

Emission Permit Allocation Schemes and Industrial Growth: An Analysis Using MARKAL

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The use of permit trading for the abatement of atmospheric emissions of various substances has received much attention, and is a favored option due to its ability to induce efficient reduction of emissions. In a permit-based system, the selection of the permit allocation method is of crucial importance from the viewpoint of intersectoral equity. Less known is the impact of some emission allocation methods on the economic efficiency of the sectors to which it is applied. In our presentation, we compare output based allocation schemes to lump sum schemes from the dual viewpoints of cost efficiency and equity of burden sharing.

Abstract for the International Energy Workshop
jointly organized by the
Energy Modeling Forum (EMF), International Energy Agency (IEA) and IIASA.
24-26 June 2003 at IIASA Conference Center, Laxenburg, Austria