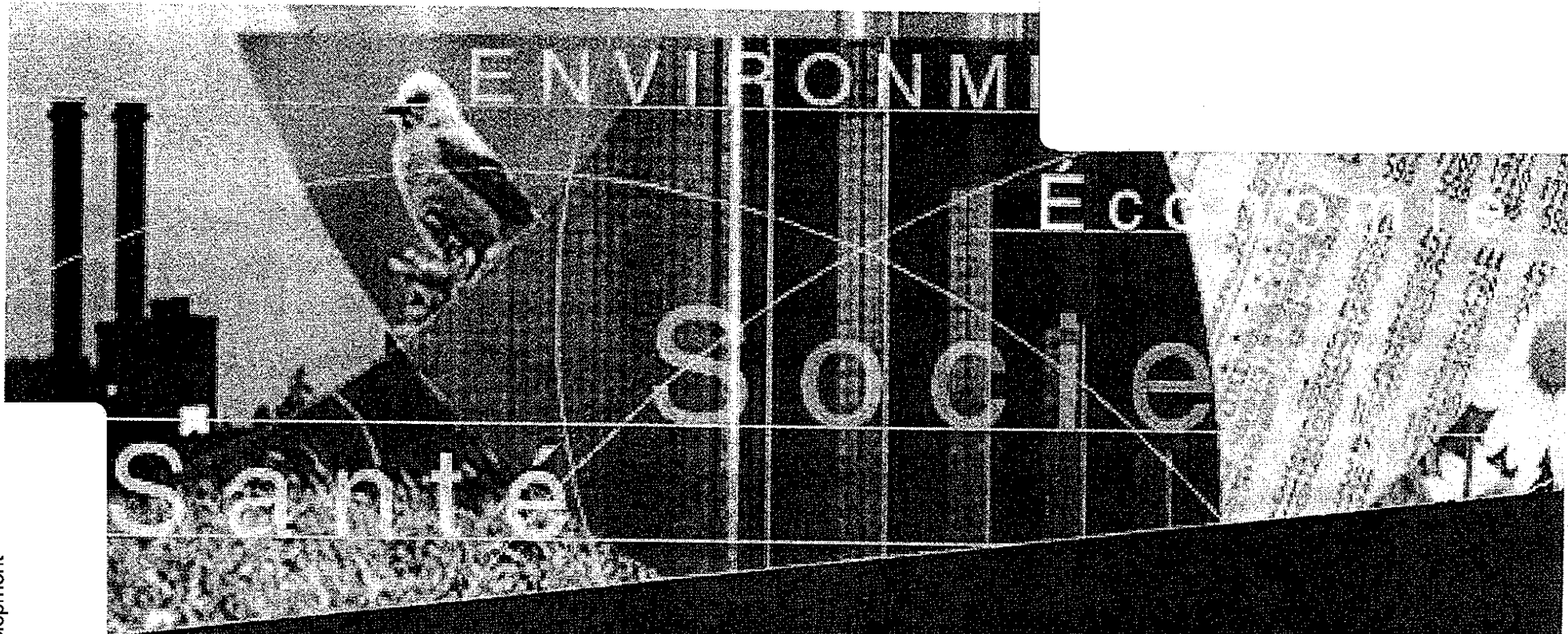
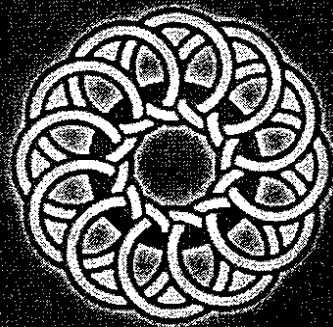


NRT-2001263

Pembina Institute for Appropriate Development  
Matthew Bramley  
Domestic Emissions Trading



**National Round Table  
on the Environment  
and the Economy**



**Table ronde nationale  
sur l'environnement  
et l'économie**

National Round Table  
on the Environment  
and the Economy

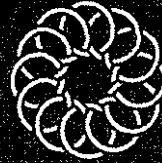


Table ronde nationale  
sur l'environnement  
et l'économie

# **Domestic Emissions Trading: Key Design Options**

**Matthew Bramley Ph.D.**

Director, Climate Change

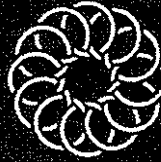
Pembina Institute, Ottawa

January 2002



# Overview

- what type of system?
- who would participate and how?
- impacts and opportunities:
  - permit allocation
  - revenue recycling
  - international trading
  - credit creation
- when could it happen?



# What type of system are governments looking at?

- a emissions permit trading system
- two important “safety valves”:
  - link to international trading
  - possible credit creation



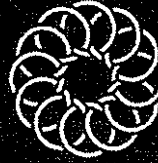
## Who would participate and how?

- “large final emitters”
  - about 35% of Canada’s emissions
- “broad as practical” / “upstream”
  - about 75% of Canada’s emissions
- credit creation outside covered sectors?



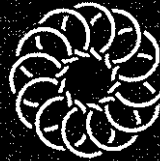
# Impacts and opportunities: permit allocation

- Auction
- free (“gratis”) proportional to:
  - past emissions (“grandfathering”)
  - current production
- allocation to provincial governments?



## Impacts and opportunities: revenue recycling

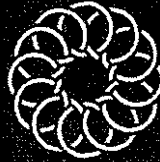
- e.g. 300 Mtonne at \$10/tonne = \$3 billion
- federal/provincial shares?
- several options for recycling



# Impacts and opportunities: distribution of costs

- purchases/sales of permits / credits / international units
- increases in energy costs
- changes in prices of other inputs
- recycled revenue e.g. reduced taxes
- savings from investment in new equipment
- pass on costs to suppliers, customers





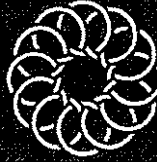
## Impacts and opportunities: international trading

- Canadian emitters likely allowed to use international units
  - large supply at low-cost
  - restricted use?
- status of trading with U.S. unclear



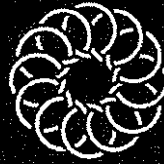
## Impacts and opportunities: credit creation

- in sectors not covered by permit trading
- need rules for additionality, baselines, registration etc.
- may differ from current practice



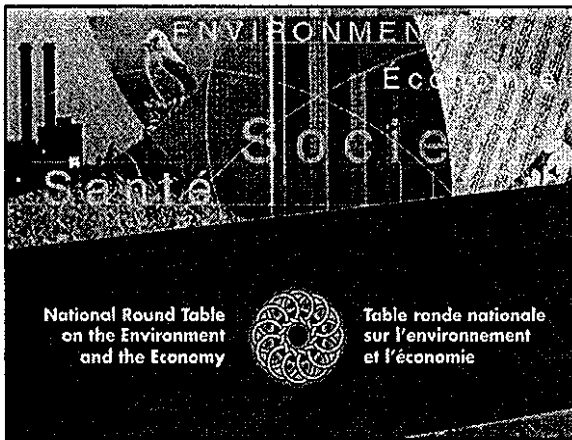
## When could it happen?

- in 2008, or earlier?
- other countries are starting now
- issues:
  - start reducing emissions
  - hands-on experience, certainty
  - recognition for current credit purchases



## Summary: key questions

- who would participate and how?
- how to allocate permits?
- how to recycle permit auction revenue?
- nature of linkage to international trading?
- credit creation outside covered sectors?
- date of implementation?



National Round Table  
on the Environment  
and the Economy

Table ronde nationale  
sur l'environnement  
et l'économie

## Domestic Emissions Trading: Key Design Options

**Matthew Bramley Ph.D.**  
Director, Climate Change  
Pembina Institute, Ottawa  
January 2002

National Round Table  
on the Environment  
and the Economy

Table ronde nationale  
sur l'environnement  
et l'économie

### Overview

- what type of system?
- who would participate and how?
- impacts and opportunities:
  - permit allocation
  - revenue recycling
  - international trading
  - credit creation
- when could it happen?

National Round Table  
on the Environment  
and the Economy

Table ronde nationale  
sur l'environnement  
et l'économie

### What type of system are governments looking at?

- a emissions permit trading system
- two important “safety valves”:
  - link to international trading
  - possible credit creation

National Round Table  
on the Environment  
and the Economy

Table ronde nationale  
sur l'environnement  
et l'économie

### Who would participate and how?

- “large final emitters”
  - about 35% of Canada’s emissions
- “broad as practical” / “upstream”
  - about 75% of Canada’s emissions
- credit creation outside covered sectors?

National Round Table  
on the Environment  
and the Economy

Table ronde nationale  
sur l'environnement  
et l'économie

### Impacts and opportunities: permit allocation

- Auction
- free (“gratis”) proportional to:
  - past emissions (“grandfathering”)
  - current production
- allocation to provincial governments?



### Impacts and opportunities: revenue recycling

- e.g. 300 Mtonne at \$10/tonne = \$3 billion
- federal/provincial shares?
- several options for recycling



### Impacts and opportunities: distribution of costs

- purchases/sales of permits / credits / international units
- increases in energy costs
- changes in prices of other inputs
- recycled revenue e.g. reduced taxes
- savings from investment in new equipment
- pass on costs to suppliers, customers



### Impacts and opportunities: international trading

- Canadian emitters likely allowed to use international units
  - large supply at low-cost
  - restricted use?
- status of trading with U.S. unclear



### Impacts and opportunities: credit creation

- in sectors not covered by permit trading
- need rules for additionality, baselines, registration etc.
- may differ from current practice



### When could it happen?

- in 2008, or earlier?
- other countries are starting now
- issues:
  - start reducing emissions
  - hands-on experience, certainty
  - recognition for current credit purchases



### Summary: key questions

- who would participate and how?
- how to allocate permits?
- how to recycle permit auction revenue?
- nature of linkage to international trading?
- credit creation outside covered sectors?
- date of implementation?