

Carbon credit

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Afforestation is often used to sell carbon credits.

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A way for industries to compensate for a failure to keep below their [emission limits](#) and for those who do better than their limits to benefit by selling their unused [quotas](#) to others.

One carbon credit gives the owner the right to emit one metric tonne of [carbon dioxide](#) or other [equivalent greenhouse gas](#).

The burning of [fossil fuels](#) is the biggest source of industrial [greenhouse gas emissions](#) for most of the industries and particularly those relying heavily on energy from coal, natural gas and oil. The effort to reduce emissions from these industries are guided by international efforts like the [Kyoto Protocol](#). The protocols define goals that are applied as quotas or, as they are sometimes called, 'caps' on greenhouse gas emissions.

The quotas are monitored nationally by local governments and internationally by the [UNFCCC](#).

In this context carbon credits is one of the most important tools to realize a worldwide reduction of emissions by making the whole system flexible. Carbon credits are central to national and international [emission trading](#) plans to [mitigate global warming](#).

With carbon credits the market can assign a value to an industry's failure to follow international agreements such as the Kyoto Protocol. This value makes it possible to achieve a reduction in another sector. In this way the combined emissions from all places can be kept under the limit in the most cost effective way.

There are international and national markets for buying and selling carbon credits. The international nature of the trade makes it easier to cooperate in projects that achieve reductions globally because the cost is readily calculated by the market.

Carbon credits also function to connect the large scale regulated industrial market with the smaller scale voluntary market for individuals. Some companies specialize in selling carbon credits to individual customers, who are interested in lowering their [carbon footprint](#) on a voluntary basis.

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