

# Kazakhstan Emissions Trading System

## General Information

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### ETS Description

Kazakhstan launched its ETS (KAZ ETS) in January 2013. It covered around half of Kazakhstan's CO<sub>2</sub> emissions in 2022, stemming from 201 installations in the power, centralized heating, extracting industries, and manufacturing sectors.

The KAZ ETS cap is formed bottom up based on installations' expected production output and a benchmark. A reserve of allowances, on top of the cap, is further available to covered entities in case they exceed their planned output. In 2022, a total of 8.7 MtCO<sub>2</sub> allowances from the reserve were issued to 57 regulated installations.

Since 2021, all allowances have been allocated through benchmarking. There is no quantitative limit to the offset credits that covered entities can use for compliance. Domestic offset projects in all economic sectors, other than at installations covered by the ETS, can generate credits. In 2023, a domestic offsetting standard, the Qazaq Green Certificate Program, was developed. It is yet to be decided if the credits certified under this standard will be eligible under KZ ETS.

Previously, groundwork for the development of the ETS was laid out in 2011 through amendments to Kazakhstan's existing environmental legislation. The system was briefly suspended in 2016 and 2017 to tackle operational issues and reform allocation rules, although MRV obligations still applied.

### ETS Status

in force

### Jurisdictions

Kazakhstan

### Year in Review

The introduction of auctioning is currently under preparation.

### Sectoral coverage

Industry

Power

## Emissions & Targets

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

338.1 MtCO<sub>2</sub>e (2021)

### GHG reduction targets

**By 2030:** 15% (unconditional) to 25% (conditional) reduction from 1990 GHG levels (NDC)

**By 2050:** 40% reduction in CO<sub>2</sub> emissions in the power sector from 2012 levels (Concept of Transition to Green Economy, 2013)

**By 2060:** Carbon neutrality (pledge during United Nations Climate Ambitions Summit in 2020)

## Size & Phases

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### Covered emissions (2021)

47.00%

### Verified ETS Emissions

159.90MtCO<sub>2</sub>e

### GHGs covered

CO<sub>2</sub> only

### Phases

**PHASE ONE:** One year (2013)

**PHASE TWO:** Two years (2014 to 2015)

(2016 and 2017: System suspended)

**PHASE THREE:** Three years (2018 to 2020)

**PHASE FOUR:** One year (2021)

**PHASE FIVE:** Four years (2022 to 2025)

### Cap or total emissions limit

A cap limits the total emissions allowed in the system.

**PHASE ONE:** 147 MtCO<sub>2</sub> (plus new entrants' reserve of 20.6 MtCO<sub>2</sub>). This equaled a stabilization of the capped entities' emissions at 2010 levels.

### PHASE TWO:

- 2014: 154.9 MtCO<sub>2</sub> (plus a reserve of 18 MtCO<sub>2</sub>)
- 2015: 152.8 MtCO<sub>2</sub> (plus a reserve of 20.5 MtCO<sub>2</sub>)

This represented reduction targets of 0% and 1.5% respectively, compared to the average CO<sub>2</sub> emissions of capped entities in 2011 to 2012.

**PHASE THREE:** 485.9 MtCO<sub>2</sub> (plus a reserve of 35.3 MtCO<sub>2</sub>). The cap was set at a 5% reduction by 2020 from 1990 levels. The cap was allocated for the overall compliance period of 2018-2020; there was no yearly cap.

**PHASE FOUR:** 159.9 MtCO<sub>2</sub> (plus a reserve of 11.5 MtCO<sub>2</sub>)

**PHASE FIVE:** 649.8 MtCO<sub>2</sub> for the overall period, with declining annual caps.

- 2022: 166.2 MtCO<sub>2</sub> (plus a reserve of 11.8 MtCO<sub>2</sub>)
- 2023: 163.7 MtCO<sub>2</sub> (plus a reserve of 11.6 MtCO<sub>2</sub>)
- 2024: 161.2 MtCO<sub>2</sub> (plus a reserve of 11.5 MtCO<sub>2</sub>)
- 2025: 158.8 MtCO<sub>2</sub> (plus a reserve of 11.3 MtCO<sub>2</sub>)

### Sectors and thresholds

**PHASE ONE:** Power sector and centralized heating; extractive industries and manufacturing: oil and gas mining, metallurgy, chemicals industry.

**PHASE TWO:** Same as Phase 1.

**PHASE THREE:** Same as Phase 1 plus processing industry (production of building materials: cement, lime, gypsum, and brick).

**PHASE FOUR:** Same as Phase 3.

**PHASE FIVE:** Same as Phase 3.

**INCLUSION THRESHOLDS:** Facilities emitting more than 20,000 tCO<sub>2</sub>/year.

#### **Point of regulation**

Point source

#### **Type of entities**

Installations

#### **Number of entities**

128 companies (201 installations)

## **Allowance Allocation & Revenue**

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### **Allowance allocation**

**PHASE ONE:** Free allocation (grandparenting). Based on emissions data from 2010.

**PHASE TWO:** Grandparenting (0% and 1.5% below 2011 to 2012 average emissions), with a reserve of 18 MtCO<sub>2</sub> in 2014 and 20.5 MtCO<sub>2</sub> in 2015.

**PHASE THREE:** Grandparenting or product-based benchmarking, chosen by each company (149 installations chose benchmarking and 76 chose grandparenting). Additionally, there was a reserve of 35.3 million allowances for new entrants, new stationary emission sources, and changes in output in case of the choice of benchmarking.

**PHASE FOUR:** Benchmarking. A reserve contained 11.5 million allowances for the same purposes as in Phase 3.

**PHASE FIVE:** Benchmarking. A reserve contains 46.3 million allowances for new entrants, new stationary emission sources, changes in output and for (planned) auctioning.

## **Flexibility & Linking**

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### **Offset credits**

The use of offset credits is allowed.

**QUALITATIVE LIMIT:** Domestic offsets credits in all economic sectors (GHG reduction or absorption activities) outside the scope of the ETS are allowed. Project applicants can submit their projects for consideration to the Ministry of Ecology and Natural Resources for approval and issuance of offset credits. These are carried out in accordance with IPCC methodologies and rules developed by the ministry.

**QUANTITATIVE LIMITS:** None.

No offset credits were surrendered for compliance in 2022.

### **Banking and borrowing**

Banking is allowed within each phase, but not between phases. Borrowing is not allowed.

### **Links with other Systems**

The Kazakhstan ETS is not linked with any other system.

## **Compliance**

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### **Compliance mechanism**

Covered entities must surrender one allowance per tCO<sub>2</sub>e emitted for all their covered emissions.

### **Compliance Period**

One year, due by the start of April of the year following the reporting period.

### **Monitoring, Reporting, Verification (MRV)**

**REPORTING:** Reporting is required annually for installations above the 20,000 tCO<sub>2</sub>/year threshold.

Annual reporting is also required for operators of installations with emissions between 10,000 tCO<sub>2</sub>/year and 19,999 tCO<sub>2</sub>/year (“subjects to administration”). However, these operators are not required to participate in the ETS or to verify their annual emission reports. Reporting is required for CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, and PFC emissions.

**VERIFICATION:** Emissions data reports and their underlying data require third-party verification by an accredited auditor.

**FRAMEWORK:** Environmental Code of the Republic of Kazakhstan 2021.

### **Enforcement**

The non-compliance penalty equals five monthly standard units for each tCO<sub>2</sub>. This was KZT 18,460 (USD 40.47) in 2024.

## **Market Regulation**

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### **Market Design**

**MARKET PARTICIPATION:** Compliance entities; individuals, and legal entities involved in the implementation of offset projects. Brokers, banks or other financial institutions are not allowed to trade.

### **MARKET TYPES:**

**Primary:** While domestic legislation allows for the establishment of a primary market through auctioning, to date allowances have been distributed for free through grandparenting or benchmarking.

**Secondary:** Pure spot market, no forward contracts or other derivatives. In the beginning of the system, trades had to be executed via the Caspy Commodity Exchange JSC, which remains the main trading platform. From Phase 3 onwards, several additional exchange platforms that signed an agreement with the operator of the state registry – JSC “Zhasyl Damu” – were made available for trading. Over-the-counter trading has been allowed since Phase 3.

**LEGAL STATUS OF ALLOWANCES:** In accordance with the Environmental Code, a carbon unit (emissions allowance or offset credit) is a commodity permitted for transfer among the subjects of the carbon market in the Republic of Kazakhstan.

## **Other Information**

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### **Institutions involved**

**Ministry of Ecology and Natural Resources:** Responsible for establishing the ETS regulatory framework.

**JSC Zhasyl Damu:** Implementing authority, responsible for the registry and reserve management.

**Caspy Commodity Exchange JSC:** Operates secondary market auctions.

### **Regulatory Framework**

[Environmental Code of the Republic of Kazakhstan \(2021\)](#)

[Rules of State Regulation of Emissions and Absorption of GHGs \(2022\)](#)

[Rules for GHG Emissions Trading \(2021\)](#)

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