

Chile

General Information

ETS Description

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

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

The specific design of the emissions limits system is not yet defined and could be implemented either as an ETS or a tradable performance standard.

In August 2022, the government published its 2022-2026 Energy Agenda. It states that a pilot ETS project for the energy sector will be developed to evaluate the role of this instrument in achieving emissions reductions and a just transition in a cost-effective manner. This commitment is based on Article 37 of the Law, which provides a basis for the development of market-based, fiscal, and financial instruments intended to address the negative impacts of GHG emissions. A market instrument such as an ETS will help the energy sector to achieve its obligations under the Climate Change Law. Work around this will be supported by the World Bank’s Partnership for Market Implementation.

Chile has had a carbon tax in place since 2017. The country’s Long-Term Climate Strategy, presented in October 2021, specifies that Chile will set an increasing trajectory for its carbon price between 2025 and 2030. It also specifies that the country seeks to have an integral carbon pricing portfolio to deliver coherent and predictable price signals. In line with this, the Government launched its National Energy Policy by 2050, which states that carbon price in Chile should reach USD 35/tCO_{2e} by 2030 and USD 80/tCO_{2e} by 2040.

ETS Status

under consideration

Jurisdictions

Chile

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO_{2e})

105.6 (2020)

GHG reduction targets

By 2025: Peak GHG emissions (updated NDC). Revert the increasing trend of methane emissions ([NDC Strengthening Annex](#))

By 2030: GHG emissions of 95 MtCO₂e. Reduction of at least 25% of total emissions of black carbon, as compared to 2016. Carbon budget 1,100 MtCO₂e between 2020 and 2030 (updated NDC)

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

Flexibility & Linking

Offsets and credits

Article 14 of the Framework Law on Climate Change stipulates that emissions reduction or removal certificates from projects implemented within Chile may be used for compliance with the emissions standards defined in the Article 14 and 15 of the Law.

The government has also developed a National Mitigation Actions Registry (Registro Nacional de Acciones de Mitigación – RENAMI). This registry will allow the implementation of the offset scheme approved in the carbon tax reform and would constitute a key element for other instruments, such as the scheme proposed in the “Framework Law on Climate Change” or emerging instruments under Article 6 of the Paris Agreement.

Regulated entities under the carbon tax scheme can use offsets to meet their compliance obligations. Third-party verification is required to issue offsets.

Compliance

Monitoring, Reporting, Verification (MRV)

The current GHG MRV system primarily serves the implementation of the carbon tax. Entities that emit more than 25,000 tCO₂ and/or 100 tonnes of particulate matter due to combustion processes per year are required to monitor and report emissions through government-approved methodologies. Current methodologies are expected to be updated in the future to incorporate all possible regulated fixed sources.

VERIFICATION: Verification procedures are administered by the Superintendency of the Environment under the Ministry of the Environment (no third-party verification is currently used).

FRAMEWORK: The Chilean government has developed a “Unified Atmospheric Emissions Report” (Reporte Único de Emisiones Atmosféricas) under the “Pollutant Release and Transfer Register” for entities regulated under the tax and other norms. This has streamlined various reporting needs and aims to improve the quality of the information provided. This system is considered a basis for Chile to advance the development of a Unified GHG Emissions Report, which will help evaluate Chile’s National Climate Policy.

Other Information

Institutions involved

Ministry of Energy: in charge of the development and implementation of the Energy Agenda 2022-2026, the Energy Policy for 2050 and the carbon budgets and mitigation plan under the Framework Law on Climate Change.

Ministry of Environment: in charge of the development and implementation of the system specified in Articles 14 and 15 of the Framework Law on Climate Change.

Ministry of Finance: in charge of revising the carbon tax under the Tax Reform.

Ministry of Foreign Affairs: leads the national board under the Joint Crediting Mechanism and cooperation agreements in the context of Article 6.

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

Inter-Ministerial Committee on Climate Change: proposes declarations, draft laws, and administrative acts on climate change to the

President of the Republic.

Regulatory Framework

[Framework Law on Climate Change](#)

[Energy Agenda 2022-2026](#)

[Energy Policy](#)

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