International Carbon Action Partnership

# EMISSIONS TRADING WORLDWIDE

## STATUS REPORT 2026

## EXECUTIVE SUMMARY

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## INTERNATIONAL CARBON ACTION PARTNERSHIP
## STATUS REPORT 2026

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# FOREWORD

## STEADY COURSE IN TURBULENT WATERS: THE RESILIENCE AND GROWTH OF EMISSIONS TRADING IN A FRACTURED WORLD

Climate change has now become a constant factor shaping daily life, economic planning, and political debate. In 2025, the world confronted another year of escalating climate impacts, from record-breaking heatwaves and water scarcity to increasingly frequent disruptions to food and energy systems. At the same time, global geopolitics have entered a more turbulent phase. Rising political and trade tensions, the resulting economic uncertainty, and the rapid unravelling of post-Second-World-War equilibria have shifted public and political priorities in many countries. In this context, climate policy, and carbon pricing in particular, has in some countries struggled to command the attention it once did, reflecting growing tensions between short-term political priorities and the urgent need for sustained climate action.

Yet despite these headwinds, global momentum behind emissions trading systems (ETSs) has not slowed. If anything, ETSs have proven to be particularly well suited to this more complex environment. They provide a reliable pathway for achieving emission reduction objectives that remain fundamental to long-term stability and prosperity. They offer flexibility and economic efficiency in meeting targets, characteristics that matter even more amid constrained fiscal space and shifting political landscapes. ETSs can be designed to safeguard competitiveness, while also generating revenues that help governments facing budget pressures and supporting households and industries against adverse impacts.

This year's Status Report reflects a landscape in which ETSs are both expanding and maturing. A total of 41 systems are now in force worldwide and another 16 are under development or consideration, with the main growth now coming from middle-income economies. Existing systems are tightening caps, refining allocation methods, and extending coverage to new sectors such as maritime transport, buildings, transport fuels, and waste. Recent developments, including China's steps toward an absolute cap and broader scope in its national ETS, the ambitious next phase of Korea's K-ETS, major expansions of the UK ETS, and ongoing reforms in the EU, California, and other long-running systems, illustrate how ETS policy continues to evolve even in more uncertain times.

# *Emissions trading remains a resilient and central component of climate policy across economies.*

Meaningful progress is also emerging in jurisdictions new to emissions trading. Brazil is advancing the implementation of its national ETS with new institutional arrangements. India and Vietnam are operationalizing their ETSs with sector-specific targets. Türkiye has adopted a landmark climate law that prepares the ground for a national ETS. These developments underscore how emissions trading is becoming central not only to climate strategies in high-income countries but also to broader development pathways across diverse economies.

As emissions trading increasingly shapes economic and climate policy, governments face a new set of questions that are central to the long-term durability of their policies. With competing social and economic priorities, policymakers must design effective markets while also communicating their purpose clearly and demonstrating tangible benefits for households, workers, and communities. At the same time, as jurisdictions move closer to net-zero, they must address questions about how to deliver stronger emission reductions while maintaining competitiveness and investment certainty, managing distributional impacts, and steering the pace of structural transformation.

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Since 2007, the International Carbon Action Partnership (ICAP) has provided a trusted forum where governments can learn from each other as they design, implement, and refine their ETSs. Through technical dialogue, capacity-building, and knowledge sharing work, ICAP supports jurisdictions to strengthen their climate policies. As carbon markets expand into more regions and sectors, this space for trusted peer exchange and collaborative problem-solving is more important than ever.

In 2025, ICAP continued to strengthen its role as a core platform for international cooperation on emissions trading. Poland joined ICAP as its 35$^{th}$ member, adding new perspectives from a country that is reshaping its energy and industrial landscape. The political appetite for stronger coordination among compliance carbon markets was further reaffirmed at COP30 in Belém, where governments endorsed the Declaration on the Open Coalition on Compliance Carbon Markets. These developments highlight a shared understanding: as more governments rely on ETSs, success will increasingly depend on sustained dialogue, mutual learning, and cross-jurisdictional coordination.

The Emissions Trading Worldwide: ICAP Status Report 2026 captures this moment of consolidation and acceleration for emissions trading. It provides an overview of global ETS trends, key infographics, and detailed factsheets on systems in force, under development and under consideration. Above all, it illustrates how emissions trading remains a resilient and central component of climate policy across both high-income and emerging economies. By continuing to share knowledge, coordinate approaches, and learn from experience, ICAP and its members and partners aim to support robust, ambitious, and well-governed carbon pricing policies that contribute meaningfully to the climate agenda.

# EMISSIONS TRADING IN NUMBERS


**41**
Emissions Trading Systems are in force

Covering

**14** $GtCO_2e$

or over

**26%**
of global GHG emissions


USD **79** Billion raised in 2025

Totaling over

USD **454** Billion since 2007

**7** ETSs are currently under development

And **9** more are under consideration

Over **1/2** of the global population lives where an ETS is in force

Jurisdictions making up

**63%**

of global GDP are using emissions trading

# TRENDS AND OUTLOOK

## A SUMMARY OF GLOBAL ETS DEVELOPMENTS, TRENDS, AND FUTURE PROPECTS

Climate change is no longer a distant threat, but a constant factor in daily life, shaping economic and political decisions. Yet the current political climate, both domestically and geopolitically, appears to be shifting priorities away from climate action. Despite this headwind, the momentum for emissions trading systems (ETS) has not slowed — quite the opposite. Three new national-level systems are coming online this year with more in the pipeline, existing systems are maturing and evolving, and price development has on average shown a return to relative stability. This is in part a paradox: the same pressures on energy security and affordability that are complicating the political case for climate action also reinforce the appeal of ETS as a flexible, cost-effective tool for meeting long-term objectives. It is too early to say how this tension will play out - but policymakers have so far held course, and design trends are actively supporting them in doing so, through robust legislative processes, innovative approaches tailored to domestic contexts, integrated policy frameworks, and proactive efforts to strengthen political acceptance. Looking ahead, significant challenges remain and ETS policymakers will need to navigate troubled waters, but a growing momentum in international cooperation and a steadily deepening community of practice are helping to build shared experience and global coherence.

### ETS CONSOLIDATES ITS ROLE AS A CORNERSTONE OF CLIMATE POLICY WORLDWIDE

Emissions trading has moved decisively from niche to mainstream, steadily becoming a primary policy tool for governments committed to climate change mitigation. The uptake of ETS continues to accelerate - three new national-level systems in Japan, India, and Vietnam are coming online this year, with several more nearing operational readiness. Global coverage is now substantial: 41 systems are in force, covering 26% of global GHG emissions. The jurisdictions operating these systems together represent 63% of global GDP and more than half the world's population. With an ETS now operating either at the national or subnational level in 14 of the G20 nations and another two currently developing their systems, emissions

trading is at the center of decarbonization strategies in key global economies. A further 16 governments are at various stages of considering or developing an ETS, including Türkiye, which is preparing to launch its pilot system this year. In Latin America, Brazil, Chile, and Colombia have all passed ETS legislation and are preparing for implementation, while Bolivia has begun work on a legal framework. Key legislative hurdles have also been crossed in Thailand and the Philippines.

*Large and middle-sized emerging economies, mainly in Asia and Latin America, are driving the growth of new systems.*

This expansion coincides with a pivotal moment in international climate governance: 2025 was the year in which all parties to the Paris Agreement were required to submit new Nationally Determined Contributions (NDC 3.0), setting national climate targets through 2035. The alignment between these two processes is increasingly explicit. Several countries - including Brazil, Türkiye, Mexico, and several Asian economies - have named their ETS or carbon pricing mechanisms as central instruments for NDC delivery, embedding carbon pricing at the heart of national climate strategies. Emissions trading is increasingly a cornerstone not just of domestic policy, but of each country's international commitment.

Large and middle-sized emerging economies, mainly in Asia and Latin America, are driving the growth of new systems. Many are moving beyond conventional cap-and-trade models to intensity-based approaches, often with innovative hybrid designs that incorporate other carbon pricing elements. New systems are also emerging across the industrialized economies of Europe, North America, and Asia. Japan's new ETS consolidates the approach of the long-established Tokyo and Saitama systems at the national level, while building on a well-established crediting framework. Momentum continues in North America at the state and provincial level - Oregon and Colorado introduced new systems last year, with New York preparing to follow. The EU's ETS 2 is also on the horizon, though the start of compliance was postponed by one year to allow more time for preparation.

Alongside the growth of new systems, established systems are also undergoing significant evolution and reforms - strengthening ambition, refining design, and expanding coverage. China has announced plans to transition its national ETS from an intensity-based approach to an absolute cap, while also expanding scope and introducing auctioning. Korea's ETS has entered a new phase with greater use of auctioning, a new market stability reserve, and a target-aligned cap trajectory. California has passed legislation to extend its system to 2045. The EU has announced a revision of the EU ETS Directive, covering updates to the market stability reserve, the long-term cap trajectory, the role of carbon dioxide removals, and the phase-out of free allocation in sectors covered by CBAM, among other things. The CBAM has itself entered the compliance phase - marking a new era of carbon pricing for international trade.

Beyond changes to system design and market rules, a parallel and equally significant trend is the expansion of existing systems to new sectors. Several systems that began by covering only the power sector - the largest and most straightforward source of emissions - are now reaching into harder-to-abate industrial and economic sectors. China's national ETS is the most prominent example: launched in 2021 covering only the power sector, it has since formally expanded to include steel, cement, and aluminum, bringing well over 1,000 additional companies under the cap and substantially deepening the system's reach across the economy. Indonesia's ETS has followed a comparable trajectory, beginning with the power sector and progressively widening its scope. These developments reflect a broader maturation of the ETS model: systems that first establish themselves in the power sector, building up MRV infrastructure and market experience, before tackling the more politically and technically complex task of covering industrial emitters.

The same logic is playing out in well-established systems, albeit in different forms. The UK ETS is in the process of expanding to domestic maritime shipping from 2026, and to waste incineration from 2028, with monitoring and reporting obligations for these sectors already under way. The EU, meanwhile, has extended its flagship ETS to maritime shipping, while simultaneously preparing the launch of an entirely new system, the EU ETS 2, specifically designed to bring the buildings and road transport sectors under a carbon price for the first time. Set to become operational in 2028, the EU ETS 2 will cover the distribution of fuels for road transport and buildings across all EU Member States. While technically a new system rather than an expansion of an existing one, EU ETS 2 embodies the same underlying principle: that a comprehensive and effective carbon price must reach as many sectors as possible to drive decarbonization

across the whole economy. Taken together, these developments mark a turning point in the ambition of emissions trading, from targeted instruments to economy-wide policy frameworks.

ETS prices showed a return to relative stability in 2025, with generally stable or moderately growing prices across most markets. Reflecting this, 2025 marks another record year for ETS revenue collection. Following a slight drop in 2024, revenues rebounded to nearly USD 80 billion in 2025, surpassing the previous record of USD 75 billion set in 2023. The EU ETS 1 and UK ETS experienced fluctuating prices with steady growth overall, as did most North American systems. In contrast, prices in California, New Zealand, and China's national ETS saw modest price declines over the year, while Korea's ETS remained relatively stable.

## ETS DESIGN TRENDS FOSTER DURABILITY AMID GLOBAL UNCERTAINTY

The world is undeniably living through interesting times - populism, energy and trade wars, and affordability pressures are reshaping the political landscape for climate policy. The United States' withdrawal from the Paris Agreement and the federal rollback of climate regulations under the current administration represent the most prominent example of this trend, demonstrating how quickly the political underpinnings of climate policy can shift. Yet the resilience of sub-national systems in the US shows that an ETS, once embedded in law, can prove more durable than the political cycles that shape national priorities.

Climate policymakers are no strangers to political headwinds. Hard-won lessons are now shaping ETS design, embedding robust legislative processes to create more durable policy. One example is the ongoing integration of emissions trading within overarching climate laws and net-zero targets, anchoring it in long-term economic strategies. A second example is meaningful stakeholder consultation from the outset, fostering greater buy-in and resulting in more broadly supported policy. A third example is the early integration of communication strategies into system design, making information accessible and trade-offs transparent.

An ETS is inherently flexible, and this flexibility extends to the design process itself, enabling governments to adapt the policy to their own circumstances and development pathways, thereby making it more appealing. Policymakers are increasingly tailoring their ETS to domestic objectives - a strength of the domestic-first approach that mirrors the bottom-up nature of the Paris Agreement. One trend is the development of

*Hard-won lessons are now shaping ETS design, embedding robust legislative processes to create more durable policy.*

integrated policy frameworks, with market stability mechanisms, carbon taxes, offset crediting mechanisms, and CBAMs being deployed alongside ETS and sometimes built directly into the system design. Equally significant is the expansion of intensity-based systems in emerging economies with rapidly growing industrial sectors. Currently, about half of systems in force worldwide are intensity-based, representing around 75% of ETS-covered emissions globally - a figure driven largely by the sheer scale of China's national ETS, the world's largest carbon market and itself intensity-based. Yet these figures mask an important countertrend: established systems, including China's national ETS, are increasingly looking to transition to absolute caps as they mature.

With rising political discontent and affordability pressures, governments are taking proactive steps to enhance political acceptance through both system design and communication. Political acceptance becomes especially critical when ETS scope expands beyond industry to sectors where the carbon price directly impacts people's livelihoods. A key trend is the development of mechanisms for transparent revenue use - decided in advance and communicated clearly - with revenues increasingly directed towards climate initiatives and support for those disproportionately impacted by the carbon price, applying principles of equity and fairness. Communicating these positive effects is essential. Some jurisdictions are rebranding their cap-and-trade systems as "Cap-and-Invest" to make this connection explicit, a trend especially evident in Washington and California, and under discussion elsewhere. The importance of these efforts is clear in the European context: the EU ETS 2 for buildings and transport would simply not be politically feasible without the accompanying Social Climate Fund.

## COMPETITIVENESS AND FLEXIBILITY: FITTING DOMESTIC SYSTEMS INTO A GLOBAL CONTEXT

The growing centrality of a domestic ETS as a climate policy instrument raises both old and new challenges for policymakers. Two key discussions are currently underway, relevant to both emerging and established systems alike, though with different emphases: how to maintain competitiveness for domestic industry as carbon costs rise, and how to harness domestic and international crediting frameworks as tools

for compliance flexibility and cost containment, ensuring that ambition remains politically and economically sustainable.

Free allocation remains the primary tool for shielding industry from carbon leakage. Yet as established systems mature and look ahead to net-zero emissions, current practices are being called into question. Free allowances will inevitably become scarcer over time, while abatement becomes more difficult and costly. The trend is towards better targeting: directing free allocation only at emissions-intensive and trade-exposed (EITE) industries that really need assistance. At the same time, as decarbonization becomes more challenging, governments are increasingly grappling with the role that removals and offsets could play in keeping compliance costs manageable for hard-to-abate industries, without compromising environmental integrity.

Alternatives to free allocation are beginning to surface. The most groundbreaking approach is the EU's CBAM, which has attracted significant international attention since its announcement. By pricing the carbon content of imports, the CBAM addresses leakage concerns more directly at the border - rather than within the system of allocation - and has sparked considerable interest globally. The UK plans to follow suit with a similar mechanism, while comparable policies are being formally considered in a growing number of jurisdictions. For many countries, the EU's CBAM has also served as a catalyst for broader carbon pricing ambitions, as trading partners weigh the implications for their own industries and policy frameworks.

The use of offset credits and the establishment of crediting mechanisms are proliferating in ETS design, particularly as emerging systems look to integrate crediting into their regulatory frameworks from the outset. Governments face important choices about how to structure these mechanisms alongside their ETS - decisions that involve careful trade-offs between competing policy objectives. Among the questions being navigated: whether to build domestic offset systems first before looking outward, or to engage with international markets early; whether credits should serve domestic compliance needs or be available for international sale; and whether the credits that deliver the greatest domestic co-benefits are the same ones that international markets value. These choices are also shaped by developments in the voluntary carbon market, which - though distinct from compliance ETS - is becoming increasingly interconnected with domestic crediting frameworks as standards converge and as Article 6 mechanisms begin to create bridges between the two. The choices governments make now will shape both the environmental integrity of their systems and their place in an increasingly interconnected global carbon market.

## INTERNATIONAL COOPERATION RISES TO THE MOMENT

Momentum is building in international cooperation on ETS, most notably with the launch of the Open Coalition for Compliance Carbon Markets alongside several other existing platforms for dialogue. These platforms are particularly valuable at a moment when the domestic-first approach that has so far characterized ETS development is ready to be complemented by greater global coherence. They help address shared questions: how to compare ambition and robustness across different systems, how to ensure that international trade does not undermine domestic climate policy, and how to bring coherence to an increasingly fragmented market landscape. Such conversations are becoming essential as jurisdictions seek to tailor their systems to local contexts while also contributing to global coherence.

These efforts are further animated by progress at the international level. The finalization of rules for the Article 6 mechanisms under the Paris Agreement, providing a framework for internationally transferred mitigation outcomes and a nascent global carbon crediting mechanism, opens new possibilities for ETS jurisdictions to engage with international carbon markets. While questions of environmental integrity and governance warrant careful consideration, these developments add a significant new dimension to the landscape in which domestic ETS operate.

Behind these technical discussions lies something more fundamental: a growing community of practice built on shared experience. As ETSs expand and evolve, a steadily growing body of evidence-based good practice is forming, drawing on lessons from around the world. This creates real opportunities for policymakers in emerging systems to benefit from collective experience, avoiding common pitfalls and adopting more robust policy designs from the outset. In an era of political uncertainty, this network of practitioners - learning from each other and building on shared successes - may be one of the most important factors in ensuring the continued growth and resilience of emissions trading worldwide.

*Behind these technical discussions lies something more fundamental: a growing community of practice built on shared experience.*

# A YEAR OF ETS DEVELOPMENTS

## A BRIEF OVERVIEW OF THE KEY UPDATES FROM EACH JURISDICTION

## EUROPE AND CENTRAL ASIA

**Austria:** Austria's national ETS launched in October 2022, covering fossil fuels not included in the EU ETS 1. In January 2025, the fixed price rose as planned. Revised legislation adopted in 2024 aligned the system with EU ETS 2 methodology, with entities now reporting under both frameworks. Following the EU's decision to postpone ETS 2 by one year, Austria's system will continue through 2027. The Regional Climate Bonus, which redistributed revenues to consumers, was discontinued as part of fiscal consolidation measures.

**European Union:** The EU ETS 1 remains the largest system in force in terms of trading value and volume. It currently accounts for around 35% of the bloc's total emissions, which is a decline compared to the previous year due to significant reductions in power sector emissions in 2023. In 2025, shipping companies faced their first deadline for surrendering allowances for the share of their 2024 emissions. In the aviation sector, free allowances were reduced to 50% in 2025 and are fully phased out as of 2026. The EU's Carbon Border Adjustment Mechanism (CBAM) entered the definitive stage in January 2026, with the first deadline for the surrender of CBAM certificates set for September 2027. Following the May 2025 announcement, the EU Council granted the EU Commission a negotiating mandate to start formal talks with the UK on ETS linking arrangements. Following the provisional agreement between the EU Council and the EU Parliament in December 2025, the start of a new, separate ETS for buildings, road transport and additional sectors (ETS 2) is postponed by one year, until 2028.

**Germany:** Germany launched its national ETS in 2021, covering heating and transport fuels not included in the EU ETS 1. In February 2025, parliament adopted legislation to transition to the EU ETS 2, though the supranational scheme was subsequently postponed by one year to 2028. The government will opt in additional sectors, but has excluded combustion emissions from agriculture. Waste incineration also remains under the national system, pending further EU-wide analysis. A second evaluation report was published in January 2025, and auction procedures for the upcoming price corridor phase were finalized.

**Kazakhstan:** Kazakhstan's ETS entered its 14th year of operation. In October 2025, a draft national allocation plan for the period from 2026 to 2030 was published. It proposes annual cap reductions of between 10.4% and 23% compared with the 2025 level. Benchmarking remains the main method of allowance allocation since 2021, while the introduction of auctions is under development.

**Montenegro:** Montenegro's national ETS was launched in 2020 and covers large installations in the power and industrial sectors. The government finalized a draft climate law in September 2025, which was adopted in December and will enter into force in May 2026. This revised legislation aligns various design elements of the national system with EU regulations, including provisions on MRV, allocation, and revenue use. Following the passage of the revised climate law, intensive work has begun on drafting a revised ETS regulation, with adoption anticipated by May 2026.

**Switzerland:** The Swiss ETS, established in 2008, has been linked with the EU ETS 1 since 2020. In 2025, revised legislation entered into force, aligning the system with EU reforms through stricter cap reduction factors and enabling carbon capture to count towards compliance. Free allocation for aviation will be phased out, while a new incentive mechanism will offset costs for sustainable aviation fuel. An external evaluation found that the system had little impact on emission reductions.

**Türkiye:** Türkiye is preparing to launch its national ETS, with a pilot phase expected in 2026. In July 2025, the government enacted its first climate law, establishing the legal basis for the system and creating a dedicated board to decide on key design features such as cap setting and allocation plans, free allowance distribution, and offset limits. A draft regulation on implementation was released for stakeholder consultation shortly after. The country submitted its NDC 3.0 in late 2025 and will host COP 31 in 2026.

**Ukraine:** Ukraine continues to prepare the regulatory framework for its national ETS. In February 2025, the Ukrainian government approved the Action Plan for the establishment of a national ETS. The document stipulates that the ETS pilot phase should begin in 2028, with the operational phase starting not earlier than three years after the current martial law is lifted.

**United Kingdom:** The UK ETS, launched in 2021, continued to mature in 2025 with the implementation of key reforms and the preparation for significant scope expansion. The UK and the EU agreed to work towards linking their respective ETSs, which would enable mutual recognition of allowances and create conditions for mutual CBAM exemptions. The UK confirmed maritime coverage from mid-2026 and announced plans to include waste incineration from 2028 and engineered greenhouse gas removals from 2029. Free allocation rules were finalized for the next allocation period starting in 2027, with allowances for sectors covered by the forthcoming CBAM set to phase out gradually. The government is legislating to introduce the UK CBAM from the start of 2027, covering sectors such as aluminum, cement, fertilizers, hydrogen, iron, and steel. The UK also extended the ETS for a second phase, running from 2031 to the end of 2040.

## NORTH AMERICA

**Alberta:** Operational since 2007, Alberta's intensity-based industrial ETS was the first of its kind in North America, with the current iteration in effect since 2020. In 2025, the government froze the set price in response to economic concerns. It also introduced a new compliance pathway, allowing facilities to meet part of their obligations through direct investments in on-site emissions reduction technologies. The government further reaffirmed its commitment to maintaining the system, receiving strong industry support.

**British Columbia:** Launched in April 2024, British Columbia's OBPS covers large industrial operations. Following the elimination of the provincial carbon tax in April 2025, the system became the province's sole carbon pricing instrument. The first compliance year concluded successfully in 2025, with around 120 operations covered. The province also expanded its offset framework with two new protocols for carbon capture and refrigerant destruction. An independent review recommended extending the system to 2040.

**California:** California operates one of the largest compliance carbon markets worldwide, linked with Québec since 2014. In September 2025, the government adopted landmark legislation reauthorizing the program through 2045 and renaming it from "Cap-and-Trade" to "Cap-and-Invest". The new laws direct the competent authority to align emissions caps with state climate targets for 2030 and 2045, strengthen offset protocols, and set appropriation rules for program revenues. A formal rulemaking process to implement these requirements is underway, with regulatory amendments expected to take effect from 2027. Discussions about potential linkage with Washington continue.

**Canada Federal Output-Based Pricing System (OBPS):** The federal OBPS has been in place since 2019 as one part of the federal carbon pollution pricing 'backstop' system. Amendments to the OPBS Regulations were necessary in spring 2025 after the federal government eliminated the national federal fuel charge – the second component of the 'backstop' system – on April 1, 2025, by setting all fuel charge rates to zero. The amendments to the OBPS regulations include an update of the definition of 'on-site transportation emissions' to ensure that those emissions remain covered by national carbon pricing.

**Colorado:** Colorado established an ETS covering large in-state manufacturers, with the first compliance year in 2024. The system includes intensity-based and absolute emissions limits for different types of facilities. In 2025, the government issued the first emission credits to covered facilities, enabling bilateral trading and auction participation. The state held its first annual auction in mid-2025, with several entities participating as bidders and offerors.

**Maryland:** Maryland is exploring an economy-wide cap-and-invest program to meet its emissions reduction goals. A 2023 plan outlined how such a system could generate revenues for clean energy projects, consumer rebates, and decarbonization initiatives. The state's power sector is already regulated under RGGI. In 2025, the Maryland Commission on Climate Change recommended that the state take the next steps to evaluate and propose potential designs for an economy-wide cap-and-invest program.

**Massachusetts:** The Massachusetts ETS for electricity generators has been operating since 2018, complementing RGGI: electricity generators in the state must comply with both programs. All allowances are distributed through quarterly auctions, with revenues funding emissions reduction and community programs. In 2025, auction prices for current-year allowances cleared notably higher than those for future vintages, indicating that regulated entities prioritized near-term compliance needs.

**New Brunswick:** New Brunswick's OBPS is an intensity-based ETS in which each covered entity must surrender compliance units for emissions that exceed its annual emissions limit. It seeks to deliver incremental GHG emissions reductions at the lowest cost to industry, while supporting low-carbon growth and investment, minimizing carbon leakage, ensuring fairness, and providing clarity, administrative efficiency, accountability, and transparency. In 2025, the government published a new version of "The Reporting and Reduction of Greenhouse Gas Emissions Standard".

**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 each facility's annual emissions limit. The price of Greenhouse Gas Reduction Fund credits increases in line with the federal minimum carbon price.

**New York State:** New York's Cap-and-Invest Program (NYCI) is under development to reduce statewide emissions in line with its climate legislation. The program will cover all emitting sectors, with allowances primarily distributed through auctions. In 2025, the government released a draft mandatory emissions reporting rule, which was finalized by year-end. A court ruling in late 2025 directed the state to issue emissions reduction regulations by early 2026, reinforcing obligations under its climate law. The state has appealed the decision, placing the order on hold pending further review.

**Nova Scotia:** Launched in 2023, Nova Scotia's intensity-based OBPS covers electricity generators and large industrial emitters, replacing the province's former cap-and-trade program. In January 2025, an equivalency agreement was reached with the federal government, recognizing the province's emissions regulations for the electricity sector through 2029. Following the elimination of the federal consumer carbon charge in April 2025, the system remains the primary carbon pricing instrument for covered facilities in the province.

**Ontario:** Ontario's Emissions Performance Standards (EPS) program came into effect in January 2022, replacing the federal OBPS that was operational in Ontario from 2019 to 2021. 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 limit. In 2025, the "Greenhouse Gas Emissions Performance Standards Regulation" was amended to allow any facility that meets the criteria for voluntary participation at the time of the request to cancel its registration to leave the EPS program.

**Oregon:** Oregon's emissions trading program is designed to achieve economy-wide GHG emission reductions of 50% by 2035 and 90% by 2050, relative to a 2017–2019 baseline. The program entered into force in 2025 with the start of its first compliance period. Over the past year, the state completed key steps in operationalizing the system, including the initial issuance and distribution of compliance instruments to covered entities, and the publication of detailed guidance on monitoring, reporting, and compliance obligations.

**Pennsylvania:** Pennsylvania published a regulation in 2022 to establish an ETS for the power sector and link it to RGGI. The regulation faced legal challenges, and a court ruled it unconstitutional in 2023. In 2025, the legislature formally ended the state's participation in RGGI through budget legislation. Meanwhile, lawmakers reintroduced a bill proposing a state-run cap-and-invest program for fossil fuel-fired electricity generators. If implemented, auction revenues from the state-run program would fund consumer rebates, clean energy projects, workforce development, and low-income support.

**Québec:** Québec operates a comprehensive cap-and-trade system covering around 80% of the jurisdiction's emissions. Linked with California since 2014, the system continued operating smoothly in 2025, with joint auctions generating substantial revenues. The government published a green economy plan for the rest of the decade, funded primarily by carbon market proceeds. Regulatory amendments progressed through the year, with draft regulations expected in early 2026. Discussions about potential linkage with Washington continue.

**Regional Greenhouse Gas Initiative (RGGI):** In mid-2025, participating RGGI states concluded their third program review, introducing reforms effective from 2027. These include a tightened emissions cap with steeper annual reductions, an expanded cost containment reserve, a higher minimum reserve price, and a phase-out of new offset credits. Each state committed to amending its regulations accordingly. Meanwhile, Virginia's 2022 withdrawal from the program remained legally contested, with a court pausing its return pending an appeal. Pennsylvania formally ended its participation through budget legislation in late 2025.

**Saskatchewan:** Saskatchewan's Output-Based Performance Standards (OBPS) Program came into effect in 2019. It is an intensity-based ETS for large industrial emitters, in which regulated facilities are required to satisfy a facility specific performance standard. In 2025, the government of Saskatchewan announced that it would pause the OBPS Program effective April 1, 2025, in response to the uncertainty and increasing costs associated with ongoing global tariffs. While the accrual and fulfilment of compliance obligations is paused, regulated facilities are still required to submit their emission reports to the Ministry of Environment.

**Vermont:** Vermont is exploring a cap-and-invest program to help meet its climate goals. The state's power sector is already covered by RGGI. In 2024, the legislature mandated a study on expanding coverage to additional sectors. The study was completed in early 2025, and the state treasurer recommended against establishing an independent program due to the state's small size. The government is therefore monitoring developments of the New York Cap-and-Invest Program with a view of potential future linkage.

**Washington:** Washington's cap-and-invest program, launched in 2023, covers most of the state's emissions. In 2025, the legislature enacted new legislation directing the environmental agency to analyze market dynamics under potential linkage scenarios and establishing a fixed price ceiling of USD 80 for the coming years. The agency advanced the state's rulemaking to enable future linkage, with adoption expected in late 2026. Discussions about potential linkage with California and Québec continue.

## 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 sectors. 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. In February 2025, the regulator issued the first Safeguard Mechanism Credits following emissions reporting for FY2024. Comprehensive compliance data published in April 2025 showed that covered emissions decreased by approximately 2%, demonstrating the system's effectiveness in driving emissions reductions.

**China (national):** The China National Carbon Market is an intensity-based system launched in 2021. In 2025, the compliance for 2023 was completed with a 99.98% compliance rate. The General Office of the CPC Central Committee and the General Office of the State Council jointly released the "Opinions on Advancing Green and Low-Carbon Transformation and Strengthening the Construction of the National Carbon Market", setting out a roadmap to transition from an intensity-based cap to an absolute cap. In November, the Ministry of Ecology and Environment published the allocation plan officially extending the National Carbon Market to the steel, cement, and aluminium smelting sectors for the 2024 and 2025 compliance years, adding 3 billion

tonnes of emissions to the market's coverage. Also in November, China submitted its 2035 NDC, committing to reduce economy-wide GHG emissions by 7-10% from peak levels – marking the first time China has pledged an absolute emissions reduction. The new NDC also envisages expanding market coverage and introducing auctioning in the National Carbon Market.

**Chinese Pilots:** All Chinese regional pilots continued trading, ensuring compliance, and updating ETS management measures. A common theme across pilots was the integration of steel, cement, and aluminium smelting entities into the National Carbon Market, which notably reduced the emissions cap in pilots such as Guangdong, where total covered emissions dropped from nearly 300 $MtCO_2$ to 94 $MtCO_2$. Shanghai issued a five-year reform plan introducing an absolute cap for sectors with stable emissions and increasing the share of auctioned allowances. Hubei, Shanghai, and Tianjin also set out plans to lower inclusion thresholds, expand sectoral coverage, and cover non-$CO_2$ emissions. In addition, several pilots, including Beijing, Shanghai, Fujian, and Shenzhen, advanced their carbon inclusive (Tan Pu Hui) offset mechanisms.

**India:** The Indian government adopted detailed regulations for the compliance mechanism under the Carbon Credit Trading Scheme (CCTS) in 2024. It takes the form of an intensity-based baseline-and-credit system, with mandatory emissions intensity targets for energy-intensive industries. The system builds on an existing energy efficiency scheme that is being gradually transitioned into a compliance carbon market. Seven industrial sectors successfully shifted to the new system in 2025, with targets notified in two phases. Entities now have legally binding emissions intensity targets for the first two compliance years (FY2026 and FY2027). Credit trading is expected to launch by mid-2026.

**Indonesia:** Indonesia introduced an intensity-based ETS for the power sector in 2023. In its first phase, it covered only coal-fired power plants connected to the grid. In 2025, the scope expanded to cover captive coal plants not connected to the grid and gas power plants. As a result, the total number of covered installations rose from around 150 to over 400, significantly increasing the system's reach. A presidential regulation formalized the national carbon pricing framework, establishing the legal basis for the trading system, a carbon levy that functions as a compliance backstop, and a results-based payment mechanism. Due to regulatory changes, the allocation of allowances for 2025 was postponed, and no trading took place.

**Japan:** Japan started its ETS as a voluntary baseline-and-credit system in 2023. In the FY2026, which starts in April 2026, the GX-ETS will transition to a mandatory baseline-and-credit system, marking a significant shift in the country's carbon pricing approach. More than 700 companies, accounting for over half of national emissions, participated in the voluntary phase. Over the course of 2025, the government held several working group meetings to consult stakeholders on various design aspects of the mandatory system, including benchmarks and grandfathering for setting baselines and price limits for emission allowances. Auctioning is planned from 2033 for high-emitting corporations in the power sector. The system is part of a broader decarbonization strategy that combines carbon pricing instruments to help meet net zero emissions by 2050.

**Malaysia:** Malaysia is in the process of establishing a domestic carbon market. In September 2025, the government approved a new national climate policy that identifies carbon pricing and carbon markets as key instruments to achieve climate targets. A consultation paper for climate legislation released in 2024 includes the legal basis to establish a domestic ETS. Under the national development plan for 2026 to 2030, the government announced it will introduce a carbon market policy and launch a domestic ETS to facilitate the transition towards a low-carbon economy. In October 2025, the government announced a carbon tax for iron, steel, and energy industries starting in 2026, aligned with the forthcoming carbon market policy.

**New Zealand:** Launched in 2008, New Zealand's ETS covers nearly half of national emissions across all sectors except agriculture. In 2025, all four quarterly auctions failed to clear as secondary market prices remained below the price floor, resulting in the permanent withdrawal of over 13 million unsold units. The government announced tight supply settings through 2030, with overall unit supply set to decline significantly. New legislation was passed restricting ETS forestry registrations on productive agricultural land. Further amendments removed the requirement for supply settings to align with the country's international climate commitments, while retaining alignment with New Zealand's legally-binding domestic net zero targets.

**Philippines:** Legislation to establish a carbon pricing framework advanced in 2025. In June, the House of Representatives approved the Low Carbon Economy Investment Act, which was then submitted to the Senate for deliberation. If enacted, the Act will mandate large and medium emitters from the energy, transportation, industry, agriculture, forestry and waste sectors to develop decarbonization plans. The proposed system follows an 'investment-first' approach, requiring entities exceeding their allowances to establish decarbonization funds before accessing market-based compliance options.

**Republic of Korea:** The Korean Emissions Trading System, launched in 2015, was East Asia's first national ETS, covering the electricity, industrial, building, waste, transport, domestic aviation, and maritime sectors. In autumn 2025, the government reformed some K-ETS elements, including streamlining the allocation rules into two broad categories: power generation and non-power generation sectors. The auctioning share for the power generation sector will gradually increase to 50% by 2030. Other sectors will receive more, and EITE sectors 100% free allocation. Excluding the K-MSR and new entrants' reserve, roughly 11% of total allowances will be auctioned. A quantity-based K-MSR will be further defined in the first half of 2026 following public consultation. The fourth allocation period (2026 to 2030) started.

**Saitama:** Saitama Prefecture's ETS, launched in 2011, covers commercial buildings and industrial sectors. In 2025, the fourth compliance period (FY2025 to FY2029) started and the compliance factor rose to 50% for office buildings and 48% for factories. In June, the Prefectural government announced that, in FY2023, the Saitama ETS achieved a 42% reduction in emissions below base-year levels and 448 of the 564 covered facilities (79%) achieved their targets in the second compliance period (2015 to 2019).

**Taiwan, China:** Taiwan, China, implemented a carbon fee of TWD 300 (USD 9.62) per $tCO_2e$ that applies to power and manufacturing entities emitting more than 25,000 $tCO_2e$ per year since 2025. In January 2025, the Vice Premier announced plans to accelerate the transition from the carbon fee to an ETS, with a possible pilot in the second half of 2026 and full implementation expected in 2027 or 2028, operating in parallel with the carbon fee. The Ministry of Environment is also consulting on a CBAM, with regulations expected to be piloted in the first half of 2026, initially covering cement and steel products.

**Thailand:** Thailand has been developing its carbon pricing framework for over a decade, building on voluntary trading pilots since 2013. In December 2025, the cabinet approved a draft Climate Change Act establishing four carbon pricing instruments: an ETS, a carbon tax, a CBAM, and a regulated carbon credit market. The bill now proceeds to Parliament, with enforcement anticipated in 2027. The proposed ETS will operate under industry-specific emissions ceilings, with a pilot system potentially launching in 2029.

**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. Its fourth compliance period started in April 2025 and the compliance factor rose to 50% for office buildings and 48% for factories. In addition, actual emission factors, instead of fixed emission factors, are used to calculate emissions from electricity, heat, and city gas supplied by retailers, based on contracts at the facilities. In March 2025, the TMG published the results for the fourth fiscal year of the third compliance period (FY2023), showing that emissions from covered facilities totaled 11.3 $MtCO_2$ – 31% below base-year emissions.

**Vietnam:** Vietnam has brought its national Pilot ETS into force, with covered emissions for the 2025 and 2026 compliance years in the power, iron and steel, and cement sectors set by regulation. The legal basis was significantly strengthened in 2025, with regulation defining core ETS design elements and compliance arrangements for the Pilot phase. The Pilot ETS applies an intensity-based approach with 100% free allocation based on output-based benchmarks, while establishing provisions for banking, limited borrowing, and the use of domestic and international offset credits. The framework also sets a pathway toward gradual auctioning and expanded coverage from 2029, following evaluation of the pilot.

## LATIN AMERICA AND THE CARIBBEAN

**Brazil:** Brazil's ETS is a national cap-and-trade program, established in late 2024, with its core legal framework adopted and implementation activities underway. Over the past year, the government established a temporary institutional body to accelerate the development of secondary regulations, including rules on monitoring, reporting, and verification, and the design of a central registry. These actions have advanced the system from legal adoption toward operational readiness, laying the groundwork for decisions on sectoral coverage, allowance allocation modalities, and the integration of domestic crediting instruments.

**Bolivia:** Bolivia is considering the establishment of a national ETS under a draft law introduced to parliament in November 2025. The proposal marks a significant shift in climate policy, following recent developments that opened the door to market-based instruments, including a 2024 court ruling overturning the prohibition of environmental market mechanisms. The proposed system would set a cap on emissions from facilities exceeding a defined threshold, with a mixed allocation model combining free allocation and auctioning.

**Chile:** Chile's market-based climate policy is anchored in a national climate legal framework that enables the establishment of emissions limits and the use of market-based compliance mechanisms. Over the past year, the government has advanced secondary regulations to set emissions limits for methane from the waste sector and for fluorinated gases, providing a regulatory foundation for the potential use of flexible compliance and future market mechanisms. The government published a national roadmap on carbon pricing and market instruments, strengthening policy coherence between emissions limits, the existing carbon tax, and carbon crediting frameworks. In parallel, preparatory technical work continued on the design of a pilot ETS for the energy sector.

**Colombia:** In 2018, Colombia adopted a climate law which outlines basic provisions for the establishment of an ETS. Following a public consultation in 2024, the regulatory framework remained under development in 2025. A first or preliminary phase is expected to start in 2027, with full implementation of the system planned for 2030. The preliminary phase will test operational rules, generate information to evaluate the system's structure, and identify opportunities for improvement. Auctioning is expected to be the main allocation method, with the auction reference price aligned with the national carbon tax rate. The cap will be set annually in line with the country's climate targets.

**Dominican Republic:** The Dominican Republic is developing a pilot ETS aligned with its climate goals. A roadmap for designing an ETS was completed in 2020, followed by a simulation exercise with key stakeholders in 2023. Building on these foundations, an international initiative has supported the government in designing a pilot system. In 2024, terms of reference were published for consultancy services to support the pilot design. The draft design is currently under review by the national climate council. The pilot will define covered emissions, sectors, and facilities, establish a cap aligned with climate goals, and design an allocation process. It will also develop monitoring and verification procedures and create a registry and trading platform.

**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. In 2025, the government published the "2025 to 2030 Sectoral Program of Environment and Natural Resources", which contains a line of action to put into operation the first phase of the ETS, as well as ensuring the alignment with other carbon pricing instruments. Moreover, the government published its NDC 3.0, which contains a commitment to reach net zero emissions by mid-century.

# 02 INFOGRAPHICS

# FROM LOCAL TO SUPRANATIONAL

## 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, steel, cement, and aluminium smelting 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 2026, 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
Saitama
Québec
Rhode Island
Saskatchewan
Tokyo
Vermont
Washington

### 16 Countries

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

### 1 Supranational

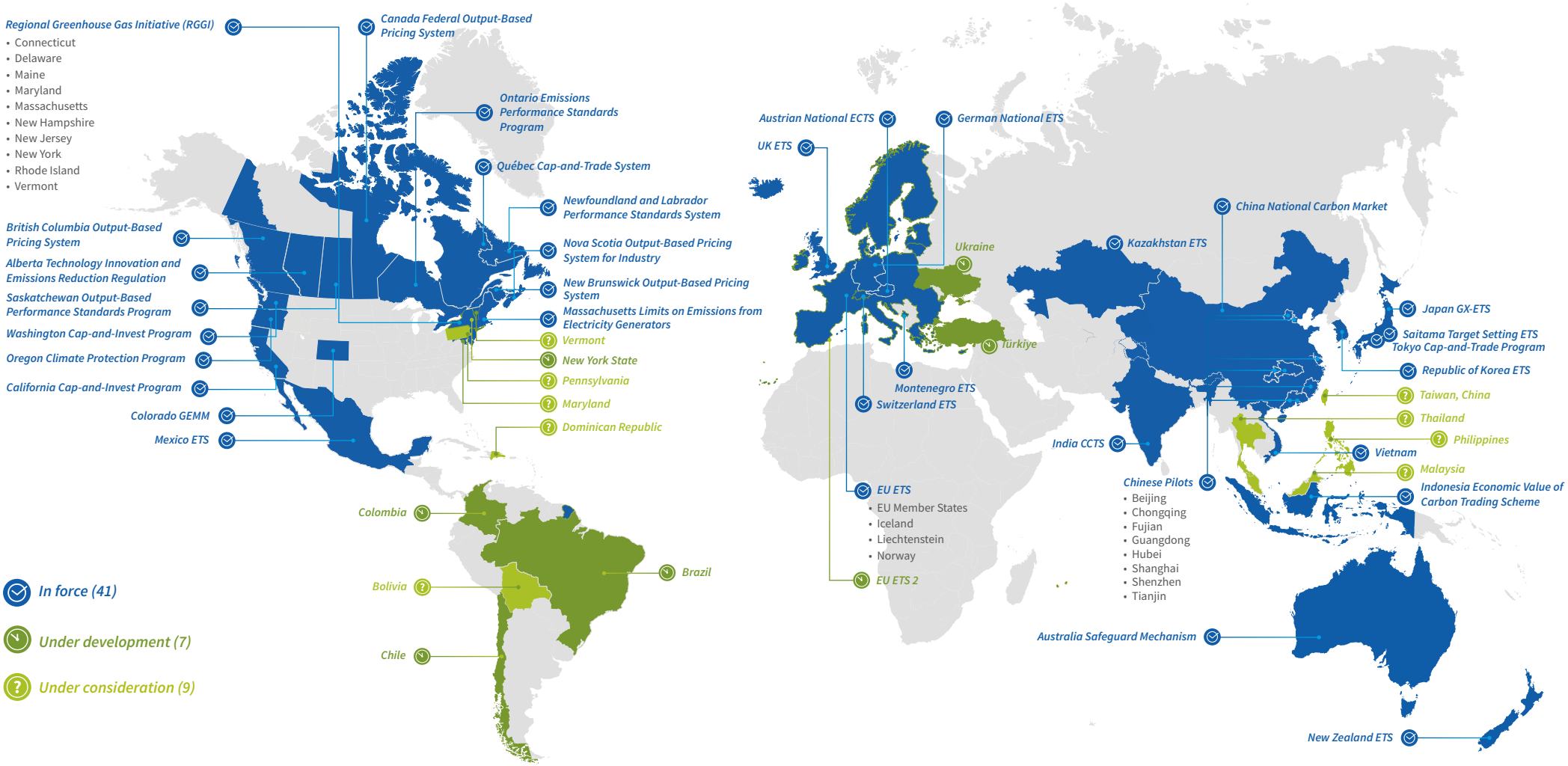
EU Member States
+ Iceland
+ Liechtenstein
+ Norway

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

# EMISSIONS TRADING WORLDWIDE

## THE CURRENT STATE OF PLAY

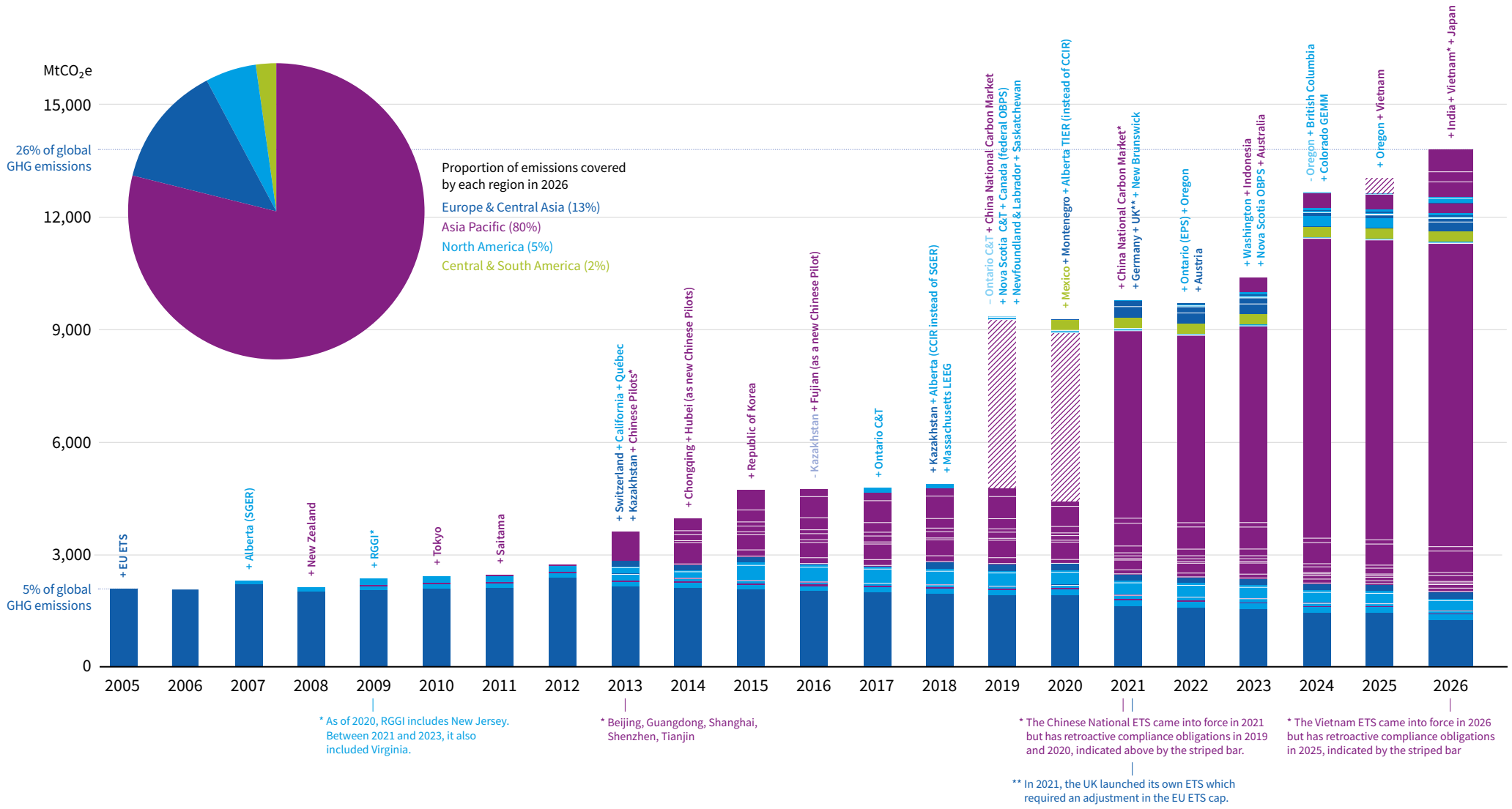
The ICAP ETS world map depicts emissions trading systems currently in force, under development, or under consideration. As of February 2026, there are 41 ETSs in force. Another 7 are under development and expected to be in operation in the next few years. These include ETSs in Colombia, Türkiye, and New York State. 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 within the EU ETS jurisdiction and Guangdong within the China National Carbon Market jurisdiction). 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).



# GLOBAL EXPANSION OF EMISSIONS TRADING

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

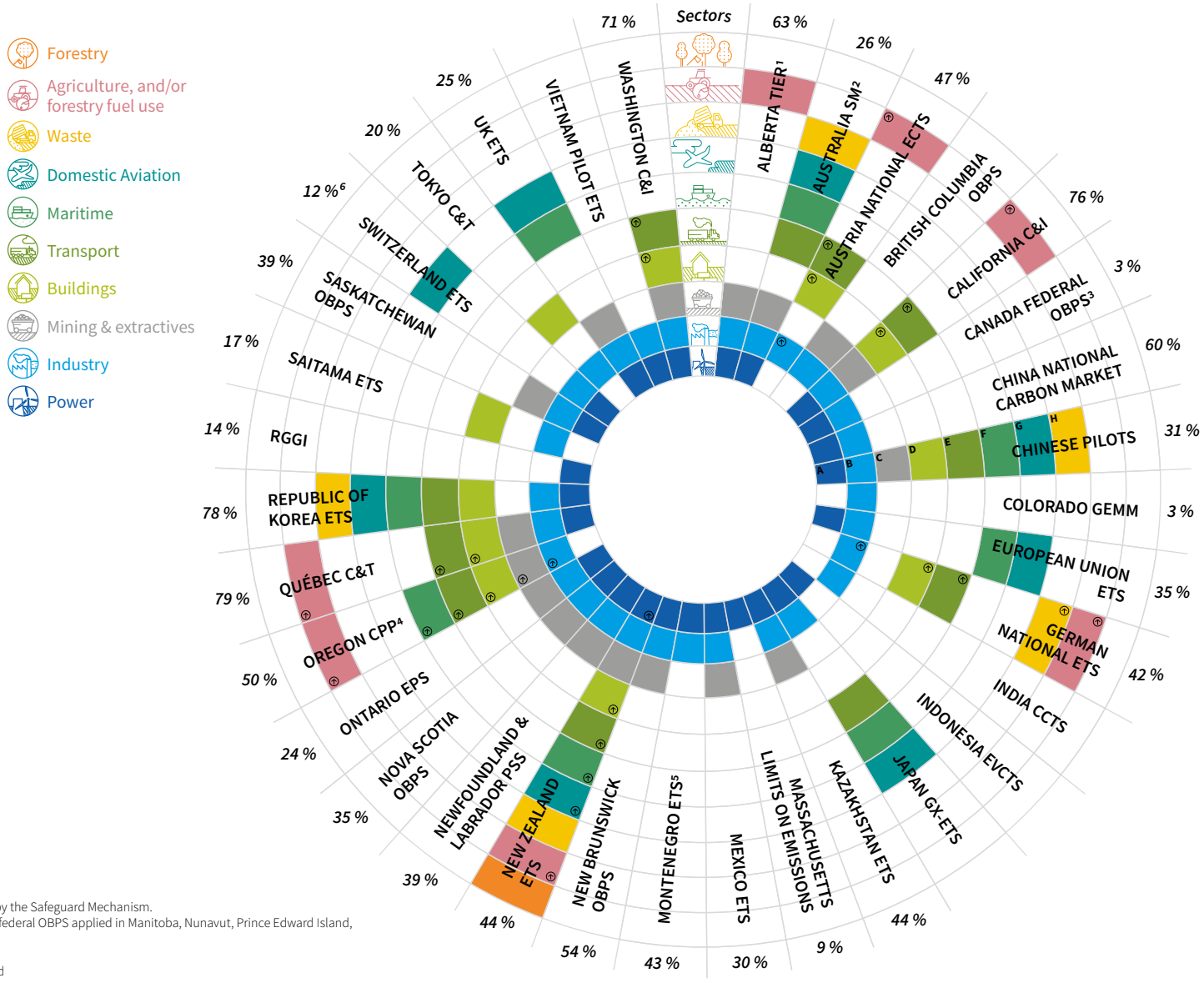
The graphic depicts the worldwide growth of emissions trading over time. The share of global GHG emissions covered by emissions trading is almost 26%, more than five times the amount when the EU ETS was launched in 2005. Changes over time are driven by the addition of new sectors and systems, as well as by the counteracting trends of declining caps in many systems and growing global emissions. See “Notes on Methods and Sources” for further details.



# SECTORAL COVERAGE

## SECTORS COVERED BY EMISSIONS TRADING ACROSS SYSTEMS

The graphic shows sectors (types of economic activity) covered by an ETS in force in 2026. 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 "Notes on Methods and Sources" for further details.




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

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

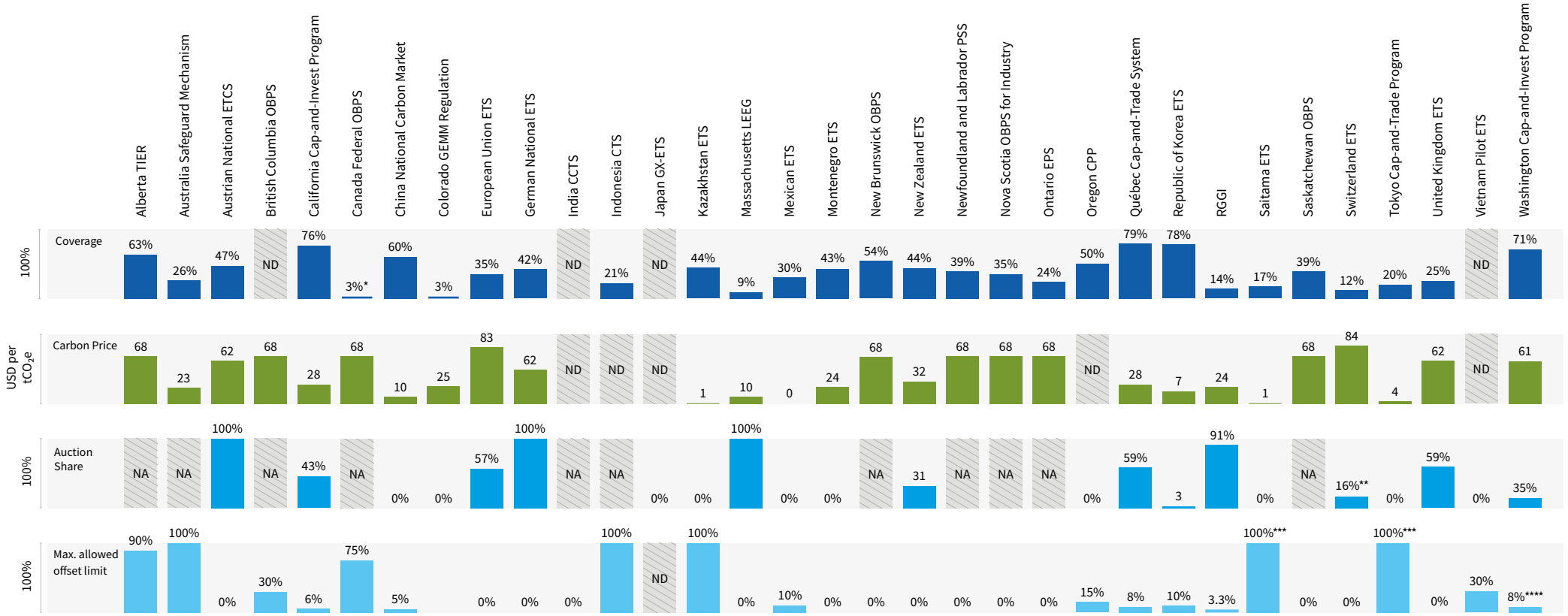
↑ indicates which sectors are covered upstream

1 The Alberta TIER system covers forestry fuel use.
2 Only a very small share of emissions (~1%) from the waste and transport sectors are covered by the Safeguard Mechanism.
3 The 2022 value is not consistent with the current application of the federal OBPS. In 2022, the federal OBPS applied in Manitoba, Nunavut, Prince Edward Island, Yukon, and partially in Saskatchewan. The federal OPBS no longer applies in Saskatchewan.
4 Emissions resulting from fuels used in petroleum and natural gas production are excluded.
5 While only one power sector entity is currently operational, Montenegro has explicitly included industrial processes within the scope of its ETS.
6 Covered emissions are calculated using overall GHG emissions with international aviation and without LULUCF.

# DIFFERENT DIMENSIONS OF ETS

## 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 2025. **Auction share** (in blue), expressed as a share of the 2025 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 each bar represents the numerical value of the corresponding dimension. "ND" indicates that data for a given metric is not available for the system as of February 2026. "NA" indicates that the metric is not applicable for the system in question. See "Notes on Methods and Sources" for further details.




ND = No Data
NA = Not Applicable

* The coverage value refers to 2022, when the Canada Federal OBPS applied in Manitoba, Nunavut, Prince Edward Island, Yukon, and partially in Saskatchewan. The federal OBPS no longer apples in Saskatchewan.

** The figure for Switzerland displays the proportion of allowances sold at 2025 auctions, instead of offered allowances. Covered emissions are calculated using overall GHG emissions with international aviation and without LULUCF.

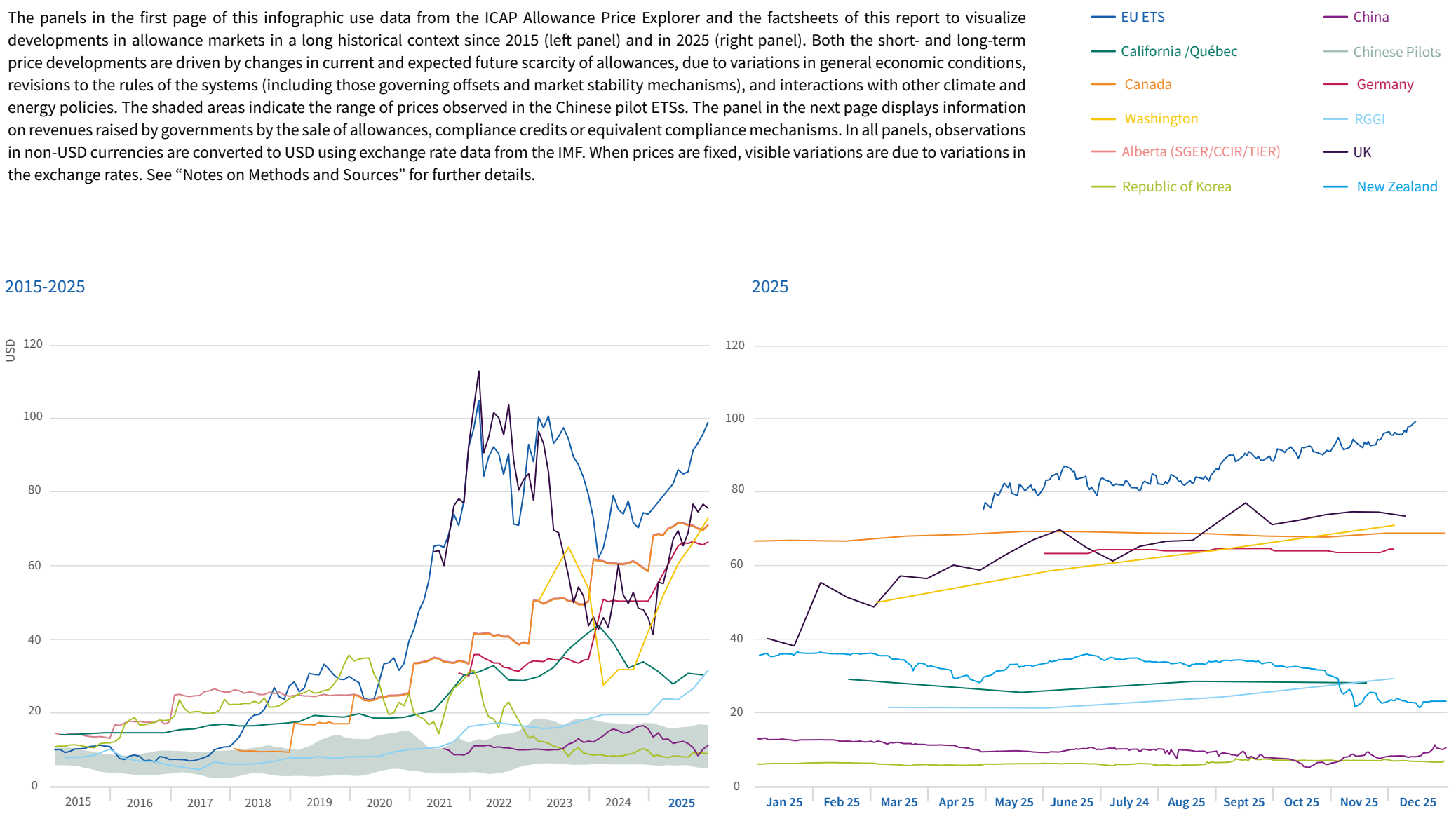
*** In Saitama, quantitative limits apply for "outside Saitama" credits. In Tokyo, quantitative limits apply for "outside Tokyo" credits.

**** Up to 8% in aggregate. Up to 5% of an entity's compliance obligation from projects not located on federally recognized tribal land. An additional 3% can be met from projects located on federally recognized tribal land.

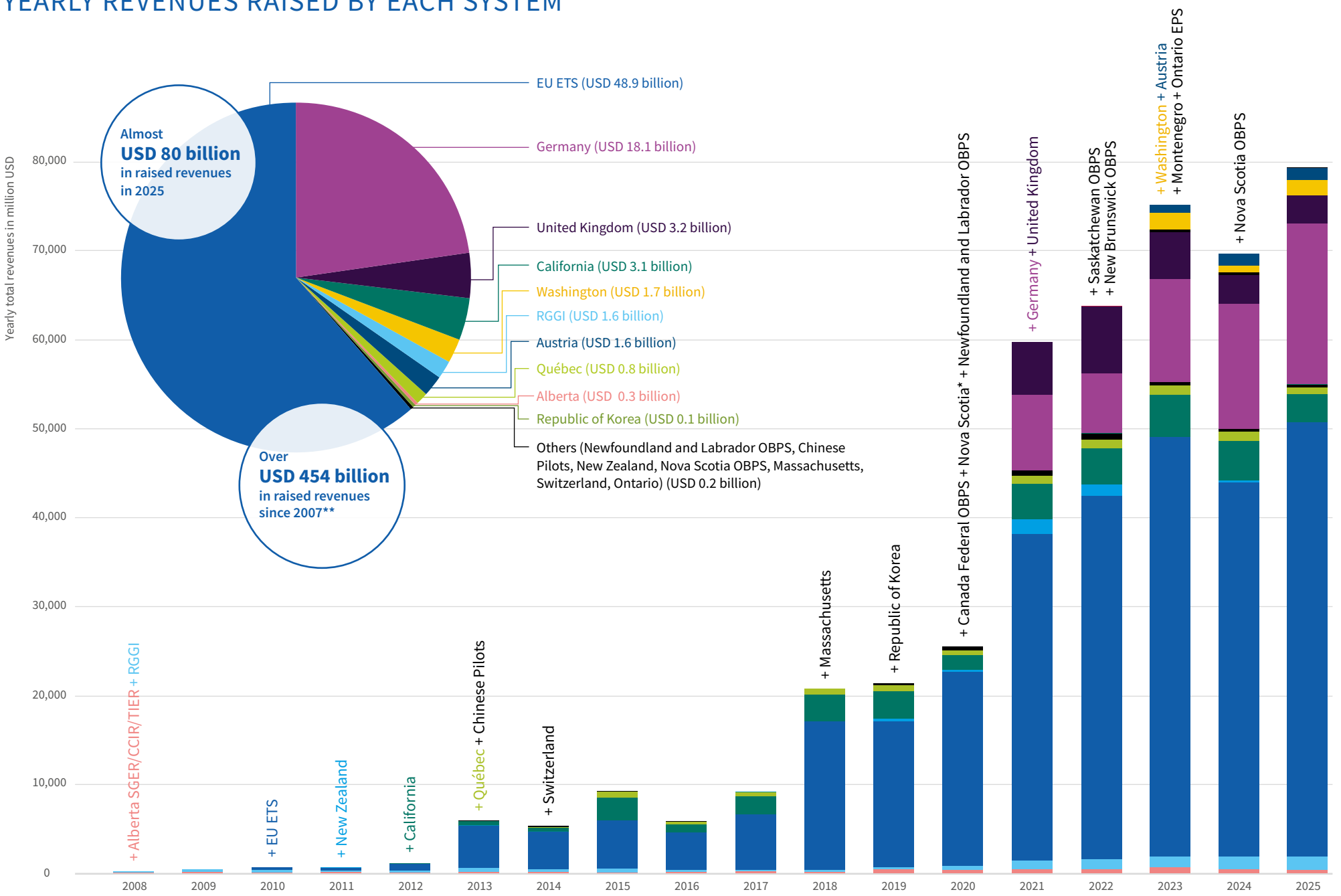
# ALLOWANCE PRICES AND REVENUES

## 2025 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 2015 (left panel) and in 2025 (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 “Notes on Methods and Sources” for further details.



# YEARLY REVENUES RAISED BY EACH SYSTEM



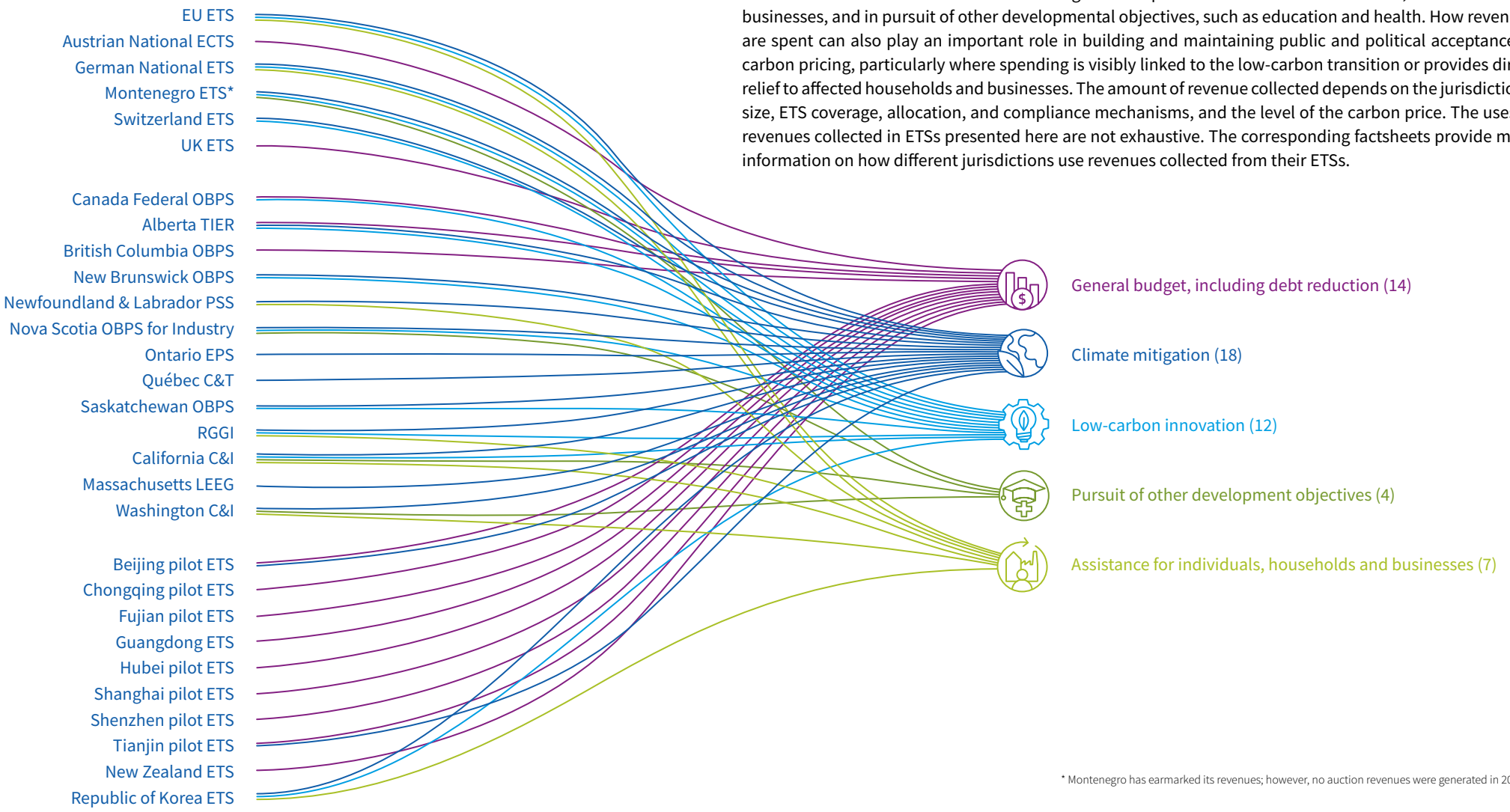

* Revenues under the cap and trade program. Last auctions in the program took place in 2023

** Revenues collected by the Canada federal OBPS are reported only until 2023. Data for New Brunswick is reported through 2024. Data for Saskatchewan and Ontario are only reported until 2024-2025 (reported here as 2024). Note that the graph displays revenues when they were collected, instead of the compliance year to which they correspond.

# USE OF ETS REVENUE

## EMISSIONS TRADING REVENUES FULFILLING SOCIETAL OBJECTIVES

ETSs collect revenue by the auction of allowances, selling of credits, or collection of payments into funds. This revenue can and is being used in a number of ways, reflecting jurisdictional priorities, as shown by the infographic. Each line in the graphic connects each ETS to one or more categories of revenue use, with multiple lines indicating that revenues are directed to more than one category. The infographic reflects jurisdictions' committed revenue use categories rather than the proportion of revenues allocated to each. Some jurisdictions channel collected revenues towards their general budget, while others earmark revenues for specific uses. This includes jurisdictions that use auction revenues to fund climate mitigation and low carbon innovation. Revenues are also being used to provide assistance to individuals, households and businesses, and in pursuit of other developmental objectives, such as education and health. How revenues are spent can also play an important role in building and maintaining public and political acceptance of carbon pricing, particularly where spending is visibly linked to the low-carbon transition or provides direct relief to affected households and businesses. The amount of revenue collected depends on the jurisdiction's size, ETS coverage, allocation, and compliance mechanisms, and the level of the carbon price. The uses of revenues collected in ETSs presented here are not exhaustive. The corresponding factsheets provide more information on how different jurisdictions use revenues collected from their ETSs.

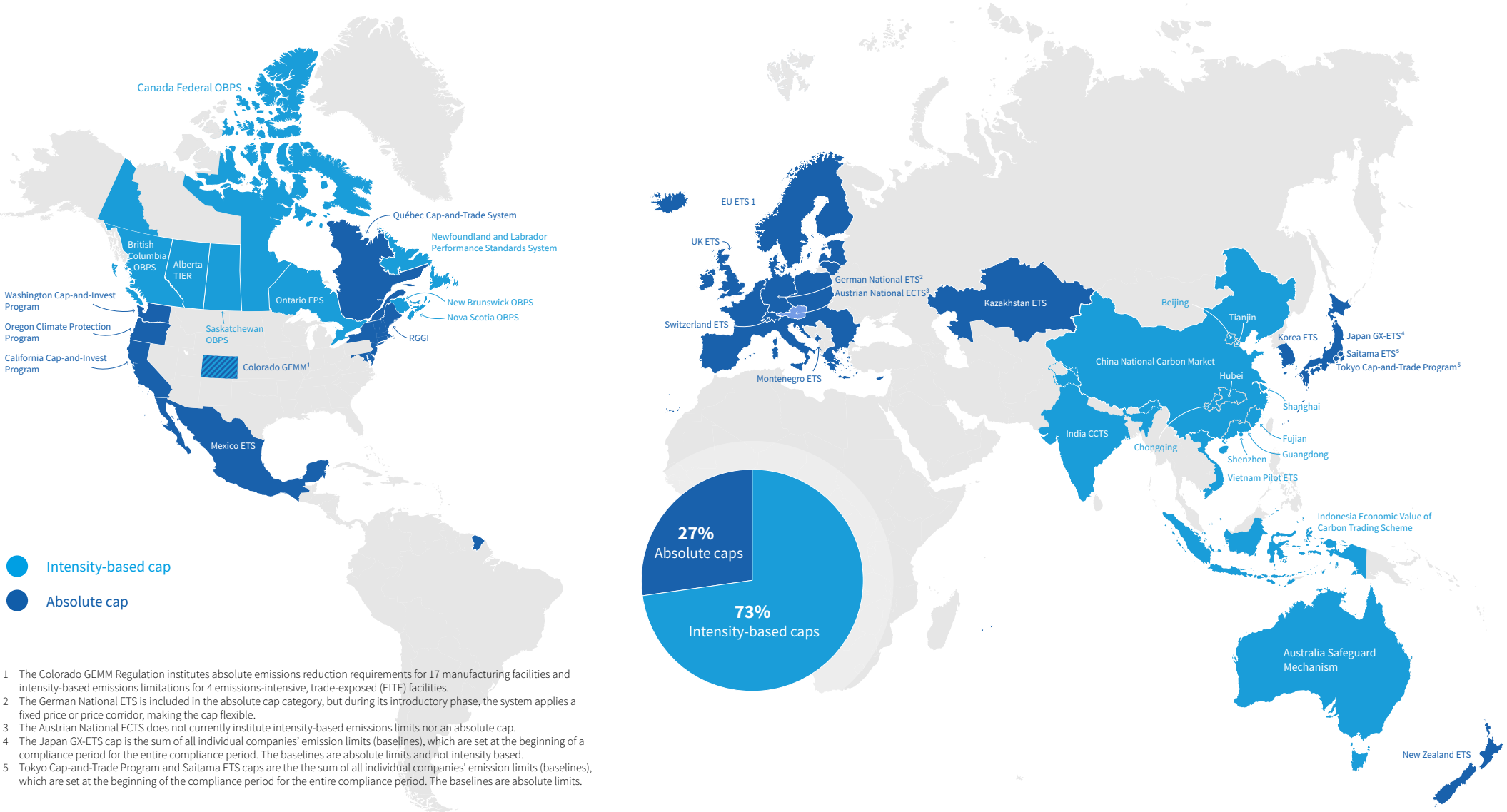



* Montenegro has earmarked its revenues; however, no auction revenues were generated in 2025.

# INTENSITY-BASED VS ABSOLUTE CAPS

## EMISSIONS TRADING SYSTEMS DIVERSIFY IN CAP SETTING

The graphic groups ETSs currently in force by their approach to cap setting. If a jurisdiction institutes an absolute cap on emissions, it is depicted in dark blue. The jurisdictions that apply intensity-based compliance requirements, where emissions targets are set relative to output or activity levels rather than as a fixed ceiling, are colored light blue. The pie chart displays the proportion of global covered ETS emissions accounted for by each cap type. See “Notes on Methods and Sources” for further details.

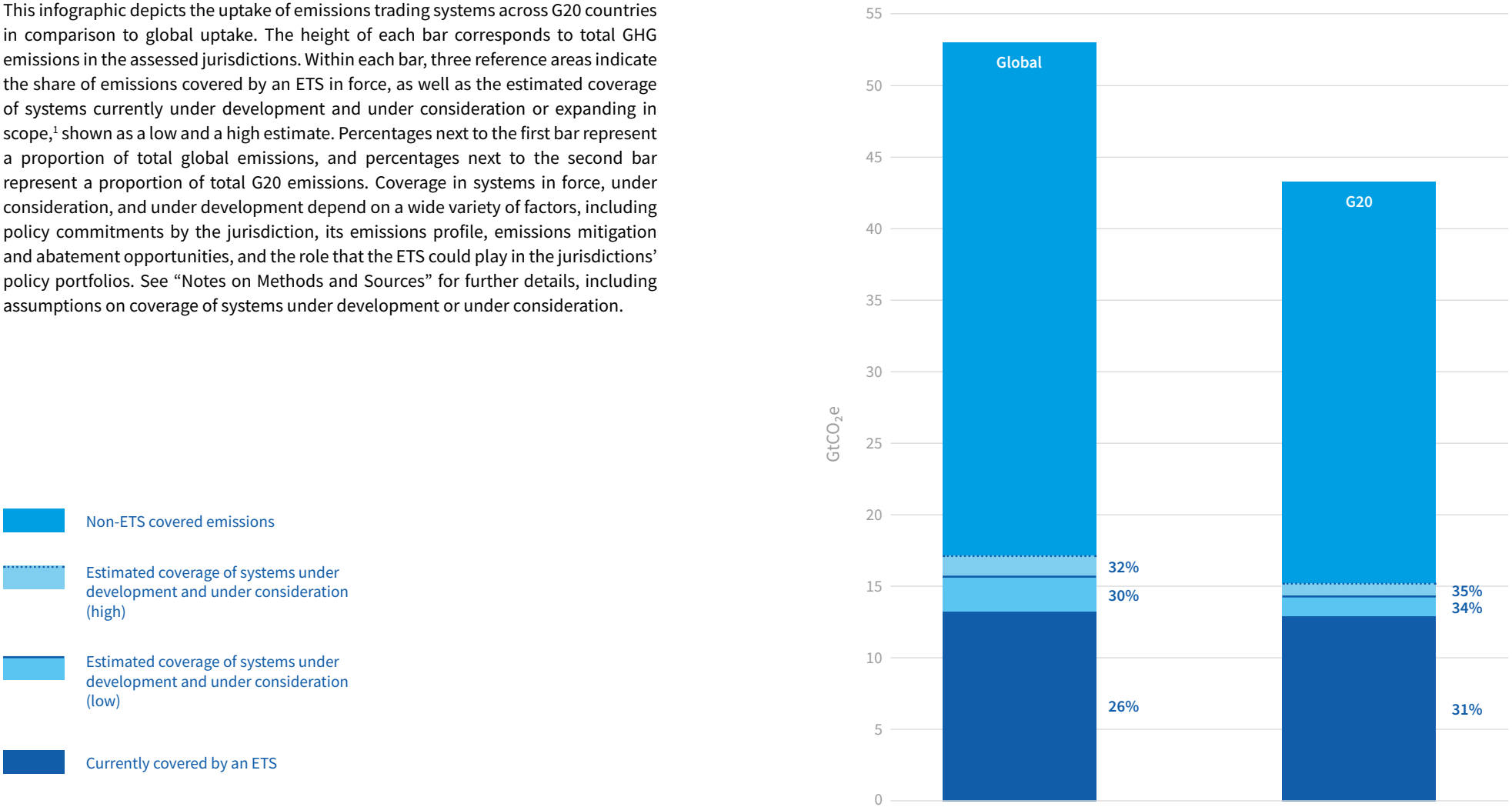



1 The Colorado GEMM Regulation institutes absolute emissions reduction requirements for 17 manufacturing facilities and intensity-based emissions limitations for 4 emissions-intensive, trade-exposed (EITE) facilities.
2 The German National ETS is included in the absolute cap category, but during its introductory phase, the system applies a fixed price or price corridor, making the cap flexible.
3 The Austrian National ECTS does not currently institute intensity-based emissions limits nor an absolute cap.
4 The Japan GX-ETS cap is the sum of all individual companies’ emission limits (baselines), which are set at the beginning of a compliance period for the entire compliance period. The baselines are absolute limits and not intensity based.
5 Tokyo Cap-and-Trade Program and Saitama ETS caps are the the sum of all individual companies' emission limits (baselines), which are set at the beginning of the compliance period for the entire compliance period. The baselines are absolute limits.

# UPTAKE OF ETS IN G20 COUNTRIES

## AN INCREASINGLY CENTRAL TOOL FOR DECARBONIZATION IN KEY GLOBAL ECONOMIES

This infographic depicts the uptake of emissions trading systems across G20 countries in comparison to global uptake. The height of each bar corresponds to total GHG emissions in the assessed jurisdictions. Within each bar, three reference areas indicate the share of emissions covered by an ETS in force, as well as the estimated coverage of systems currently under development and under consideration or expanding in scope,[1] shown as a low and a high estimate. Percentages next to the first bar represent a proportion of total global emissions, and percentages next to the second bar represent a proportion of total G20 emissions. Coverage in systems in force, under consideration, and under development depend on a wide variety of factors, including policy commitments by the jurisdiction, its emissions profile, emissions mitigation and abatement opportunities, and the role that the ETS could play in the jurisdictions' policy portfolios. See "Notes on Methods and Sources" for further details, including assumptions on coverage of systems under development or under consideration.

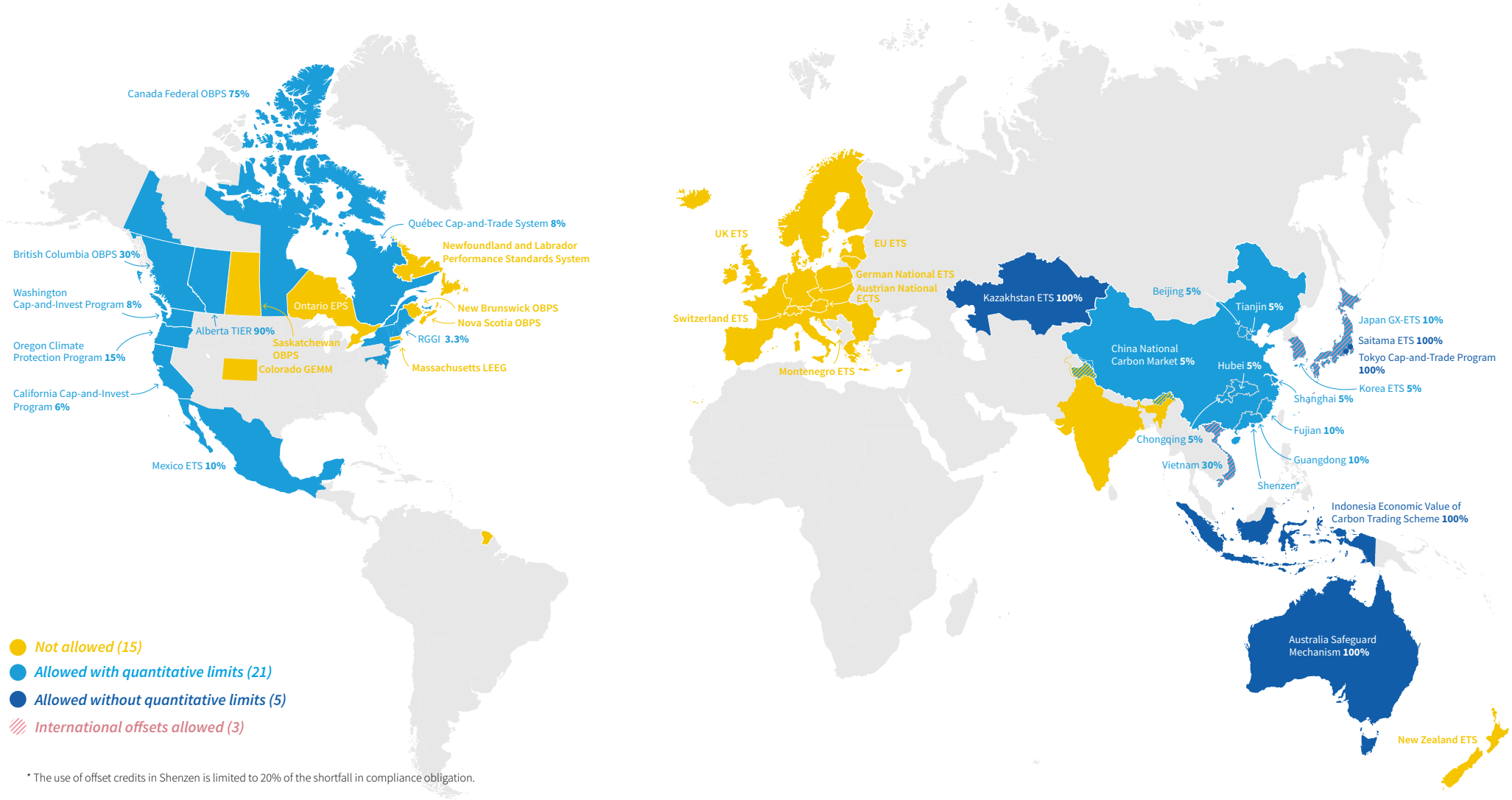



1 The projected emissions element of the graphic includes estimated emissions coverage for the India Carbon CTS scope expansion to iron and steel sector emissions, which is expected later in 2026.

# OFFSET CREDIT ELIGIBILITY IN EMISSIONS TRADING SYSTEMS

## EMISSIONS TRADING SYSTEMS INCREASINGLY FEATURE DOMESTIC OFFSET CREDITS

The graphic groups ETSs currently in force by their approach to offset credit use. Jurisdictions that do not allow offset credits for compliance are depicted in yellow, those allowing the use of offset credits with quantitative limits in light blue, and those allowing unlimited offset credits in dark blue. Overlaid pink stripes indicate that international offset credits are also permitted. The percentages next to each system name indicate the share of compliance obligations that can be met using offsets. See “Notes on Methods and Sources” for further details.

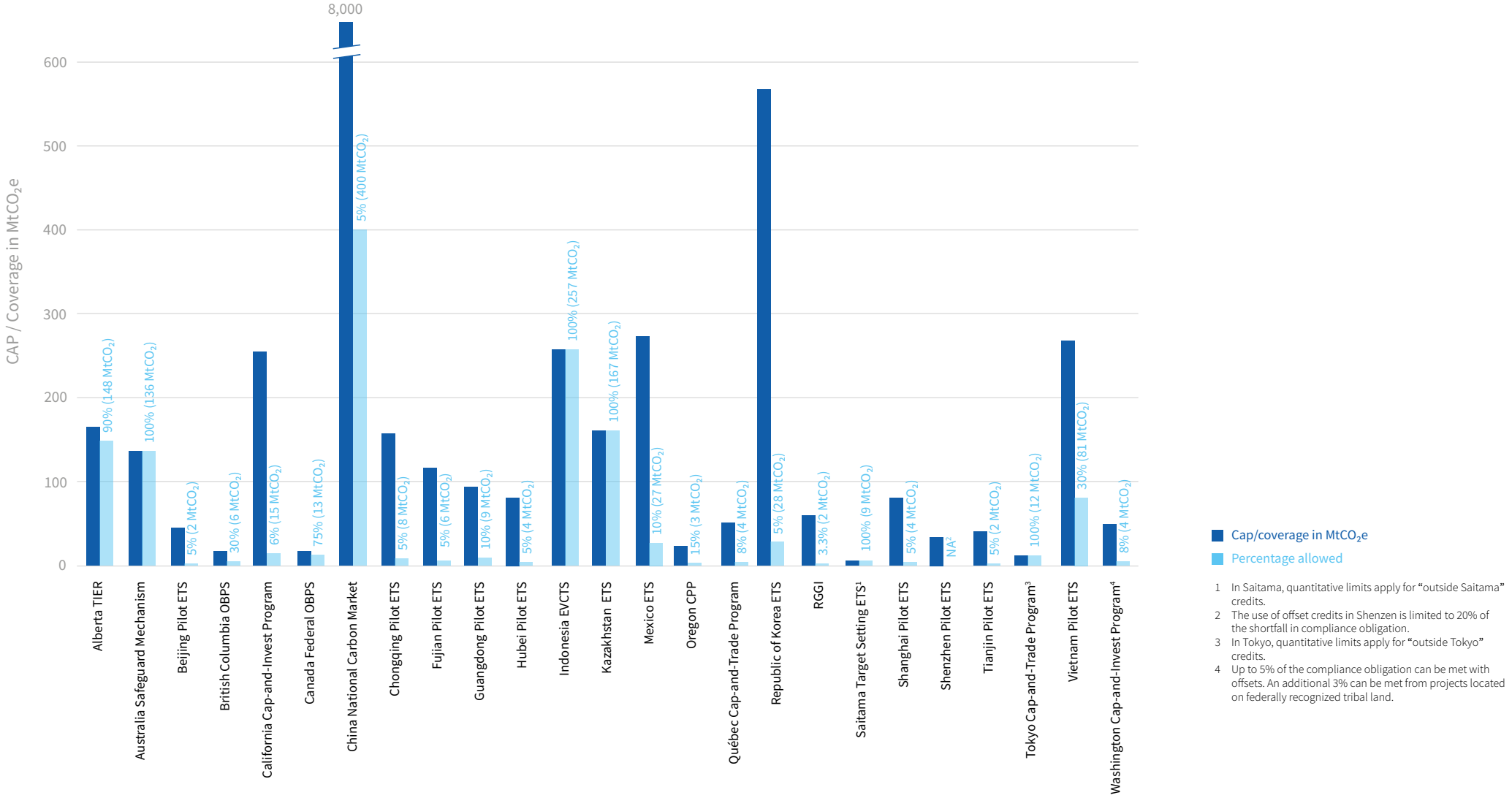



* The use of offset credits in Shenzen is limited to 20% of the shortfall in compliance obligation.

# OFFSET CREDIT DEMAND POTENTIAL IN EMISSIONS TRADING

## A COMPARATIVE LOOK AT OFFSET CREDIT DEMAND POTENTIAL

The graphic depicts the maximum amounts of offset credits allowed in ETSs that permit offset credit use for compliance in 2026. The dark blue bars represent the cap or emissions coverage of each system. The light blue bars indicate the maximum permitted percentage of those emissions that could be covered using offset credits. The absolute values next to the percentages indicate the credit demand potential of each ETS. This is a theoretical demand potential, not actual use. Actual shares or amounts met using offset credits are not shown.




1 In Saitama, quantitative limits apply for "outside Saitama" credits.
2 The use of offset credits in Shenzen is limited to 20% of the shortfall in compliance obligation.
3 In Tokyo, quantitative limits apply for "outside Tokyo" credits.
4 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.

# 04 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 36 members and 9 observers.

## ICAP'S OBJECTIVES

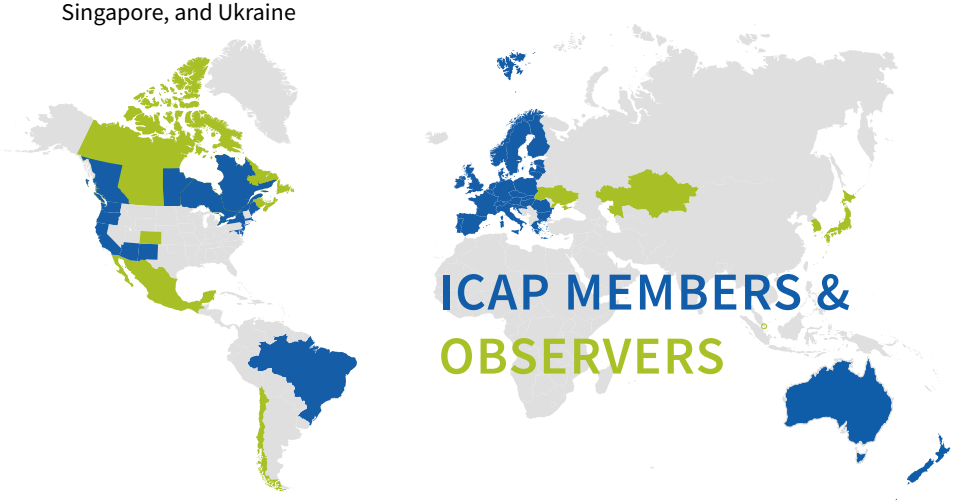
- Highlight the key role of emissions trading as an effective tool to address climate change.
- Facilitate the development, implementation, and refinement of ETSs around the world.
- Build and strengthen partnerships among governments to share best practices and lessons learned.

### Members (as of April 2026)

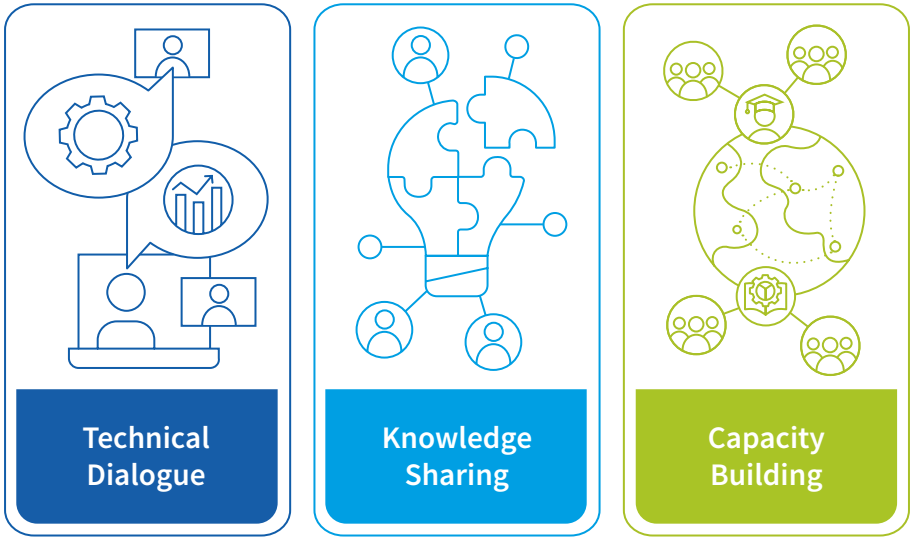
Arizona, Australia, Austria, Brazil, British Columbia, California, Denmark, the European Commission, France, Germany, Greece, Ireland, Italy, Maine, Manitoba, Maryland, Massachusetts, the Netherlands, New Jersey, New Mexico, New York, New Zealand, Norway, Ontario, Oregon, Poland, Portugal, Québec, Scotland, 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, Article 6, carbon leakage, free allocation, and net-zero.

**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.

# IMPRINT

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