



## History

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# EPA Expands Open-Market Trading of Acid Rain Credits

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[EPA press release - March 20, 1995]

As part of EPA's flexible, common sense approach to smarter environmental and public health protection, the Agency today extended to all industrial fossil fuel-burning sources the option of reducing acid rain by trading pollution credits.

Today's action is consistent with the Clinton Administration's Reinventing Environmental Regulation, announced by the President last week. The Clinton Administration believes that the expansion of open-market trading for air and water pollution gives companies the broadest flexibility to find the lowest cost approaches to pollution reduction.

"This rule is a good example of common sense regulatory reform," said EPA Administrator Carol M. Browner. "Pollution credit trading provides industry the flexibility to produce the very best environmental results for the least cost."

Emissions trading already saves industry, and consumers, \$2 billion per year.

The final rule announced today would allow combustion sources to voluntarily enter the pollution credit trading program. Their participation would expand this program beyond electric power plants to include more facilities that emit sulfur dioxide (SO<sub>2</sub>), the prime ingredient in the formation of acid rain.

The move is part of a broader Administration effort to reinvent environmental regulation, including efforts to make pollution prevention an attractive investment.

The Clean Air Act Amendments of 1990 require that 1980 SO<sub>2</sub> emission levels from electric power plants be cut in half by the year 2010 -- a 10 million ton yearly reduction. To achieve this reduction, EPA offers electric utilities the option of using an innovative, market-based "allowance" trading system. An allowance gives a utility unit the right to emit one ton of SO<sub>2</sub> a year. EPA grants allowances to utilities based on their past fuel usage.

The allowance program gives a utility an economic incentive to reduce acid rain pollution: If a plant reduces its SO<sub>2</sub> emissions below its level of allowances, it will have left-over emission credits it can sell to other utilities or anyone that wants to buy them.

Today's final rule set up an "opt-in" program, allowing combustion sources other than utilities, such as industrial steam boilers, to voluntarily participate in allowance trading. Just like utilities, opt-in sources will get their own allocation of allowances from EPA and will also have an economic incentive to reduce pollution.

EPA believes the overall cost of SO<sub>2</sub> control will be lowered as opt-in facilities sell their unused allowances to electric utility units. Utilities can use these allowances to comply with the acid rain rules at less cost than for traditional pollution control equipment.

Opt-in sources must comply with monitoring, enforcement and other Clean Air Act requirements similar to those applicable to utilities. Regardless of the number of allowances held, no opt-in source can exceed standards protecting public health and the environment.