

## Emissions Trading: Is It Working?

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### ABSTRACT

Emissions Trading was created in the early 1970's in an effort to improve upon the existing command and control structure of air pollution regulation. Since its early implementation, the program has undergone many changes in the face of much controversy. Today the program exists in a form which is widely accepted by environmentalists and industry alike. This does not however guarantee success of the program. In order to determine if the program is "working," criteria including the number of trades completed, the affect on air quality, and the benefit to industry need to be studied.

I looked at three areas: Colorado, Rhode Island, and the South Coast Air Quality Management District in California as case studies. In the SCAQMD the level of trading was high in terms of the number of trades but in reality only about 2% of the regulated sources were involved. In Colorado only one trade was completed and six credits were banked. In R.I. six bubbles were created, five of those for VOC's which represented an involvement of 25% of the regulated sources at the time. In all areas the trades generally benefitted industry and air quality either improved or remained constant.

The program then seems to work but only on a limited scale. In order to improve the program an emissions cap needs to be implemented. Other improvements need to be made as well including mandatory implementation which will be part of the Acid Deposition Program created in the 1990 Clean Air Act. In order for any emissions trading program to be successful it must limit the number of emissions through source allowances, require all sources to be permitted, have a bank for credits, and enforce emission penalty fees. The success of future programs will depend upon the incorporation of these criteria.