

## Chile

### General Information

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#### Summary

**Status:** ETS under consideration

**Jurisdictions:** Chile

Since 2013, Chile has been conducting a series of studies and discussions on the design and implementation of carbon pricing instruments in the country.

The tax reform of 2014 introduced green taxes for some mobile and stationary emission sources. In this context, a carbon tax has been in place in Chile since 2017; the tax was reformed in February 2020. In its updated form, the rate of USD 5 per tCO<sub>2</sub> applies to stationary emission sources that emit more than 25,000 tCO<sub>2</sub> and/or 100 tonnes of particulate matter due to combustion processes per year. The same reform contemplates the possibility for the regulated entities to offset part or all of their emissions subject to the tax with mitigation projects that reduce the same emissions, subject to that mitigation being additional, measurable, verifiable, and permanent. The Chilean government is currently working on developing the offset regulation, which is to be presented to the Council of Ministers of Sustainable Development in 2021. Offsets, their threshold limits, and their transactions are expected to be operational in 2023.

The Chilean Ministry of Environment is leading the development of a 'Framework Law on Climate Change.' The draft underwent a public consultation process and high-level approval by the Council of Ministers for Sustainability in 2019 and was sent for Congress approval in January of 2020. In August 2020, it was unanimously approved in general terms by the Senate and is currently being discussed in particular terms by the same chamber. The draft bill sets a carbon neutrality goal by 2050, alongside a detailed governance framework to reach it.

Also, the draft Framework Law defines a system in which the Ministry of Environment would establish GHG emissions limits to individual or groups of emitting sources (in tCO<sub>2</sub>eq/yr). The surplus in the fulfilment of the emission limits would be certified as an emission reduction by the Ministry of the Environment, and regulated entities would in turn be able to sell this surplus. The specific design of the system of GHG emissions limits is not yet defined, and could be implemented either as an ETS or as a tradable performance standard. The law also would allow regulated entities to implement mitigation projects and use the certified reductions to either achieve the standard or transfer those reductions to third parties. A dedicated registry would track the projects and the transfers.

In 2020, an Interministerial Task Force on Article 6 was created. This Task Force is composed of the Ministry of Environment, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Energy, and Ministry of Agriculture. It aims to coordinate the work related to the development of a national policy on the use of Article 6 and international collaboration on this subject.

Chile is set to continue its cooperation with the World Bank. In the context of the transition period from the Partnership for Market Readiness (PMR) to the Partnership for Market Implementation (PMI), work is expected to focus on a roadmap for implementing the changes to the carbon tax, as well as on deepening the understanding of the role of carbon pricing in carbon neutrality, including the development of the system contained in the draft climate change law. Chile also joined the Warehouse Initiative of the World Bank with

	the aim of developing a GHG mitigation portfolio of energy projects, and is engaging in activities as part of the Climate Market Club, an initiative which supports countries in the development of Article 6 pilots to share lessons from a practical experience.										
Year in Review	No information available yet.										
Overall GHG emissions (excluding LULUCF)	<b>Emissions:</b> 112.3 MtCO <sub>2e</sub> (2018)										
Overall GHG emissions by sector (in MtCO <sub>2</sub> )	<table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO<sub>2e</sub></th> </tr> </thead> <tbody> <tr> <td>Energy (87)</td> <td>87.0</td> </tr> <tr> <td>Industrial Processes (6.6)</td> <td>6.6</td> </tr> <tr> <td>Agriculture (11.8)</td> <td>11.8</td> </tr> <tr> <td>Waste (7)</td> <td>7.0</td> </tr> </tbody> </table>	Sector Name	MtCO <sub>2e</sub>	Energy (87)	87.0	Industrial Processes (6.6)	6.6	Agriculture (11.8)	11.8	Waste (7)	7.0
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GHG reduction target	<p><b>BY 2025:</b> Peak GHG emissions (updated NDC)</p> <p><b>BY 2030:</b> GHG emissions level of 95 MtCO<sub>2e</sub>. Reduction of at least 25% of total emissions of black carbon, as compared to 2016. Carbon budget 1.100 MtCO<sub>2e</sub> between 2020 and 2030 (updated NDC)</p>										
Carbon Price	<i>Current Allowance Price (per t/CO<sub>2e</sub>):</i> No information available yet.										

## ETS Size

Covered emissions	No information available yet.
GHGs covered	No information available yet.
Sectors and thresholds	No information available yet.
Point of regulation	No information available yet.
Number of entities	No information available yet.
Cap	No information available yet.

## Phases & Allocation

Trading periods	No information available yet.
Allocation	No information available yet.

## Flexibility

Banking and borrowing	No information available yet.
Offsets and credits	No information available yet.
Market Stability Provisions	No information available yet.

## Compliance

Compliance Period	No information available yet.
Monitoring, Reporting, Verification (MRV)	<p>The current GHG MRV system serves primarily the implementation of the carbon tax. Current regulations determine that operators of boilers and turbines of 50 MW or more of thermal capacity are required to monitor and report emissions through government-approved methodologies. Participation thresholds have been changed by the approved tax reform. With these changes, the carbon tax will apply to entities that emit more than 25,000 tCO<sub>2</sub> and/or 100 tonnes of particulate matter due to combustion processes per year from 2023 onwards. Current methodologies are expected to be updated in the future to incorporate all possible regulated fixed sources.</p> <p>The Chilean government has developed a Unified Atmospheric Emissions Report (Reporte Único de Emisiones Atmosféricas) under the Pollutant Release and Transfer Register for entities regulated under the tax and other norms. This has unified various reporting needs and aims to improve the quality of the information provided. This new system, developed with support from the PMR, is considered as a basis for Chile to advance to the development of a Unified GHG Report, which will help evaluate Chile's National Climate Policy.</p> <p>Also, a National Mitigation Actions Registry (Registro Nacional de Acciones de Mitigación-RENAMI) is being developed. This registry will allow the implementation of the offset scheme approved in the carbon tax reform and would constitute a key element for other instruments under consideration, such as the scheme proposed in Framework Law on Climate Change or Article 6 of the Paris Agreement.</p> <p><b>VERIFICATION:</b> Verification procedures are administered by the Superintendence of the Environment under the Ministry of the Environment (no third-party verification is currently used).</p>
Enforcement	No information available yet.

## Linking

Links with other systems	No information available yet.
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## Other Information

Institutions involved	<p>Ministry of Energy; Ministry of Environment; Ministry of Finance; Ministry of Foreign Affairs; Ministry of Agriculture; Inter-Ministerial Committee on Climate Change; PMR Chile (Precio al Carbono Chile)</p>
Evaluation / ETS review	No information available yet.
Revenue	No information available yet.
Implementing Legislation	No information available yet.

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