

Expert Workshop

Auctioning Greenhouse Gas (GHG) permits

28 November 2007

Australian School of Business, UNSW, Sydney

There is bipartisan Federal and State government support for the introduction of a national emissions trading scheme in Australia before 2012. One of the key design questions is permit allocation. All the design proposals currently on the table include at least partial permit auctioning. There is, however, only limited international and no Australian experience on how such auctioning might best be implemented. Given the short time available to finalise scheme design prior to implementation, there is an urgent need to explore auction design options. Two workshops have been held on this topic over the last year (in the United States and the UK). But this is a dynamic area in which work is continuing at a great pace. Some countries have finalised their auction design and other have published their first design studies. Therefore this expert workshop will bring a timely opportunity to advance our understanding and exchange information over the key questions of auction design.

At this one-day workshop for academia we will address the economic aspects of auctioning emission permits. The aim of the workshop is to bring together experts in the area of auctioning and emissions trading in order to discuss issues on auction design, which are relevant for emissions trading schemes as discussed e.g. in Australia. Participation is by invitation only to ensure that the group will be small enough to have intensive discussions.

The workshop will comprise short presentations on each of the relevant design issues of the auction, followed by a short expert statement, before the topic is opened for discussion among all the participants.

The presentations will focus on the following topics:

- Auctioning and selling on the secondary market
- Auction types and suitability (e.g. market power, collusive behaviour, information revelation, costs)
- Role of advance auctions vs. spot auctions and their design
- Frequency and timing of auctions and distribution of permits across auctions
- Technical issues of the auction (e.g. institution hosting the auction, deposits)
- Revenue recycling impacts
- Methodologies to test auction design

The presentations and discussions will address aspects of competitiveness, efficiency and revenue raised as well as implications on the secondary market. The presentations and the conclusions of the discussion will be summarised and made available from the following WebPages:

<http://pluto.ecom.unimelb.edu.au/ednetwork/>

www.ceem.unsw.edu.au

http://www.crawford.anu.edu.au/research_units/eerh/

Program

8.30 Registration and Coffee

9:00 Welcome address

9:15 Session 1 Auction types and suitability and the impacts of revenue recycling

Presented by: Peter Cramton (University of Maryland)

Expert comment: Flavio Menezes (University of Queensland)

Discussion

10:45: Coffee break

11:00 Session 2 Auctions vs. secondary markets and the role of advance auctions

Presented by: Charlie Holt (University of Virginia)

Expert comment: Vivek Chaudhri (Monash University)

Discussion

12:30: Lunch

13:30 Session 3 Frequency, timing issues of auctions

Presented by: Regina Betz (CEEM, UNSW)

Expert comment: Stefan Seifert (University of Karlsruhe)

Discussion

15:00 Coffee break

**15:30: Session 4 Methodologies to test auction design:
Experiments versus controlled field experiments**

Presented by: Stefan Seifert (University of Karlsruhe)

Expert comment: Charlie Holt (University of Virginia)

Discussion

17.00 Concluding remarks and final discussion

17.30 End

The Workshop is sponsored by:

Centre for Applied Economics (CAER)

Centre for Energy and Environmental Markets (CEEM)

Economics Design Network (EDN)

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