
Cap and Trade Programme Course: Allowances, Auctions, Offsets and Market Integrity

27 June – 1 July 2027
Manama





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Programme Summary

Cap and trade programme design and oversight are the subject of this one-week training course for policy, market oversight, finance and compliance leaders at strategic level, ending in a scheme integrity file for one emissions trading scheme. Weak allocation, loose verification or thin market rules can undermine the price signal of a cap. The programme moves from cap setting and allocation to auctions, offsets, monitoring and market oversight. Mars Training Centre UK delivers this programme on the cap and trade programme to mixed-organisation cohorts.

The Business Case

An emissions trading scheme only works when the cap is credible, allowances are issued fairly, emissions data can be trusted and trading is orderly. Leaders who can test each condition can keep compliance costs predictable and detect abuse early.

- Price Predictability: Improves as price floors, banking rules and reserves are designed and tested before stress.
- Compliance Cost: Falls as monitoring, reporting and verification duties are clear.
- Market Integrity Exposure: Falls as oversight rules deter insider dealing, weak offsets and misreported emissions.

Principles and Evidence Base

- Cap and Trade Principle: Fixes the quantity of emissions and lets trading set the price, used in Sessions 1 and 2.
- Price Versus Quantity Instruments: Compares a carbon tax that fixes price with a cap that fixes quantity, as discussed by the World Bank and the International Monetary Fund, used in Sessions 1 and 3.
- Offset Quality Criteria: Applies additionality, permanence, double counting and independent verification, including corresponding adjustments under Article 6.2 of the Paris Agreement, used in Session 3.
- Monitoring, Reporting and Verification: Tests how emissions data are measured, calculated and checked by third parties, used in Sessions 4 and 5.



Intended Participants

- Policy leaders who set caps, coverage and allocation rules.
- Market oversight leaders who supervise brokers, auctions and trading conduct.
- Finance leaders who budget for allowance purchases and auction revenue.
- Compliance leaders who answer for emissions data and the surrender of allowances.

Typical settings include environment ministries, exchanges, power and industrial operators.

Learning Outcomes

1. Participants will be able to compare a cap and a tax and justify a choice.
2. Participants will be able to construct an allocation plan that balances free allocation, auctions and leakage.
3. Participants will be able to evaluate offset projects against additionality, permanence and double counting tests.
4. Participants will be able to design price stability rules and a banking policy for a scheme.
5. Participants will be able to diagnose weak verification, misreporting risk and abuse in allowance trading.
6. Participants will be able to justify a scheme integrity file to a ministerial or board committee.

Programme Structure

Day 1: Cap and Trade Programme: Principles and Cap Setting

Why does a fixed quantity create a price?

- Cap Trajectory Chart
- Price and Quantity Comparison Table
- Scheme Coverage Map
- Gas and Sector Inclusion Test
- Linking Options Matrix

Day 2: Allocation, Auctions and Leakage

Who receives allowances, and what happens to emissions outside the scheme?

- Free Allocation Rule Review
- Auction Format Comparison
- Leakage Exposure Scorecard
- Revenue Use Options Paper
- Banking and Retirement Rule Sheet



Day 3: Offsets, Credits and Price Stability

Which credits can enter, and how is the price kept workable?

- Additionality Test Checklist
- Permanence Risk Assessment
- Registry Tracking Walkthrough
- Price Floor and Ceiling Design
- Safety Valve Trigger Simulation

Day 4: Verification, Enforcement and Market Oversight

How are emissions data checked and trading conduct supervised?

- Monitoring Plan Template
- Third-Party Verification Review
- Penalty Ladder Design
- Insider Dealing Red Flag List
- Participant Eligibility Rules

Day 5: Scheme Integrity File for One Emissions Trading Scheme

Do the earlier tools form one file that a decision committee can review?

- Applying the Session 1 Cap Trajectory Chart
- Testing the Session 2 Leakage Exposure Scorecard
- Reviewing the Session 3 Safety Valve Trigger Simulation
- Checking the Session 4 Insider Dealing Red Flag List
- Completing the Scheme Integrity File

Methodology

The programme uses case analysis built on a prepared scheme dossier for one power sector and one industrial sector, each with an allocation table, an auction record and a trading log. Participants judge the design in small groups before applying the same tools to their own scheme.

- Suggested activity: Comparing an auction with free allocation for a sector exposed to leakage.
- Suggested activity: Screening three offset projects against additionality and permanence tests.
- Suggested activity: Reading a trading log for insider dealing.



Capstone Output

Each participant completes a scheme integrity file for one emissions trading scheme. It holds a cap trajectory, an allocation and auction plan, offset rules, price stability settings, a verification plan and an oversight checklist. The file is used at work to brief a decision committee and set review dates.

Frequently Asked Questions

Is a cap and trade programme course suitable for leaders who have not worked on emissions trading?

Yes. The cap and trade programme is taught through a scheme dossier. It assumes some experience of policy, markets, finance or compliance, but no earlier scheme work.

Which models does the cap and trade programme rest on?

The cap and trade programme rests on the cap and trade principle, the comparison of price and quantity instruments, offset quality criteria, and monitoring, reporting and verification.

How is the file from the cap and trade programme used at work?

You use the scheme integrity file to brief a decision committee, test proposed rule changes and set review dates for allocation, offsets and oversight.

How does a cap and trade programme differ from a carbon accounting course?

A cap and trade programme teaches how a trading scheme is designed, run and supervised, while a carbon accounting course concentrates on measuring an organisation's own emissions inventory.