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## CONCLUSION

A review of experience with baseline and credit schemes is particularly useful at this time as the government finalises the design of the ERF. This paper has drawn insights from numerous domestic and international schemes to highlight lessons for the ERF, and is intended as a useful resource to inform the government's deliberations.

This review suggests a certain level of complexity is unavoidable in baseline and credit schemes. Emissions reductions need to be measured relative to a counterfactual scenario—constructing this scenario can be difficult but is critical to ensuring that credits are only allocated for genuine and additional emissions reductions. Other schemes have developed a wide range of approaches; selecting among the options involves trade-offs between accuracy and administrative cost and complexity.

Experience in these schemes suggests that the scale of emissions reductions, environmental integrity and cost-effectiveness of the ERF will depend on design decisions relating to coverage, additionality and baselines. Clear rules, processes and governance arrangements for these design features will be critical to the scheme's success.

Even with clear rules and streamlined governance arrangements, it will take time for the ERF to deliver large-scale emissions reductions. Methodologies need to be established, projects developed and approved, and activity reported and audited. Early emissions reductions are likely to be from well-established technologies and activities, and pre-existing projects that transition into the scheme (for example, existing CFI projects).

Experience in other schemes indicates that not all low-cost abatement is well suited to a baseline and credit approach. A broader suite of policies is needed to deliver the emissions reductions required to meet Australia's goals.