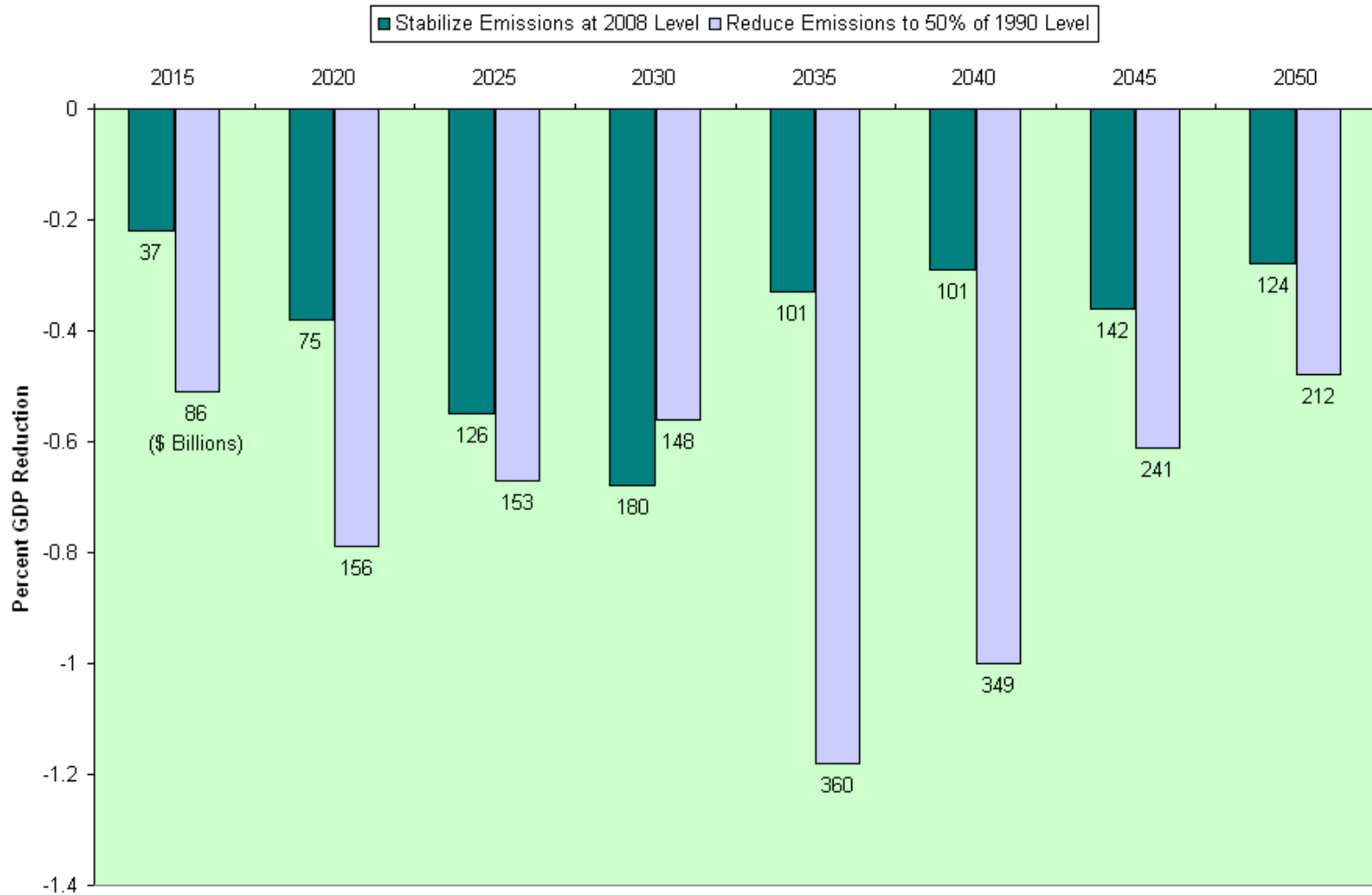

Auction vs. Allocation:

Distributing Emission Credits Under a Cap-and-Trade System

*Jason Bordoff, Policy Director
Hamilton Project, Brookings Institution*

April 9, 2008

Economic Impact of Market Climate Policy



Source: Stavins (2007)

Economic Cost of Various Climate Policies

Electricity-sector specific policies resulting in 5% emissions reductions

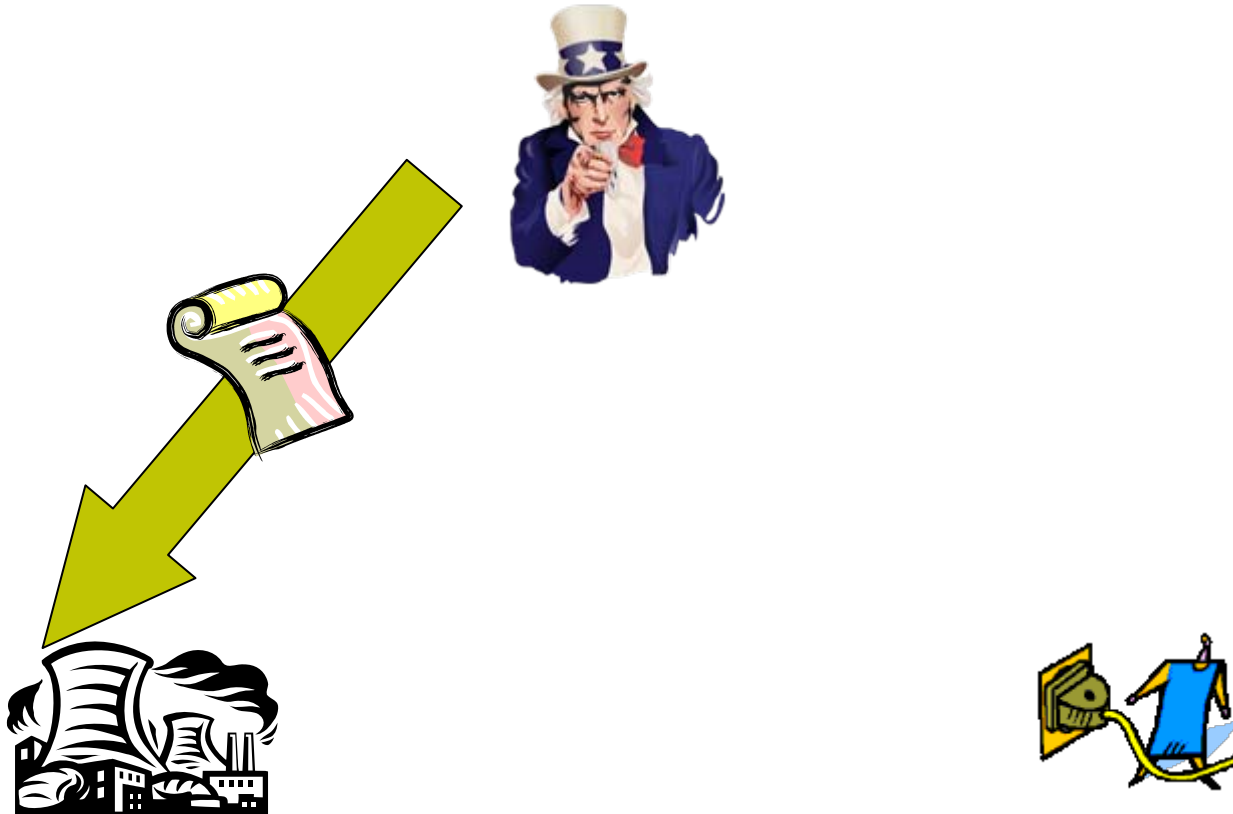


Source: Fischer and Newell (2007)

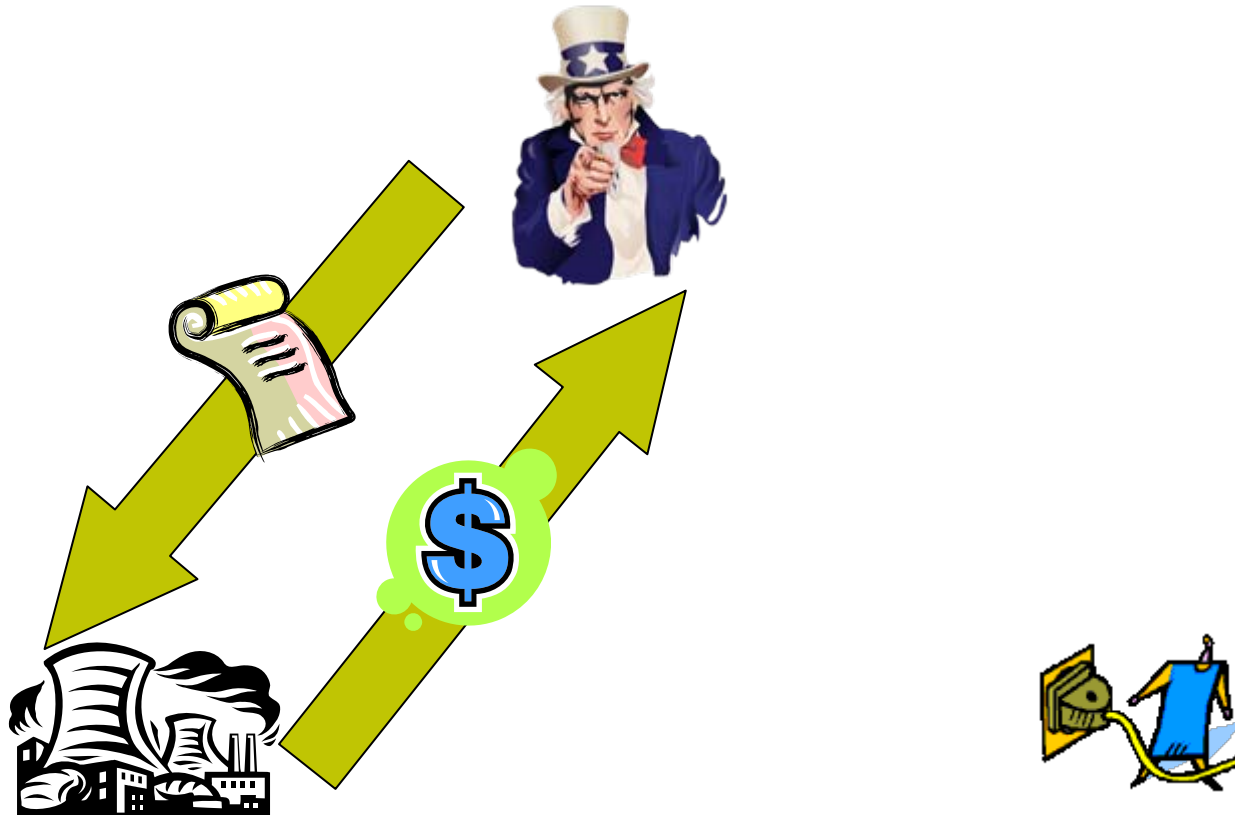
Auctioning



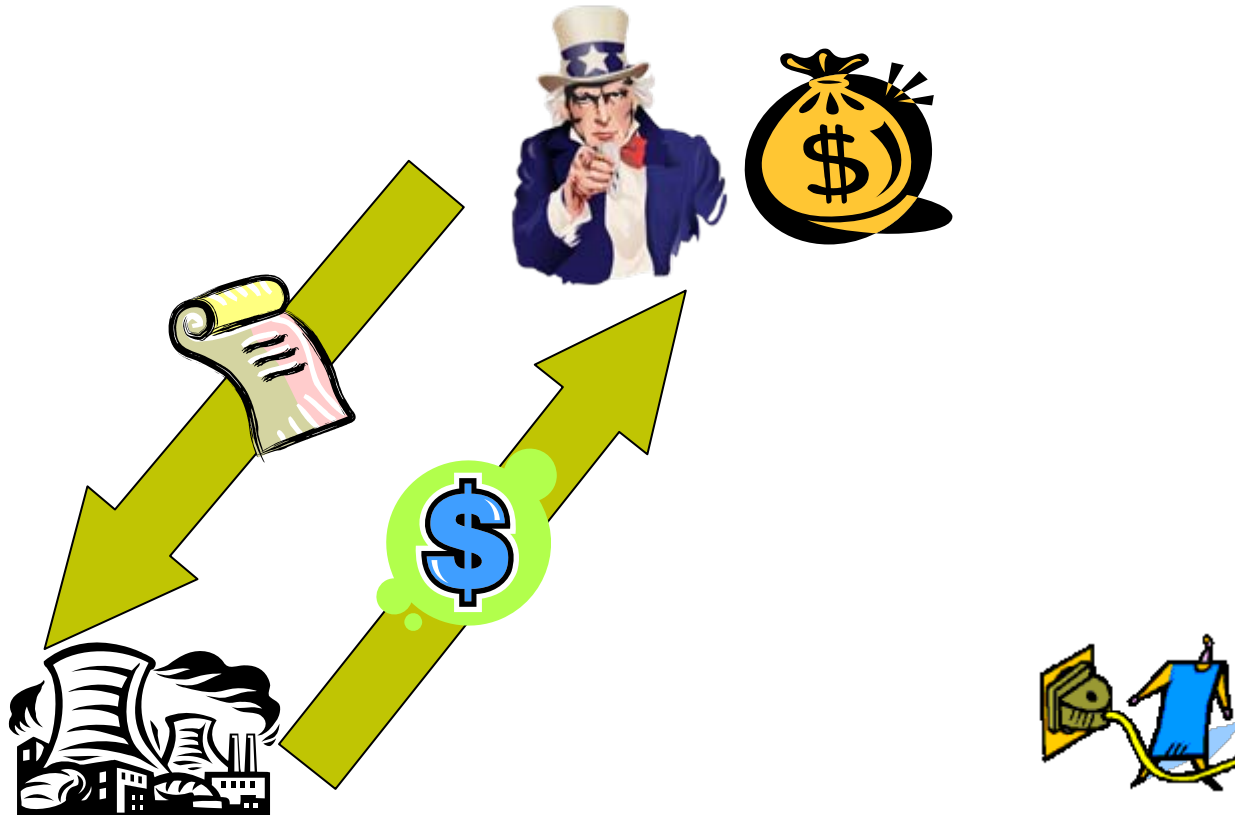
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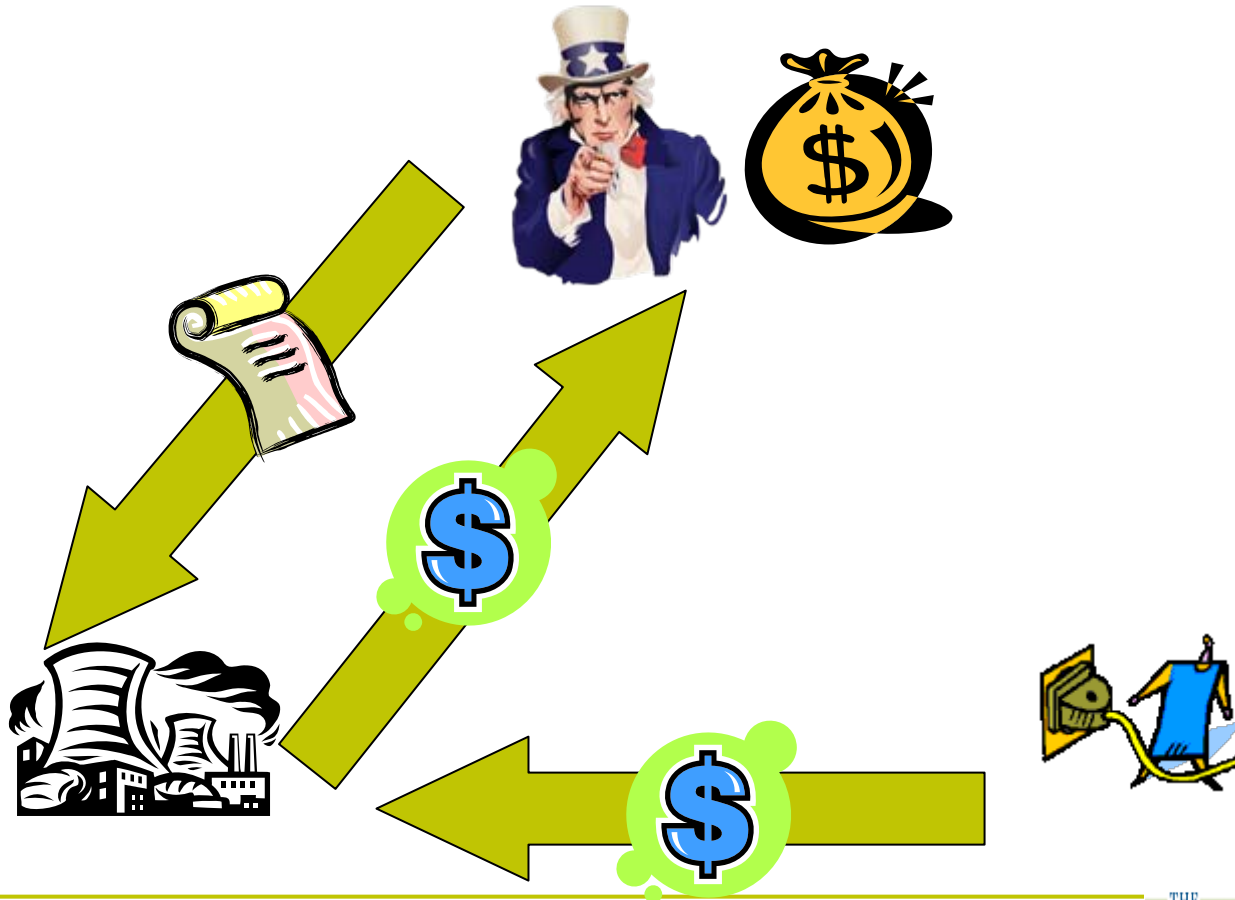
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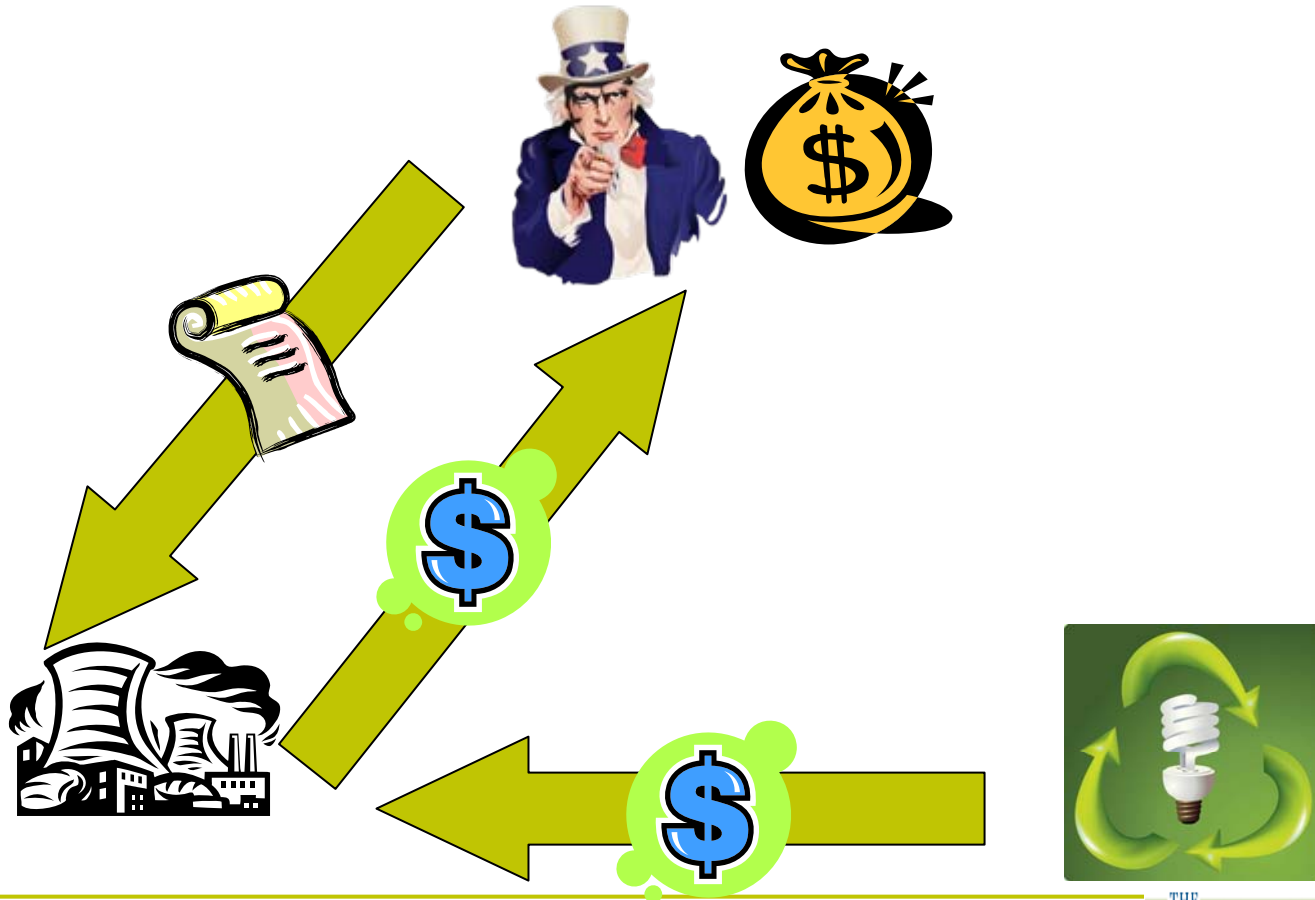
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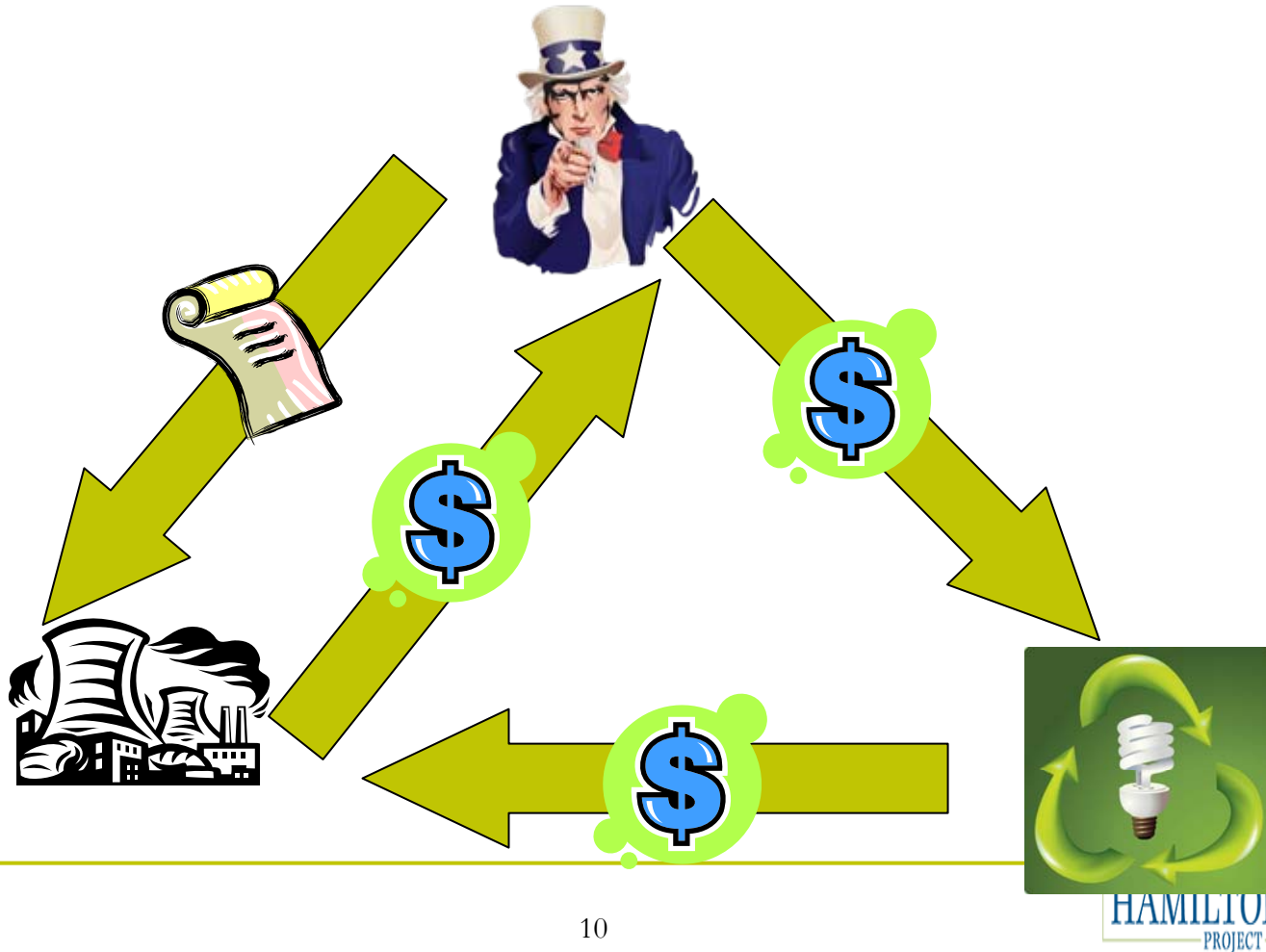
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Auctioning



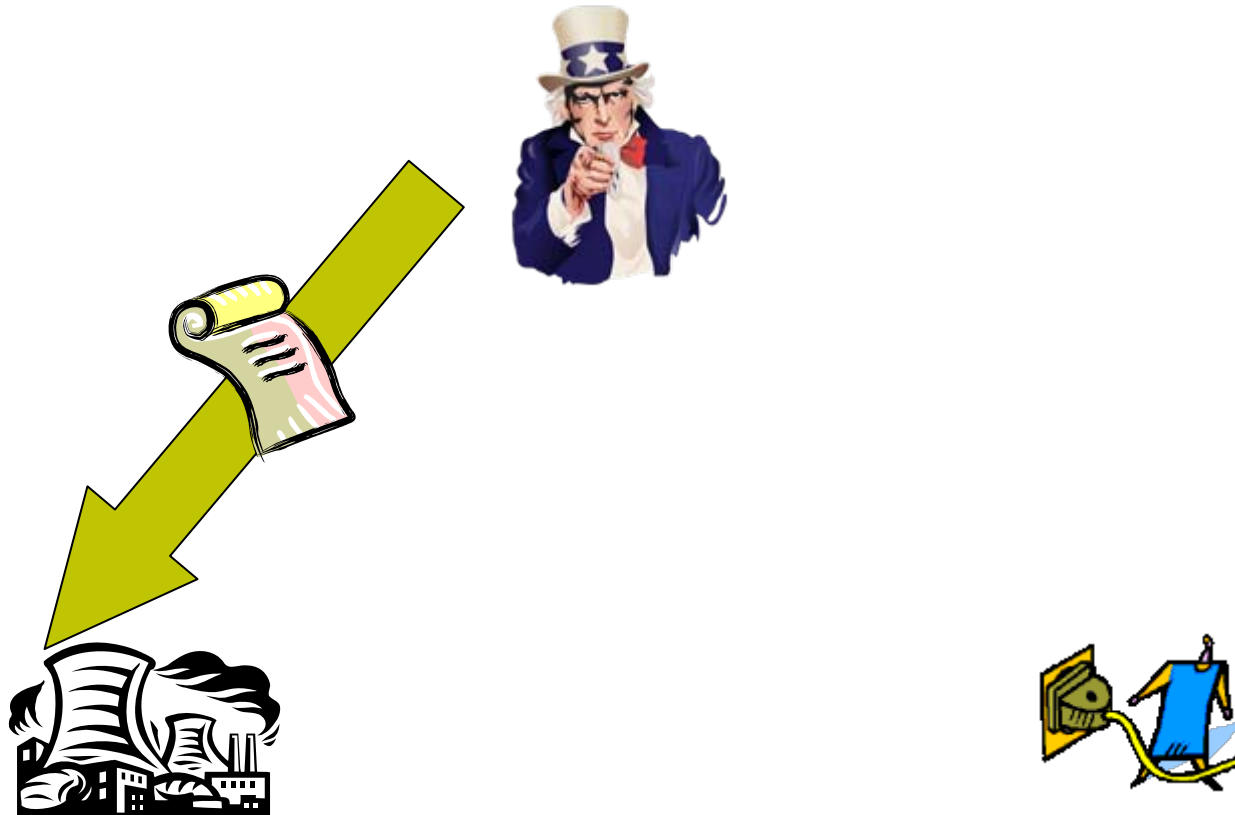
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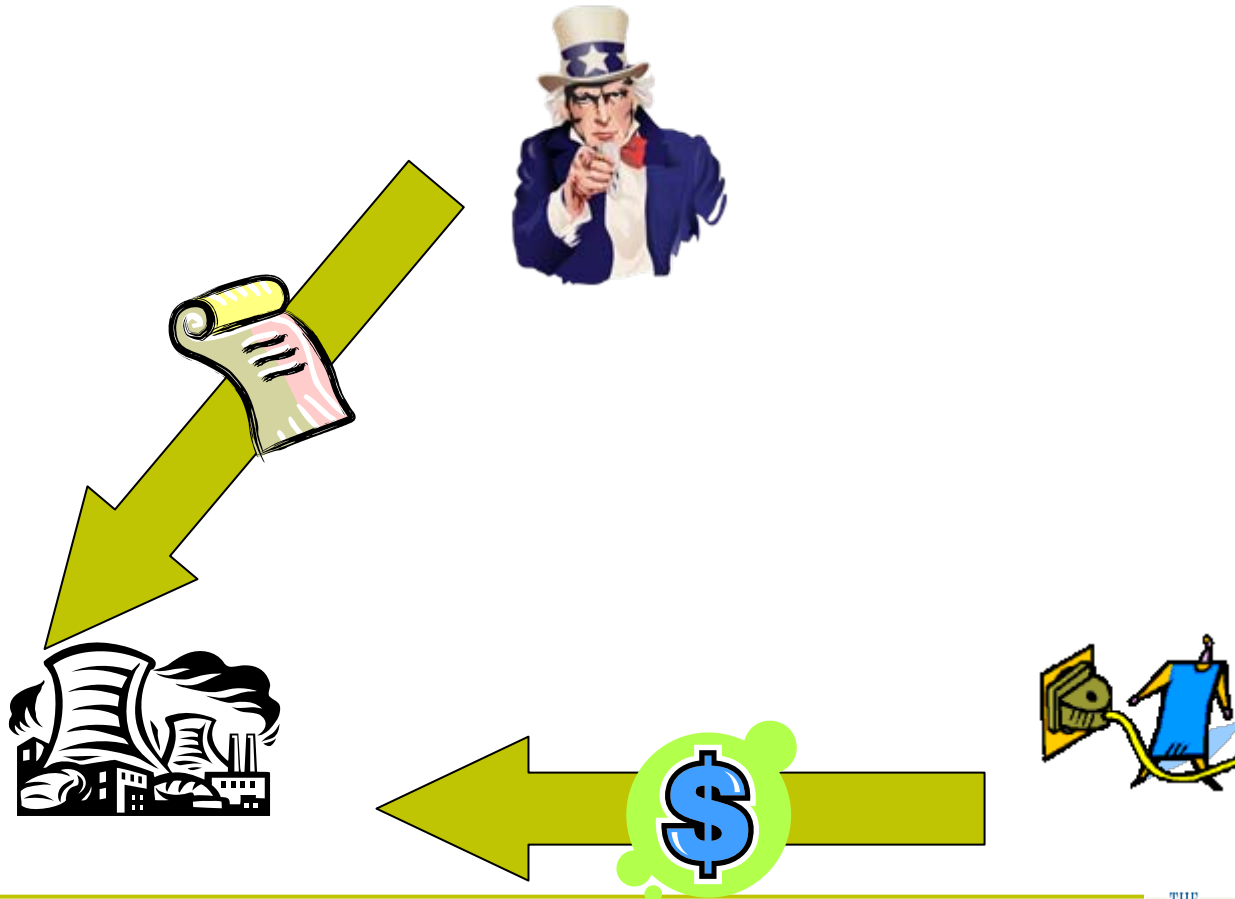
Free Distribution



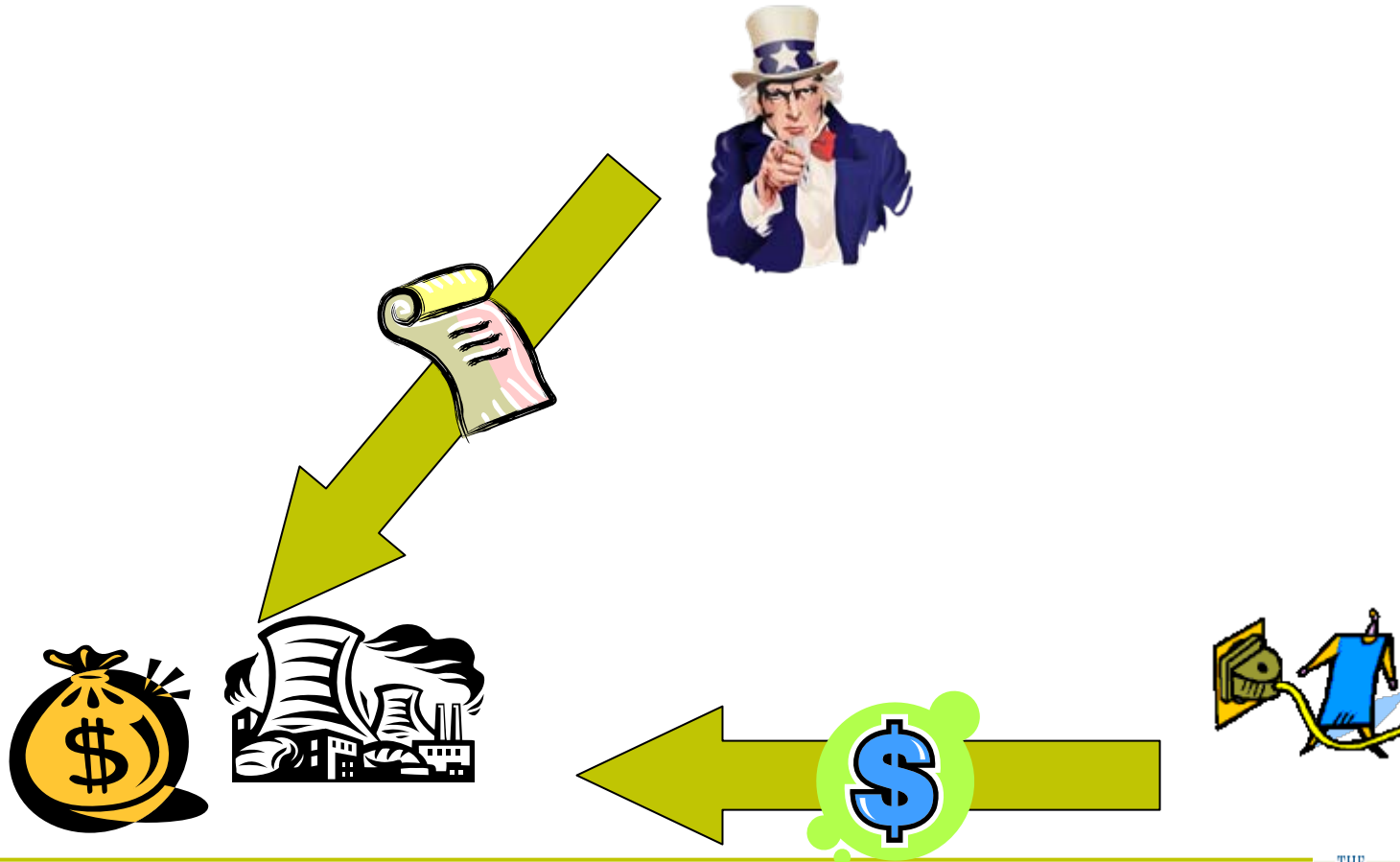
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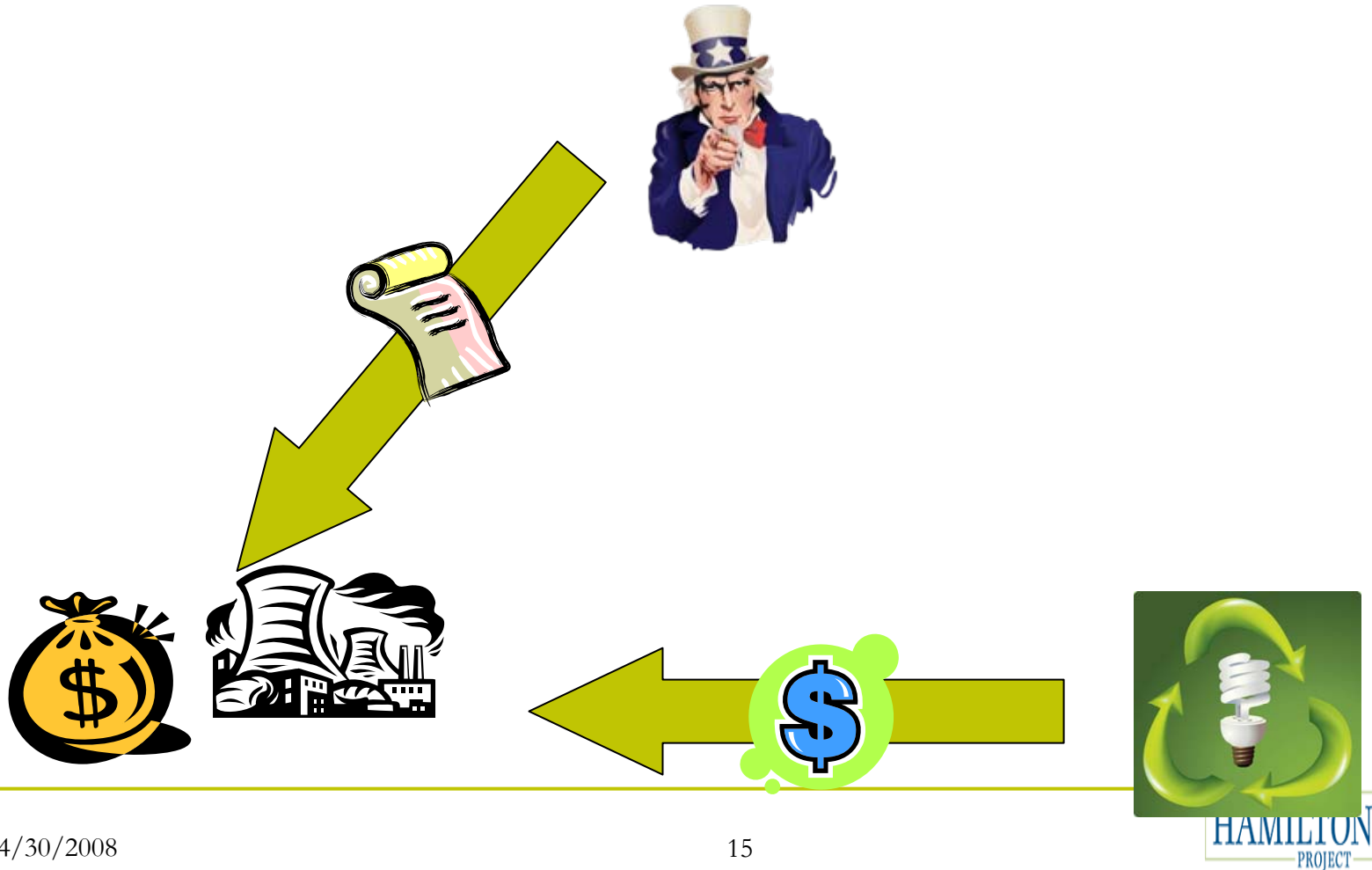
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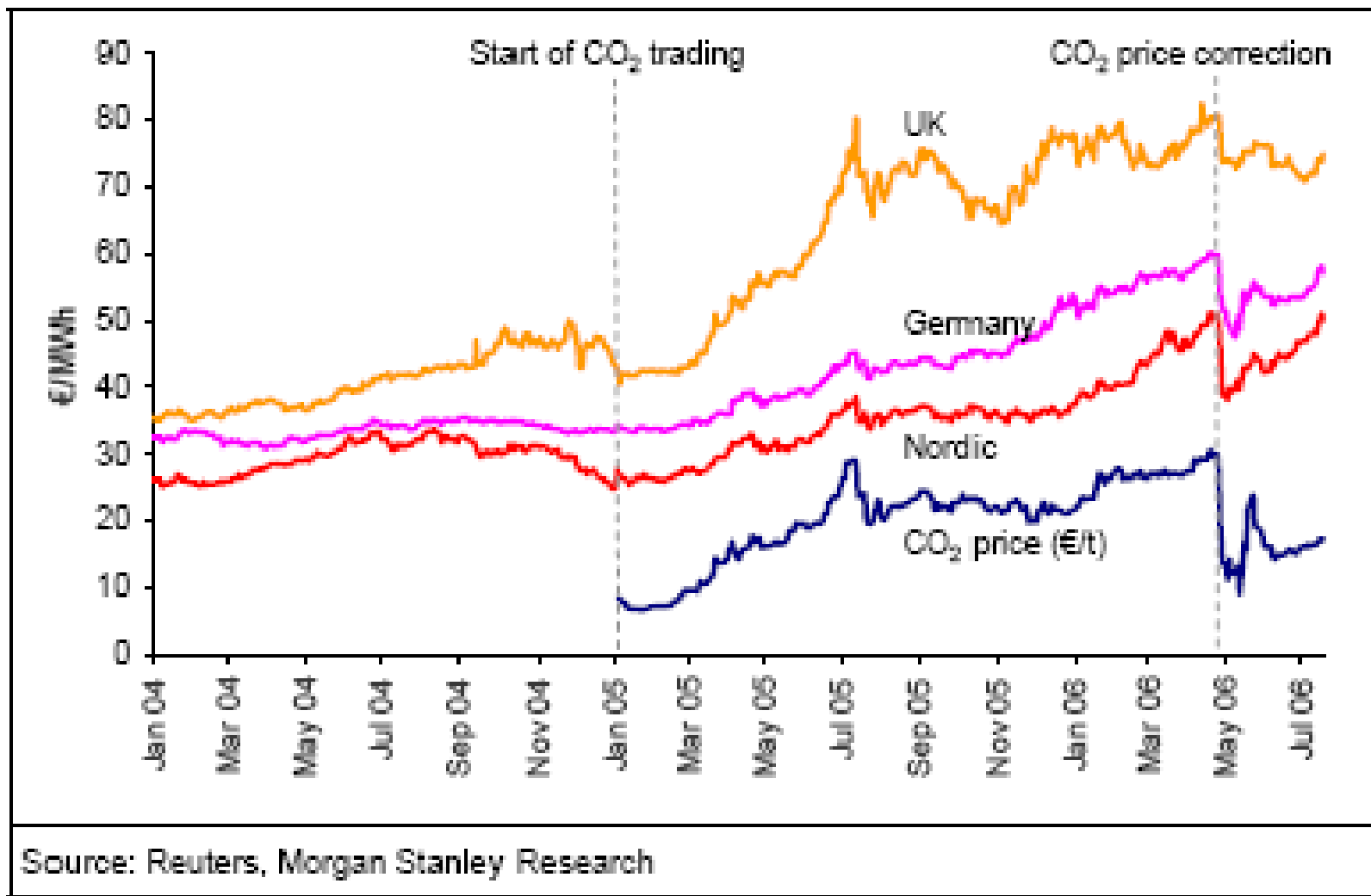
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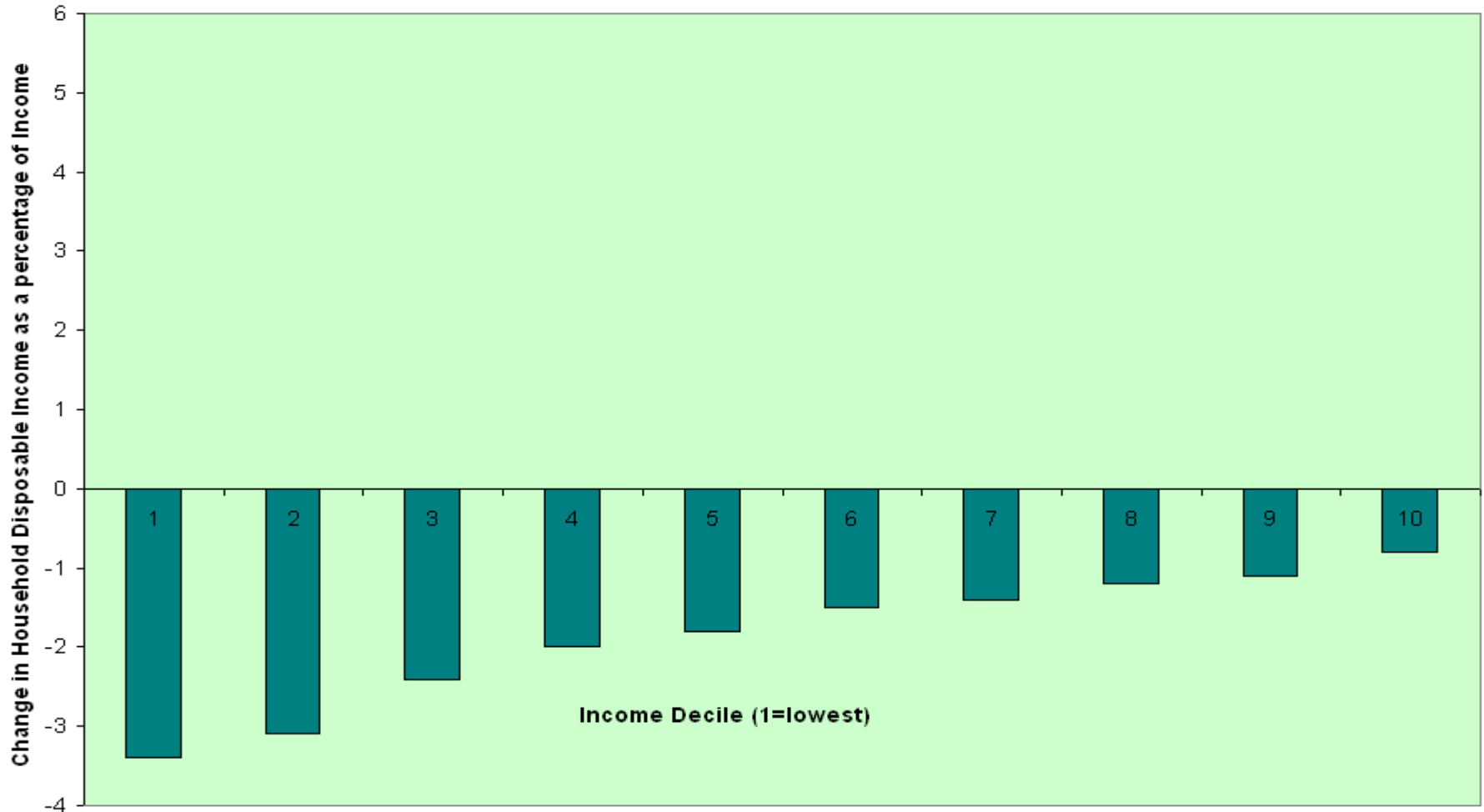
Free Distribution



Electricity prices respond regardless of auction vs allocation

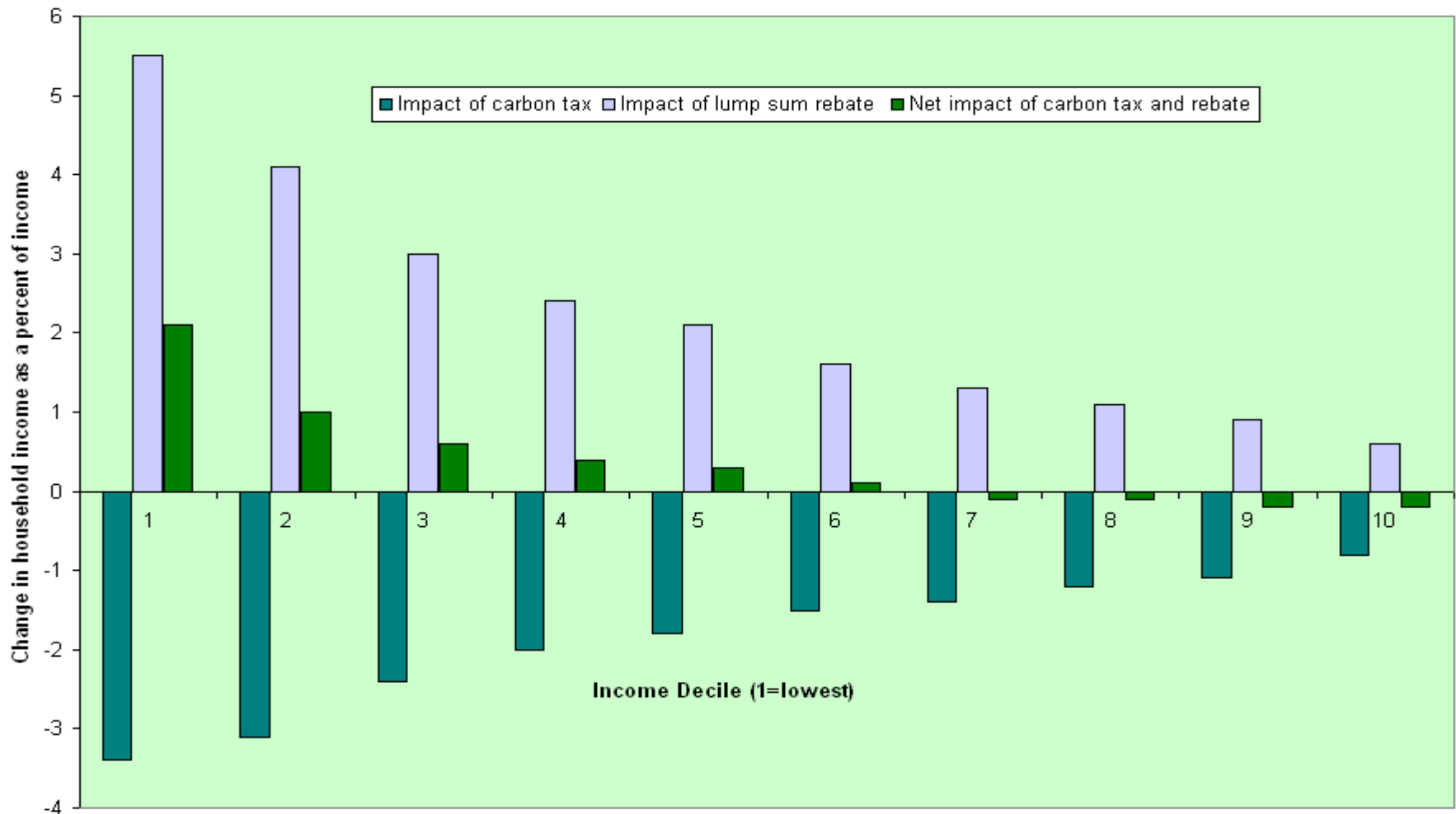


Distributional Impact of Carbon Tax



Source: Metcalf (2007)

Distributional Impact of Carbon Tax and Rebate



Source: Metcalf (2007)