

Principles of IETA

Emissions trading is one of the principal policy instruments available to manage industrial greenhouse gas (GHG) emissions by encouraging operational excellence and the deployment of new and existing technologies. Emissions trading is effective because;

- It is economically efficient.
- It is specifically designed to deliver an environmental objective.
- It delivers a clear price signal.

A central objective of climate change policy should be the efficient direction of capital within the market towards low and zero carbon emission investment. To achieve this an emissions market requires:

- Scarcity of emission allowances to create the price signal;
- Long-term clarity and predictability of rules and targets.

In the longer term the market should grow and evolve to provide wide sectoral, geographic and GHG coverage, leading to a global trading regime. This will require:

- Similar rules and enforcement within an array of approaches;
- Mechanisms to link different approaches;
- An offset mechanism based on verifiable emission reduction projects and programmes.
 - Offset based mechanisms offer the opportunity for countries yet to introduce an allowance based approach to participate in the market.
 - Offset mechanisms should be created through a transparent process that recognizes business decision-making realities and is both environmentally effective and economically efficient.
 - The use of offset mechanisms should not be unduly constrained.

IETA aims to ensure that system design, implementation and review delivers a functioning, efficient market. Key aspects of our approach include:

- Transparency of design and operation;
- Sufficient scale to operate and deliver emissions reduction;
- No artificial barriers to access or participation;
- Low transaction costs and limited bureaucracy;
- Delivery without intervention (i.e. no price caps or price floors, no artificial supply barriers such as limits on the use of reduction units from projects).
- Adequate offset availability;
- A fair and equitable allowance allocation process that does not withdraw capital from the firms and industries covered by the scheme, nor grants windfall profits.
- Recognition of the important link between the holder of allowances and the initiation of actions that create the reductions.
- The need for trading systems to recognise all verifiable key abatement technologies, including Carbon Capture and Storage.
- That the release of market data is well managed.

IETA upholds its principles by acting as a think tank, a convenor of dialogues, an advocate, a market promoter and acting as a body that is able to drive market standards.