



## Carbon Trading for Individuals?



**Imagine the scenario...it is 2015, and you are buying fuel for your hybrid car.**

You go to pay, and are told that your purchase will cost £100, plus 50 carbon credits.

Thankfully, you have just received your regular top-up of free carbon credits into your online carbon account, which already has a healthy balance due to your low carbon consumption. So you hand over your carbon debit card, and the credits are electronically taken from your account in real-time. This saves you having to buy the units at the point of sale, which at current market prices would cost you £25.

### Meeting our commitments

Sounds far-fetched? Well maybe not. The Sustainable Development Commission (SDC) recently recommended that the Government should seriously consider the possibility of extending 'cap and trade' schemes for carbon dioxide (CO<sub>2</sub>) across the whole economy, to cover individuals, as well as business and the public sector. This would enable us to achieve guaranteed, annual cuts in our national 'carbon budget', and eventually reduce our emissions by at least 60% by 2050 – meeting the Government's long term target.



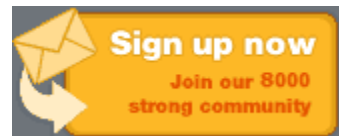
**A carbon credit card. Will this become a reality?**

Individuals would be given a free allocation of carbon credits, on a per capita basis, which they would use to pay for purchases of electricity, petrol and gas. People that are low carbon consumers would be able to sell their surplus credits on the carbon market, whilst those with a high consumption would have to buy.

The cost of carbon would therefore become included in everyday decision-making, which would promote energy efficiency and behavioural change, whilst encouraging the development of new low carbon technologies.

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## A market for carbon

The SDC's recommendation is based on recent research into the concept of Domestic Tradable Quotas (DTQs), also known as Tradable Energy Quotas (TEQs). Other researchers have used the term Personal Carbon Allowances, but essentially both terms refer to a scheme which would set an annual limit to CO<sub>2</sub> emissions. This would be reduced over time to meet emissions reduction targets.

Some of the annual 'carbon budget' would then be distributed to individuals on a per capita basis for free, with the remainder sold or allocated to businesses and the public sector. The allowances or credits would then be surrendered whenever individuals or businesses bought carbon directly – for example, through purchases of electricity, petrol, gas, or fuel oil.

To allow flexibility, a market would be created whereby participants could buy and sell carbon credits, leading to the creation of a price for carbon, which would encourage energy efficiency and behavioural change, whilst stimulating the demand for low carbon technologies such as renewable energy.

## Polluter pays

The key features of such a scheme are that each individual is given the same 'right' to emit carbon. If they don't need all their freely allocated credits, they can sell the surplus on the open market, providing them with additional income. Those with a high demand for carbon would need to purchase additional credits to cover their consumption.

The effect on business would be similar to that of a carbon tax, and this would be reflected in the price of carbon-intensive products. However, unlike a carbon tax, a cap and trade scheme like DTQs would be guaranteed to deliver the carbon reductions decided upon, as the carbon limit would be fixed for several years ahead.

Such a scheme could be implemented on a national scale (the DTQ research centres on this proposal), or there may be scope for the existing EU Emissions Trading Scheme to be gradually expanded to encompass the whole economy. This would have the benefit of covering emissions from the whole of Europe, but may be more difficult to implement. While it is unlikely that personal carbon trading will be seen before 2010, it could certainly be implemented within the next 10 years using current technology.

## Now try this

More information on personal carbon allowances can be found at:

- » [Tradable Energy Quotas by David Fleming, independent policy analyst](#)
- » [Tyndall Centre project on DTQs](#)
- » [Environmental Change Institute \(University of Oxford\), research on Personal Carbon Allowances](#)
- » ['Living in a low carbon world' - UK Energy Research Centre and PSI one day seminar report](#)
- » [UK Parliament - Science and technology select committee - Supplementary memorandum by Richard Starkey and Dr Kevin Anderson](#)

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Sustainable Development Commission,  
Ground Floor, Ergon House,  
Horseferry Road, London SW1P 2AL  
T: 020 7238 4995 E: [enquiries@sd-commission.org.uk](mailto:enquiries@sd-commission.org.uk)

website by [fatbeehive](#)