

Allowances Allocation: Some Initial Considerations

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Free Allocation or Auction?

- Strong political support is fundamental
- A sensitive issue affecting the acceptability of the approach
- Keeping in mind the big picture: to kick off an acceptable system as early as possible and to improve gradually
- Free allocation is the natural choice at the initial stage

Basis for Free Allocation

- Historical data, usually emissions data
- Historical emissions for entities providing service with rather stable level, e.g. commercial building operators, or in sectors under strict development control
- Benchmarking approach for entities providing necessities while the service level is not up to the decisions of the entities

Consideration of other Relevant Policies

- Consistent with other relevant policies, e.g. energy conservation and renewable energy initiatives
- Go at least a little step further from the existing relevant policies, where relevant

Other Issues

- Stakeholder consultation: important for fair allocation and acceptance while lack of tradition
- Potential leakage between different regions or caused by CDM projects?
- Competitive concern? Yes, but not a unique issue related to ETS.

THANKS