RESNET

Environmental Trading

What is Environmental Trading?
Environmental trading seeks to remove pollutants through a market-based solution. Companies and utilities are tasked with either reducing their own emissions or buying credits from companies that have reduced their emissions below the required level. Markets have already been created to reduce the emissions of sulfur oxides (Sox), nitrogen oxide (NOx), and mercury. The cap and trade of carbon dioxide (CO_2) is expected follow in the near future.

Examples of Environmental Trading
Perhaps the first implementation of environmental trading was the 1990 amendments to the Clean Air Act which created an environmental trading program to combat acid rain. The bill received overwhelming bi-partisan support and was signed into law by President George H.W. Bush. The 1990 amendments to the Clean Air Act have overwhelmingly been hailed as a successful program which curbed the emissions of pollutants that cause acid rain.

Another significant devolvement in environmental trading was the 1997 Kyoto Protocol, which called on nations to reduce their emissions of CO_2. In order to fulfill their obligations to the protocol, nations have formed an international trading system to buy and sell credits from one another.

Opportunities for Financing Building Energy Performance and Rater Business Opportunities

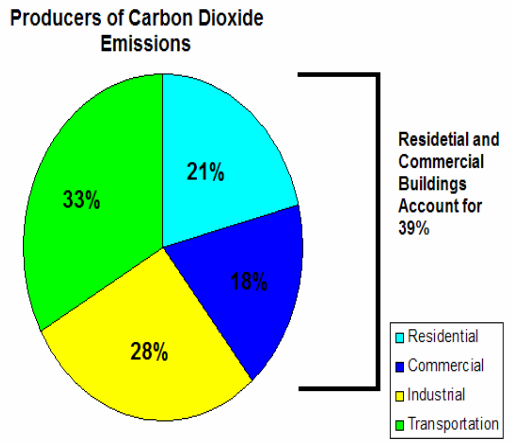
- **The demand for measurement and verification of building energy performance by raters will be substantially higher. Raters will be needed to calculate and verify environmental savings from a building's improvements so that value can be traded in emissions markets.**

- **The potential for residential energy efficiency to be incorporated in a state SIP (State Implementation Plan)**

- **New source for funds to invest in building improvements and for third parties to aggregate and sell the value of savings**

Why Focus on Residential Pollution?

Traditionally, environmental regulation has been aimed at "tailpipes and smokestacks." In other words, when most people think of pollution and global warming they link it to the emissions caused by automobiles and factories. Energy usage from residential and commercial buildings, however, accounts for nearly 40% of carbon emissions. Residential energy use accounts for 21% of CO2 emissions. High performance buildings can play a significant role in meeting environmental emission targets.



Source: U.S. Energy Information Agency

How Building Performance Fits into Environmental Trading

Environmental trading offers a new market opportunity for raters, but will not require them to learn a new skill or set of standards. By applying the existing RESNET standards for energy efficiency to environmental trading, America can reduce its emissions of harmful pollutants. The modeling and inspection procedures developed by RESNET can be used to document efficiency in an environmental trading market. There is no need for additional inspections or software modeling.

Examples of Building Efficiency Programs

Already, there are several programs which include residential building efficiency as a part of the solution to emissions reductions. In 2001, the Environmental Protection Agency recognized the Texas SIP plan which included a residential energy code.

The energy rating firm of Conservation Services Group has sold building energy efficiency offsets for NOx allowances of up to $2,000 a ton.

What Raters Should Do

Environmental cap and trade systems have been adopted by states across the U.S. It is uncertain, though, whether or not commercial and residential buildings will be included in a program. It is vital that raters advocate that residential and commercial buildings are included in cap and trade programs. Raters can begin by forming partnerships with industry, consumer and environmental advocacy groups, and sitting on local regulatory meetings.

Advocacy on the local, state, and regional level will be an important step in ensuring that buildings are included in a national cap and trade programs. Raters also should educate regulators that there is a national standard to measure and verify the energy performance of homes.