ABSTRACT

According to latest scientific research, our climate is severely affected by the human activities. The main problem is the emission of green house gases (GHGs). Due to emission of green house gases, the global mean temperature has increased by about 0.6^{o}C during the 20th century. There are also changes in sea level, snow cover, glaciers, growing season as well as plant and animal ranges. So in order to slow down the pace of change in the climate, different countries came forward to the formation of Kyoto protocol. However, there is still a dilemma that whether we use carbon tax or emission trading as a means to mitigate green house gas emission. Carbon tax is like a Pigovian tax levied on the carbon content of fuels. However, emission trading is a market based approach used to control pollution by providing economic incentives for achieving reductions in the emissions of pollutants. In India different types of plans are formulated to reduce the green house gases (GHG) emissions and these include PAT scheme which is mainly targeted for some specific sectors, GREEN CESS on electricity generation to facilitate greater penetration of renewable energy sources. This study attempts to take stock of these two schemes and explores their effectiveness in meeting the economic and environmental objectives.