public Affairs Research Report, November 2023)

⁵ Ibid

emit below their regulated levels, or Australian Carbon Credit Units which are created through carbon abatement activities.

The use of the carbon credits is to offset emissions to a net baseline level or below. Each carbon credit represents a tonne of carbon dioxide or carbon dioxide equivalent emissions and, by mandating entities to participate in the trade and the surrender of carbon credits, IPA analysis of the Safeguard Mechanism's 2023-24 data found that the carbon credit cost under the Safeguard Mechanism could accumulate to \$11.7 billion from the 2024 financial year to the 2030 financial year (of which \$1.9 billion would be paid by facilities in NSW), at an average of \$1.7 billion per annum.⁶ This is aside from the other costs of reducing emissions that may be incurred.

While the NSW EPA proposal to reduce emissions is not intended to incorporate carbon credits, they may be used as a measure of last resort, meaning demand for carbon credits could rise off the back of new rules imposed on NSW facilities. Given the credits are subject to market forces, this will likely drive prices of carbon credits and increase carbon credit costs more generally.

In other cases, the alternative to offsets is the use of new emission-reduction technology or, when the technology is not available, to lower emissions directly through reduced operations, including closure. Operators that are unable to feasibly outline how they will achieve emissions may be denied approval for an Environment Protection Licence.

Recommendations

The IPA recommends that the imposition of further emission reduction red tape be abandoned because the cost will be significant and quantifiable, whereas the concrete benefits are unclear. The broader policy of net zero emissions by 2050 should be repealed alongside the pieces of legislation that support them, and NSW should lead the charge in prioritising energy security and the wellbeing of NSW residents above vague climate considerations, just as it did when the government extended the life of the Eraring Power Station.

I wish to thank NSW EPA for the opportunity to offer this submission. Please do not hesitate to contact me at [REDACTED] for further discussion regarding this submission.

Kind regards,

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⁶ Adam Creighton and Saxon Davidson, *The Safeguard Mechanism: Australia's self-imposed 'Trump tariff'* (Institute of Public Affairs Research Report, July 2025)