

Kazakhstan Emissions Trading System

General Information

ETS Description

Kazakhstan launched its ETS (KAZ ETS) in January 2013. It covered around half of Kazakhstan's emissions in 2020.

The KAZ ETS cap is formed bottom up and the system covers CO₂ emissions from 218 installations in the power sector, centralized heating, extracting industries, and manufacturing. 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.

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

ETS Status

in force

Jurisdictions

Kazakhstan

Year in Review

In July, a new National Allocation Plan for 2022-2025 was approved, establishing a cap of 163.7 MtCO₂ for 2023.

Sectoral coverage

Industry

Power

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

342.9

GHG reduction targets

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

BY 2050: 40% CO₂ emission reduction in power sector from 2012 levels (Concept of Transition to Green Economy, 2013)

BY 2060: carbon neutrality (net zero CO₂ emissions) (pledge during United Nations Climate Ambitions Summit, 2020)

Current Allowance Price (per t/CO₂e)

Average secondary market price: KZT 563 (USD 1.22)

Size & Phases

Covered emissions (2020)

47.00%

Verified ETS Emissions

160.00MtCO₂e

GHGs covered

CO₂ only

Phases

PHASE ONE: One year (2013)

PHASE TWO: Two years (2014-2015)

(2016-2017: System suspended)

PHASE THREE: Three years (2018-2020)

PHASE FOUR: One year (2021)

PHASE FIVE: Four years (2022-2025)

Cap

PHASE ONE (2013): 147 MtCO₂ (plus new entrants' reserve of 20.6 MtCO₂). This equaled a stabilization of the capped entities' emissions at 2010 levels.

PHASE TWO (2014-2015):

2014: 154.9 MtCO₂ (plus a reserve of 18 MtCO₂)

2015: 152.8 MtCO₂ (plus a reserve of 20.5 MtCO₂)

This represented reduction targets of 0% and 1.5% respectively, compared to the average CO₂ emissions of capped entities in 2011-2012.

PHASE THREE (2018-2020): 485.9 MtCO₂ (plus a reserve of 35.3 MtCO₂). 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 (2021): 159.9 MtCO₂ (plus a reserve of 11.5 MtCO₂).

PHASE FIVE (2022-2025): 649.8 MtCO₂ for the overall period, with declining annual caps.

- 2023: 163.7 MtCO₂ (plus a reserve of 11.6 MtCO₂)
- 2024: 161.2 MtCO₂ (plus a reserve of 11.5 MtCO₂)
- 2025: 158.8 MtCO₂ (plus a reserve of 11.3 MtCO₂)

Sectors and thresholds

INCLUSION THRESHOLDS: Facilities emitting more than 20,000 tCO₂/year from the following sectors:

PHASE ONE (2013): Power sector and centralized heating; extractive industries and manufacturing: oil and gas mining, metallurgy, chemical industry.

PHASE TWO (2014-2015): Same as Phase 1.

PHASE THREE (2018-2020): Same as Phase 1 plus processing industry (production of building materials: cement, lime, gypsum, and brick).

PHASE FOUR (2021): Same as Phase 3.

PHASE FIVE (2022-2025): Same as Phase 3.

Point of regulation

Point source

Number of entities

128 companies (199 installations)

Allowance Allocation & Revenue

Allowance allocation

PHASE ONE (2013): Free allocation (grandparenting). Based on emissions data from 2010.

PHASE TWO (2014-2015): Grandparenting (0% and 1.5% below 2011-2012 average emissions), with a reserve of 18 MtCO₂ in 2014 and 20.5 MtCO₂ in 2015.

PHASE THREE (2018-2020): Allocation based on 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 (2021): Benchmarking. A reserve contained 11.5 million allowances for the same purposes as in previous Phase.

PHASE FIVE (2022-2025): Benchmarking. A reserve contains 46.3 million allowances for new entrants, new stationary emission sources, changes in output and for auctioning.

Flexibility & Linking

Offsets and credits

QUALITATIVE LIMITS: Domestic offsets in all economic sectors (GHG reduction or absorption activities), except for emissions reductions at installations covered by the ETS. Project applicants can submit their projects for consideration to the Ministry of Ecology and Natural Resources in order to obtain approval and gain offset credits. The approval and provision of offset credits are carried out in accordance with IPCC methodologies and the rules developed by the Ministry of Ecology and Natural Resources.

QUANTITATIVE LIMITS: No quantitative limits exist.

Banking and borrowing

Banking is allowed within each phase. Banking between phases is not possible. Borrowing is not possible.

Compliance

Monitoring, Reporting, Verification (MRV)

REPORTING FREQUENCY: Reporting is required annually for installations above the 20,000 tCO₂/year threshold.

Annual reporting is also required for operators of installations with emissions between 10,000 tCO₂/year and 19,999 tCO₂/year (so-called “subjects to administration”), even though these operators are not required to participate in the ETS or to verify annual emission reports.

Aside from CO₂, reporting also is required for CH₄, N₂O, 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”.

Enforcement

The non-compliance penalty equals five monthly standard units for each tonne (KZT 17,250/tCO₂ (USD 37.49) in 2022).

Compliance Period

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

Market Regulation

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, offset unit) is a commodity permitted for transfer among the subjects of the carbon market in the Republic of Kazakhstan.

Other Information

Institutions involved

Ministry of Ecology and Natural Resources: Authority responsible for establishing the ETS regulatory framework.

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

Regulatory Framework

[Environmental Code of the Republic of Kazakhstan \(2007\)](#)

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

[Rules of state regulation of emissions and absorption of GHG \(2022\)](#)

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