



Australian Government
Climate Change Authority

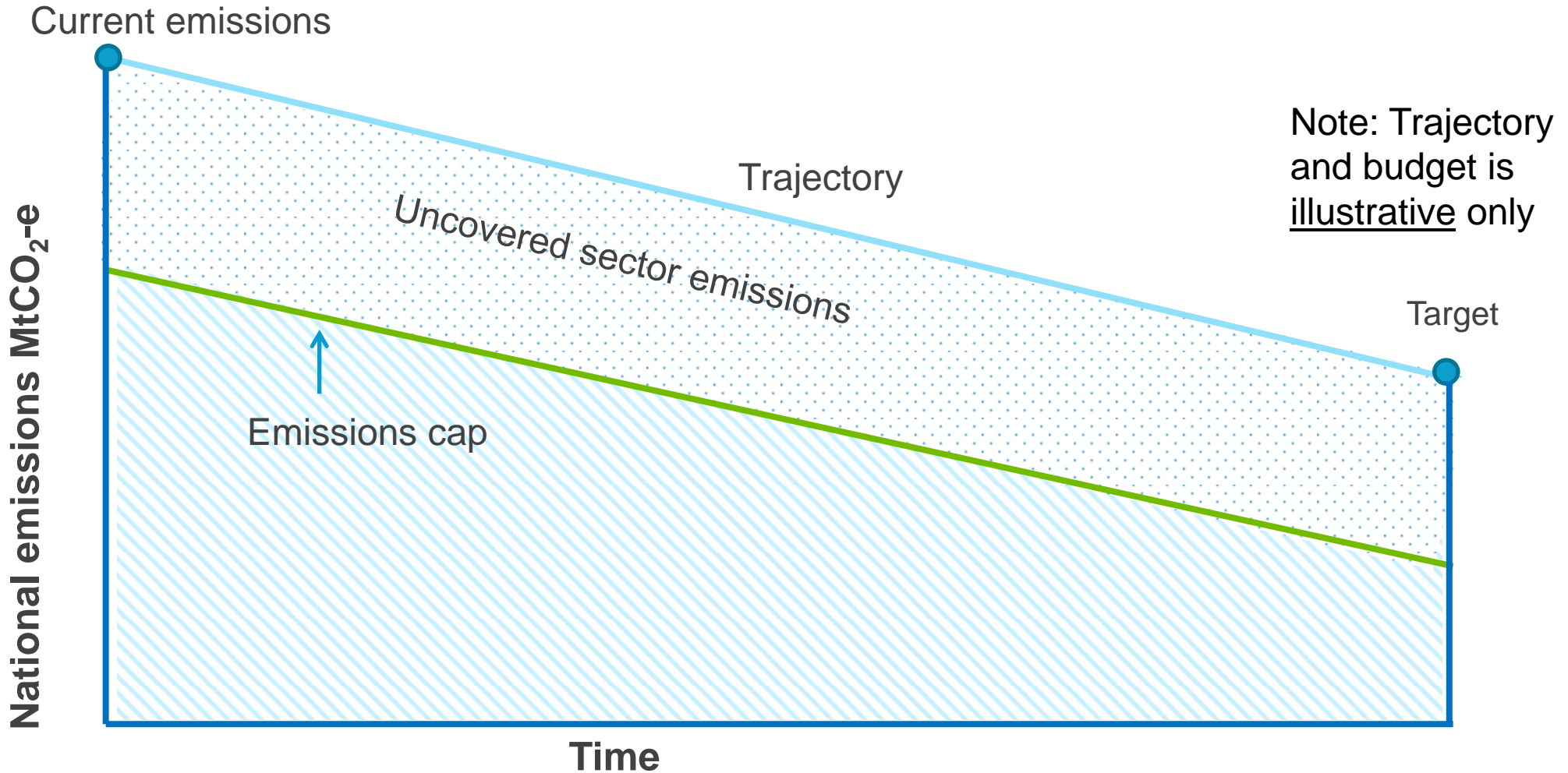


Quantity flexibility in the Australian ETS: rolling caps

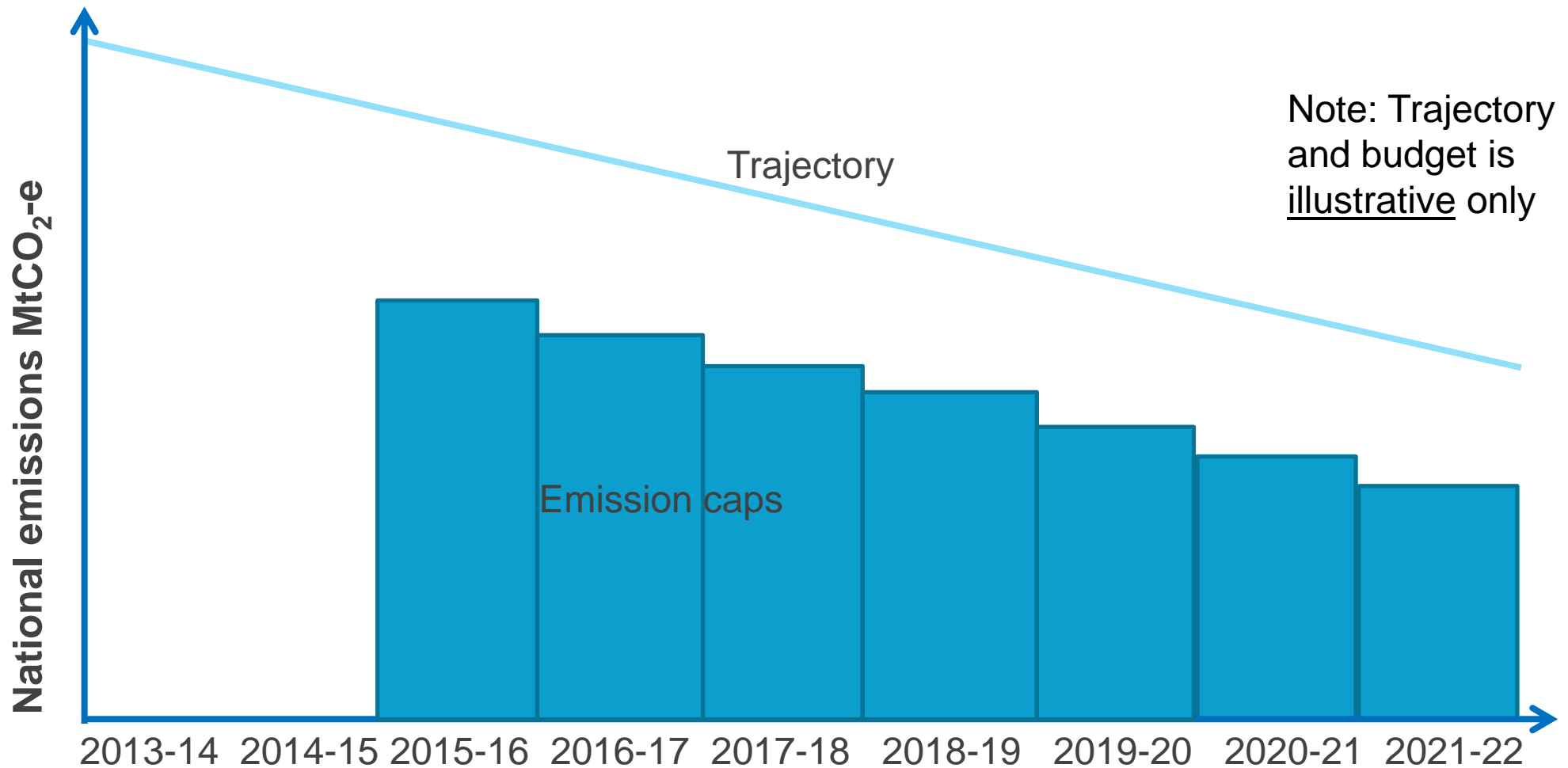
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Emissions cap



Cap setting process



UNCLASSIFIED

Potential advantages

- Flexibility – take new information into account
- Some forward notice of future caps
- Given banking, could have an immediate effect on prices
 - Could help manage volatility in prices

Implementation challenges

- How long is appropriate for fixed caps?
- Governance – who decides on ambition?
 - Cumbersome for Parliament to frequently decide
- Will not always substitute for a price cap in case of a short-term shortage (lack of longer-term borrowing)
- Need to develop predictability
 - What are the criteria? Price-related? Only price, or broader issues?