

Good essay on cap and trade policy

[Economics](#), [Trade](#)



Cap and trade policy is one of the most effective ways of reducing emissions in the world. The method is the most economically and environmentally sound approaches to reduce greenhouse gas emissions, which leads to reduction in global warming .

The “ Cap” part sets the limit on the emissions permissible on organizations and countries. As such, capping is a preventative approach, which urges organizations and countries to find ways to produce lesser emissions. When applied to firms the Cap and Trade approach involves allocation of permits to allow the firms to operate in ways that led to the release of limited emissions. Organizations can then buy and sell permits as they may choose. The permits last for a specified period or they may be unlimited in time.

In most cases, the cap and trade policy is the best way to reduce emissions in the environment. This is so because it covers all the major types of emissions such as natural gas, electric power generation, manufacturing, transportation among others. The method is also based on science and as such, it can be proven, researched on, and improved for efficiency.

The cost benefit analysis of the method proves its viability in reducing emissions. A carbon tax or the charges imposed on organizations for exceeding their capped value. In Sweden, the carbon tax is \$140 for each tonne of carbon pollution. The imposition has led to Swedish firms being more environmental friendly and globally competitive in the world. For instance, Sweden experienced a 100% growth since the imposition of the emission laws. The downside of the cap and trade approach is that it can be complex to put in place regulations since organizations can use lobbying to raise the capping levels and lead to the ineffectiveness of the policies.

References

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