

# hot topic Cap & Trade



Presented by: [www.climatechangeconnection.org](http://www.climatechangeconnection.org)

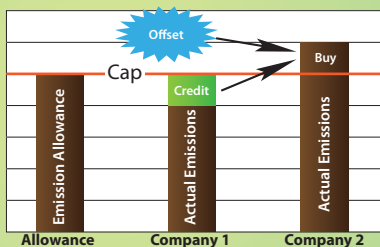
Establishing a cap and trade system that effectively reduces greenhouse gas emissions will be very challenging. Cap and trade alone will not prevent climate change. Yet, such a system could play a vital role within a globally-enforced, carbon-restricted economy.

**Cap and trade** is a mechanism that **encourages emitters** of large amounts of greenhouse gas (GHG) to **invest in emission reductions**.

## How Cap & Trade Works

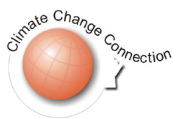
Large emitters cannot exceed a set amount of GHG emissions – a cap (see figure below). The cap varies amongst different industrial sectors and the cap is reduced on a schedule to decrease overall emissions progressively.<sup>1</sup>

Emissions are reported annually:



**Company 1** - Their emissions are less than the cap. The amount of emissions less than the cap earns them credits that they can sell or trade.

**Company 2** - Their emissions are more than the cap. They will need to buy credits and/or offsets.



**hot topic**

# Cap & Trade

## PAST SUCCESS OF CAP AND TRADE

Cap and trade was first used in the US in the 1980s to reduce acid rain.

After 1990, cap and trade got global industry to dramatically and quickly reduce production of ozone-depleting chemicals.

## CHALLENGES OF CAP AND TRADE

The ozone problem involved a relatively limited number of companies dealing with manufacturing of specific chemicals. Greenhouse gases are much more pervasive, come from many more sources, and reducing them is much more complicated. The truth is cap and trade can't achieve our goal alone. Until cap and trade systems become global, it is important to prevent leakage. Leakage may occur if companies seek to reduce their emissions by outsourcing high-emission production to another country or region that is outside the cap and trade system.

## CAP AND TRADE IS NOT A MAGIC BULLET

The real danger is if we treat cap and trade as the single solution. We all need to massively reduce our GHG emissions right now.

Cap and trade will only help to effectively mitigate climate change if it is part of a much broader, more intense, and complete system.

**For more information  
on Cap & Trade visit:  
[www.climatechangeconnection.org/  
Solutions/CapandTrade.htm](http://www.climatechangeconnection.org/Solutions/CapandTrade.htm)**

**Climate Change Connection**  
[www.climatechangeconnection.org](http://www.climatechangeconnection.org)  
3 - 303 Portage Ave  
Winnipeg, MB R3B 2B4  
Tel: (204) 943-4836

### References:

<sup>1</sup> US Environmental Protection Agency, Cap and Trade: Basic Information, <http://www.epa.gov/captrade/basic-info.html>