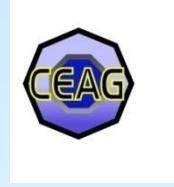




Emissions Trading Panel 4

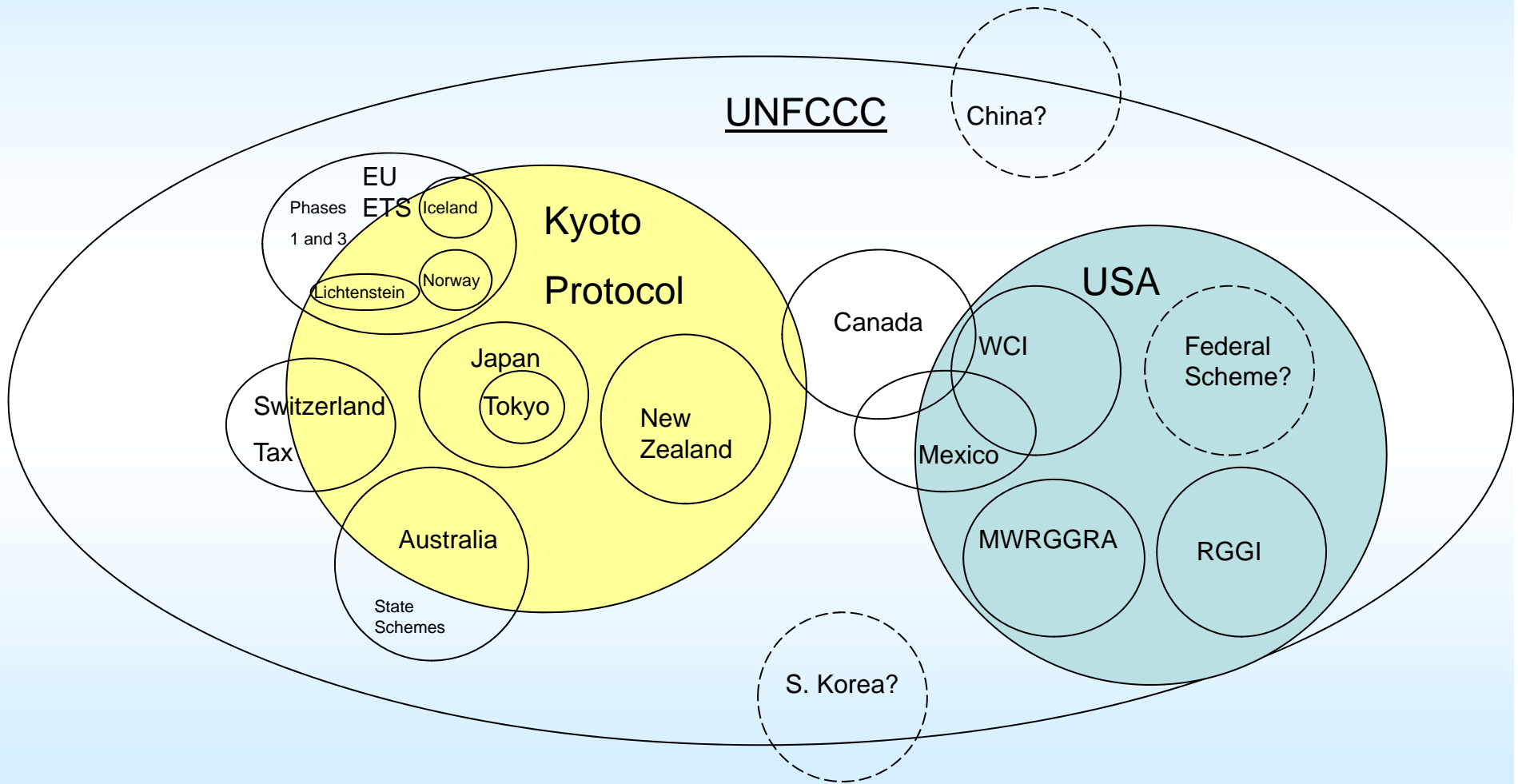
22nd October 2009

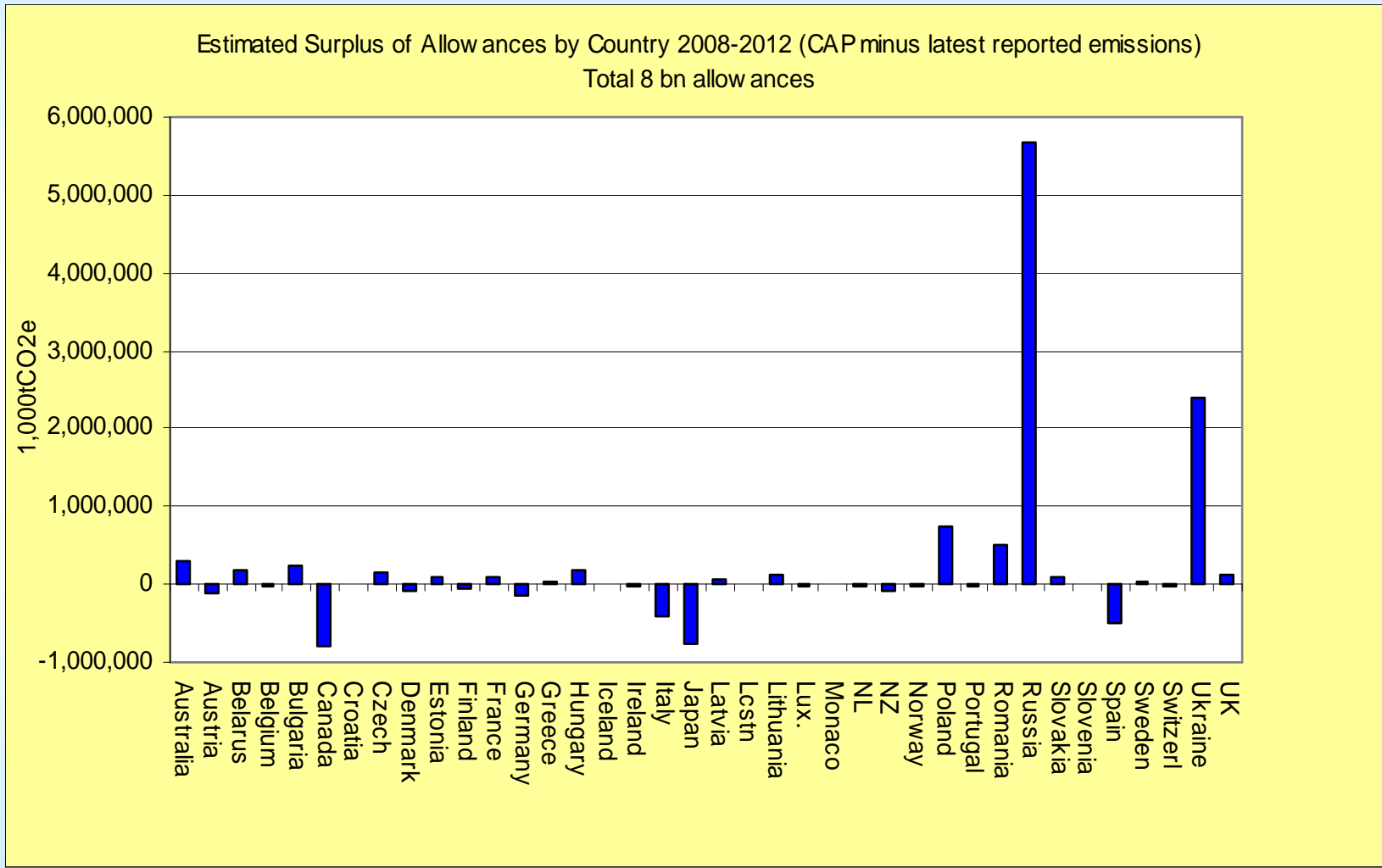




Cap and Trade Concept

- Central Authority sets a limit on permitted emissions level ('cap').
- Central Authority either sets the cap or allocates rights to emit ('allowances') below current or expected emissions levels.
- Allowances are either given for free or sold by auction.
- Emitter can then:
 - Cut production;
 - Invest in clean technology
 - At home
 - Overseas; or
 - Buy in the market sufficient allowances to cover its shortfall of allocations versus cap.







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