

THE LANDFILL ALLOWANCE TRADING SCHEME (LATS)

Banking and Borrowing

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 - 2. Are there any restrictions on the banking of allowances?**
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- 1. Why has the borrowing of allowances been limited to 5% of the following year's allocation?**

The borrowing of allowances is an important flexibility that will allow authorities to alter the shape of their reduction trajectory, by bringing forward allowances allocated to future years. 5% is felt to be an appropriate limit as this provides flexibility, whilst ensuring that reductions are made in the early years of the scheme. As the Government has agreed to a back-end loaded trajectory it does not wish to inhibit trading or further delay in investment in new facilities that might result from having a higher borrowing requirement.

- 2. Are there any restrictions on the banking of allowances?**

Unlimited banking will be permitted within each interim target period. However, the WET Act prevents banked allowances being used in target years. Allowances banked before the first target year will have to be used by the end of the scheme year in 2009; then they will expire. The Act also prevents the banking of allowances across target years.