

Chile

General Information

ETS Description

In June 2022, Chile enacted its Framework Law on Climate Change, which sets a 2050 carbon neutrality goal and describes the national, regional, and local climate policies that Chile will implement to achieve it. These include its NDC, the Long-Term Climate Strategy, the “Climate Change Financial Strategy”, and sectoral mitigation and adaptation plans.

Article 14 of the law mandates the Ministry of Environment to specify GHG emissions limits, set by technology, sector, or activity. GHG emissions limits may be set as emissions benchmarks for individual installations or in aggregate, for a group of installations or a sector. If set in aggregate, GHG emissions limits could be akin to a cap. According to Article 15, installations that perform better than their benchmark will have their surplus emissions reductions certified, which may then be used by other regulated entities for compliance with their respective emissions limits.

The Framework Law establishes key elements that could enable an ETS, such as the possibility of setting sector-wide caps. However, further regulatory and legal definitions are still required to determine whether the system will function as an ETS or as a tradable performance standard.

The “Rules for the Development of GHG Emissions Standards and Short-Lived Climate Pollutant Limits” (DS N° 12/2025) was approved in March 2024 by Chile’s Council of Ministers for Sustainability and Climate Change and published in July 2025. The document defines procedures and design features of the emission limits to be developed under the Framework Law. The emissions limits system is currently under development. In December 2025, the Ministry of Environment launched the process to draft the preliminary proposals for the hydrofluorocarbon and methane emission limits.

At COP 30, the Ministry of the Environment launched a “Roadmap for Carbon Pricing and Market Instruments”, marking a key milestone in strengthening the articulation between these instruments, national climate action, and international cooperation.

Article 37 of the Law provides a basis for the development of market-based, fiscal, and financial instruments to address the negative impacts of GHG emissions. The “Sectoral Plan for Mitigation and Adaptation to Climate Change in Energy” sets the commitment to design a pilot ETS for the energy sector and is expected to begin implementation between 2026 and 2027, with initial participation on a voluntary basis. The pilot design aims to consider key ETS components, including scope, cap, allocation, MRV, transactions, and governance. The purpose of this exercise is to enable hands-on capacity building on emissions trading, engage government and regulated entities in ETS functioning and gather evidence to decide on escalating cap and trade implementation. Work is supported by the World Bank’s Partnership for Market Implementation (PMI).

Since 2017, Chile has applied an explicit carbon tax “green tax” that consists of two main components: a tax on new light-duty vehicles and a tax on stationary sources, mainly affecting power-sector and large industrial facilities. As noted in the 2025 NDC 3.0, Chile has committed to progressively increase all carbon-related taxes, with the electricity sector carbon tax to be aligned with the updated Social Cost of Carbon and be incorporated into the marginal cost (electricity dispatch).

ETS Status

under development

Jurisdictions

Chile

Sectoral coverage

Power

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

111.0 MtCO₂e (2022)

GHG reduction targets

By 2025: Peak GHG emissions and reverse the trend of national methane emissions (NDC 3.0)

By 2030: Peak GHG emissions from the transport sector, source at least 80% of electricity from renewable sources, and a national carbon budget of 1,100 MtCO₂e for 2020 to 2030. (NDC 3.0)

By 2035: Limit national GHG emissions to no more than 90 MtCO₂e in 2035 and total emissions between 2031 and 2035 within a maximum carbon budget of 480 MtCO₂e. Methane emissions to decline by at least 10% relative to the maximum level projected for 2025, and black carbon emissions below 70% of 2016 levels. (NDC 3.0)

By 2050: Climate neutrality (Framework Law on Climate Change)

Flexibility & Linking

Offset credits

Article 14 of the Framework Law on Climate Change stipulates that emissions reduction or removal certificates from projects implemented within Chile may be used for compliance with the emissions standards defined in Articles 14 and 15 of the law. The “Rules for the Development of GHG Emissions Standards and Short-Lived Climate Pollutant Limits” specify that entities may use emissions reductions or removal certificates to meet their compliance obligation for up to a limit set by each standard. The regulation underwent public consultation in 2024 and is currently under review by the Comptroller General of the Republic. It specifies the rules and procedures to verify and approve GHG emission or short-lived climate pollutant reduction or absorption projects, as well as to generate credits from reductions, absorptions or excess in compliance with the standards.

The government has also developed a National Registry of Mitigation Actions (*Registro Nacional de Acciones de Mitigación – RENAMI*), which will serve as the national platform for registering mitigation activities and is expected to play a central role in the future compensation system under Articles 14 and 15, as well as in Chile’s participation in cooperative approaches under Article 6 of the Paris Agreement.

Other carbon pricing instruments in the jurisdiction

Carbon tax: Chile Carbon Tax

Domestic offsetting mechanisms: Chile Green Tax Emissions Offsetting Scheme

Compliance

Monitoring, Reporting, Verification (MRV)

FRAMEWORK: The Framework Law on Climate Change requires mandatory monitoring, reporting, and verification for entities subject to emissions limits. For the Green Tax, Supreme Decree 63/2023 establishes annual MRV obligations.

MONITORING: The current GHG MRV system primarily serves the implementation of the green tax. Facilities must quantify their annual CO₂ and PM emissions through direct measurement (CEMS) or through calculation using approved emission factors. Monitoring obligations apply to establishments emitting $\geq 12,500$ tCO₂/year or ≥ 50 tonnes of PM/year from combustion processes.

REPORTING: Reporting follows the “Reporting Instructions” issued by the Ministry of Environment (MMA) and must include activity data, measurement results, and methodological documentation. Data must be submitted quarterly to the Superintendency of the Environment (SMA), and it is consolidated in the first quarter of the following year.

VERIFICATION: While third-party verification is not currently used, the green tax MRV rules (DS 63/2023) require emissions data to undergo validation and verification by the SMA, which can be supported by accredited auditing entities whose accreditation is overseen by the SMA. Verification frequency is annual, corresponding to each fiscal period. Future Article 14 and 15 emission limit rules are also required to include verification procedures, supervised by the SMA, and will follow the same legal basis for auditor accreditation.

Other Information

Institutions involved

Ministry of Finance: Responsible for designing, implementing, revising and updating the carbon tax, including alignment with the Social Cost of Carbon and broader fiscal reforms affecting carbon-related taxation.

Ministry of Environment: Responsible for implementing the Framework Law on Climate Change and its instruments, as well as the emissions compensation system, and is the designated national authority and national focal point for Article 6 of the Paris Agreement. In particular, it oversees the development and implementation of the systems established in Articles 14 and 15 of the Framework Law, including emission standards, compensation mechanisms, MRV protocols, and the national registry of mitigation actions and certificates. It also leads the Roadmap for Carbon Pricing and Market Instruments.

Ministry of Energy: Leads the development and implementation of the Energy Policy 2050, the Energy Decarbonization Plan, and the Sectoral Mitigation and Adaptation Plan under the Framework Law. It is responsible for the mitigation actions for the energy sector, including designing and implementing the pilot ETS for the energy sector.

Ministry of Foreign Affairs: Coordination of the negotiation processes and signing of implementation agreements associated with Article 6 of the Paris Agreement.

Ministry of Agriculture: Leads discussions on carbon credits in the non-energy sector, specifically LULUCF and Nature-Based Solutions.

Council of Ministers for Sustainability and Climate Change: Reviews and approves key climate-related regulations, including those under Articles 14 and 15, sectoral mitigation and adaptation plans, and advises the President, and coordinates cross-ministerial climate policy.

Regulatory Framework

[Framework Law on Climate Change](#)

[NDC 3.0 - 2025 update](#)

[Supreme Decree N° 12/2025 Rules for the Development of GHG Emissions and Short-Lived Climate Pollutant Limits](#)

[Draft Rules for the Emissions Compensation System of GHG Emissions Standards and Short-Lived Climate Pollutant Limits](#)

[Supreme Decree N° 32/2024](#)

[Energy Policy for 2050](#)

[Supreme Decree N°4/2023 - Regulation of Projects for The Reduction of Pollutant Emissions to Offset Taxable Emissions Pursuant to Article 8 of Law No. 20.780](#)

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