

Questions Relevant to Allocation Options

Method for Allowance Distribution

1. Auctioning vs. Free Allocation

(General support for 100% auctioning in medium or long run; also some support for auctioning from the outset)

- Any free allocation in shorter term?
 - for industry compensation?
 - if so:
 - what would be the criteria for allocating to various firms?
 - what form of free allocation in this case? (seems to suggest exogenous)
 - to deal with leakage?
 - if so:
 - why short-term only?
 - what form of free allocation in this case? (seems to suggest output-based)
 - for some other purpose?
 - if free allocation employed, should it be direct? via LDCs? via other channel?

2. Method of Auctioning

- sealed bid vs. multiple round?
- uniform price or discriminating price?

Provision of Allowance Value

1. Compensation?

- if so, to which parties?
 - to industry? (shareholders?)
 - if so, to which ones?
 - to displaced workers?
 - to disproportionately affected consumers (low-income households)?
 - to communities experiencing increased pollution?
 - other?

2. Dividends to the Public?

3. Tax Rate Reduction?

4. Investments and Other Public Expenditure?

- if so, which type of investment or expenditure?
 - environment-related:
 - funding to support adoption of existing clean technologies?

- funding to support invention of new clean technologies?
- funding to support environmental remediation?
- funding for adaptation?
- support for new infrastructure?
- other capital investments?
- investments in job training?
- investments in disadvantaged communities?
- transfers to regional or local government agencies?
- other public expenditure?