

# Japan GX-ETS

## General Information

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### ETS Description

Japan combines several carbon pricing instruments to help meet net zero emissions by 2050: an existing carbon tax, a voluntary ETS (GX-ETS) that will evolve into a mandatory ETS from 2026, and a carbon levy (GX-Surcharge) to be introduced from 2028. Plans for this are outlined in the Basic Plan for the “Green Transformation (GX) Policy”, Japan’s ten-year decarbonization strategy.

The GX-ETS started as a voluntary baseline-and-credit system during its first phase 2024 to 2025. More than 700 companies, accounting for more than 50% of national emissions, participate. Under the GX-ETS, J-Credits (see below) are traded on the Tokyo Stock Exchange.

The GX-ETS is expected to transition to a mandatory ETS from FY2026 after its first compliance deadline. Upper and lower price limits are planned to be introduced. From FY2033, auctioning will be introduced for high-emitting entities in the power sector. A study group was established to clarify legal and regulatory aspects of the GX-ETS, including free allocation, auctioning, and cap setting.

Separately, a carbon levy (GX-Surcharge) will be introduced from FY2028 on fossil fuel importers and domestic fossil fuel extractors.

Japan is actively participating in international carbon markets. Its Joint Crediting Mechanism (JCM) is a bilateral scheme to incentivize decarbonizing technologies and mitigation actions in 28 partner countries. JCM credits will also be eligible for use in the GX-ETS. Separately, over 100 countries and organizations have joined Japan’s global capacity-building initiative, the Article 6 Implementation Partnership.

### ETS Status

under development

### Jurisdictions

Japan

## Emissions & Targets

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### Overall GHG Emissions excl. LULUCF (MtCO<sub>2</sub>e)

1,135.5 MtCO<sub>2</sub>e (2022)

### GHG reduction targets

**By FY2030:** 46% reduction from FY2013 GHG levels including LULUCF credits; and continue efforts to cut emissions by 50% (NDC)

**By 2050:** Net zero GHG emissions (updated NDC)

## Size & Phases

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### GHGs covered

CO2

## Phases

**PHASE 1:** Two years (2024 to 2025) (voluntary phase)

**PHASE 2:** Seven years (2026 to 2033)

## Point of regulation

Point source

## Type of entities

Companies

## Number of entities

More than 700 entities

## Flexibility & Linking

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### Links with other Systems

The GX-ETS will not be linked with any other system.

### Other carbon pricing instruments in the jurisdiction

- Carbon tax: Tax for Climate Change Mitigation on fossil fuels since 2012
- Carbon tax: GX-Surcharge will be introduced in FY2028 to fuel importers and domestic extractors
- Sub-national ETSS: in Tokyo and Saitama
- Domestic and international crediting mechanism: J-Credits and JCM

## Other Information

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### Institutions involved

**Ministry of the Environment:** Supports the implementation of J-Credits and JCM; tasked with developing carbon pricing in Japan jointly with the Ministry of Economy, Trade, and Industry.

**Ministry of Economy, Trade, and Industry:** Supports the implementation of J-Credits; responsible for the GX League; tasked with developing carbon pricing in Japan jointly with the Ministry of Environment.

**Central Environment Council:** Advisory body to the Japanese Cabinet.

**GX Acceleration Agency:** Established to carry out operations related to the ETS and the GX-Surcharge system.

### Regulatory Framework

[GX Basic Plan](#)

[GX Promotion Act](#)

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