

The "3s" of Cap. and Invest Flexibility

ONE

INTRINSIC FLEXIBILITY

- 1 Trading
- 2 Banking
- 3 Multi-year Compliance periods (w/ limited borrowing)

TWO

PRICE-RESPONSIVE MECHANISMS

- 1 Auction Price Floor
- 2 Emissions Containment Reserve (ECR)
- 3 Cost-Containment Reserve (CCR)

THREE

EXPAND THE POOL OF ALLOWANCES

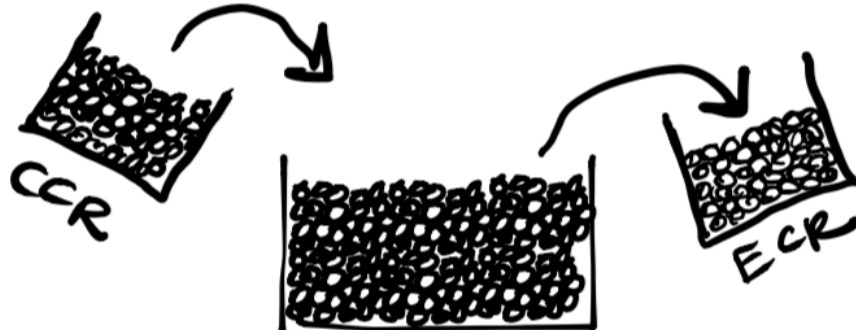
- 1 Regional — As many states as possible
- 2 Link to other Programs — e.g. RGGI?
- 3 Offsets?

IF THE UNEXPECTED HAPPENS

COST
CONTAINMENT
RESERVE
(CCR)

+

EMISSIONS
CONTAINMENT
RESERVE
(ECR)



If allowance
prices higher
than expected,
CCR adds
allowances

EMISSIONS
"BUDGET"
(each year)

If allowance
prices are lower
than expected,
ECR removes
allowances