

## SUMMARY

Climate change is a global phenomenon. In its Targets and Progress Review, the Authority argued that international emissions reductions should be used to complement domestic efforts to meet Australia's emissions reduction target.

This paper provides detailed information on the practicalities of using international units. It examines a range of different types of units and flags those which Australia might use. There is a large quantity of units available in the market that could meet Australia's needs at very low prices (currently around \$1 or less per unit). Using international units would be relatively straightforward to implement and not very resource-intensive.

International trade in emissions reductions has a legitimate place in reducing greenhouse gas emissions. As long as the underlying emissions reductions are genuine, they have the same effect on global climate outcomes as domestic reductions.

International trade offers Australia access to genuine emissions reductions from around the world. By expanding the set of emissions reduction opportunities, trade helps reduce costs and can support stronger targets where it may not be cost effective to do this through domestic actions alone. International emissions reductions can therefore be seen as an environmentally sound and cost-effective complement to domestic emissions reductions for Australia.

While the material in this paper is directly relevant to how international units (including the particular units that might be accessed) can be used to meet Australia's 2020 target, be it a reduction of 5, 15 or 19 per cent or whatever, the primary purpose of this paper is to argue the general case for the use of international units and how this could be best executed.

In preparing this paper, the Authority consulted widely with market analysts, fund managers, administrators of other government purchase programs, multilateral development banks and other interested stakeholders.