

# Carbon Pricing - Spreading to the World

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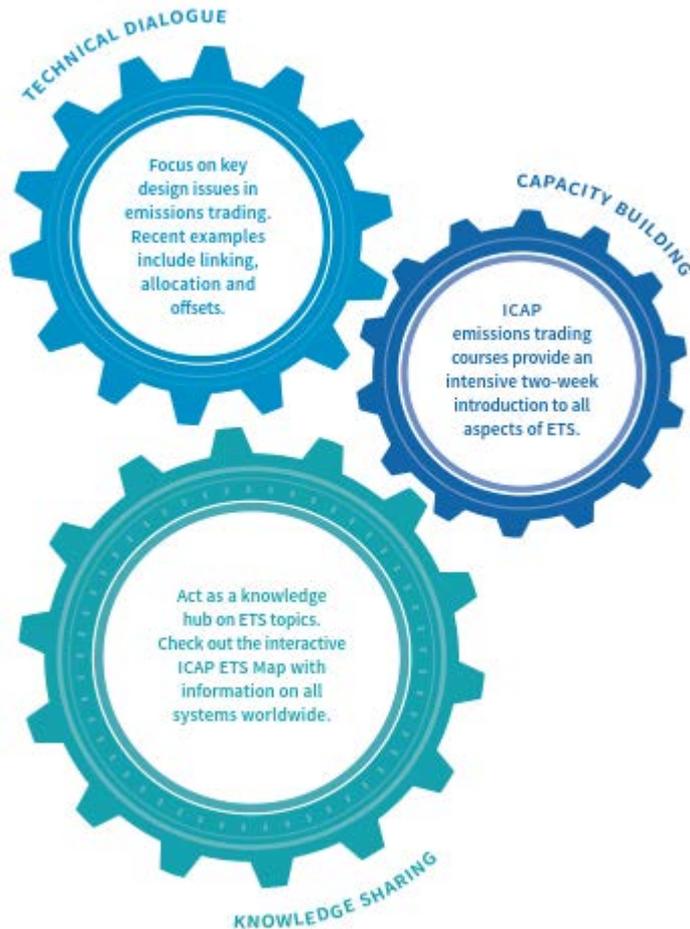
*International Carbon Action Partnership Secretariat  
(ICAP)*

# ICAP 's Mission

- Share **best practice** and learn from each others ' experiences;
- Ensure that **design compatibility issues** are recognized at an early stage;
- Help to **make possible future linking** of trading programs; and
- Highlight the **key role of cap and trade** as an effective climate policy response.



# ICAP Activities



## Membership

- 31 Members and 4 observers

## ICAP ETS Training Courses

- 16 courses since 2009

## ICAP Knowledge products

- Annual ETS Status Report
- Quarterly newsletter in 5 languages
- ICAP interactive ETS Map
- ETS “how to” Handbook
- Range of ETS publications

# Three key messages

1. Tackling climate change is an urgent and fundamental challenge.
2. A well designed ETS is an essential part of the solution.
3. Close to 20 ETS are already contributing to cost effective emissions reductions globally.

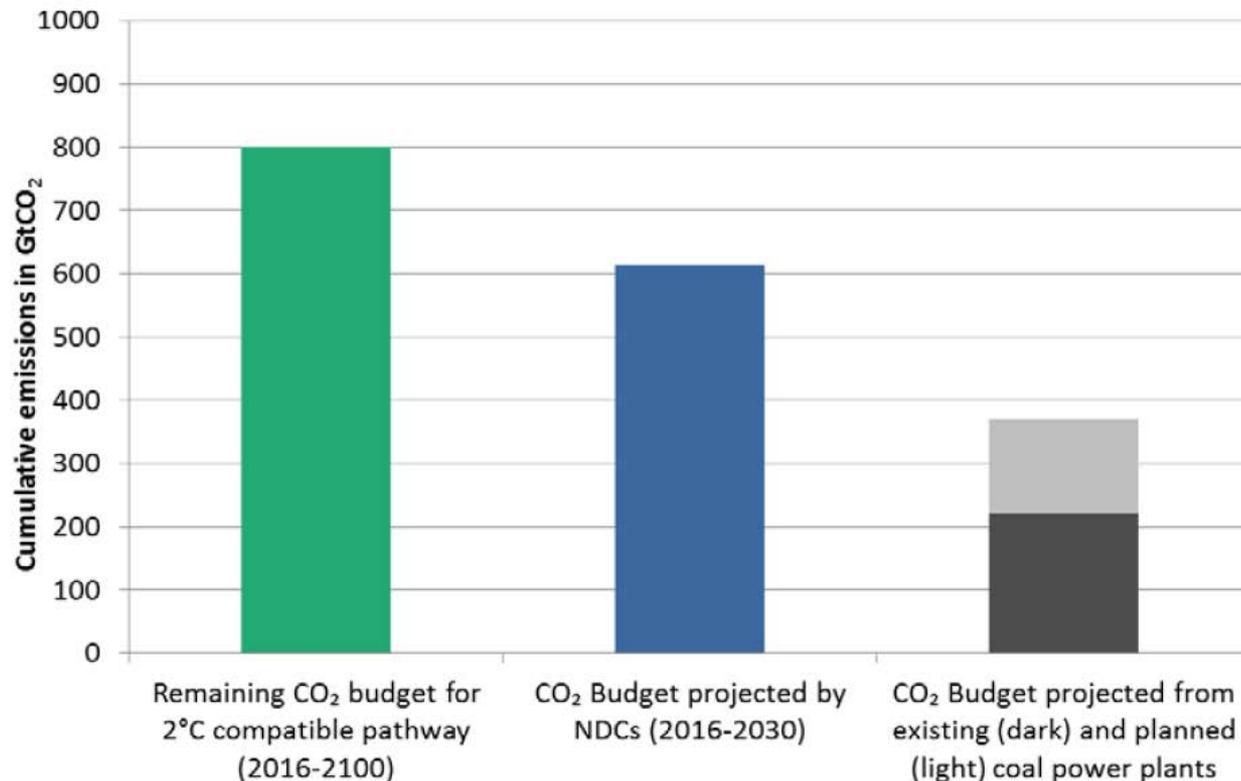
# Tackling climate change is an urgent and fundamental challenge

- Unmanaged climate change threatens every aspect of development, large-scale migration and sustained and severe conflicts, and threaten the prosperity of countries at every income level.
- “Global recognition of the scale of the problem is what lead to the Paris Agreement reached in December 2015 that laid down the target of “well below 2°C.”  
Stiglitz-Stern Carbon Pricing Commission, 2017.



# Action is required now as there is only a limited carbon budget to achieve the Paris target

- Fixed budget of greenhouse gas emissions to achieve the 2 degree goal



The target will only be reached with large scale transformation of economic activity and energy systems

- **Decarbonizing** the production of electricity;
- Massive **electrification** (to increase reliance on clean electricity) and, where this is not possible, switching to cleaner fuels;
- Improving **energy and resource efficiency**; and
- Preserving existing and increasing the number of natural **carbon sinks** in forests and other vegetation and soils



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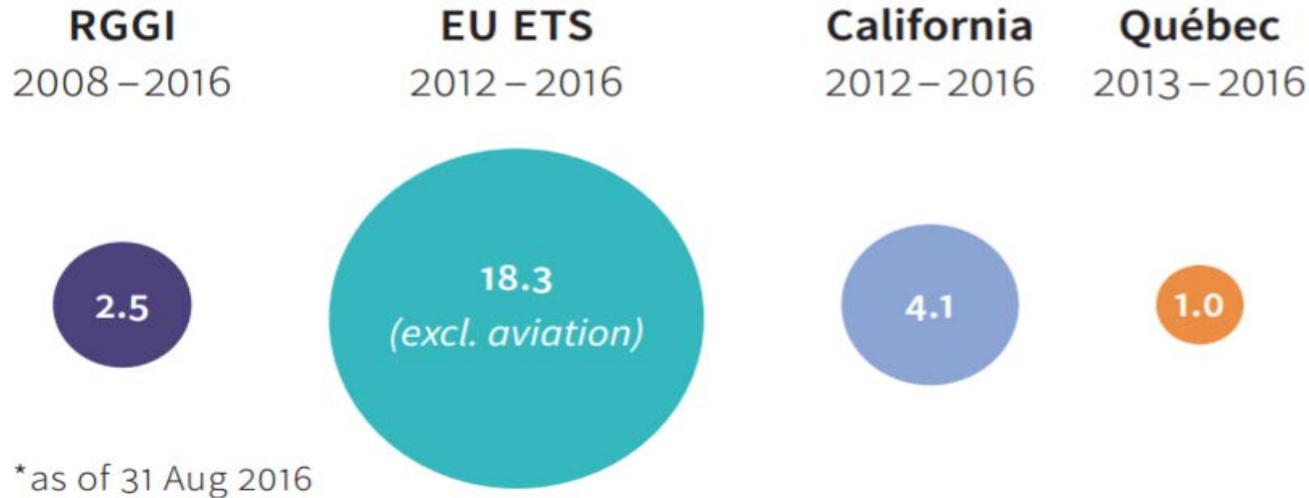
# Well designed ETS is a critical part of the climate change solution?

1. Delivers on emission reduction targets
2. Achieves emission targets at least cost
3. Supports broader policy objectives
  - Provides co-benefits
  - Generates revenues



# An ETS can generate auctioning revenues . . .

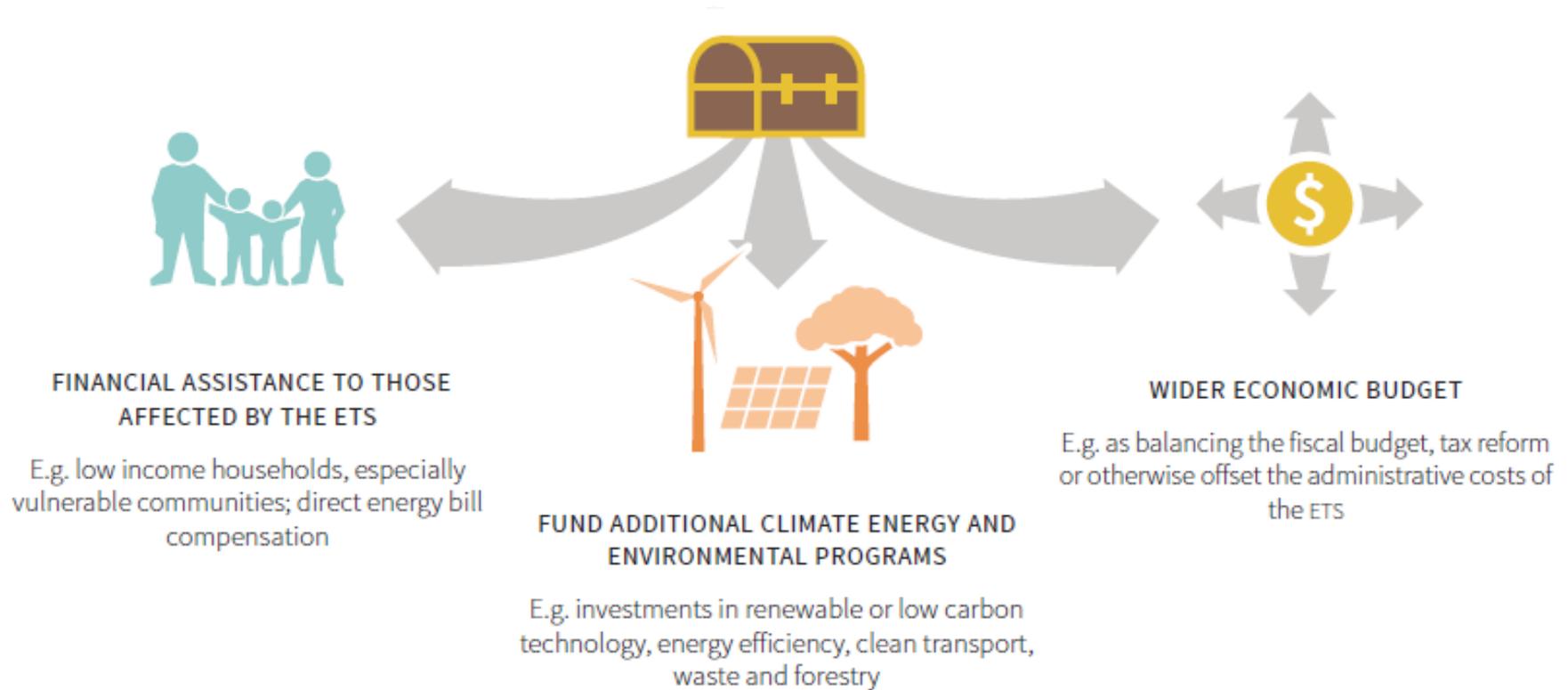
Total Auction Revenues in USD Billions



- The amount of revenue depends on the quantity of auctioned permits and the auctioning price
- By 2015, ETS jurisdictions raised more than USD 26 billion from auctioning emission permits
- With the emergence of new ETSs and the increasing share of auctioned permits, this number is expected to grow further

# .... Which can be used for climate action

Auctioning revenue can be used in many ways. Most commonly, it has been used for:



# ETS provides additional co-benefits

- **Improved local air quality** –health benefits from reduced air pollutants.
- **Preserved local environments** – improved habitat and forest environments when forestry sector covered.
- **Other co-benefits** - increased energy security from a more diverse fuel mix, the creation of green jobs, and lower traffic congestion and accidents from reduced use of passenger vehicles

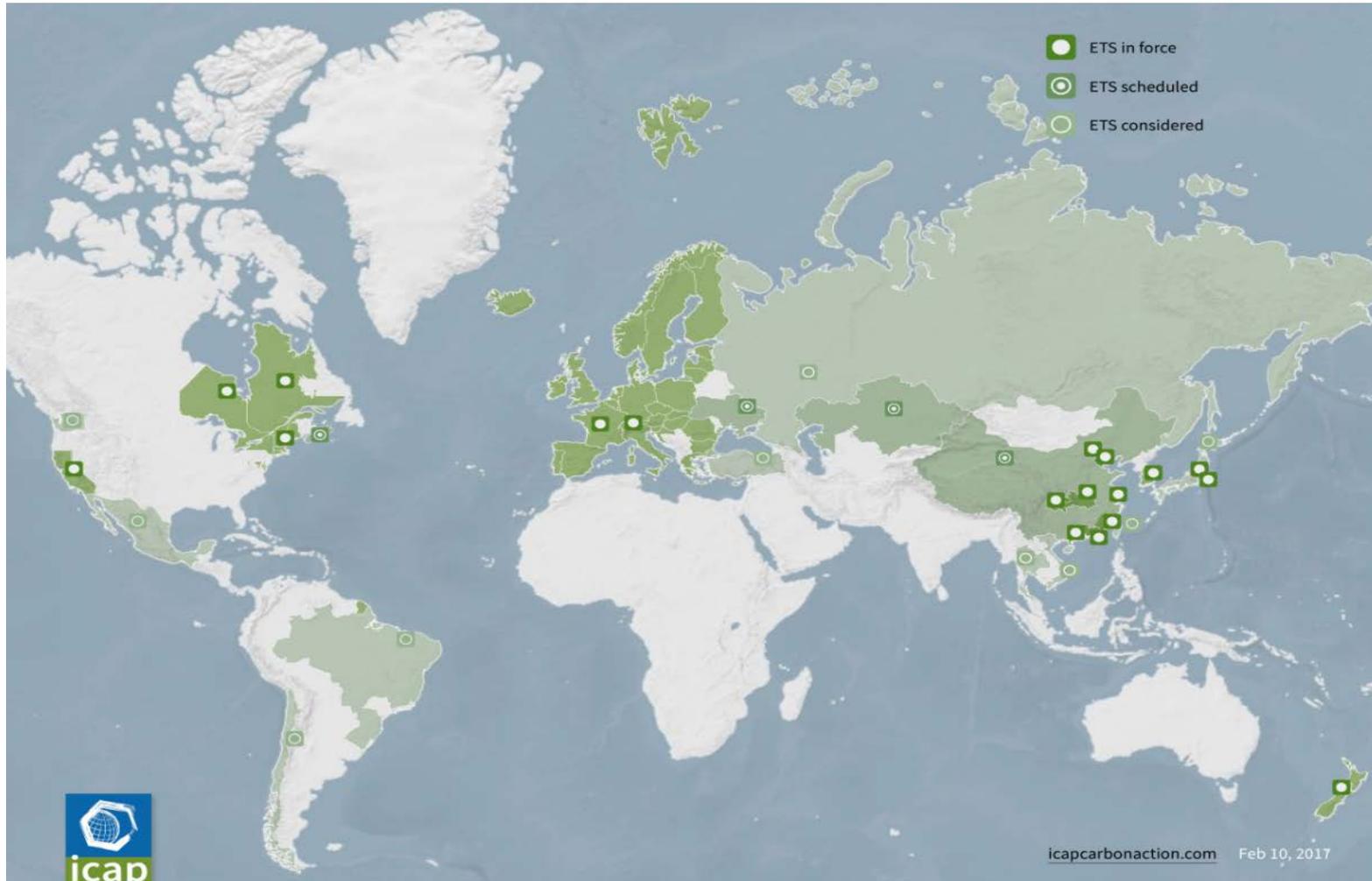


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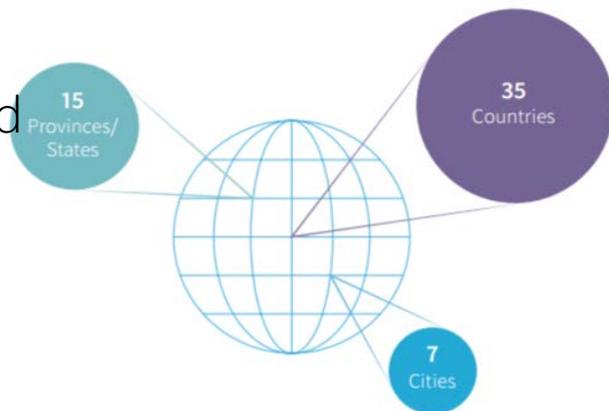
# Global ETS, 2017

- 19 ETS worldwide, regulating emissions from more than 7 billion tons CO<sub>2</sub>e by the end of 2017.



# Global Emissions Trading, 2017

ETS implemented in four continents and ...

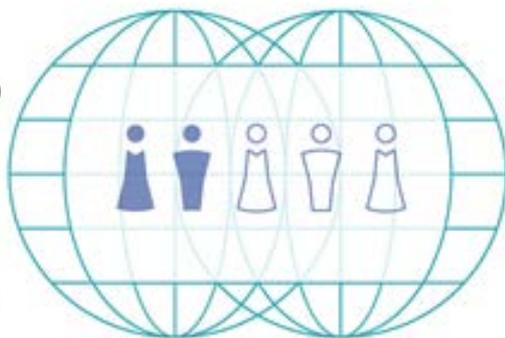


Proportion of global GDP from regions that have implemented ETS



2 out of 5 people worldwide (2016)

3 out of 5 people worldwide (2017)

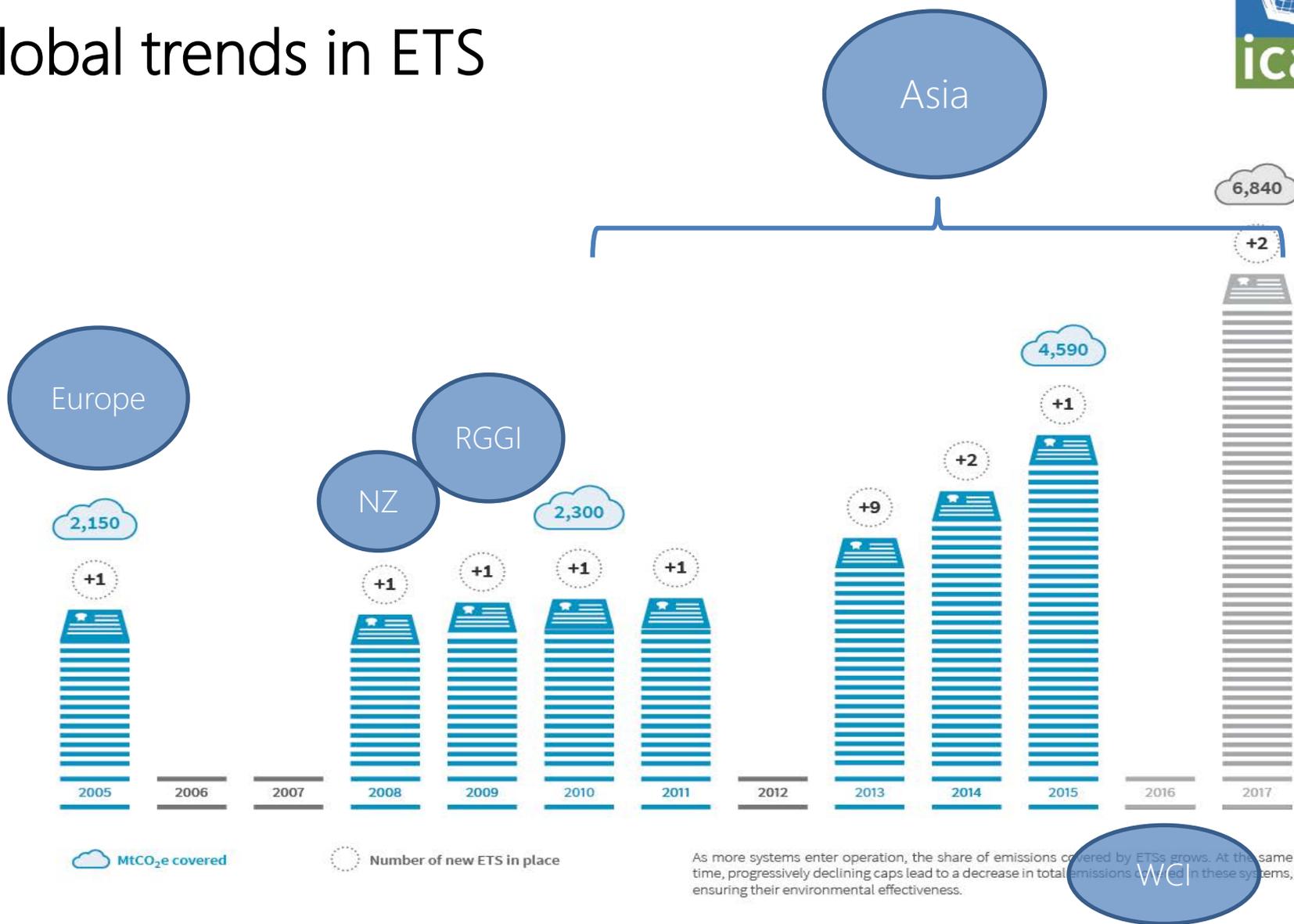


Coverage of global emissions by ETS



Source: ICAP Status Report, 2016.

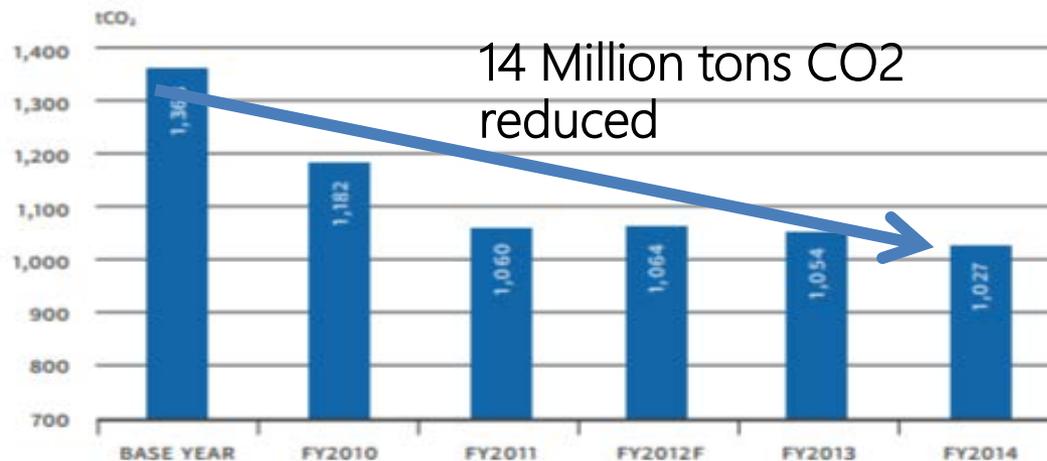
# Global trends in ETS



*Note: RGGI stands for Regional Greenhouse Gas Initiative, NZ stands for New Zealand, WCI stands for Western Climate Initiative.*

# ETS Developments in Japan

- Tokyo ETS
  - World's first city based ETS
  - Covered facilities reduced emissions by 24% in the first compliance period, while continuing to expand their operations
  - Have successfully linked their system with **Saitama**.

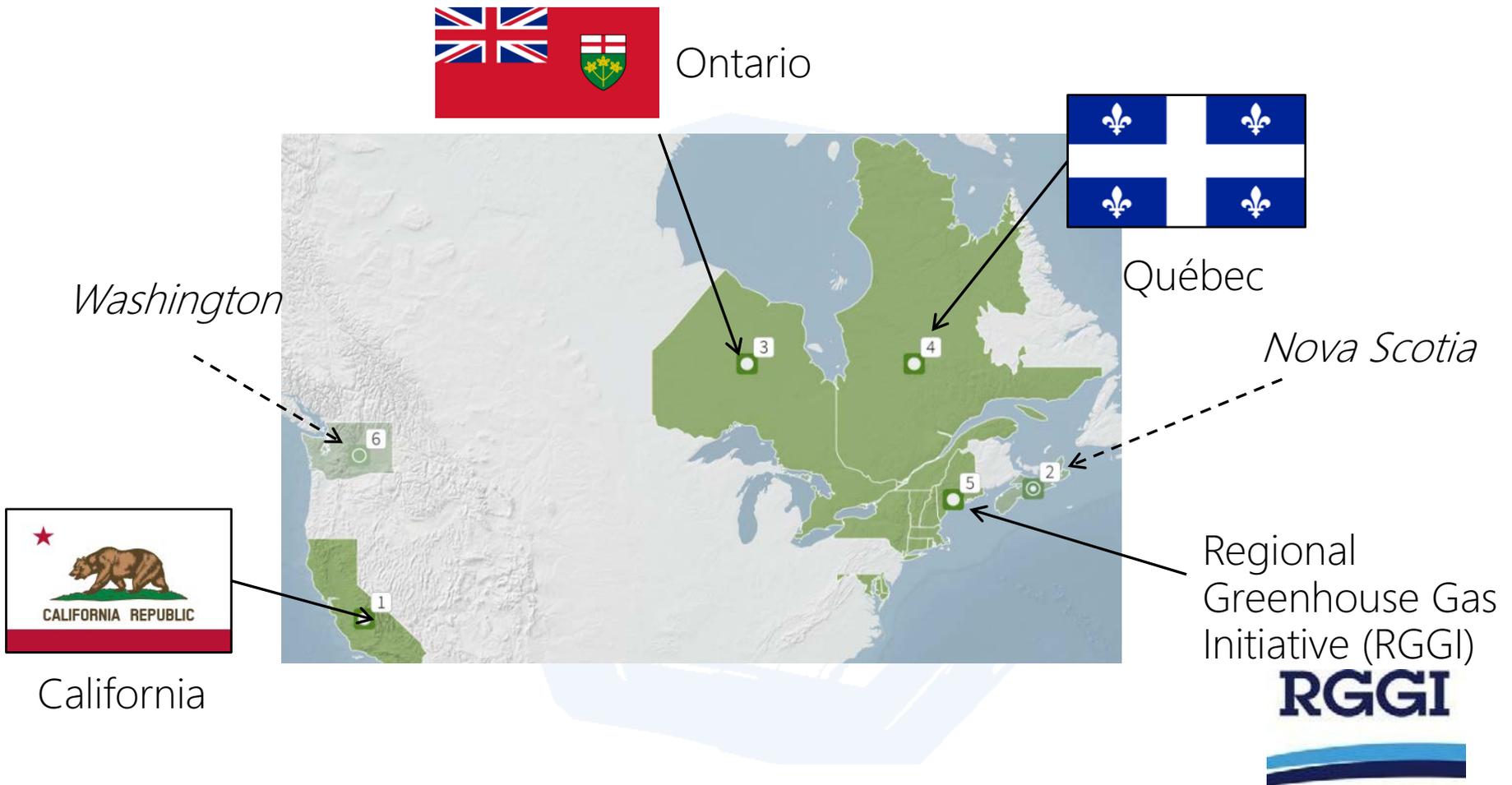


# ETS Developments in China



- 3-5 sub-sectors to be covered
- Thresholds - annual energy consumption >10,000 tons of Coal Equivalent in any year from 2013 to 2015
- Mostly free allocation
- Trading is expected to begin by late this year.
- Nine exchanges already approved
- Currently finalizing the national allocation plan and will need to pass legislation through State Council.

# North America – established sub-national systems



Common theme – ETS is one instrument in a broad climate policy mix  
e.g. fuel and efficiency standards, renewable energy subsidies, carbon taxes, etc.

# ETS Developments in Mexico

- Climate Change Act (2012) – framework for a Voluntary ETS Carbon Tax introduced (2013)
- National Emissions Registry established (2014) – basis for MRV and data collection
- Announcement in Nov 2016: ETS planned for 2018 – electricity sector (industry opt-in)
- ETS Simulation started Dec 2016



# ETS developments in Latin America

- **Chile (2014) & Colombia (2016):** introduced carbon taxes as part of broader fiscal reform. Implementation starts this year.
  - **Chile:** tax does not cover fuels
    - Studying options to introduce ETS and improve MRV
  - **Colombia:** tax covers fuels
    - 2016: voluntary carbon market platform run by Stock Exchange
    - Analyzing options to introduce economic instruments in transport sector and develop MRV system

# ETS developments in Europe and central Asia



- **EU ETS** – worlds longest running carbon market will enter its fourth phase in 2021. Currently adjusting the system to ensure it is resilient through to 2030.
- **Ukraine & Turkey** have agreed to implement an ETS as part of their succession to the European Union. Monitoring and Verification system currently being established and ETS will follow.

# Korea – China – Japan Cooperation Forum

- Korea – China – Japan Cooperation Forum – a platform for information exchange on ETS and ETS linkage.
- ICAP-ADB Knowledge Sharing Platform – regional dialogue between ETS aspirant jurisdictions



# Lets continue the dialogue!



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