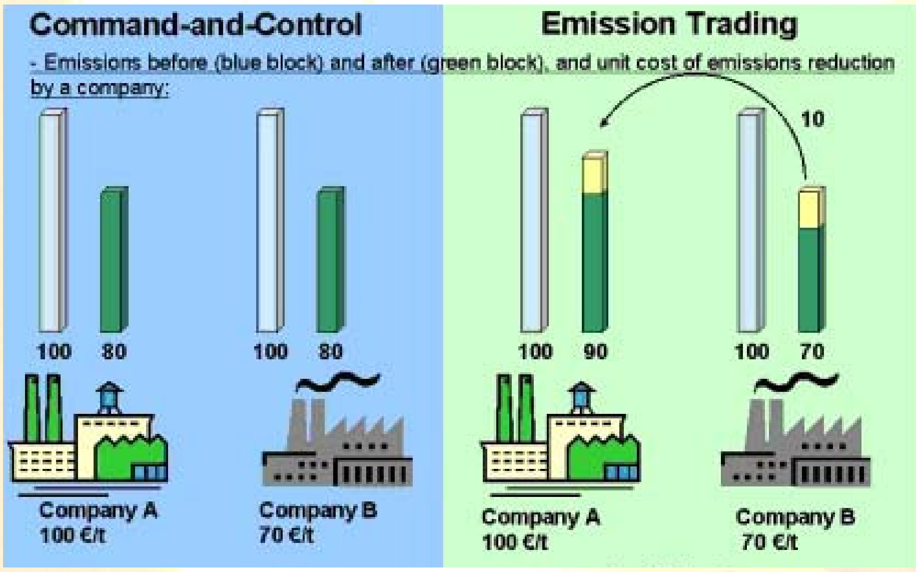
Applied Energy – Fact Sheet

EMISSIONS TRADING SCHEMES

Key Information for Building Owners and Operators

What is it? Emissions trading is a key instrument in the drive to reduce greenhouse gas emissions. It ensures that the emission reductions take place where the cost of the reduction is lowest, meaning that climate change is combated in the most cost-effective way.

How does it work? The government sets a limit or *cap* on the amount of a pollutant that can be emitted. Companies are issued emission permits and are required to hold an equivalent number of *allowances* which represent the right to emit a specific amount. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emission allowance must buy credits from those who pollute less. In effect, the buyer is paying a charge for polluting, while the seller is being rewarded for having reduced emissions by more than was needed. Thus, in theory, those that can easily reduce emissions most cheaply will do so, achieving the pollution reduction at the lowest possible cost to society.



When does it begin? Emissions trading began on 1 January 2005 under the EU Emissions Trading Scheme (EU ETS) This program caps the amount of carbon dioxide that can be emitted from large installations, such as power plants and carbon intensive factories. As of April 2010, the Carbon Reduction Commitment (CRC) will come into force which is aimed at large non energy-intensive and will involve the trading of allowances.

Participants in the Carbon Reduction Commitment will be able to purchase (but not sell) emission allowances from the EU Emissions Trading Scheme at a price that is the higher of the EU ETS price or the minimum CRC floor price.

Contact: Geoff Peters (geoff.peters@appliedenergy.co.uk 07957 142 360) at Applied Energy for an initial chat and some guidance on how best to proceed.

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