

15 September 2025

Dear Sir/Madam

Submission to the Productivity Commission Interim Report

We appreciate the opportunity to provide feedback on the interim report and to contribute to the ongoing discussion on the design of Australia's Safeguard Mechanism and for actions to improve housing resilience.

The Clay Brick and Paver Institute Limited (**Think Brick Australia**) is the peak industry body representing Australia's clay brick and paver manufacturers. The Australian brick industry is worth approximately \$2.8 billion to the national economy and creates employment for 30,000 people nationwide in the manufacturing and installation of its product. Think Brick Australia undertakes extensive research on behalf of the industry and provides technical resources and training.

Draft Recommendation 1.2 - Safeguard Mechanism Threshold

The proposal to lower the Safeguard Mechanism threshold from 100,000 tonnes CO₂-e per annum to 25,000 tonnes would have significant unintended consequences for the Australian manufacturing sector, particularly for producers of building products such as clay bricks.

1. Impact on Home Construction Costs

- Brick is a fundamental building material in Australian housing. Subjecting only a small number of large, efficient facilities to the Safeguard Mechanism would increase costs for those producers.
- There would be additional compliance costs for monitoring, reporting and auditing as well as additional staff.
- These additional costs will flow directly into the supply chain, raising the cost of home construction at a time when affordability is already under pressure.
- The threshold design could encourage the reopening of smaller, less efficient kilns, pushing up the cost of bricks and, in turn, the price of new homes.

2. Inequitable Treatment Across the Industry

- The vast majority of Australian brick industry sites operate below 25,000 tCO₂-e per annum and would remain outside the mechanism.
- Only the largest, most modern and energy-efficient plants would be captured. This creates a perverse outcome where less efficient smaller facilities avoid costs, while larger state-of-the-art facilities — often the most competitive and lowest-emissions producers — are penalised.
- This undermines incentives for scale, when in fact scale is essential for both efficiency and competitiveness.

3. Risk of Carbon Leakage and Offshoring

- Higher costs on Australia's most efficient plants increase the risk of production shifting offshore to less regulated jurisdictions, undermining both Australian jobs and global emissions reduction efforts.
- May financially incentivise the construction of smaller and less efficient brick kilns, or the re-opening of older, highly inefficient brick kilns, that are below the baseline threshold.
- This outcome is counter to the policy's objective and weakens domestic manufacturing resilience.

4. Punishing Early Movers and High Efficiency Larger Kilns

- When the Safeguard Mechanism was first introduced, facilities were limited in their ability to claim credit for emissions reductions already achieved. By effectively "picking a start date and assuming nothing was done before then," the mechanism risks punishing early movers.
- The Australian brick industry has made significant strides in reducing its carbon footprint. For instance, Brickworks has achieved a 61% reduction in Scope 1 and 2 greenhouse gas emissions since 2006, equating to over 293,000 tonnes of CO₂ emissions avoided annually. This progress is attributed to investments exceeding \$400 million in energy efficiency, alternative fuels, and operational improvements.
- Larger kilns benefit from economies of scale, enabling greater energy efficiency. For example, Brickworks' Horsley Park Plant 2, Australia's most advanced brick manufacturing facility, has achieved a 58% reduction in energy intensity and a 44% reduction in greenhouse gas intensity compared with FY2018, thanks to its recent upgrades.
- Any effective scheme should recognise past reductions and reward early action. Larger kilns, which are typically the most energy-efficient, should not be penalised for already achieving significant emissions reductions, while those yet to take action, and likely to be much less efficient, face no such obligation.
- The gap between industry leaders and laggards is clear. Yet under the proposed threshold reduction, leaders who have already invested heavily in efficiency are penalised, while laggards face less accountability.

5. Complexity Without Reductions

- Even at the existing 100,000 tCO₂-e threshold, the Safeguard Mechanism is complex. Extending it to 25,000 tCO₂-e would pull in a wide range of smaller industries, creating administrative burden without driving meaningful additional reductions.
- Instead, the focus should be on carbon intensity outcomes and pathways that support genuine decarbonisation — not on widening the compliance net in ways that drive costs but no real emissions benefit.

Rather than lowering the threshold, as an alternative we recommend:

- Maintaining the 100,000 tCO₂-e threshold, which already captures the largest emitters without distorting smaller, highly localised industries such as brickmaking.
- Recognising carbon intensity improvements, ensuring that companies investing in efficiency are rewarded, not penalised.
- Supporting investment in low-carbon technologies (such as bioenergy, process innovation, and material substitution) that deliver genuine emissions reductions while maintaining affordability for Australian households.
- Developing product- or sector-based approaches that reflect industry differences and allow a fair transition pace, a pace that customers and technology can sustain, without destructive impacts on housing affordability or domestic manufacturing.

This is not a case of doing nothing. The brick industry is already reducing emissions, with clear pathways for further abatement. But policy must balance ambition with practicality. A sudden, steep reduction in the Safeguard threshold risks unintended consequences: higher costs for homebuyers, carbon leakage offshore, and punitive treatment of the very companies leading on efficiency.

Draft Recommendation 3.2 – Develop a nationally consistent climate resilience rating system for housing

Think Brick Australia supports the development of a climate resilience rating system for housing that would minimize the damage of future climate events, specific to the location.

There is already industry supporting material that is available to assist builders and households improve a properties resilience.

Draft Recommendation 3.3 – Governments should agree on a series of actions to improve housing resilience over time

Improving resilience to the impact of climate change and the impact of increasing temperature for Australia's current and future housing stock is critical. Housing needs to be built with resilient materials that are durable and have low maintenance. As an industry, the knowledge is already available and can easily be implemented.

Research has been undertaken by Think Brick assessing future climate and modelling the impact that this will have using the Nationwide House Energy Rating Scheme (NatHERS) and developing designs that will better suit the changing climate. We fully support action in this area and would be willing for providing this research.

In summary we urge the Commission to reconsider the proposed threshold reduction and instead design a mechanism that recognises progress to date, drives genuine emissions intensity improvements, and supports Australia's manufacturing competitiveness into the future.

Kind regards,



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CEO
Think Brick Australia

