

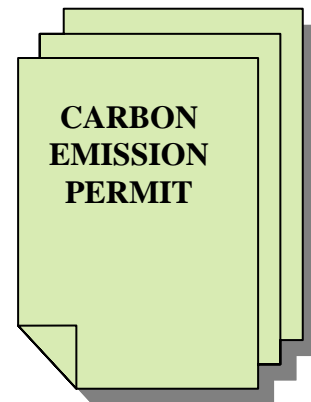
# Carbon Trading Fact Sheet

Carbon Trading is also popularly known as “Cap and Trade.” Cap and Trade, is a new form of environmental regulation twas developed in the 1990s to deal with the problem of sulfur dioxide and the problem of acid rain. Today, cap and trade is the regulatory program being promoted by state and federal policy makers to deal with the problem of global warming.

## Cap and Trade has two parts.

First, the government sets the cap. The cap is the maximum total level of carbon that is allowed to be released. The point is to set a cap that meets a standard that will protect the environment. Once the cap has been set for total carbon emissions, permits to release a certain amount of carbon are created – but altogether, permits cannot go over the set cap. These permits allow each business to release a certain amount of carbon.

We will set our carbon emissions cap at 97.5 million tons, which is 25% lower than the amount of carbon we release into the atmosphere today.



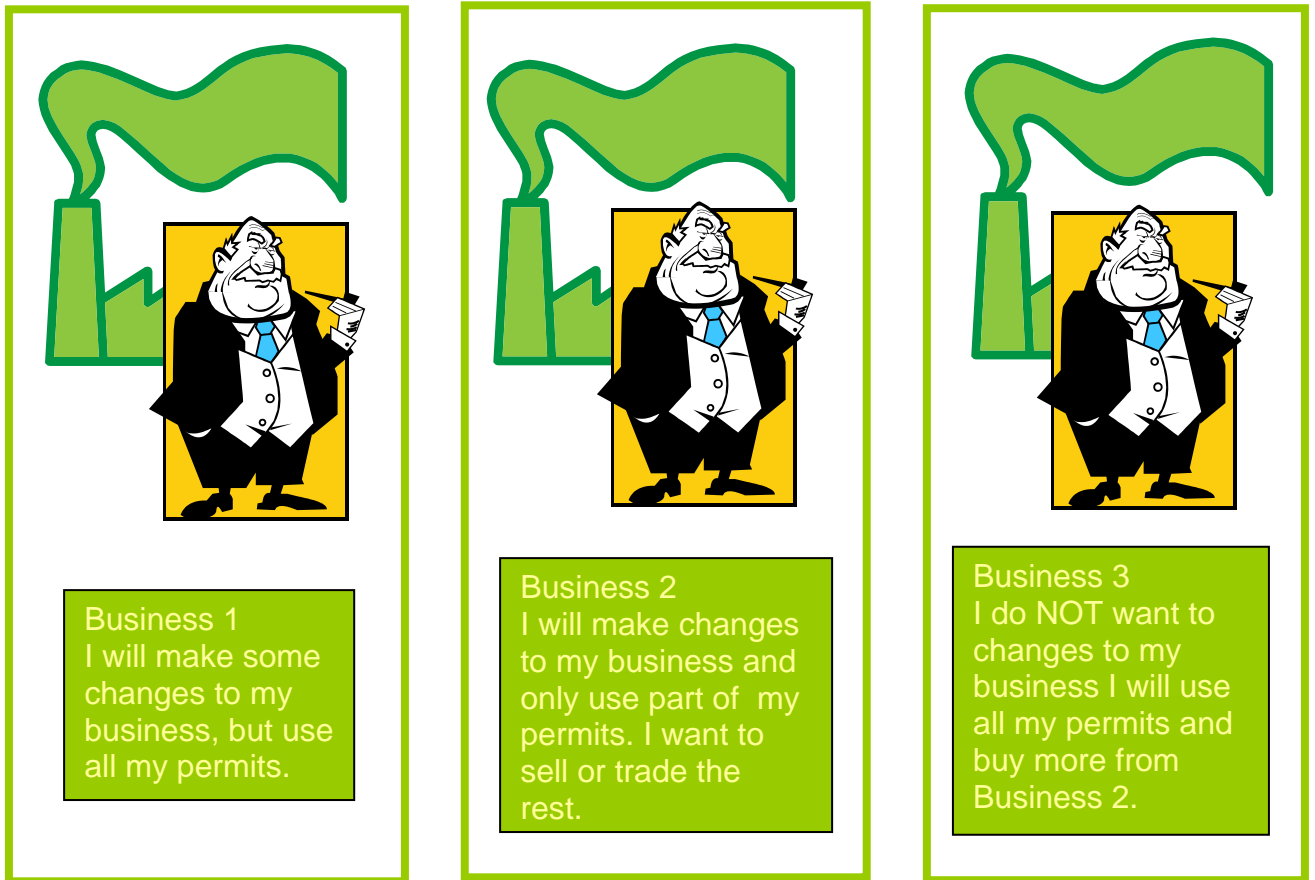
Say that the total carbon emissions are 130 million tons, and we want to reduce that by 25%. The government can set a cap by that amount.

## How do businesses first get their permits?

There are two basic ways businesses can get permits. It depends on how the government sets up its cap and trade program. One way is called **AUCTION**. This means, businesses BUY their permits from the government. The second method is called **ALLOWANCES**. This means, the government provides businesses their first permits for free. Sometimes policy makers talk about having both auction and allowances.

## Trading Permits

After each business receives its permits, they may either use the permit fully or trade them to other businesses. If a business does not want to take steps to reduce its carbon releases, it can use its permits to release carbon to the full extent allowed. But, if a business chooses to reduce its carbon releases significantly, it can end up releasing less carbon than is allowed by its permits. If this is the case, then the business can “trade” or sell its permits to other businesses who do not want to reduce their carbon.



For more information on the Global Warming Working Group please contact:  
Environmental Justice Advocates of Minnesota ([www.ejamn.org](http://www.ejamn.org))  
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