



IETA

INTERNATIONAL EMISSIONS
TRADING ASSOCIATION

Discretionary Price Management Mechanism

1st March 2013 – 1st stakeholder consultation meeting on structural measures to the EU ETS

David Hone, Chairman of IETA's Board of Directors

IETA's long-term vision for EU ETS

IETA and its membership -

- *Endorses* the EU's 2050 vision for a low-carbon economy;
- *Supports* a consistent, binding, economy-wide greenhouse-gas emissions reduction target for 2030 and beyond;
- *Wishes to ensure* that the EU ETS remains the central pillar for achieving this target in the most cost effective manner.

Flexible allowance supply mechanism

- A scarcity of allowances needs to be maintained.
- A flexible “allowance reserve” could be used to manage the impact of major economic swings.
 - Improves the resilience of the EU ETS and removes the temptation for intervention.
 - Not price focused: triggered by quantitative thresholds.
 - Not ‘discretionary’: a transparent and predictable mechanism.
 - Supply stays within the envelope defined by the ETS cap
 - But the regulatory / governance framework is more complex.

Design Concept

