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15 February 2017

Press Release

Emissions trading worldwide: Emerging economies on the rise

- With the launch of China's national ETS, ETSs will operate in economies generating close to half of the world's GDP and covering more than 15% of global emissions. In 2017, Mexico and China are the hot spots for ETS development
- Download the ICAP Status Report 2017 (infographics also available separately) at <https://icapcarbonaction.com/en/status-report-2017>

Berlin, 15/02/2017. The International Carbon Action Partnership's (ICAP) Status Report 2017, released on 15 February, provides a testament to the evolution of emissions trading from textbook assumptions to the real world. With the launch of China's national emissions trading system (ETS) later this year, ETS will operate in economies generating close to half of the world's GDP and covering more than 15% of global emissions. The ICAP Status Report takes stock of the latest developments in emissions trading, providing detailed factsheets on all systems under consideration or operating worldwide, as well as highlighting major trends and areas of policy debate. This year's report focuses on three major themes: emissions trading in emerging economies, market stability and international cooperation.

Emerging economies: A new generation of ETS

In 2017, the most exciting developments in emissions trading are taking place in emerging economies in Asia and Latin America. Here, systems are being designed to operate in countries that are eager to reduce emissions and limit local pollution while still allowing for dynamic economic growth and development. The key development to watch in 2017 will be the kick-off of the Chinese ETS, set to be the world's largest carbon market. Sinocarbon's experts, Qian Guoqiang and Huang Xiaochen highlight four key issues for the Chinese government leading up to the launch: establishing the legal basis for the ETS, emissions data, allocation and establishing a national registry and trading platforms. Mexico has also made rapid strides in developing its own national carbon market and building the foundation for a future national ETS, as discussed by Victor Escalona, Sean Donovan and Saul Pereyra from the Mexican Ministry of Environment and Natural Resources.

Managing market stability

Prices in some systems have been lower than expected, triggering debates on the appropriate function, goals and price levels of an ETS. In response to this, tools to manage the allowance market have emerged in different systems. In the EU,



interventions to date have focused on the supply of allowances, whereas mechanisms in North America regulate the allowance price. Against this background, Cécile Goubet and Anaïs Maillet from the French Ministry of the Environment, Energy and the Sea explore the potential for introducing a price floor into the EU ETS. In Korea, there is an allocation committee that has considerable scope for market intervention. Reflecting on the first two years of operation, Il-Young Oh from the Korean Ministry of Strategy and Finance notes that prices have settled around the upper spectrum of ETS prices and the national carbon market has also seen relatively high levels of compliance.

International cooperation is crucial

As systems continue to adapt to new challenges and as new systems emerge, international dialogue and cooperation will be key to the success of emissions trading. Such networks are critical on all levels. As Akiko Miura from the Tokyo Metropolitan Government outlines, Tokyo has been actively sharing its expertise as the world's first city-wide ETS with other jurisdictions in Asia, such as Korea, China and Malaysia to promote best practices and ETS readiness. More broadly, Nicolas Muller of the United Nations Climate Change Secretariat demonstrates how article 6 of the Paris Agreement gives the countries the option to work together to achieve the targets in their Nationally Determined Contributions (NDCs), for instance, by linking their ETSs.

In support of these processes, ICAP continues to bring together policymakers from around the world to exchange on experiences and lessons learned regarding ETS. ICAP's technical dialogue, focusing on specific ETS issues, such as linking and establishing a long-term carbon price, is an opportunity for policymakers to exchange and develop best practices. ICAP also focuses on capacity building through its training courses that help policymakers from emerging and developing economies learn the building blocks of emissions trading and the role it can play in their jurisdiction. More broadly, ICAP also functions as an emissions trading knowledge hub through products like the interactive ETS map. **Download the ICAP Status Report 2017 (infographics also available separately) at <https://icapcarbonaction.com/en/status-report-2017>**

About ICAP:

The International Carbon Action Partnership brings together regional, national and sub-national governments and public authorities from around the world to discuss important issues in the design of emissions trading schemes (ETS) and the way forward to a global carbon market. 31 national and subnational jurisdictions have joined ICAP as members since its establishment in 2007. Further information: www.icapcarbonaction.com

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