

Methods of free allocation

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Different options with regard to production levels

- 1) Current base case: Ex-ante, rigid free allocation
 - $FA = \text{Historical Production level} \times \text{Benchmark}$
 - CSCF to ensure total free allocation stays within constraint of total overall allocation

- 2) Ex-post dynamic option I:
 - $FA = \text{recent production level} \times \text{recent benchmark}$
 - Free allocation & auctioning shares fixed
 - Ex-post flexible correction factor

Different options with regard to production levels

3) Ex-post dynamic option II:

- FA = recent production level X recent benchmark
- Capped free allocation & fixed auctioning share
- Ex-post adjustment via a reserve

4) Ex-post dynamic option III:

- FA = recent production level X recent benchmark
- Flexible free allocation
- Adjustment through changes in auctioning share

The preceding models can be based on either:

- Benchmarks which are regularly updated
- Targeted free allocation, taking into account:
 - Process emissions
 - Indirect emissions
 - Trade intensity
 - Emissions intensity

This results in a matrix of 8 options from which to choose