

Kazakhstan Emissions Trading Scheme

General Information

Summary	Status: ETS in force Jurisdictions: Kazakhstan Kazakhstan launched its ETS (KAZ ETS) in January 2013. The groundwork for the ETS development was laid out in 2011 through amendments and additions to Kazakhstan’s environmental legislation. The system was temporarily suspended in 2016-2017 to tackle operational issues and reform allocation rules. MRV obligations applied during the suspension time. Amendments to the ‘Environmental Code’ were passed in 2016 to improve the MRV system, as well as the overall GHG emissions regulation and operation of the KAZ ETS. Further amendments to the Environmental Code in 2017 laid the groundwork for the introduction of benchmarking. The current ‘National Allocation Plan’ for 2021 sets a cap of 159.9 MtCO2 for the year, with 225 participating installations belonging to 130 operators. According to the new Environmental Code, which will come into force in July 2021, the next National Allocation Plan will be developed for five years.	
Year in Review	2020 was the last year of the third phase of KAZ ETS operation, and the new National Allocation Plan was issued to set the cap for the year 2021. In the third phase, participating operators could choose the allocation method between grandfathering and product-based benchmarking. A full transition to benchmarking has been made for the current phase.	
Overall GHG emissions (excluding LULUCF)	Emissions: 396.6 MtCO2e (2018)	
Overall GHG emissions by sector (in MtCO2)	Sector Name	MtCO2e
	Energy (305.1)	305.1
	Transportation (26.1)	26.1
	Industrial processes (22.4)	22.4
	Agriculture (36.2)	36.2
	Waste (6.8)	6.8
GHG reduction target	BY 2030: 15% (unconditional) to 25% (conditional) reduction from 1990 GHG levels (NDC) BY 2050: 40% CO2 emission reduction in power sector from 2012 levels (2013 Concept of Transition to Green Economy)	
Carbon Price	Current Allowance Price (per t/CO2e): KZT 456 (USD 1.10) (average 2020 price)	

ETS Size

Covered emissions	0.41
GHGs covered	CO2 only
Sectors and thresholds	<p>PHASE ONE (2013): Power sector and centralized heating. Extractive industries and manufacturing: oil and gas mining, metallurgy, chemical industry.</p> <p>PHASE TWO (2014-2015): Same as Phase 1</p> <p>(2016-2017: System suspended)</p> <p>PHASE THREE (2018-2020): Power sector and centralized heating. Extractive industries and manufacturing: oil and gas mining, metallurgy, chemical and processing industry (production of building materials: cement, lime, gypsum, and brick).</p> <p>PHASE FOUR (2021): Same as Phase 3</p> <p>THRESHOLDS: Facilities emitting more than 20,000 tCO₂e/year.</p>
Point of regulation	Downstream
Number of entities	130 companies (225 installations)
Cap	<p>PHASE ONE (2013): 147 MtCO₂ (plus new entrants' reserve of 20.6 MtCO₂). This equalled a stabilization of the capped entities' emissions at 2010 levels.</p> <p>PHASE TWO (2014-2015): 2014: 154.9 MtCO₂ (plus a reserve of 18 MtCO₂); 2015: 152.8 MtCO₂ (plus a reserve of 20.5 MtCO₂). This represented reduction targets of 0% and 1.5% respectively, compared to the average CO₂ emissions of capped entities in 2011-2012.</p> <p>(2016-2017: System suspended)</p> <p>PHASE THREE (2018-2020): 485.9 MtCO₂ (plus a reserve of 35.3 MtCO₂). The cap was set at a 5% reduction by 2020 from 1990 levels. The cap was allocated for the overall compliance period of 2018-2020; there was no yearly cap.</p> <p>PHASE FOUR (2021): 159.9 MtCO₂ (plus a reserve of 11.5 MtCO₂).</p>

Phases & Allocation

Trading periods	<p>PHASE ONE: 1 year (2013)</p> <p>PHASE TWO: 2 years (2014-2015)</p> <p>PHASE THREE: 3 years (2018-2020)</p> <p>PHASE FOUR: 1 year (2021)</p> <p>(2016-2017: system suspended)</p> <p>According to the new Environmental Code, which will come into force in July 2021, the next National Allocation Plan will be developed for five years.</p>
Allocation	<p>PHASE ONE (2013): Free allocation (grandparenting). Based on emissions data from 2010.</p> <p>PHASE TWO (2014-2015): Grandparenting (0% and 1.5% below 2011-2012 average emissions), with a reserve of 18 MtCO₂ in 2014 and 20.5 MtCO₂ in 2015.</p> <p>(2016-2017: System suspended)</p> <p>PHASE THREE (2018-2020): Allocation based on grandparenting or product-based benchmarking, chosen by each company (149 installations chose benchmarking and</p>

76 installations chose grandfathering). A reserve contained 35.3 million allowances to accommodate for new entrants, new stationary emission sources, and changes in output in case of the choice of benchmarking.

PHASE FOUR (2021): Benchmarking. A reserve contains 11.5 million allowances.

Flexibility

Banking and borrowing	Banking is allowed within each trading period (one phase). Banking between trading periods is not possible.
Offsets and credits	<p>Qualitative Limits: Domestic offsets in all economic sectors (GHG reduction or absorption activities), except for emissions reductions at the installations covered by the ETS. Project applicants can submit their projects for consideration to the Ministry of Ecology, Geology and Natural Resources in order to obtain approval and gain offset credits. The approval of carbon offsets and the provision of offset credits are carried out in accordance with IPCC methodologies and the rules developed and approved by the Ministry of Ecology, Geology and Natural Resources.</p> <p>Quantitative Limits: None.</p>
Market Stability Provisions	No information available yet.

Compliance

Compliance Period	One year
Monitoring, Reporting, Verification (MRV)	<p>REPORTING FREQUENCY: Reporting is required annually for businesses or financial facilities above the 20,000 tCO₂/year threshold.</p> <p>Annual reporting also is required for operators of installations with emissions between 10,000 tCO₂/year and 20,000 tCO₂/year (so-called “subjects to administration”), even though these operators are not required to participate in the ETS or to verify annual emission reports.</p> <p>Aside from CO₂, reporting also is required for CH₄, N₂O, and PFCs emissions.</p> <p>VERIFICATION: Emissions data reports and their underlying data require third-party verification by an accredited auditor.</p> <p>FRAMEWORK: Environmental Code of the Republic of Kazakhstan.</p>
Enforcement	The non-compliance penalty equals five monthly standard units for each tonne (approximately KZT 14,585/tCO ₂ (USD 35.32) in 2021). In 2013 and in 2014, penalties for noncompliance were waived.

Linking

Links with other systems	No information available yet.
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Other Information

Institutions involved	Ministry of Energy; Ministry of Ecology, Geology and Natural Resources;
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	JSC Zhasyl Damu, a state-owned joint stock company
Evaluation / ETS review	No information available yet.
Revenue	No information available yet.
Implementing Legislation	Environmental Code of the Republic of Kazakhstan (2007) Environmental Code of the Republic of Kazakhstan (2021) National GHG Emission Quota Allocation Plan for 2021 Rules for the allocation of quotas for GHG emissions and formation of reserves of the established number and volume of quotas Rules of trading greenhouse gas emission quota and carbon units

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