



Australia's Low Pollution Future Fact Sheet

International Action

Stabilisation is only possible with action by all major emitters. If the world acts now, using efficient policy frameworks, it can lower the cost of reducing carbon pollution globally. Participating in global emissions trading will reduce the cost of Australia's contribution to the global mitigation effort.

Global action and global growth

Australia and global economies will maintain strong, long-term economic growth while reducing emissions. Average annual growth continues at a slightly slower rate across all mitigation policy scenarios, relative to a world without climate change. For example, average annual growth of gross world product (GWP) from 2010 to 2050 is 3.3 per cent in the most ambitious mitigation scenario, compared to 3.5 per cent in the reference scenario. The reference scenario does not include the potential economic cost of climate change itself.

Early global action reduces costs

Early global mitigation reduces long-term costs. Delaying mitigation action in the global economy will increase climate change risks, lock in more emission-intensive industry and infrastructure, defer cost reductions in low-emission technologies and heighten distortions associated with trade-exposed industries. This will increase the cost of achieving any given environmental goal.

In a sensitivity analysis where global mitigation action is delayed by seven years, global costs as a share of GWP are about 10 per cent higher in 2050, and remain higher for the rest of the century.

In the face of uncertainty, coordinated global action also has an insurance benefit: it keeps open the option of pursuing lower stabilisation levels in the future.

If emission pricing is introduced gradually, rather than in all economies at the same time, long-term costs will be lower for early movers and higher for those that delay. Economies that defer emission pricing become relatively more emission-intensive, so that when a global emission price is eventually introduced, they face even higher costs - particularly as global investment is redirected towards early movers. The sooner Australia acts, the lower the cost of the action.

The importance of a global emission market

Like most other developed economies, Australia's pre-existing energy-efficiency standards are higher than in developing economies. Any reduction at the 'margin' is thus more costly.

International emission trading can reduce the cost of achieving Australia's emission reduction goals because it allows mitigation to occur wherever it is cheapest. Across the scenarios, Australia is projected to import permits to meet its emission targets in a cost-effective way. Trade does not compromise the environmental objective, because Australia's 'excess' emissions are offset by lower emissions in economies that export permits.

This highlights the importance of linking the Carbon Pollution Reduction Scheme to market-based schemes elsewhere in the world. This will help reduce the cost of Australia's contribution to the global mitigation effort.