The Economics of Allowances

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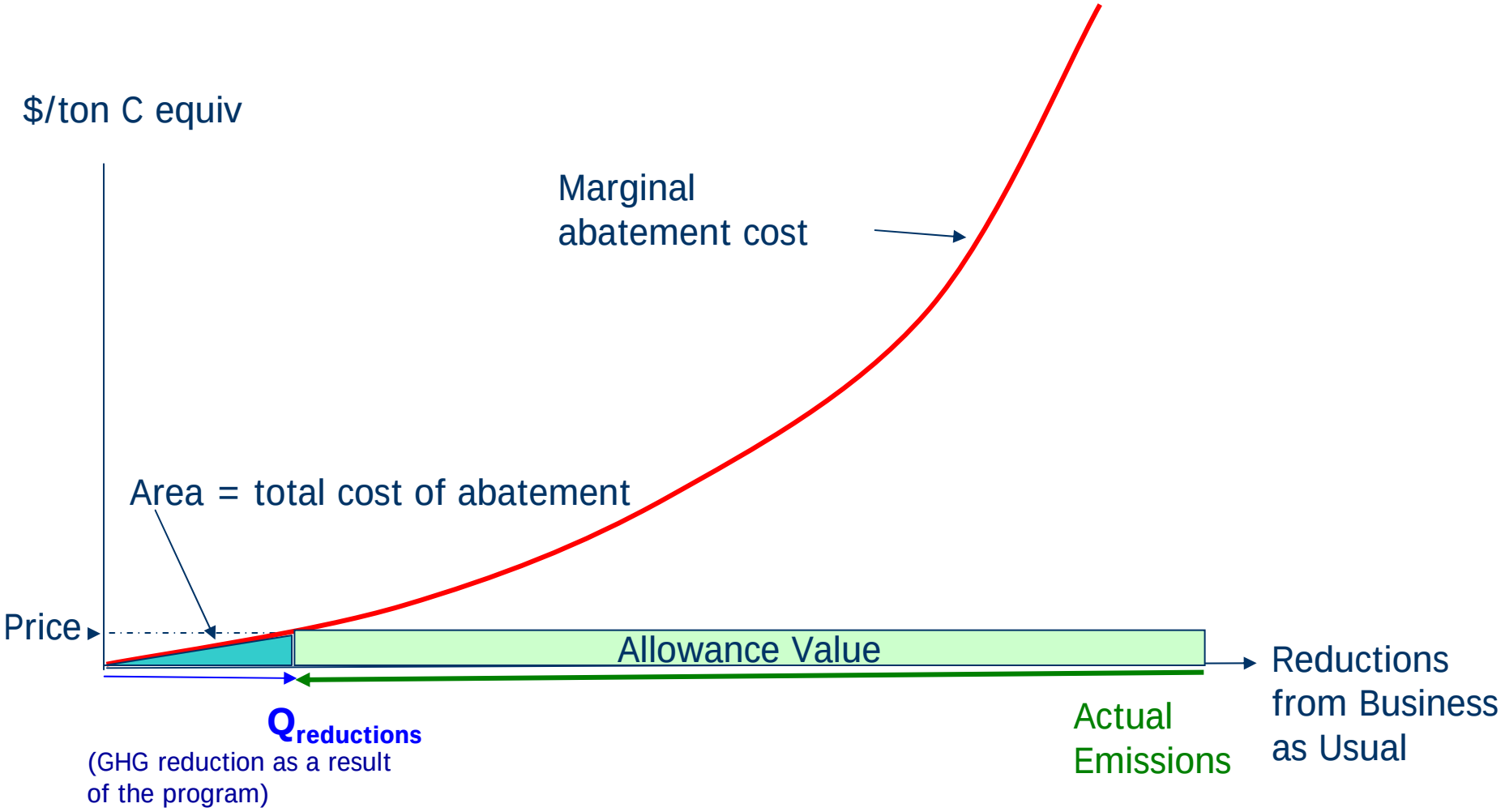
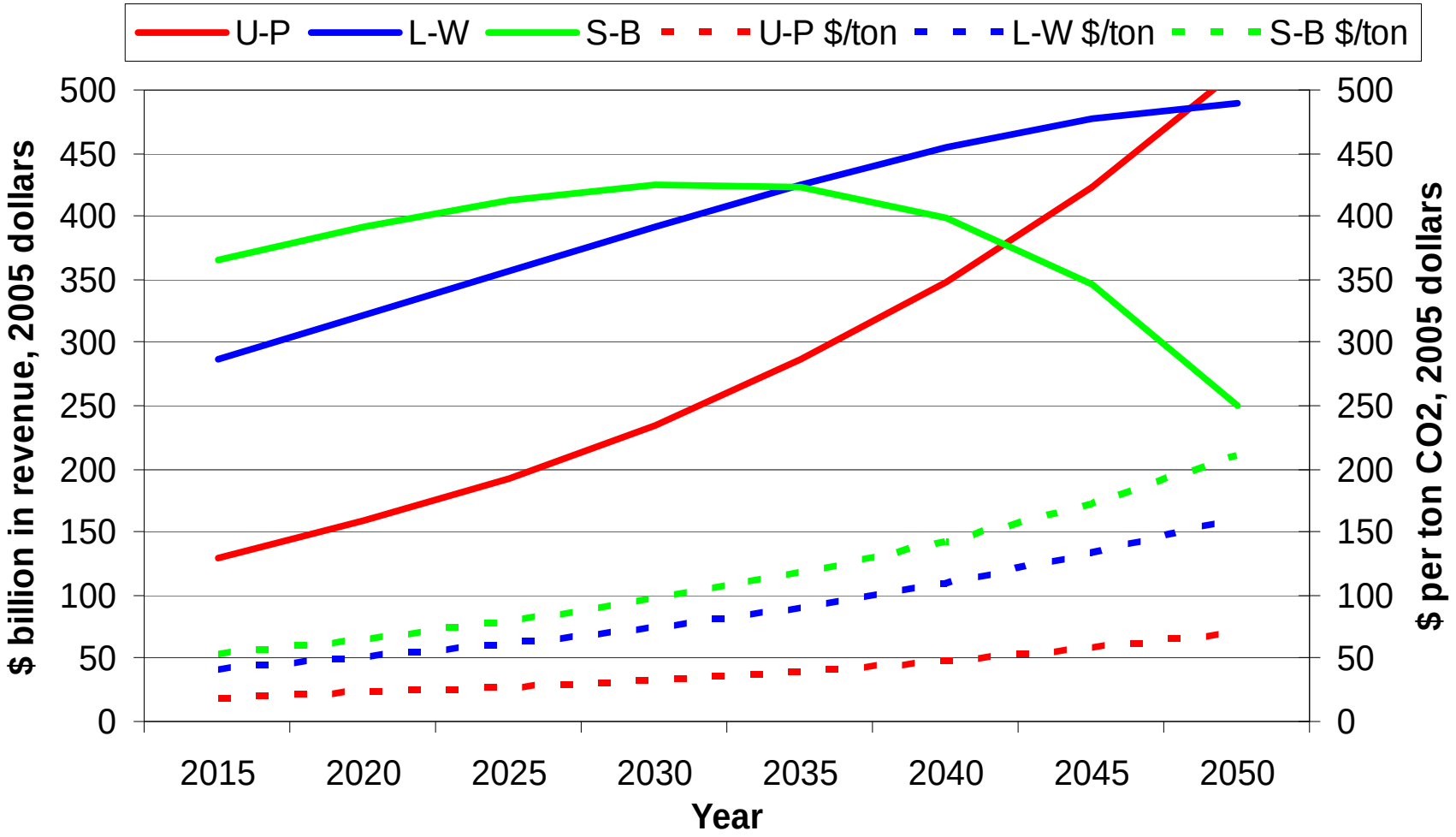
Abatement cost < Allowance value



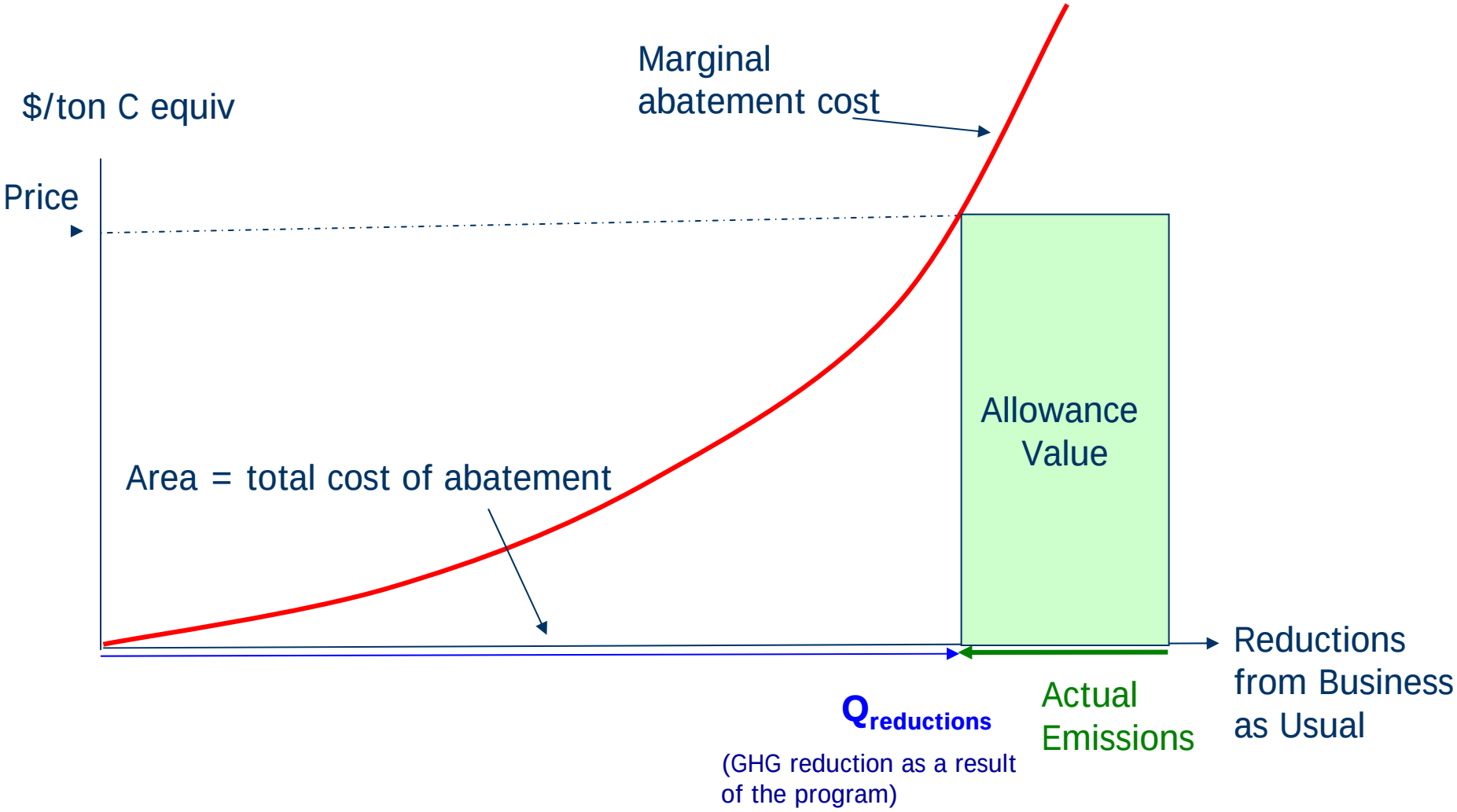
Auction Revenue and Carbon Price Depend on the Stringency of the Program

MIT analysis of approximations of Udall-Petri, Lieberman-Warner, and Sanders-Boxer



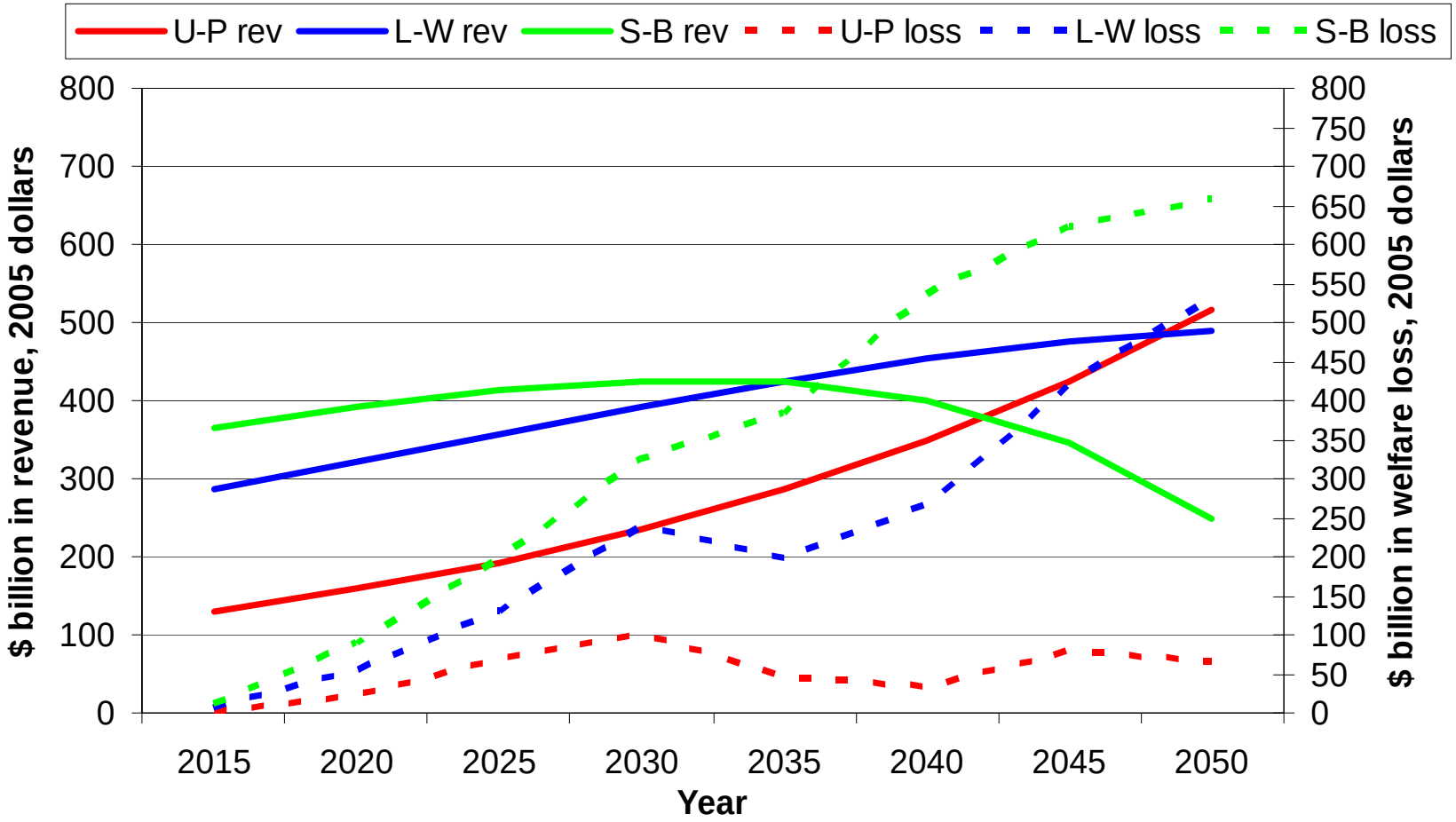
Source: Paltsev et.al., MIT Joint program Report 146, April 2007

Allowance value may be smaller than abatement cost when caps are very tight



Auction Revenue > Welfare Loss For First Decades

MIT analysis of approximations of Udall-Petri, Lieberman-Warner, and Sanders-Boxer



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