International Carbon Action Partnership

EMISSIONS TRADING WORLDWIDE

EXECUTIVE SUMMARY

STATUS REPORT 2025

EMISSIONS TRADING WORLDWIDE

INTERNATIONAL CARBON ACTION PARTNERSHIP STATUS REPORT 2025

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FOREWORD

ADVANCING EMISSIONS TRADING SYSTEMS: CHALLENGES AND OPPORTUNITIES ON THE PATH TO DEEP DECARBONIZATION

This year marks the 10th anniversary of the adoption of the Paris Agreement, a landmark moment in international cooperation, where nations from all around the world came together to address climate change and its adverse impacts. Over the past decade, we have seen notable progress, yet we remain distant from achieving our 1.5°C target. Notably, 2024 has been confirmed as the warmest year on record globally, marking the first calendar year that the average global temperature was more than 1.5°C above its pre-industrial level. To bridge this gap, we need enhanced collaboration, increased international exchanges and greater ambition. Emissions trading systems (ETSs) can play a crucial role by assisting countries in setting clear emission reduction targets, promoting cost-effective decarbonization, and fostering innovation. Achieving this goal will necessitate concerted efforts from governments and all actors to drive the systemic change our planet needs. This is precisely the mission of the International Carbon Action Partnership (ICAP).

ICAP is an international forum for governments worldwide, providing the tools and knowledge needed to navigate the complexities of emissions trading. Since its establishment in 2007, ICAP has fostered a collaborative space where governments exchange insights on market-based solutions to address climate change. Its capacity-building programs, technical dialogues, and annual reports have supported members and observers, but also non-member jurisdictions in designing and refining ETS frameworks that align with their unique contexts.

This year's Status Report reflects the growing momentum in ETSs worldwide, with an increasing number of systems being adopted and developed. As of January 2025, 38 systems are in force globally, two more than last year, with another 20 under various stages of development or consideration. Middle-income countries around the world, such as Brazil, India, Chile, Colombia, and Türkiye, have accelerated their efforts to establish emissions trading frameworks. Progress is also evident in expanding coverage beyond traditional sectors, with maritime transport, fuel use in road transport

and buildings, and waste management now included or considered for inclusion in an increasing number of jurisdictions. The share of global emissions covered by an ETS slightly increased to 19%, as the additional coverage provided by new systems is balanced by reductions under ETS caps.

While we celebrate these developments, we recognize that achieving net-zero emissions demands even greater ambition. Policymakers must accelerate the adoption of ETSs, and must refine policy synergies to support both near-term reductions and the broader structural transformations required for long-term decarbonization. As emissions caps tighten and goals become more ambitious, it is crucial for ETSs globally to adopt innovative strategies that address challenging sectors, leaving no one behind. ETSs play a vital role by providing the long-term price signals and market frameworks necessary to guide investments, unlock technological breakthroughs, including net-zero technologies, and build a resilient pathway to a net-zero future.

This year, ICAP embarks on a new chapter in its mission to promote and expand emissions trading globally.

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This year, ICAP embarks on a new chapter in its mission to promote and expand emissions trading globally. We are thrilled to witness the growth of ICAP Membership and eagerly anticipate continued collaboration, knowledge sharing, and innovation within an expanding circle of ambitious members and observers. We also express our deepest gratitude to Rajinder Sahota, who served as Co-Chair from 2019 to 2024, for her leadership and invaluable contributions to advancing ICAP's goals. We are excited that her expertise will continue to guide us and, building on her legacy, we are committed to ensuring emissions trading remains a robust, equitable, and effective instrument to contribute towards the achievement of the Paris Agreement goals.

The Emissions Trading Worldwide Status Report 2025 captures the dynamism and progress of ETSs across the globe. It is a reminder that through strengthened partnerships, shared knowledge, and collective determination, we can achieve ambitious and progressive climate action.

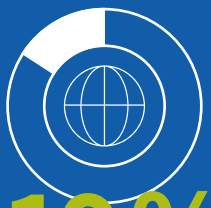
EMISSIONS TRADING IN NUMBERS

38
Emissions Trading Systems are in force

Covering

10 $GtCO_2e$

or over



19%
of global GHG emissions

USD **70** Billion raised in 2024

Totaling almost

USD **373** Billion since 2007

11 ETSs are currently under development

And **9** more are under consideration

Almost **1/3** of the global population lives under an ETS in force

Jurisdictions making up

58%

of global GDP are using emissions trading

TRENDS AND OUTLOOK

A SUMMARY OF GLOBAL ETS DEVELOPMENTS, TRENDS, AND FUTURE PROSPECTS

Countries worldwide are witnessing the escalating impacts of climate change in real time — intense heatwaves, devastating floods, and catastrophic wildfires are no longer sporadic threats but daily realities. Yet, the world remains off track to meet the Paris Agreement's targets, and rising national self-interest threatens collective efforts. Parties to the Paris Agreement are expected to submit updated Nationally Determined Contributions (NDCs) ahead of COP 30, and this deadline offers governments an opportunity to recalibrate ambition, strengthen policies, and integrate market mechanisms for deeper decarbonization. Emissions trading systems (ETSs) play an increasingly prominent role in the global climate policy landscape, balancing domestic economic growth with emission reductions in the path to net zero.

THE GROWING ROLE OF EMISSIONS TRADING IN GLOBAL DECARBONIZATION

ETSs have emerged as a preferred policy tool for many governments worldwide, with 38 systems covering just over 10 $GTCO_2e$, or 19% of global GHG emissions, in force globally. These systems span jurisdictions that collectively account for one-third of the global population and 58% of global GDP. Seventeen of the G20 countries already have or are planning for an ETS, either at the national or sub-national level, reinforcing the role of carbon pricing in major economies.

The momentum will continue to build as 20 governments worldwide are at various stages of considering or developing ETSs. While ETSs have historically operated in developed countries, emerging economies are now driving the next wave of system development and implementation. These systems are not only expanding in number but are also evolving in design. Some governments, particularly in the developing world, are looking beyond conventional cap-and-trade models and choosing intensity-based systems. Others are adopting hybrid approaches that leverage different carbon pricing instruments, integrating emissions trading with carbon taxes or crediting mechanisms, creating flexible pathways to reduce emissions.

In the Asia-Pacific region, ETS developments are progressing rapidly. India has adopted regulations to establish an intensity-based baseline-and-credit system for energy-intensive industries, alongside a carbon crediting mechanism. China has set out plans to expand its national ETS beyond the power sector and is considering the transition to an absolute cap. Indonesia's intensity-based ETS for the power sector has been operational for two years, with plans to implement an innovative "cap-tax-and-trade" hybrid system for the power subsector this year. Türkiye and Vietnam are developing regulations for the launch of pilot ETSs in the near future. Meanwhile, Malaysia, the Philippines, and Thailand are actively considering emissions trading as part of their climate policy toolkit.

Emerging economies are now driving the next wave of system development and implementation.

In Latin America, Brazil has established the legal foundation for a federal ETS and has entered the initial phase of implementation, focusing on regulatory development. Chile is developing sectoral emissions limits and preparing a pilot ETS for the energy sector. Colombia has launched a public consultation on ETS regulations, marking a step forward toward the system's phased implementation. Mexico is transitioning its pilot ETS to full implementation, while the Dominican Republic appears in this year's Status Report for the first time, as it explores the feasibility of a pilot ETS.

Developed economies are also advancing their ETSs. The European Union has recently completed an extensive reform to its ETS and is set to introduce a separate one for buildings, road transport, and additional sectors from 2027, potentially doubling the share of covered emissions. Canada has published draft regulations for a federal cap-and-trade system targeting upstream oil, gas, and LNG production emissions. Meanwhile, in the United States, Oregon has reinstated its ETS following its 2023 invalidation, and Colorado launched its system in 2024, initially covering large in-state manufacturers, with expansions planned for 2028. New York State is in the process of developing program rules for an economy-wide ETS, while Maryland is actively considering the establishment of its own economy-wide system.

PRICE AND REVENUES DECREASED IN KEY SYSTEMS, BUT A CONTINUED SHIFT TO AUCTIONING REMAINS A KEY INTEREST FOR ETSs WORLDWIDE

Despite the promising advances at the global level, 2024 saw increased market volatility in established ETSs, with most systems recording lower average prices compared to 2023. The EU ETS, which had reached record highs in 2023, saw a decline in early 2024, stabilizing at a lower level throughout the year. The UK ETS followed a similar trajectory, while California and Washington's cap-and-invest programs saw price drops, reflecting market recalibrations and adjustments in regulatory expectations. However, some markets witnessed upwards trends. The Chinese national ETS experienced a moderate but steady price growth compared to 2023, and prices in the Korea ETS and RGGI remained relatively stable. The decline in some of the major systems was influenced by a mix of different factors, including economic uncertainty, regulatory adjustments, and shifting market sentiment, while jurisdictions with fixed price trajectories, like Germany and Canada, experienced continued price resilience and growth.

Lower prices in key markets resulted in the first annual decline in auction revenues after several years of steady increases and record levels. In 2024, global revenues stood at approximately USD 70 billion, which is USD 4 billion less than the previous year. Despite this, emissions trading revenues remain an important stream of climate finance, providing governments with resources to fund additional decarbonization efforts or support vulnerable groups. Jurisdictions are increasingly refining auction-based allocation models, shifting away from free allocation to enhance market efficiency and bolster price signals. The EU, California, Québec, Korea, New Zealand and the UK are implementing reforms to reduce free allocation. Newer systems, like in Germany and Austria, along with the upcoming EU ETS 2, are designed so that covered entities must purchase all allowances from the outset, reinforcing the broader trend towards market-based distribution of allowances.

Newer and up-and-coming systems, such as Washington State, New York State and the EU ETS 2, are putting the reinvestment of auction proceeds at the core of the system design. The strategic use of auction revenues is indeed reshaping ETS policy worldwide. The establishment of EU's Social Climate Fund, and reinvestment strategies in California, Québec and New Zealand, among others, underscore the growing emphasis on directing ETS

Offsets and crediting mechanisms are gaining prominence in ETS design, especially in the new generation of ETSs.

proceeds toward climate mitigation, consumer protection, and technological innovation. Various governments are prioritizing revenue recycling mechanisms to mitigate economic burdens on vulnerable communities, with the aim of reinforcing public support for emissions trading as a socially equitable and politically sustainable tool for decarbonization.

THE ROLE OF EMISSIONS TRADING IN THE ROAD TO NET ZERO

As ETSs continue to diversify, and caps tighten in alignment with 2030 and 2050 climate targets, policymakers around the world are grappling with critical design and implementation questions. ETSs are increasingly seen as essential tools to achieving net-zero goals, with discussions focusing on the role of removal credits and negative emissions, cap-setting, market dynamics, and market stability under various possible pathways, including net-zero and net-negative caps. Ongoing and upcoming reforms in the EU and the UK are starting to explore ETS alignment with net-zero trajectories, while California and Quebéc are in the process of advancing their policy reforms to meet net-zero.

Offsets and crediting mechanisms are gaining prominence in ETS design, especially in the new generation of ETSs. Out of the 38 ETSs in force today, 24 allow for the use of carbon credits as a compliance option, in most cases with strict qualitative and quantitative limits. Key emerging economies such as China, Indonesia, India, and Brazil are incorporating domestic carbon credits to broaden the reach of incentives generated by their ETS price signals. While these developments suggest an increasingly central role for carbon credits in emissions trading and growing convergence between compliance and voluntary markets, some elements warrant caution. First, international credit demand remains limited, with only South Korea accepting international credits as alternative compliance units. Although the Article 6 outcomes from COP 29 in Baku open possibilities for greater international cooperation in the future, the current focus appears to be on domestic crediting. Second, the market for compliance-grade carbon credits remains highly fragmented. Beyond the fragmentation introduced by the 'domestic only' approaches, eligibility criteria and recognized crediting standards vary widely from system to system. Additionally, even though new and developing systems are likely to create significant demand for carbon credits, generous free allocation levels and low allowance prices may reduce the incentive for covered entities to utilize offsetting provisions.

Expanding ETS coverage is another key driver of impact. In the European Union, the "Fit for 55" reforms included the expansion of the EU ETS to the maritime sector and the upcoming launch of a separate ETS for emissions not covered by the existing system. In the United Kingdom, the government is exploring broadening the UK ETS to cover domestic maritime emissions from 2026 and non-pipeline transport for CCS. Meanwhile, China's national ETS, which already covers 40% of the country's emissions, is set to expand to the cement, steel, and aluminum industries. When implemented, this expansion will increase China's total ETS coverage by an estimated 3 $GTCO_2e$, corresponding to approximately 5% of global GHG emissions. Additionally, several regional pilot ETSs in China are advancing sectoral expansion, with provinces such as Hubei, Shenzhen, Guangdong, Shanghai, and Tianjin incorporating new industries, including data centers, solid waste, ceramics, ports, aviation, and road transport, into their regulatory scope.

At the same time, attention is turning to the challenge of carbon leakage and the need to protect competitiveness in the face of increasingly stringent emissions targets. Mechanisms like the EU's and the UK's Carbon Border Adjustment Mechanisms (CBAMs) reflect a shift away from free allocation of allowances, which becomes unsustainable as caps decline. Border adjustments, as an alternative, seek to align trade policies with climate ambitions, but also raise implementation challenges and pushbacks from global trading partners. In response to the introduction of CBAM, several countries have also voiced proposals for such mechanisms, highlighting the role that this tool will have in the coming years. Competitiveness considerations will become increasingly pressing going forward and policymakers will need to carefully navigate these complexities to ensure that climate policies support both environmental and economic objectives.

As new systems emerge and existing ones evolve, closer cooperation will be essential to ensuring that carbon markets remain effective, resilient, and aligned with the overarching goal of a net-zero future.

Finally, the issue of public acceptability and just transition remains central to the success of carbon pricing policies. As carbon prices rise and caps are declining, governments are adopting strategies that build public support, such as using revenues for direct compensation or reinvesting in programs that promote equity and sustainability. Framing carbon pricing as an opportunity for a just transition has gained traction, emphasizing the need to balance public support with competitiveness and equity considerations.

INTERNATIONAL COOPERATION WILL PLAY A KEY ROLE GOING FORWARD

As ETSs continue to expand and diversify, international cooperation remains key in aligning ETSs and preventing market fragmentation. Global initiatives such as the International Carbon Action Partnership, together with the Global Carbon Pricing Challenge, the World Bank's Partnership for Market Implementation, the Carbon Pricing in the Americas initiative and others are facilitating cross-border collaboration and policy coordination.

ICAP remains dedicated to supporting capacity-building, technical knowledge-sharing, and policy dialogue among jurisdictions implementing emissions trading. As new systems emerge and existing ones evolve, closer cooperation will be essential to ensuring that carbon markets remain effective, resilient, and aligned with the overarching goal of a net-zero future.

A YEAR OF ETS DEVELOPMENTS

A BRIEF OVERVIEW OF THE KEY UPDATES FROM EACH JURISDICTION

EUROPE AND CENTRAL ASIA

AUSTRIA: Austria's national emissions trading system launched in October 2022, covering fossil fuels not included in the EU ETS. In 2024, the government revised the NEHG to align with the upcoming EU ETS 2. Austria will "opt in" fuels used in agriculture and forestry, expanding coverage to match the current national ETS. The Austrian system will conclude by 2026, with EU ETS 2 starting in 2027, although a one-year delay is possible. The government introduced enhanced relief measures for industries, including agriculture, in 2024.

EUROPEAN UNION: The EU ETS continues to be the largest system in force in terms of trading value and volume. Following 2023 reforms, important changes to the system's ambition and scope took effect in 2024, including a downwards adjustment to the cap. Furthermore, annual reductions in the cap from 2024 onwards have been increased. The scope of the EU ETS has been expanded to emissions from maritime transport and from most flights to and from the EU's nine outermost regions. A new separate ETS for buildings, road transport and additional sectors (ETS 2) is underway, with full transposition into the EU Member States' law to be finalized soon following the 2024 deadline.

GERMANY: Germany launched its national ETS in 2021, covering heating and transport fuels not included in the EU ETS. The system, initially phased in with a fixed price until 2025, will introduce a price corridor in 2026 before transitioning to the EU ETS 2 in 2027. In 2025, the government adopted a transition law, confirming the phase-out of the national ETS for most sectors by the end of 2026. Germany has decided to opt-in fuels used in agriculture and rail transport but has not included waste incineration, pending further EU-wide analysis on carbon pricing in the sector.

KAZAKHSTAN: Kazakhstan's ETS entered its 13th year of operation. In January 2024, the government updated an allocation plan for 2022 to 2025, decreasing the caps for 2024 and 2025, while benchmarking remains the main method of allowance allocation since 2021.

MONTENEGRO: Montenegro's national ETS was launched in February 2020 and covers large installations in the power and industrial sectors. However, two of the initially three covered installations have ceased operations, and currently only one installation remains in the scheme. The Montenegro government is currently revising the national "Climate Law" and a revision of the "ETS decree" is expected by the end of 2025.

SWITZERLAND: The Swiss ETS, established in 2008, has been linked with the EU ETS since 2020. In 2024, the legislature introduced significant reforms, including a revised "CO_2 Act" that aligns the Swiss ETS with the EU ETS for the 2025 to 2030 period. New measures include the reduction of the cap with the introduction of new linear reduction factors, and CCS and foreign biogas are now eligible for inclusion. Additionally, free allowances for aviation operators will be phased out by 2026.

TÜRKIYE: Türkiye is preparing to launch its ETS, with the long-awaited pilot phase planned for 2026. The government completed technical analysis for the draft climate law in 2024, with final parliamentary adoption steps expected in early 2025. The government released its "Long-Term Strategy" during COP 29 and initiated international cooperation projects to support system design and implementation. Development of the technical and regulatory framework continues, building on the country's existing emissions monitoring system.

UKRAINE: Ukraine continues to prepare the regulatory framework for its national ETS, and the pilot phase is expected to start in 2028. In December 2024, the Ukrainian Parliament approved the "Law on Basic Principles of Climate Policy", which mandates an ETS. The draft Action Plan for the ETS up to 2033 went through the public consultation process in 2024. Mandatory reporting under the MRV system, which was suspended in 2022 due to the Russian war of aggression against the country, was reintroduced by the Parliament in January 2025, with covered entities being required to report their emissions data for 2024.

UNITED KINGDOM: The UK ETS underwent significant reforms in 2024 to align with the jurisdiction's net-zero by 2050 target. The cap was reset, reducing available allowances by 30% between 2021 and 2030. Consultations began on expanding the system to include waste incineration and energy from waste by 2028. The UK government announced the introduction of a carbon border adjustment mechanism in 2027 to address carbon leakage risks. Further consultations explored expanding the scope to domestic maritime emissions from 2026 and on non-pipeline transport for CCS in the UK ETS.

NORTH AMERICA

ALBERTA: In 2007, Alberta introduced the first industrial carbon pricing instrument in North America. In 2020, the third iteration of the mechanism began, the Technology Innovation and Emissions Reduction Regulation. Compliance is based on intensity of output of each covered facility. TIER system amendments, effective January 2023, saw full implementation across regulated facilities for the year 2024, including, among others, an increase in the carbon price following federal requirements and a tightening of benchmarks.

BRITISH COLUMBIA: The BC Output-Based Pricing System began operations in April 2024, replacing the voluntary CleanBC Industrial Incentive Program. Compliance is required for certain products at facilities that emit over 10,000 tCO_2e per year. Compliance is based on emissions that exceed an allowable intensity of output of each covered facility.

CALIFORNIA: California operates one of the largest and most comprehensive cap-and-trade programs worldwide, linked with Québec since 2014. The government advanced significant program reforms throughout 2024, proposing new emissions reduction targets and market design changes. It released an impact assessment of the proposed amendments in April, while discussions about potential linkage with Washington's carbon market gained momentum through a joint statement.

CANADA FEDERAL: The federal OBPS has been in place since 2019 as one part of the federal carbon pollution pricing "backstop" system. The backstop system applies to provinces and territories where the carbon pricing system for the 2023 to 2030 period does not meet the federal benchmark criteria, set at CAD 95 (USD 69.38) per tCO_2e in 2025. In November 2024, Canada published draft "Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations" which would establish a federal cap-and-trade system for GHG emissions from upstream oil and gas and LNG production. The proposed system would be phased in between 2026 and 2029 with the first compliance phase set for 2030 to 2032. Final regulations are expected in 2025.

COLORADO: In October 2023, the Colorado government introduced regulations for an ETS for in-state manufacturers, effective from 2024. In 2024, the government finalized guidance on GHG credit trading between covered facilities. The trading system was launched in November, allowing facilities to register, and trading is set to begin in mid-2025. In December, the government expanded the ETS to cover emissions from oil and gas midstream operations starting in 2028.

MARYLAND: Maryland is exploring an economy-wide cap-and-invest program to meet its emissions reduction goals. A 2023 plan highlighted the potential benefits of such a system, including new revenues for clean energy and consumer rebates. In 2024, a state commission recommended a study to assess the program's design. It also suggested a reporting rule for major polluters, with data collection beginning in 2027.

MASSACHUSETTS: The Massachusetts ETS started operating in 2018 as a complement to RGGI: electricity generators in the state must comply with both RGGI and the Massachusetts program. In 2024, auction prices remained stable, reflecting sufficient allowances for compliance. The government is considering raising the minimum reserve price and sought stakeholder input on the proposal. Revenues continue to support emissions reduction and community programs.

NEW BRUNSWICK: New Brunswick transitioned large industrial emitters from the federal OBPS to a provincial OBPS from January 2021. It is an intensity-based ETS in which each covered entity must surrender compliance units for emissions that exceed its annual emissions limit. In 2024, the New Brunswick government published the list of projects that have been awarded funding by the Minister of Environment and Climate Change from the Climate Change Fund in FY2025.

NEWFOUNDLAND AND LABRADOR: Newfoundland and Labrador's Performance Standards System (PSS) came into effect in 2019. It is an intensity-based ETS for large industrial emitters, in which each covered entity must surrender compliance units for emissions that exceed its annual emissions limit. In line with the federal OBPS pricing trajectory, the price rose to CAD 80 (USD 58.42) per tCO_2e in 2024 and to CAD 95 (USD 69.38) per tCO_2e in 2025.

NEW YORK STATE: New York's Cap-and-Invest Program (NYCI) is under development to reduce statewide GHG emissions while promoting economic stability and equity. The program, rooted in the 2019 "Climate Leadership and Community Protection Act", will cover all emitting sectors and decrease emissions in line with state targets. In 2023 and 2024, the Department of Environmental Conservation and the New York State Energy Research and Development Authority held stakeholder sessions to guide development. In September 2024, a market registry and auction platform were secured through the Western Climate Initiative, while design considerations continue, including regarding NYCI's interaction with RGGI.

NOVA SCOTIA: The Nova Scotia OBPS for Industry began in 2023, replacing the province's cap-and-trade program. Compliance is based on emissions that exceed an allowable intensity of output of each covered facility. In 2024, the government released final regulations and standards around reporting, applicable performance standards for industry, and the electricity generation sector.

ONTARIO: Ontario's Emissions Performance Standards (EPS) program came into effect in January 2022, replacing the federal OBPS that operated from 2019 to 2021. It is an intensity-based ETS for large industrial emitters. In 2024, Ontario made amendments to the EPS and GHG Reporting Programs to clarify program requirements, improve program implementation and administration, and address fundamental changes in some industries.

OREGON: In November 2024, Oregon reinstated its Climate Protection Program (CPP) after its 2023 invalidation. The Department of Environmental Quality led an extensive rulemaking process with public engagement through 2024. The adopted CPP sets enforceable, declining emissions caps on fossil fuels and emissions-intensive industries. The program targets a 50% reduction by 2035 and 90% by 2050, compared with a baseline of 2017 to 2019.

PENNSYLVANIA: In October 2019, Pennsylvania's governor signed an executive order directing the state's environmental agency to develop a proposal for an ETS covering emissions from the power sector and for its linkage to RGGI. The regulation, published in 2022, faced legal and legislative challenges. In 2024, lawmakers introduced competing bills: one to repeal the ETS and another to create a state-run carbon reduction program which would be structured similarly to the originally-proposed system. The state Supreme Court is reviewing an appeal on the regulation's constitutionality.

QUÉBEC: Québec operates a comprehensive cap- and-trade system covering most of the jurisdiction's emissions, linked with California since 2014. Throughout 2024, the government progressed system reforms following earlier stakeholder engagement, with draft regulations expected in early 2025. Discussions about potential linkage with Washington's carbon market gained momentum through a joint statement.

REGIONAL GREENHOUSE GAS INITIATIVE: RGGI is currently undergoing its Third Program Review, with the latest developments from September 2024 focusing on an updated exploratory scenario. This scenario includes a higher annual base cap reduction from 2027 to 2033, alignment with a zero-by-2035 cap trajectory, and a proposed increase to the cost containment reserve. The RGGI states received stakeholder feedback on this scenario in October 2024, and Model Rule updates are ongoing. Meanwhile, Virginia's participation in RGGI remains uncertain, as in November 2024 a county circuit court deemed a 2023 repeal of its ETS regulation was unlawful.

SASKATCHEWAN: Saskatchewan's OBPS Program came into effect in 2019. It is an intensity-based ETS for large industrial emitters. In May 2024, the "Performance Credit Standard" was updated to reflect that, if a performance credit is found to be invalid, the original seller (i.e., the regulated facility that originally generated the credit) assumes the risk that it may be revoked. Other standards underwent minor edits.

VERMONT: In June 2024, Vermont's legislature passed an act requiring a study of a cap-and-invest program to help meet the state's climate goals. The study will explore the potential benefits of expanding the program to sectors beyond the power sector, which is already covered by RGGI. Results from the study, including scenario analyses and public engagement, will inform a policy recommendation to the legislature in 2025.

WASHINGTON: Washington's cap-and-invest program, launched in 2023, covers most of the state's emissions. The program achieved several milestones in 2024, including successfully completing its first compliance event with near-perfect participation. A public vote in November decisively rejected an initiative to repeal the legislation underpinning the program, securing its future. The jurisdiction advanced its carbon market cooperation through a spring joint statement, while new legislation facilitating potential linkage with California and Québec took effect in early 2025.

ASIA PACIFIC

AUSTRALIA: The Australian Safeguard Mechanism is a baseline-and-credit system that assigns mandatory emissions baselines to the largest facilities in the industry and transport sector. Facilities that emit above their baselines are required to offset excess emissions, and facilities that exceed their baseline targets are issued credits. FY2024 was the first full compliance year under the reformed Safeguard Mechanism.

CHINA: China launched its national ETS in 2021, covering more than 5 billion tCO_2 in its power sector. In 2024, the State Council of China published the "Interim Regulations for the Management of Carbon Emissions Trading" which establishes a robust legal foundation for the national ETS. The Ministry of Ecology and Environment (MEE) launched the domestic offset scheme. The MEE also began a public consultation on extending the national ETS to the cement, steel, and aluminum industries. The MEE changed the compliance period from a two-year cycle to a one-year cycle and finished the compliance of 2023 at the end of 2024.

CHINESE PILOTS: All Chinese regional pilots continued trading, ensuring compliance, and updating ETS management measures. In addition to routine activities, the Hubei Provincial government lowered the inclusion threshold following public consultation. The Shenzhen pilot was expanded to data centers, solid waste, and the service industry. The Guangdong pilot is planning to expand coverage to ceramics, ports, data centers, airports and textiles. The Shanghai pilot requires 17 logistics companies in the road transport sector to report and verify their emissions. The Tianjin government is set to announce its final decision on expanding coverage to maritime, domestic aviation and data center sectors into the current ETS scope, following a public consultation.

INDIA: The Indian government adopted detailed regulations for the planned compliance mechanism under the Carbon Credit Trading Scheme (CCTS) in 2024. It will take the form of an intensity-based baseline-and-credit system, with mandatory GHG emissions intensity targets set for regulated entities each year. The first compliance period should start from FY2026, with nine industrial sectors transitioning to the CCTS from the existing Perform, Achieve and Trade (PAT) energy efficiency scheme.

INDONESIA: Indonesia introduced a mandatory, intensity-based ETS for the power sector in 2023. In its first phase, it covers only coal-fired power plants connected to the grid of the state-owned utility PLN. In 2024, the scope of the ETS expanded to cover installations with a capacity of 25 MW or more, bringing an additional 47 coal-fired power plants under the scheme.

JAPAN: Japan launched a voluntary ETS (GX-ETS) in 2023 that is planned to become mandatory in 2026. The GX-ETS started as a voluntary baseline-and-credit system during its first phase, which runs from 2024 to 2025. More than 700 companies, accounting for more than 50% of national emissions, participate. The system is expected to transition to a mandatory ETS from FY2026 after its first compliance deadline. 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.

MALAYSIA: Malaysia is in the process of establishing a domestic carbon market, starting with a voluntary carbon exchange that was launched in 2022 and potentially complementing this with a domestic ETS in the future. The government is currently preparing a draft bill that would provide the legal basis for the introduction of a domestic ETS in Malaysia. It is expected to be tabled in the Malaysian parliament in 2025.

NEW ZEALAND: The New Zealand Emissions Trading Scheme was launched in 2008 and covers half of the country's GHG emissions, including the forestry sector. In 2024, the government tightened unit supply and increased the auction reserve price. Agricultural emissions no longer face reporting requirements under the ETS, nor are there plans to price agricultural emissions through the ETS.

PHILIPPINES: In February 2025, the House of Representatives approved a Bill on second reading proposing the introduction of an ETS. The Bill is awaiting passage on third reading by the House of Representatives in June 2025, before being put to Senate's consideration. If adopted, the Bill would establish an ETS covering the energy, transport, industry, AFOLU, and waste sectors. Meanwhile, the Department of Finance is leading a technical working group to assess the feasibility of carbon pricing.

REPUBLIC OF KOREA: The Korean Emissions Trading System was East Asia's first national ETS, launched in 2015 and covering the electricity, industrial, building, waste, transport, domestic aviation, and maritime sectors. In 2024, the government implemented several changes to increase liquidity in the market, most notably relaxing the banking rules, introducing carbon price-linked financial products, introducing consignment auctioning, and annual adjustments of the auction volume. The government announced additional rules to be applied in 2025 and for the period 2026 to 2035. The changes for 2025 include: allowing more non-compliance actors to join the market, revising market stabilization measures, and tightening the regulations for cancelling allowances. On the last day of 2024, the government adopted the fourth "Basic Plan for the Korean ETS", detailing further planned changes for 2026 to 2035.

SAITAMA: The Saitama Prefecture's ETS, launched in 2011, covers commercial buildings and industrial sectors. In 2024, the prefectural government announced that most covered facilities achieved their targets in the second compliance period (FY2015 to FY2019). The system completed its third compliance period (FY2020 to FY2024) and will enter its fourth (FY2025 to FY2029) with significant updates. The compliance factor will rise for office buildings and factories. To boost the use of renewable energy, off-site renewable energy, including self-consignment and PPA, will count as zero emissions, and certificates derived from renewable energy can be deducted from energy-related CO_2 emissions. Second, actual emission factors will replace fixed ones for calculating emissions from utilities. Third, a new system for excess emission reductions will limit credits to those achieved through energy efficiency or renewable energy; credits will no longer be awarded for certification improvements or emission factor adjustments. These updates will take effect in April 2025.

THAILAND: A "Climate Change Act" is set for cabinet submission in Thailand, aiming to start the legislative process in 2025. The proposal includes an ETS, a carbon tax, and a carbon credit market. Under the current draft bill, planned allocation updates every few years will drive gradual emissions reductions.

TOKYO: The Tokyo Metropolitan Government Cap-and-Trade Program, Japan's first mandatory ETS, was launched in April 2010. It covers CO_2 emissions from large buildings, factories, heat suppliers, and other facilities that consume large quantities of fossil fuels. In 2024, it completed its third compliance period and announced reforms for its fourth compliance period beginning in 2025. First, the compliance factor will rise for office buildings and factories. To boost the use of renewable energy, off-site renewable energy, including self-consignment and PPA, will count as zero emissions, and certificates derived from renewable energy can be deducted from energy-related CO_2 emissions. Second, actual emission factors, instead of fixed emission factors, will be used to calculate emissions from electricity, heat, and city gas supplied by retailers, based on contracts at the facilities. Third, a new system for excess emission reductions will limit credits to those achieved through energy efficiency or renewable energy; credits will no longer be awarded for certification improvements or emission factor adjustments.

VIETNAM: A pilot ETS is set to launch by June 2025, focusing on high-emitting sectors. Full implementation is planned by 2029. The Ministry of Natural Resources and Environment will issue enabling regulations throughout 2025 to support the rollout and prepare the infrastructure and capacity building activities.

LATIN AMERICA AND THE CARIBBEAN

ARGENTINA: The government is working to implement carbon market mechanisms under a national strategy introduced in 2023 in Argentina. A proposal for an ETS faced legislative resistance and was removed from a key framework law in early 2024. Despite this setback, the government continues to explore policy options to advance an ETS. A new congressional bill aims to operationalize carbon markets, signaling ongoing efforts to establish a regulatory pathway for both voluntary and compliance markets.

BRAZIL: The Brazilian Greenhouse Gas Emissions Trading System (SBCE) was established in December 2024. The law lays out the governance framework and the legal foundation for obligations by covered entities, with key design elements (such as scope, cap, and allocation) to be determined in the coming years. The ETS will impose compliance obligations on entities emitting more than 25,000 tCO_2e per year, with reporting obligations applying to those emitting more than 10,000 tCO_2e per year. The implementation of the law will occur in five stages. The next two years will see the enactment of regulation to implement the system, and first compliance obligations are expected in five or six years.

DOMINICAN REPUBLIC: The government is advancing carbon pricing efforts as part of its climate strategy. A roadmap for an ETS was developed in 2020, followed by a national simulation exercise in 2023. The government, with support from the UN's Regional Collaboration Center, is now preparing the design of a pilot ETS aligned with its climate goals.

CHILE: In June 2022, Chile enacted its "Framework Law on Climate Change". Article 14 of the law provides the basis for a system of GHG emissions limits set by technology, sector, or activity, while Article 15 specifies that 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. Rules to develop the limits and to have the overachievement of the limits recognized as credits are under development.

COLOMBIA: In 2018, Colombia adopted a "Climate Change Law" which outlines basic provisions for the establishment of an ETS (Programa Nacional de Cupos Transables de Emisión de Gases de Efecto Invernadero – PNCTE). On September 2024, the Colombian government opened a public consultation on the Decree project for the regulation of the PNCTE. The draft Decree would establish the preliminary phase in accordance with the graduality principle of the PNCTE.

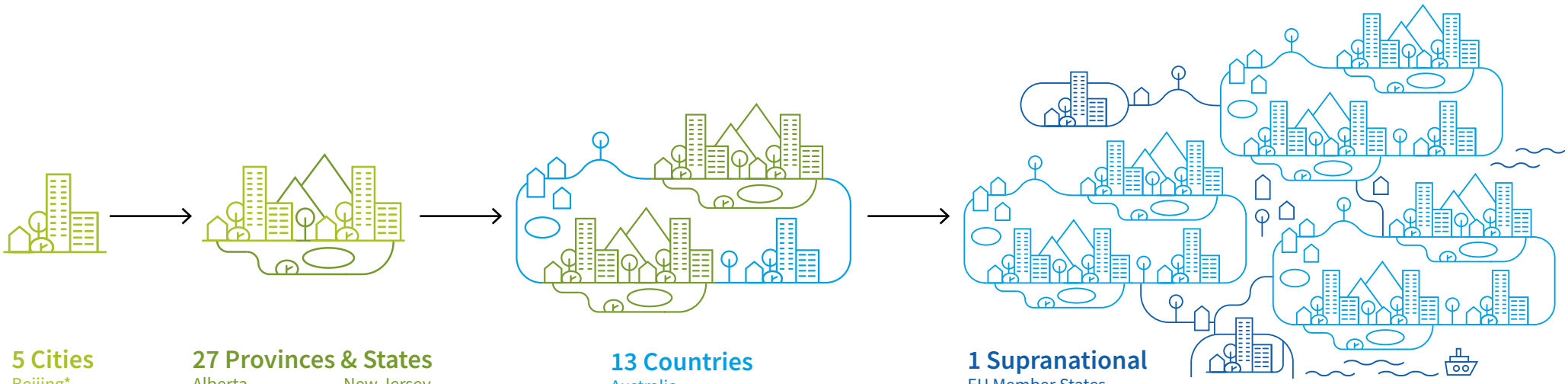
MEXICO: The Mexico ETS, the first in Latin America, started its pilot phase in January 2020. It covers direct CO_2 emissions from fixed sources in the energy and industry sectors emitting at least 100,000 tCO_2 per year, representing around 40% of national GHG emissions. SEMARNAT prepared a draft regulation in coordination with the Consultative Committee of the Emissions Trading System.

INFOGRAPHICS

FROM SUPRANATIONAL TO LOCAL

EMISSIONS TRADING SYSTEMS OPERATE AT EVERY LEVEL OF GOVERNMENT

Emissions trading can be implemented at several levels of government. At one end of the spectrum, city-level ETSs are in operation, for example, in Shenzhen. At the other end, the EU ETS operates supranationally in all EU Member States plus Iceland, Liechtenstein, and Norway. Multiple ETSs may be in force in the same jurisdiction, such as Germany and Austria, where some emissions are covered by the EU ETS and others by the German or the Austrian National ETS. Similarly, the China National ETS currently covers power sector emissions while other province- and city-level ETS pilots regulate emissions from a variety of sectors. In North America, many provincial or state-level ETSs exist, with some linked domestically or internationally. In the rest of the ICAP Status Report 2025 you can find a wealth of information about these individual systems that are already in force as well as many others that are under development or under consideration.



5 Cities

Beijing*
Chongqing*
Shanghai*
Shenzhen
Tianjin*

27 Provinces & States

Alberta
British Columbia
California
Colorado
Connecticut
Delaware
Fujian
Guangdong
Hubei
Maine
Maryland
Massachusetts
New Brunswick
New Hampshire
New Jersey
New York
Newfoundland and Labrador
Nova Scotia
Ontario
Oregon
Prefecture Saitama
Québec
Rhode Island
Saskatchewan
Tokyo
Vermont
Washington

13 Countries

Australia
Austria
Canada
China
Germany
Indonesia
Kazakhstan
Mexico
Montenegro
New Zealand
Republic of Korea
Switzerland
United Kingdom

1 Supranational

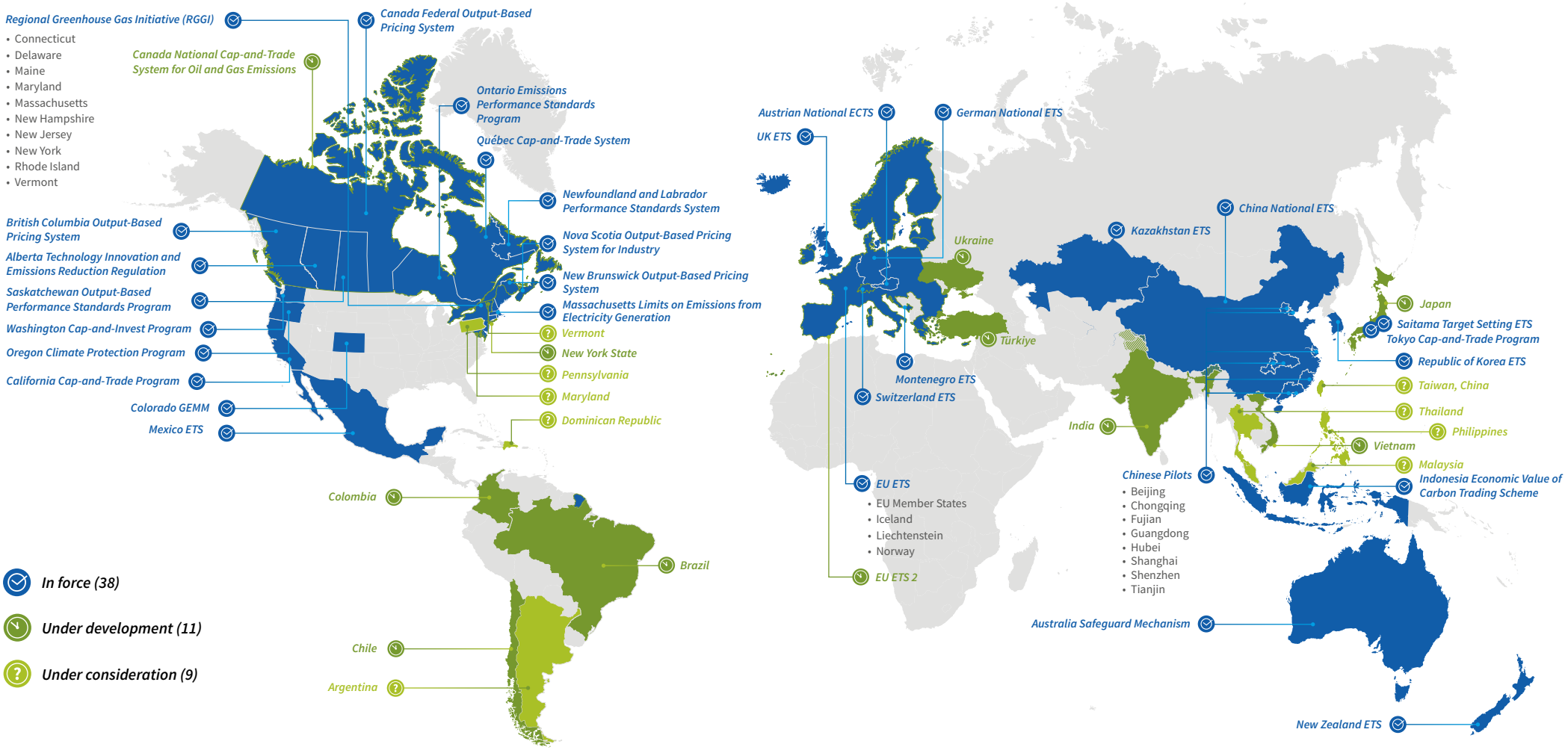
EU Member States
+ Iceland
+ Liechtenstein
+ Norway

* Beijing, Chongqing, Shanghai and Tianjin are provincial-level municipalities in the Chinese administrative system.

EMISSIONS TRADING WORLDWIDE

THE CURRENT STATE OF PLAY IN EMISSIONS TRADING

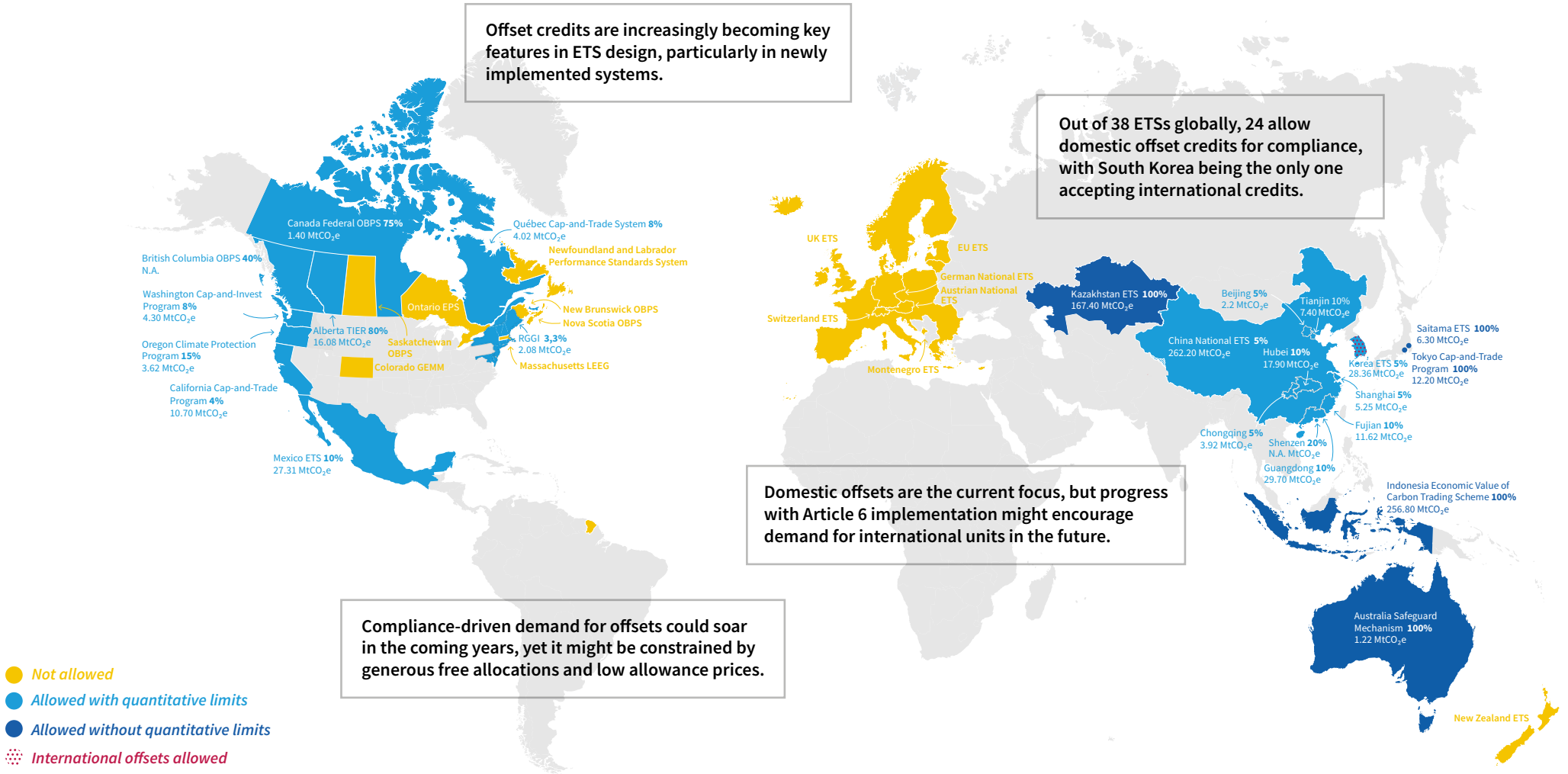
The ICAP ETS world map depicts emissions trading systems currently in force, under development or under consideration. As of January 2025, there are 38 ETSs in force. Another 11 are under development and expected to be in operation in the next few years. These include ETSs in Colombia, Türkiye, and Vietnam. 9 jurisdictions are also considering the role an ETS can play in their climate change policy mix. If a jurisdiction has multiple systems in force, it is depicted in blue, with the borders of the jurisdiction representing the layered systems (e.g. Germany and Guangdong). If, however, it has a system in force but is also developing an additional system, it is depicted in blue but also features a green border (e.g. the EU).



OFFSET USE IN EMISSIONS TRADING WORLDWIDE

EMISSIONS TRADING SYSTEMS INCREASINGLY FEATURE DOMESTIC OFFSETS

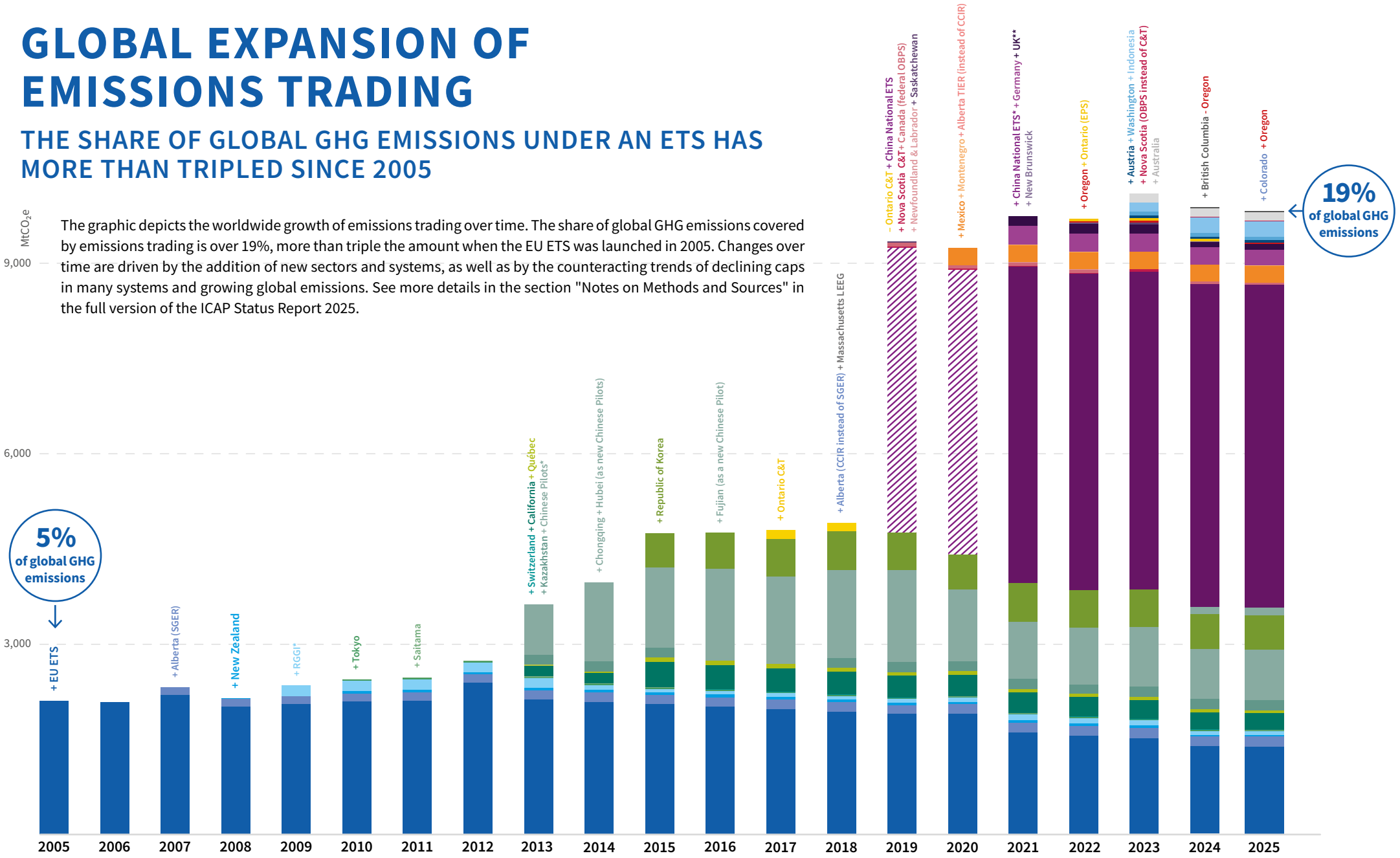
The graphic groups ETSs currently in force by their approach to offset use. If a jurisdiction does not allow the use of offsets for compliance, it is depicted in yellow. The jurisdictions allowing domestic offsets with quantitative limits are coloured light blue while those that allow unlimited offsets are coloured in dark blue. The overlaid pink dots indicate that international offsets are also allowed. The percentages next to a system name indicate the share of compliance obligations that can be met using offsets and the number below the system name indicate the potential size of compliance demand for offsets in the jurisdiction. See more details in the section "Notes on Methods and Sources" in the full version of the ICAP Status Report 2025.



GLOBAL EXPANSION OF EMISSIONS TRADING

THE SHARE OF GLOBAL GHG EMISSIONS UNDER AN ETS HAS MORE THAN TRIPLED SINCE 2005

The graphic depicts the worldwide growth of emissions trading over time. The share of global GHG emissions covered by emissions trading is over 19%, more than triple the amount when the EU ETS was launched in 2005. Changes over time are driven by the addition of new sectors and systems, as well as by the counteracting trends of declining caps in many systems and growing global emissions. See more details in the section "Notes on Methods and Sources" in the full version of the ICAP Status Report 2025.



* As of 2020, RGGI includes New Jersey. Between 2021 and 2023, it also included Virginia.

* Beijing, Guangdong, Shanghai, Shenzhen, Tianjin

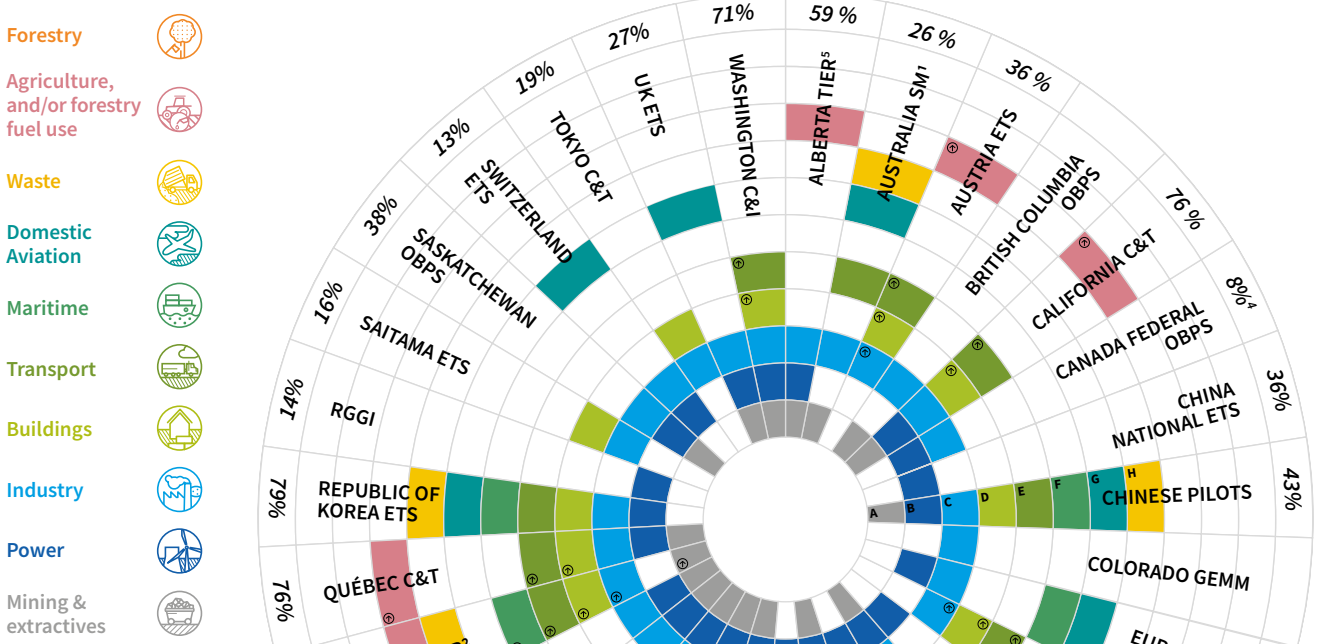
* The Chinese National ETS came into force in 2021 but has retroactive compliance obligations in 2019 and 2020, indicated above by the striped bar.

** In 2021, the UK launched its own ETS which required an adjustment in the EU ETS cap.

SECTOR COVERAGE

SECTORS COVERED BY EMISSIONS TRADING ACROSS SYSTEMS

The graphic shows sectors (types of economic activity) covered by an ETS in force in 2025. Systems are listed clockwise alphabetically, with the numbers in the outermost ring indicating the share of aggregate emissions covered by the system as per the most recent available data. Upstream coverage in a sector is indicated with an arrow. Sectors are considered covered when at least some entities in the sector have explicit compliance obligations. Typically, not all facilities in the sector are regulated because of limits like inclusion thresholds. In addition, not all gases or processes of a given sector may be covered. The jurisdictions' respective factsheets provide more information on system coverage. The graphic includes only sectors which are covered by at least one ETS. See more details in the section "Notes on Methods and Sources" in the full version of the ICAP Status Report 2025.



- A Tianjin
- B Beijing*, Shanghai*
- C Beijing, Chongqing, Fujian, Guangdong, Hubei, Shanghai, Shenzhen, Tianjin
- D Beijing, Shanghai, Shenzhen
- E Beijing, Shanghai, Shenzhen
- F Shanghai
- G Fujian, Guangdong, Shanghai
- H Shenzhen

* The Beijing ETS covers one power company. The Shanghai ETS covers oil-fired generators

↑ indicates which sectors are covered upstream

1 Only a very small share of emissions (>5%) from the waste and transport sectors are covered by the Safeguard Mechanism.

2 Emissions resulting from fuels used in petroleum and natural gas production are excluded.

3 While only one power sector entity is currently operational, Montenegro has explicitly included industrial processes within the scope of its ETS.

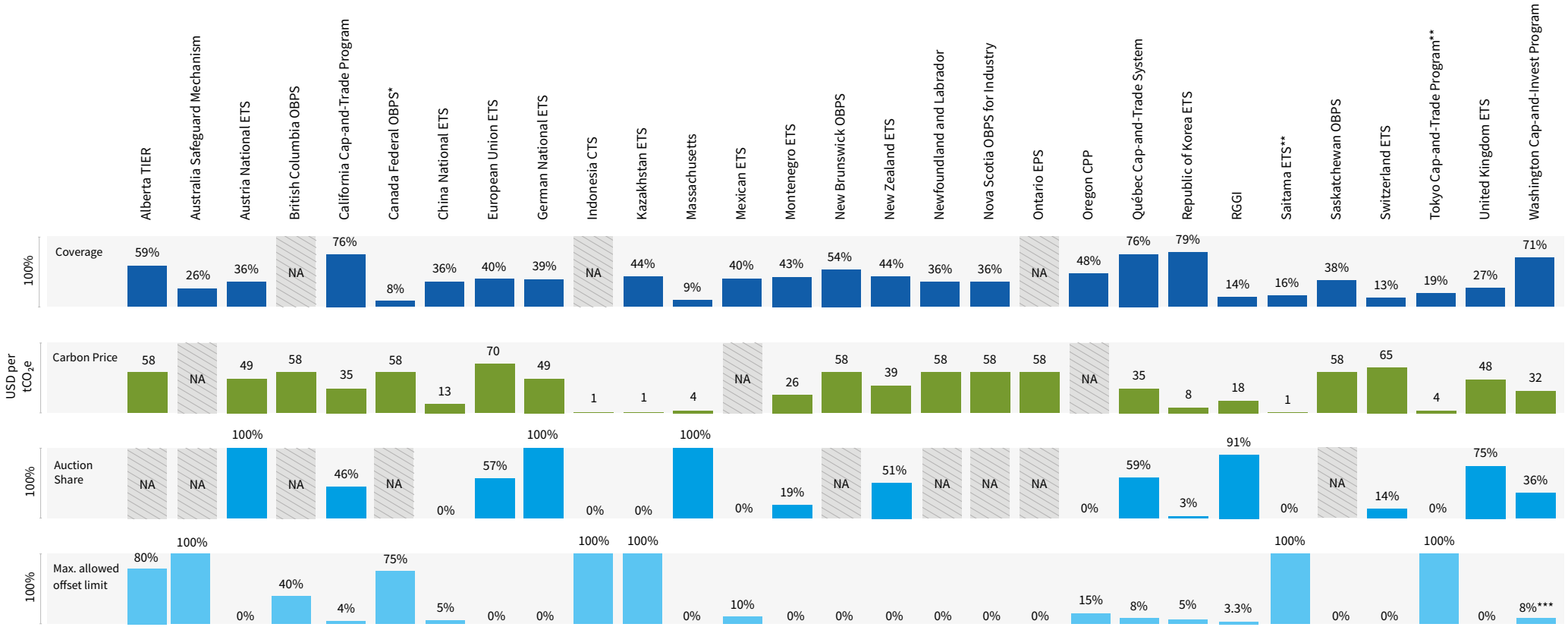
4 The 2021 value of 8% is not consistent with the current application of the federal OBPS. In 2021, the federal OBPS applied in Manitoba, Ontario, Prince Edward Island, Yukon, Nunavut and partially in Saskatchewan. The federal OBPS no longer applies in Ontario and Saskatchewan.

5 The Alberta TIER system covers forestry fuel use.

DIFFERENT DIMENSIONS OF EMISSIONS TRADING

A COMPARATIVE LOOK AT KEY METRICS FROM CARBON MARKETS

The bars below display information on different metric across ETSs in force. **Coverage** (in dark blue) shows the share of the jurisdiction's GHG emissions covered under the ETS. **Carbon price** (in dark green) is measured in USD per metric tonne of CO_2e and averaged over 2024. **Auction share** (in blue), expressed as a share of the 2024 cap, denotes the share of allowances that have been offered for auction in the primary market. **Max. allowed offset limit** (in light blue) indicates the share of a compliance entity's obligations that can be met using approved offsets. The size of the bar represents the numerical value of the corresponding dimension. Given lack of available information, the Colorado GEMM Regulation is not depicted here. See more details in the section "Notes on Methods and Sources" in the full version of the ICAP Status Report 2025.

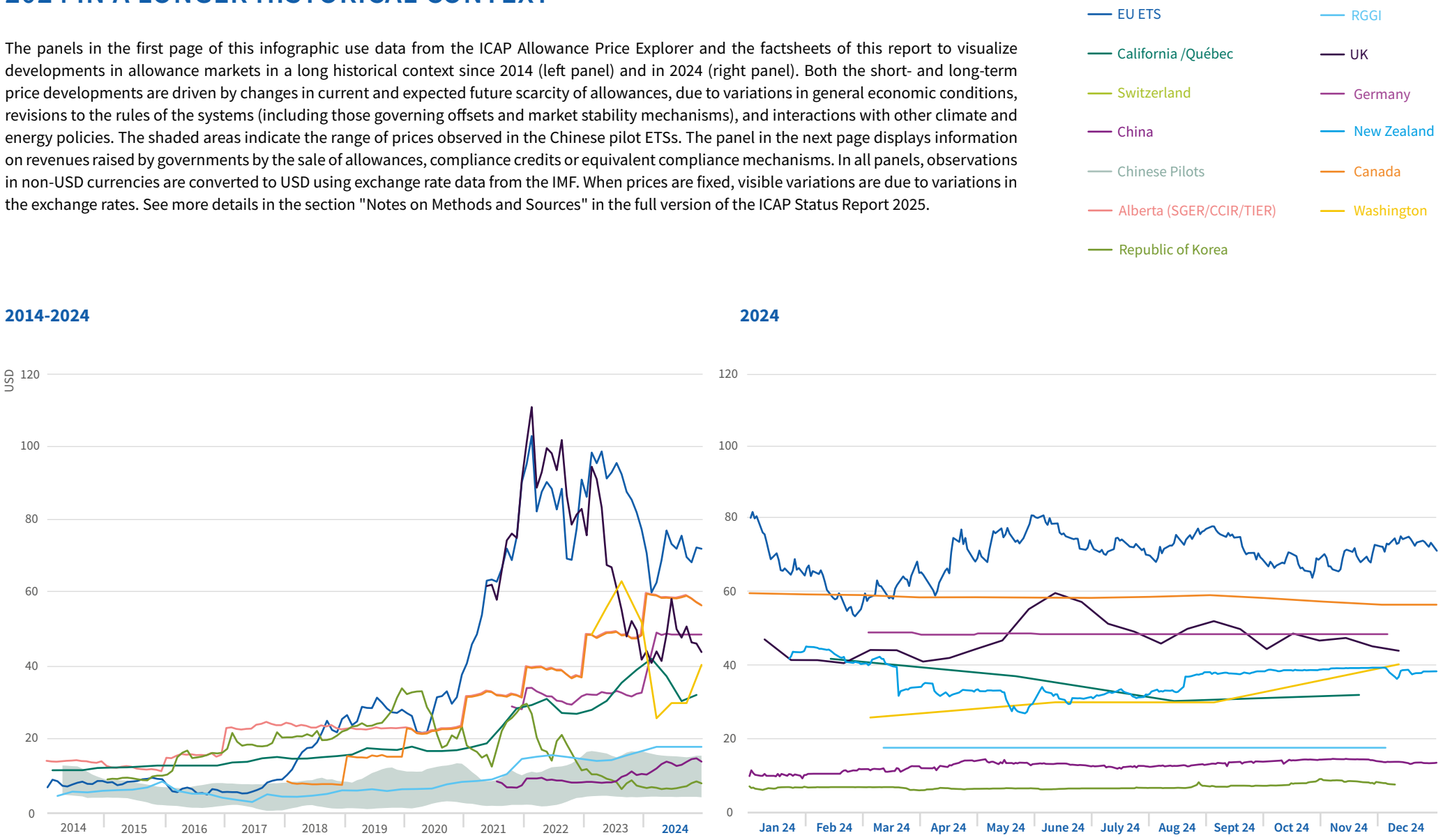


* The coverage value refers to 2021, when the Canada Federal OBPS applied in Manitoba, Ontario, Prince Edward Island, Yukon, Nunavut and partially in Saskatchewan. The federal OBPS no longer applies in Ontario and Saskatchewan.
** In Saitama, quantitative limits apply for "outside Saitama" credits. In Tokyo, quantitative limits apply for "outside Tokyo" credits.
*** Up to 5% of the compliance obligation can be met with offsets. An additional 3% can be met from projects located on federally recognized tribal land.

ALLOWANCE PRICES AND REVENUES

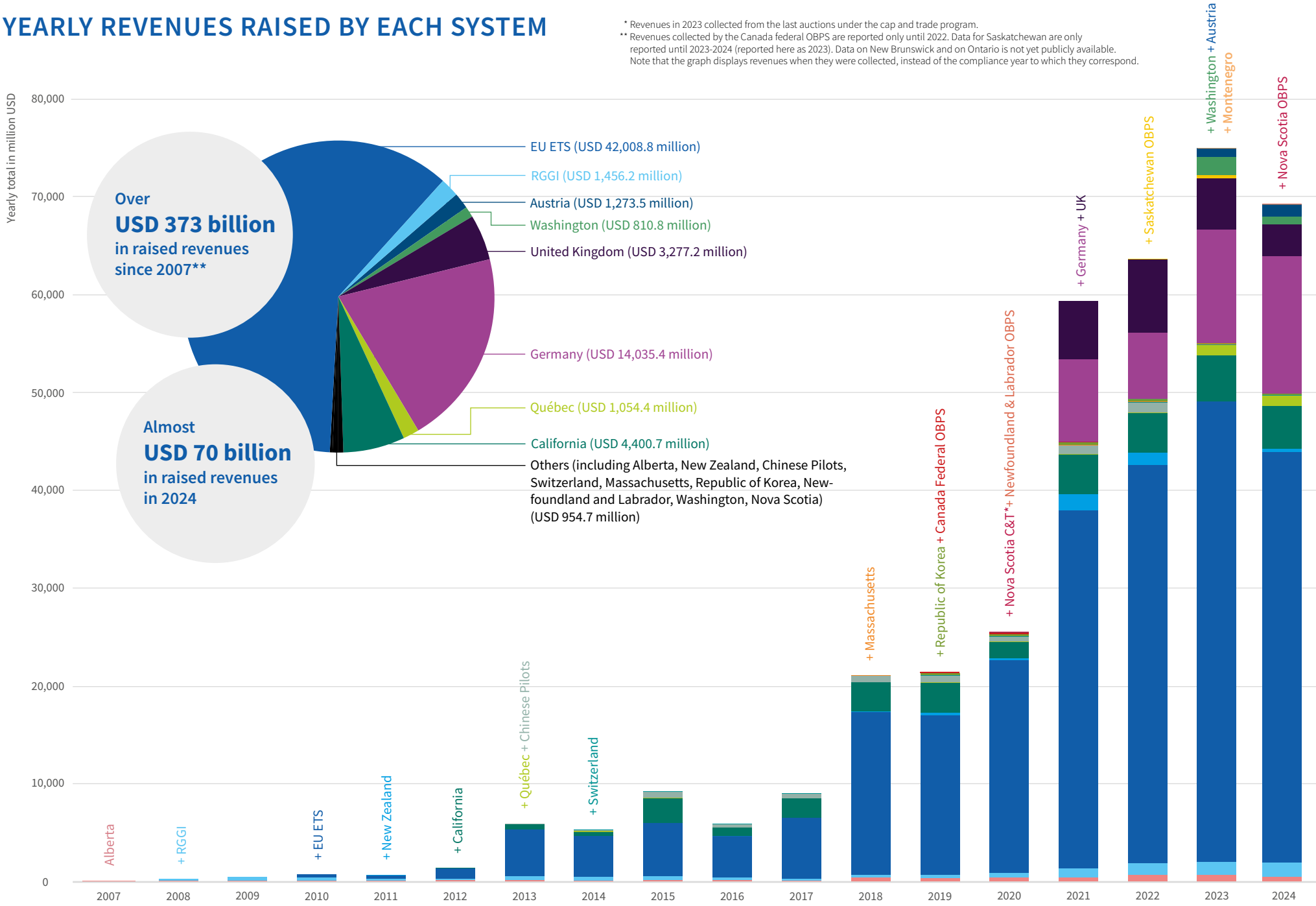
2024 IN A LONGER HISTORICAL CONTEXT

The panels in the first page of this infographic use data from the ICAP Allowance Price Explorer and the factsheets of this report to visualize developments in allowance markets in a long historical context since 2014 (left panel) and in 2024 (right panel). Both the short- and long-term price developments are driven by changes in current and expected future scarcity of allowances, due to variations in general economic conditions, revisions to the rules of the systems (including those governing offsets and market stability mechanisms), and interactions with other climate and energy policies. The shaded areas indicate the range of prices observed in the Chinese pilot ETSs. The panel in the next page displays information on revenues raised by governments by the sale of allowances, compliance credits or equivalent compliance mechanisms. In all panels, observations in non-USD currencies are converted to USD using exchange rate data from the IMF. When prices are fixed, visible variations are due to variations in the exchange rates. See more details in the section "Notes on Methods and Sources" in the full version of the ICAP Status Report 2025.



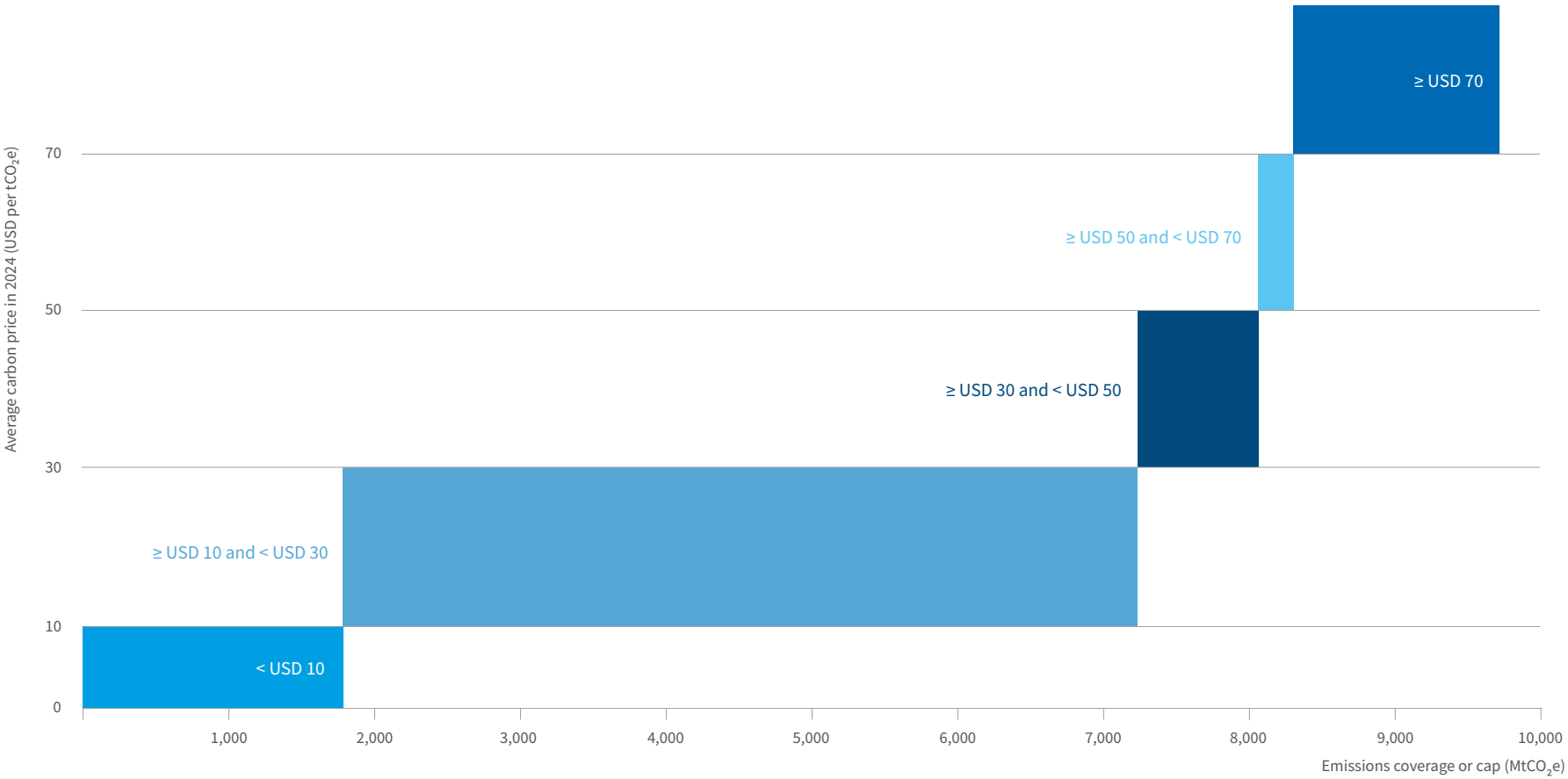
YEARLY REVENUES RAISED BY EACH SYSTEM

* Revenues in 2023 collected from the last auctions under the cap and trade program.
** Revenues collected by the Canada federal OBPS are reported only until 2022. Data for Saskatchewan are only reported until 2023-2024 (reported here as 2023). Data on New Brunswick and on Ontario is not yet publicly available. Note that the graph displays revenues when they were collected, instead of the compliance year to which they correspond.



PRICES OF COVERED EMISSIONS

This infographic shows the range of carbon prices in 2024 in ETSs in force, and the volume of emissions that systems with those price levels cover. Around one-sixth of ETS-covered emissions are in systems where prices averaged below USD 10 in 2024. Over half of ETS-covered emissions were in systems where average prices in 2024 were between USD 10 and USD 70, whereas around another sixth were in systems with an average allowance price above USD 70 (the EU ETS). Differences in allowance prices are driven by, among others, changes in current and expected future scarcity of allowances in each system, variations in general economic conditions, system design and policy reforms.



ABOUT ICAP

ABOUT THE INTERNATIONAL CARBON ACTION PARTNERSHIP

Founded in 2007, the International Carbon Action Partnership (ICAP) brings together policymakers from all levels of government that are operating an emissions trading system (ETS) or are taking steps to introduce one. ICAP provides a unique platform for governments to share their practical experiences and the latest knowledge on ETS. The ICAP membership currently counts 34 members and 9 observers.

ICAP'S OBJECTIVES

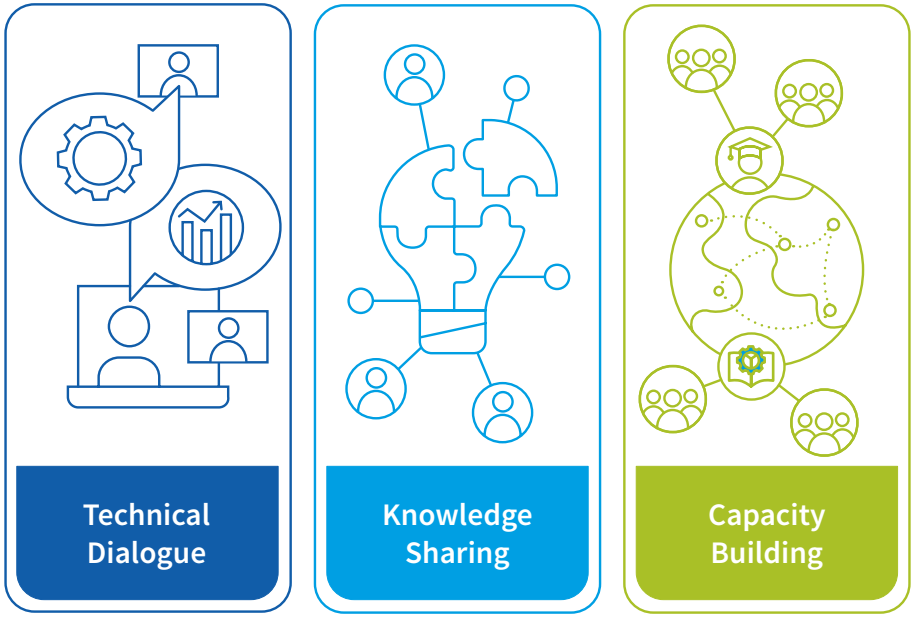
- Highlight the key role of emissions trading as an effective tool to address climate change.
- Facilitate the development, implementation, and refinement of ETSs around the world.
- Build and strengthen partnerships among governments to share best practices and lessons learned.

MEMBERS (AS OF APRIL 2025)

Arizona, Australia, Austria, British Columbia, California, Denmark, the European Commission, France, Germany, Greece, Ireland, Italy, Maine, Manitoba, Maryland, Massachusetts, the Netherlands, New Jersey, New Mexico, New York, New Zealand, Norway, Ontario, Oregon, Portugal, Québec, Scotland, Spain, Sweden, Switzerland, the Tokyo Metropolitan Government, Vermont, the United Kingdom, and the State of Washington.

OBSERVERS

Canada, Chile, Colorado, Japan, Kazakhstan, the Republic of Korea, Mexico, Singapore, and Ukraine.



THREE PILLARS OF ICAP'S WORK

Technical Dialogue: ICAP provides a unique platform for its Members, Observers and experts to exchange on ETS design and operation. Within this workstream, ICAP establishes working groups, publishes papers, and organizes webinars and public events on pertinent ETS topics. Past and ongoing topics include ETS linking, the use of offsets across ETSs, Carbon Capture and Storage, Article 6, carbon leakage, and free allocation.

Knowledge Sharing: ICAP acts as a central repository of information on emissions trading for those who want to learn more about emissions trading and access information about the latest ETS developments worldwide. ICAP organizes conferences and public workshops on specific ETS design topics, participates in various events to promote emissions trading, and publishes useful tools and knowledge products on the **ICAP website**, e.g., the **Allowance Price Explorer**, the **ETS map**, the **ICAP Briefs** on ETS basics, and the annual **ICAP Status Report** on the latest developments of ETSs around the world.

Capacity Building: ICAP builds capacity on the design, implementation, and operation of ETSs around the world by offering **training courses and workshops** to policymakers and other stakeholders on all aspects of emissions trading. The ICAP alumni network, comprising over 1,000 practitioners from over 70 countries, stays connected, works together, and exchanges knowledge during international climate events or alumni events that ICAP organizes on a regular basis.

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