

Name: _____

Lesson 34

Period: _____

How Can Trading Emissions Rights Reduce Pollution?

Directions. Read the *Handy Dandy Guide* and the mystery. Read the clues. Be careful.

While all the clues are correct, only some are *useful* in solving the mystery. Decide which clues are most relevant to solving the mystery. Use the clues and one or more of the ideas from the *Handy Dandy Guide* to figure out a solution to the mystery. Write your solution.

Handy Dandy Guide

1. People *choose*.
2. People's choices involve *costs*.
3. People respond to *incentives* in predictable ways.
4. People create *economic systems* that influence individual choices and incentives.
5. People gain when they *trade* voluntarily.
6. People's choices have consequences that lie in the *future*.

The Mystery

In 1995, the Environmental Protection Agency reported that levels of six major air pollutants had decreased by 29 percent over the preceding 25 years. Much of the improvement could be attributed to government regulations, such as rules requiring the removal of lead from gasoline.

But that is not the whole story. Much recent improvement in air quality has been attained by means of an environmental program that relies on market forces. The government provides factories in a city with a specific number of pollution permits. A company then may discharge emissions up to the limit set in its permits, or it may sell some of its emissions allotment to other companies.

This plan actually allows some people to pollute more than others. How could selling emissions rights reduce pollution?

The Clues

1. Some businesses (those with modern plants, for example) can reduce their pollutant emissions more efficiently than other businesses.
2. Despite a growing economy, emissions of man-made carbon dioxide remained almost flat in the United States from 1997 to 1998.
3. Emissions trading begins with a government-set target for the reduction of overall emissions in a given location.
4. Emissions trading in the United States has been such a success that many government leaders now favor development of a plan for international trading of pollution rights.
5. Burning oil, gas, and other fossil fuels releases carbon dioxide into the atmosphere.
6. Carbon dioxide is the main "greenhouse" gas that some scientists think is overheating the planet by trapping the sun's rays in the atmosphere.
7. In the United States, emissions of lead into the air declined by 98 percent from 1970 to 1994.
8. Purchasing emission rights is a cost. Over time, businesses strive to reduce their costs.

Record your solution and explain it briefly here:
