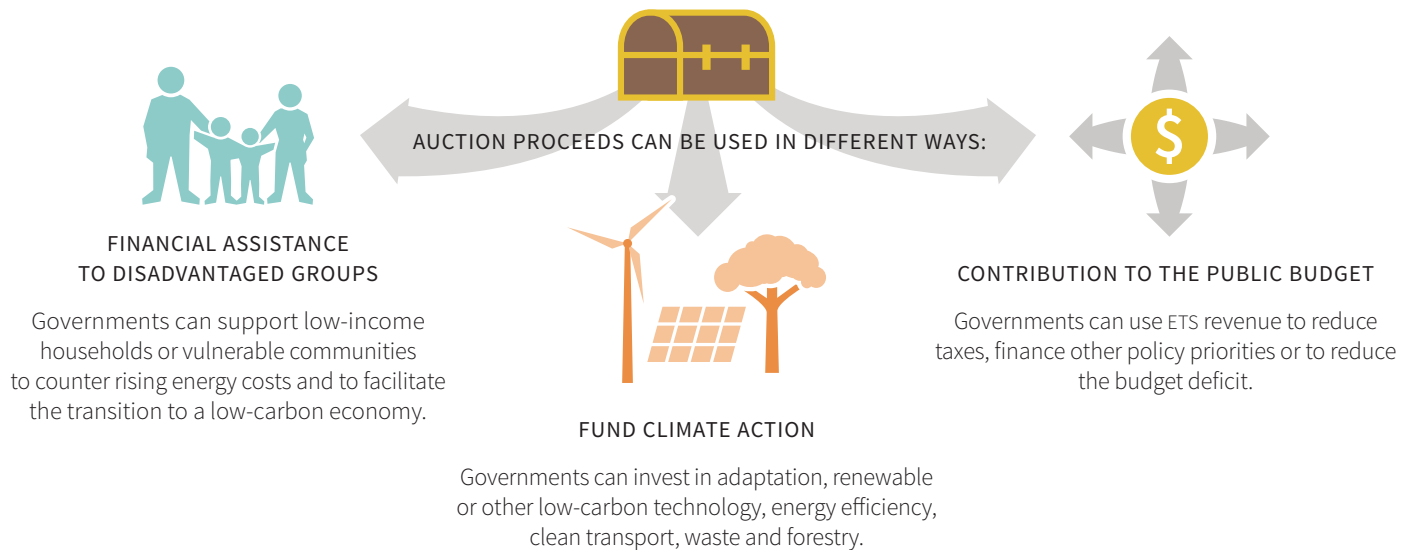


From Carbon Market to Climate Finance: Emissions Trading Revenue

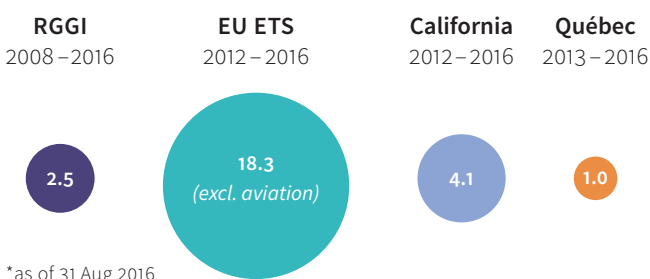
BENEFITS OF AUCTIONING ETS PERMITS

In an emissions trading system (ETS), the government can distribute emissions permits for free, auction them, or combine both approaches. Auctioning is an efficient way to get permits to those who value them most. It generates public revenue and provides an incentive for companies to take early action against climate change, as the more companies reduce their emissions, the fewer permits they need to buy. Auctioning may also be seen as fair because it ensures that regulated companies pay for their emissions.

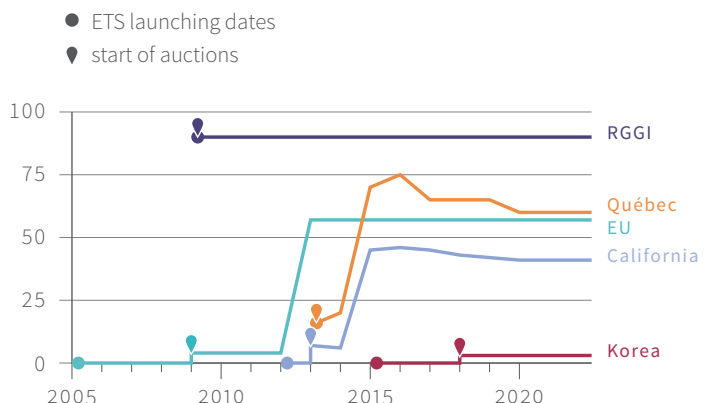


Most ETS already do, or intend to, auction a share of their permits. The amount of revenue depends on the number of auctioned permits and the carbon price. By 2015, ETS jurisdictions had raised nearly USD 26 billion through auctioning.

TOTAL AUCTION REVENUES, USD BILLION*



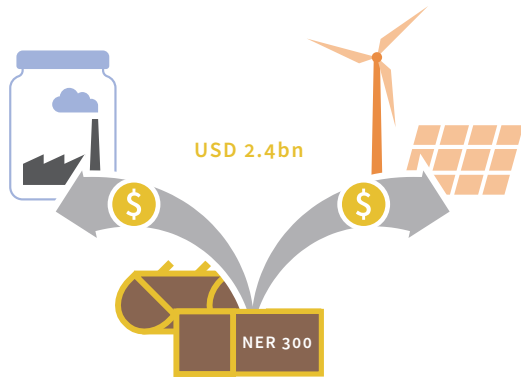
ESTIMATED PERCENTAGE OF TOTAL AUCTIONED PERMITS



AUCTIONING IN AN ETS – A SNAPSHOT ACROSS 3 SYSTEMS

RGGI – A PROGRAM THAT AUCTIONS ALMOST 100% OF ITS PERMITS

The fact that the Regional Greenhouse Gas Initiative (RGGI) generates revenue, which can then be reinvested into the community, has helped build support for the program. In 2013, RGGI states spent approximately 80% of their auction proceeds on consumer benefit programs. These investments have stimulated the local economy and created jobs through developing low-carbon technology, promoting energy efficiency programs and increasing the use of renewable energy.



30 000

NEW JOB-YEARS*

*a job-year is one year of full-time employment

EU ETS – A FOCUS ON CLIMATE FUNDING

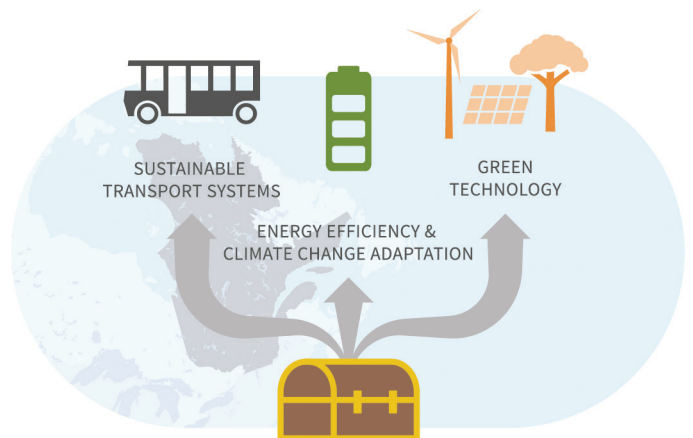
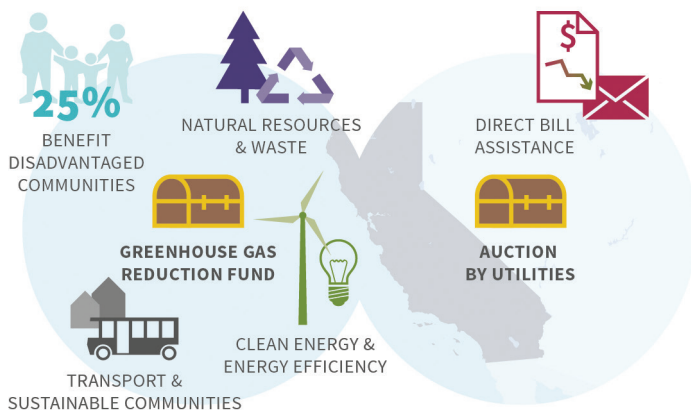
In the European Union (EU), each member state decides how to use their auction revenue, but at least 50% should go towards climate action. The EU also funds one of the world's largest programs for low-carbon innovation: the NER 300. By 2014, the fund had spent more than USD 2.4 billion on cutting-edge renewable energy technologies and carbon capture and storage projects.

CALIFORNIA AND QUÉBEC – JOINT AUCTIONS UNDER INDIVIDUAL ADMINISTRATIONS

In 2014, California and Québec linked their systems and began to run joint auctions. The revenue is collected separately:

CALIFORNIA: Most of California's revenue goes to the Greenhouse Gas Reduction Fund, of which at least 25% is used to benefit disadvantaged communities. The fund also invests the proceeds in projects that reduce GHG emissions. Additional revenue from permits allocated to, and subsequently auctioned by utilities, directly assists consumers with their power bills.

QUÉBEC: Québec's revenue goes to the Green Fund which supports measures such as developing and using green technology, sustainable transport systems, energy efficiency and climate change adaptation.



SOURCES AND DISCLAIMERS: Figures from the European Commission, ICAP Status Report, Québec Ministry of Sustainable Development, Environment and the Fight against Climate Change, California Air Resources Board, RGGI, EEX, ICE. US dollars were converted at the annual average exchange rates published by the Bank of Canada and <https://www.oanda.com>. For the Québec cap-and-trade system, joint auctions involve currency conversion for part of the proceeds. The rate and transaction fees on the date of conversion can affect the amount deposited to

the Green Fund. As a result, the product of the number of permits sold and the settlement price may slightly differ from the actual amount deposited. For the California cap-and-trade system, the estimated percentage of auctioned permits and total auction revenue account for state-owned permits only. The estimated percentage of auctioned permits for the California and Québec cap-and-trade systems are calculated based on the vintage year, not by the year when permits were or would be actually auctioned.

ABOUT THE INTERNATIONAL CARBON ACTION PARTNERSHIP: ICAP is an international forum for national and subnational governments focusing on best practices in emissions trading. Its work centers on three main pillars: technical dialog, knowledge sharing and capacity building. For more information visit the [ICAP website](#), check out the [ICAP map](#) or follow us on [Twitter](#).