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## **Submission to the Federal Government Safeguard Mechanism Review**

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### *Introduction*

Aviation currently contributes to around 2.5% of global CO<sub>2</sub> emissions<sup>1</sup>. However, its contribution to global warming is closer to 4%, when other emissions and contrails are taken into account<sup>1</sup>.

Airbus are predicting global air traffic will more than double between 2026 and 2045<sup>2</sup>.

In the Australian context, domestic jet fuel emissions are currently increasing at 4.2% annually<sup>3</sup>. Domestic passenger numbers are forecast to nearly double between 2025 and 2049-2050<sup>4,5</sup>.

The two main airlines in Australia, the Qantas Group and Virgin Australia, are both subject to the Safeguard Mechanism.

### *The Australian outlook*

Market leader, Qantas Group, are claiming that despite this massive increase in traffic, they will be able to reach a point of Net Zero emissions by 2050, through a combination of:

- fleet renewal with more efficient aircraft
- “undeveloped technologies”
- increased use of “Sustainable Aviation Fuel” (SAF), and
- carbon credits or offsets<sup>6</sup>.

Similarly, Virgin Australia has committed to a target of Net Zero by 2050, to be achieved through:

- fleet renewal and operational efficiencies
- increased use of SAF, and
- carbon offsets<sup>7</sup>.

It is worth noting that for FY25, SAF purchases represented 0.3% of the Qantas Group’s fuel uplift<sup>6</sup>. As of July 2026, there is still no domestic SAF project in Australia that has reached Final Investment Decision<sup>8</sup>.

The departing head of industry group the International Air Transport Association (IATA), Willie Walsh, recently said that aviation is highly unlikely to meet its Net Zero 2050 aspiration, and that “*hope was fading fast*”<sup>9</sup>. Walsh blamed aircraft manufacturers, fuel suppliers and governments for lack of support in achieving the transition away from fossil oil derived jet fuel.

At present, zero emission technology, such as hydrogen or electric powered aircraft are under development. However, neither have reached anywhere near the development or scale where they

could be considered viable to replace medium to long haul jet aircraft, with Airbus now delaying their planned hydrogen powered propeller aircraft until well into the 2040s<sup>10</sup>.

The Qantas Group and Virgin Australia face a combination of:

- diminishing returns from new conventionally powered aircraft and airspace efficiencies,
- a domestic SAF industry that is years, if not decades, away, and
- massive growth forecast for the Australian airline industry.

This essentially leaves them with two options, claim carbon offsets or credits against their Scope 1 emissions coming from jet tailpipes, or curb their planned growth until actual zero emissions technologies are developed and implemented.

### *Australian airlines, the Safeguard Mechanism and their 'Net zero 2050' path*

Notwithstanding the above, Qantas claim they will achieve 30-40% of their Net Zero requirements through non-aviation carbon reduction or removal projects<sup>6</sup>. Virgin Australia have not nominated a figure, claiming that fleet renewal will deliver 85% of their self nominated 2030 “emissions intensity” target<sup>7</sup>. Note that emissions intensity is measured in CO<sub>2</sub> emissions per air seat kilometre (CO<sub>2</sub>/ASK), and does not necessarily bear any relation to either gross or net emissions. In 2024, Qantas subsidiary Jetstar claimed a reduction in CO<sub>2</sub>/ASK of 0.9%, whilst at the same time increasing their flying hours by 12%<sup>11</sup>.

Regulatory oversight of the Australian airline industry’s path to Net Zero 2050 remains inadequate. Qantas and Virgin Australia will face no penalty if their emission trajectories fail to align with a path to Net Zero 2050. The Australian government has chosen to set no interim emissions reduction targets — no ‘62 to 70% by 2035’ — against which airline industry progress to 2050 would be monitored.

Net Zero 2050, the goal of the Safeguard Mechanism, will not hold a warming increase to well below 2°C<sup>12</sup> — the aim of the Paris Agreement. Yet Qantas claims to support “*the aims of the Paris Climate Agreement to limit warming to well below two degrees Celsius above pre-industrial levels*”<sup>6</sup>, as does the Australian government.

However, Net Zero 2050, is based on a serious underestimation by the IPCC of the actual rate of global warming. Its modelling in 2022 — from which the Net Zero by 2050 target is derived, and in turn on which the Safeguard Mechanism’s annual emissions reductions are based — projected global warming not hitting 1.5°C until 2040<sup>13</sup>. Global temperature increase is already 1.5°C in 2026, while in Australia it was actually 1.6°C last year<sup>14</sup>. A 2°C increase is now likely by the early 2040s, rather than later this century<sup>13</sup>. Net Zero 2050 is an outdated target that can no longer be credibly considered a pathway aligned with holding warming to well below 2°C.

Keeping global warming well below 2°C can no longer be achieved solely by stopping new emissions. Past CO<sub>2</sub> emissions, now at 426 ppm, also need to be urgently removed from the atmosphere and drawn down to below 350 ppm<sup>15</sup>. Planned aviation industry growth that relies on the use of SAF and offsets, thwarts rapid drawdown.

We note that The Australia Institute has recently released a research paper analysing the Safeguard Mechanism<sup>16</sup>. The paper makes a number of findings that are relevant to the aviation industry in Australia. These include:

- there has been no aggregate reduction in gross emissions under the scheme
- carbon offsets have been scientifically discredited and are no substitute for actual reduction
- avoidance offsets do nothing to remove carbon from the atmosphere
- removal offsets are of limited use against emissions that will remain long term in the atmosphere
- companies are permitted to use offsets to meet 100% of their Safeguard obligations
- the possibility of using international offsets with even less integrity will further undermine the Safeguard Mechanism
- The Mechanism is “not fit for purpose” to decarbonise Australia’s industries.

## *Reform of the Safeguard Mechanism*

To prevent 2°C of global warming and restore a safe climate now requires both halting new emissions rapidly and drawing down existing emissions. Even if we reached zero emissions today, the existing 426 ppm of atmospheric CO<sub>2</sub>, is sufficient to drive warming for centuries, and could push it well past 2°C, with the risk of then triggering uncontrolled further heating feedback loops.

To align with this climate reality, the following reforms to the Safeguard Mechanism are required, if it is to continue as the principal mechanism driving Australia emissions reductions, to meet points ii, vi and viii of Section 12 of the *Climate Change Authority Act 2011*.

- Disallow the calculation of SAF emissions based on its 'life-cycle' emissions
- Disallow the purchase and surrendering of ACCUs and SMCs from the calculation of Qantas and Virgin Australia emissions, to bring Australia's aviation emissions accounting in to line with that of other wealthy industrialised nations such as the EU and the UK.
- Drastically accelerate the annual emissions reduction required for Qantas and Virgin Australia from the current 4.9%
- Significantly increase the penalty for each tonne of excessive CO<sub>2</sub> emissions by Qantas and Virgin Australia over their annual baseline, from the current \$36.99
- Examine whether Qantas and Virgin international emissions would be more effectively reduced by the Safeguard Mechanism rather than CORSIA.

## *Conclusion*

The Australian airline industry is forecast to double in passenger numbers by 2050, the same year its two main players claim they will reach Net Zero emissions. Climate science has demonstrated that actual emissions reductions are essential, which negates the reliance on both the claimed life cycle reductions through the use of SAF, and/or the use of carbon offsets or credits to attempt to emissions mitigation.

Emissions from the planned growth trajectory of the airline industry cannot credibly be wished away with SAF and offsets. The Climate Change Authority must challenge Qantas and Virgin Australia as to how they intend their future emissions plans to align with the climate science requirements to meet the Paris Agreement.

## *Footnotes*

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2. <https://www.airbus.com/en/products-services/commercial-aircraft/global-market-forecast>
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