

Economic and Allocation Advisory Committee

Memo from the Chair:

Revenue Use and Allocation Subcommittees — Division of Responsibilities

8/12/09

Based on recent subcommittee discussions, I propose changes in the division of responsibilities between the Revenue Use and Allocation Subcommittees to yield a more logical division of responsibilities and make it easier for the two subcommittees to provide useful input. Please feel free to offer any comments, suggestions for modifications, etc. to each subcommittee.

Revenue Use Subcommittee (to be renamed “Allowance Value Provision Subcommittee”)

Focus on alternative functions or purposes from provision of allowance value,

1. compensation
2. investment
3. dividends

and their implications for how overall allowance value might be divided

Allocation Subcommittee (to be renamed “Allocation Methods Subcommittee”)

Focus on alternative methods or instruments for allocating allowances:

1. alternative mechanisms for allocating free allowances
(historical-based, output-based, and other mechanisms for allocating free allowances to firms; possible mechanisms for allocating free allowances to other parties)
2. alternative methods for auctioning allowances

Thus, the Allowance Value Provision Subcommittee would focus on alternative distributions of allowance value across various possible interested parties, while the Allocation Methods Subcommittee would concentrate on the design of the main instruments for allowance allocation (auctioning and free allocation). This latter committee would retain the role of assessing the magnitude of total allowance value (the total value from free and auctioned allowances).

The key attraction of this change is that it enables what was the Revenue Use Subcommittee to consider alternative purposes or directions for allowance value without restricting the subcommittee to allowance value achieved through auction.