

Carbon Trading
Daniel Egger
TH 6:15-9:00 pm

Bulletin Description

The goal of carbon trading is to reduce greenhouse gas emissions efficiently through market-pricing mechanisms. This course examines the theory and practice of governments creating tradeable property rights in permission to pollute.

We will study the first such program, introduced through the 1990 Clean Air Act Amendments, which largely eliminated sulfur dioxide (acid rain) in the northeastern US. We will then consider in detail the structure and functioning of the world's active carbon emissions credit trading markets, with a focus on two of the largest: the European Union (launched 2005) and California (launched 2013).

To facilitate understanding, the course will cover the core concepts and mathematics of financial markets in general, including market and limit orders and the order books, and the use of derivatives, including puts, calls and futures, in managing risk. The course will explore the emerging secondary market ecosystem around carbon trading, including the complementary roles of exchanges, brokers, and non-polluter financial investors, and consider the safeguards needed to avoid fraud and market manipulation.

Finally, students will explore the potential future role of carbon trading in the global effort to control greenhouse gas emissions, including the emergence of new platforms, and the monetization of offsets and carbon capture.

Course Requirements & Grading

Readings each week, including academic journal articles, state and national legislation and regulations, treaty provisions, and excerpts from the textbook:

Carbon Markets: an International Business Guide, by Arnoud Brohe et al.

Class Participation	20%
Quizzes	30%
Research Paper	40%
In-class presentation	10%