



# USING INTERNATIONAL UNITS TO HELP MEET AUSTRALIA'S EMISSIONS REDUCTION TARGETS

Statement by the Chair, Mr Bernie Fraser

7 July 2014

The Climate Change Authority is today releasing a paper on how recourse to international 'units' can assist countries, including Australia, to meet their emissions reduction targets, and contribute to the goal of limiting the increase in global average temperatures to 2 degrees Celsius, compared with pre-industrial levels .

Meeting that goal requires concerted global action. Genuine reductions in emissions, wherever they occur, contribute to that endeavour, even when these reductions (units) are purchased by another country and count towards that country's target.

International units can be generated by a variety of activities, including renewables and energy efficiency programs, similar to those pursued in Australia. Trade in the units creates the opportunity for emissions abatement to be sourced at lower costs than might be possible domestically.

## **International units in the Australian context**

The Authority has argued that Australia should employ a wide range of policies in responding to the challenges of climate change. This 'tool kit' should include market and non-market policies (including light vehicle emissions standards).

In its *Targets and Progress Review*, the Authority recommended that Australia should aim to reduce its emissions in 2020 by more than the current minimum target of 5 per cent (compared with 2000), and that international units be used to complement domestic measures to achieve whatever 2020 target Australia settles on.

This paper focusses on the practicalities of Australia accessing international emissions reductions for this purpose. It notes the different types of units currently and prospectively available and identifies those categories which the Authority considers the most appropriate for Australia to buy. It also discusses the likely supply and costs of international units, and draws on the experiences of other countries to canvass options on how Australia might go about buying selected units.

Three points stand out:

- (i)** The supply of units appropriate for Australia's use currently outstrips demand by a considerable margin, and prices are at historically low levels (less than \$1 a unit).
- (ii)** Global demands and supplies of credible units out to 2020 and beyond are subject to many uncertainties but, on the basis of forecasts presently available to the Authority, the current situation of an over-supply of units and relatively low prices could be expected to continue for some time, almost irrespective of any conceivable level of demand for units from Australia.
- (iii)** Several countries (for example, Norway, Austria, Sweden, and France) have established government funds to purchase international units and some (for example, the European Union, Norway, New Zealand,

the Republic of Korea, and South Africa) allow direct access to international markets by private entities. As discussed in the paper, experience suggests either approach (or both) would be relatively straight forward to implement and administer.

### **Conclusion**

Mr Fraser concluded that the thrust of this paper was quite clear: Australia should be gearing up now to actively participate in these international markets to help ensure that its emissions reductions targets for 2020 (and beyond) were pursued in cost effective ways.

He also noted that there was strong support among both industry and environment groups for Australia to follow this course.

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### **Background note**

*The Climate Change Authority is an independent statutory body established in 2012 to provide expert and balanced advice on climate change policy issues (including Australia's emission reductions goals). It comprises members with considerable expertise in relevant disciplines, including climate science and economic policy, and is backed by an experienced and independent secretariat. The Government has introduced a Bill to abolish the Authority; that Bill is still before the Parliament.*

*This paper is the third leg of the trifecta of recent papers from the Authority; it follows the release of papers on vehicle emissions standards (Light vehicle emissions standards for Australia), and on issues relevant to the forthcoming Paris meetings on international climate action (International climate action: priorities for the next agreement).*