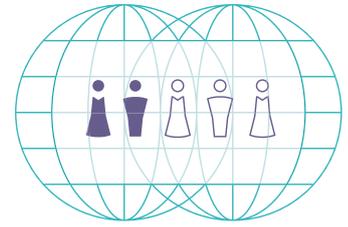


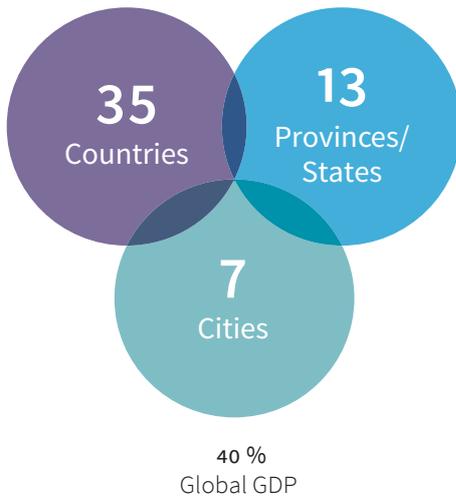
Emissions Trading at a Glance

An emissions trading system (ETS) is a market-based instrument that can be used to reduce greenhouse gas (GHG) emissions. It works on the principle of ‘cap and trade’. The government imposes a limit (cap) on total emissions in one or more sectors of the economy. Companies in these sectors need to hold one permit for every ton of emissions they release. They may either receive or buy permits, and can trade them with other companies.



2 OUT OF 5 PEOPLE WORLDWIDE

live in a jurisdiction either considering, preparing or operating an ETS

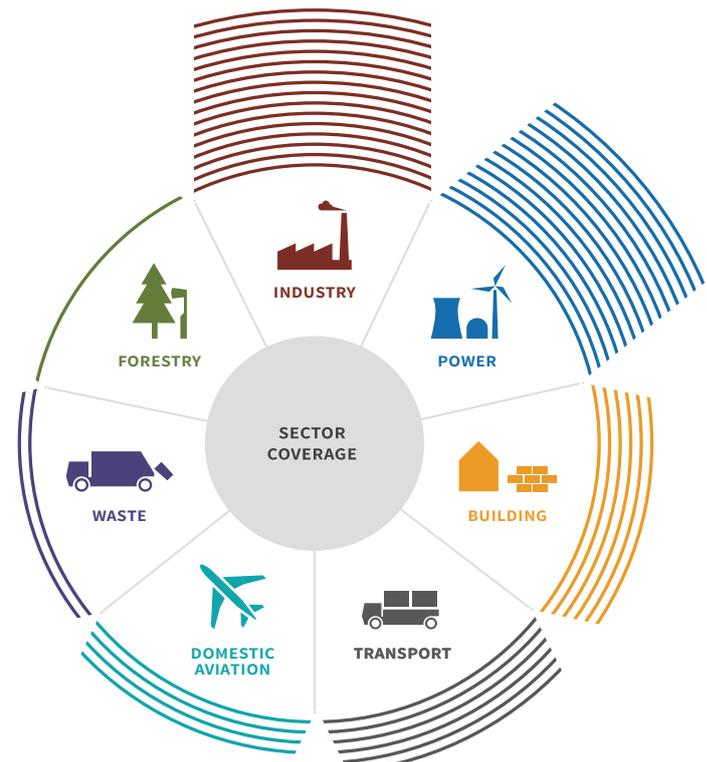


EMISSIONS TRADING SPREADS WORLDWIDE

It has been a decade since the first major emissions trading system (ETS) for greenhouse gases – the European Emissions Trading System (EU ETS) – came into operation. Ten years on, there are now 17 ETS in place across four continents and together these jurisdictions produce around 40% of global wealth (GDP). With over a dozen more governments considering an ETS, emissions trading has emerged as a key instrument in the global fight against climate change.

EACH SYSTEM IS UNIQUE

Governments can tailor their ETS to suit local conditions, so each system presents its own unique approach to emissions trading. Currently, systems operate at a range of administrative levels, from megacities such as Tokyo, to US states and Canadian provinces, as well as at the supranational level like the EU. Design features differ between systems, as do the greenhouse gases and economic sectors they cover. While most systems currently include the industrial and power sectors, an ETS can also be designed to reduce emissions in other sectors of the economy (see graphic).



- | | | |
|---|---|--|
| <ul style="list-style-type: none"> All except: RGGI | <ul style="list-style-type: none"> Shanghai Shenzhen Tokyo | <ul style="list-style-type: none"> EU New Zealand Republic of Korea Shanghai |
| <ul style="list-style-type: none"> All except: Saitama Switzerland Tokyo | <ul style="list-style-type: none"> Beijing California New Zealand Québec Republic of Korea Shanghai | <ul style="list-style-type: none"> New Zealand Republic of Korea |
| <ul style="list-style-type: none"> Beijing Republic of Korea Saitama | | <ul style="list-style-type: none"> New Zealand |

Jurisdictions in brackets represent upstream coverage.

EXISTING SYSTEMS ARE MATURING AND LINKING

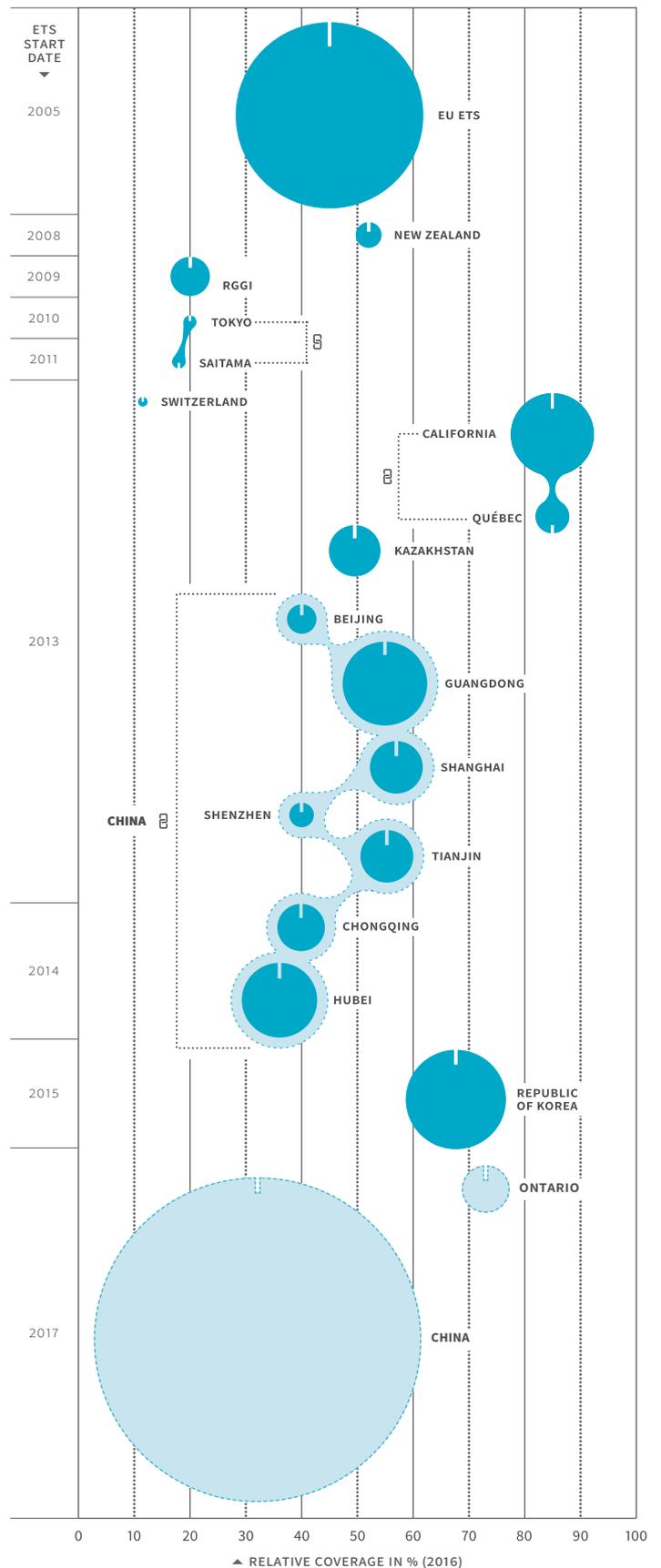
The first generation of pioneer ETS are now being improved and refined based upon lessons learned over the past years. The Regional Greenhouse Gas Initiative (RGGI), a collaboration of nine US northeastern and Mid-Atlantic States, succeeded with an ambitious reform in 2012, and has stepped into the spotlight as an attractive model for complying with new US national regulations on power plants (the Clean Power Plan). In Europe, structural reform of the EU ETS is currently underway. As a first step, a Market Stability Reserve will be introduced, which will help the system adjust to external factors like technology change or economic growth. New Zealand is also currently looking ahead to a second review of its system.

Another major trend in existing ETS is linking, whereby two or more jurisdictions connect their carbon markets, allowing permits to be bought and sold across systems. In 2014, California and Québec successfully linked their systems. In 2015, transport fuels were included in the joint system and their carbon market doubled in volume; it now covers 85% of their total emissions. This joint system could expand even further, as Ontario announced its intention to establish an ETS and link it to the California-Québec carbon market. Furthermore, Tokyo, which established the world's first city-level ETS, recently connected their system to that of the province of Saitama. Finally, the EU is currently negotiating a link with Switzerland.

NEW SYSTEMS ARE EMERGING

Meanwhile, Asia has recently become a hotspot for the development of new ETS. In 2015, the Republic of Korea became the second country after Kazakhstan to launch a national ETS in Asia. The Korean system is now the second largest in the world after the EU ETS. At the same time, China has seven pilot ETS now operating at the city and provincial levels, and is gaining valuable experience in preparation for the launch of a national carbon market at the beginning of 2017. Once operational, China will be home to the world's largest ETS. Elsewhere, in the United States, interest in emissions trading has grown since the release of the Clean Power Plan, which may lead to the expansion of existing systems or the emergence of new ones.

The size of the bubbles gives a rough estimate of the size of the system based on the amount of emissions covered. The bubble is centered at the proportion of the jurisdiction's emissions that are regulated.



ABOUT THE INTERNATIONAL CARBON ACTION PARTNERSHIP: ICAP is an international forum for national and subnational governments focusing on best practices in emissions trading. Its work centers on three main pillars: technical dialog, knowledge sharing and capacity building. For more information visit the [ICAP website](#), check out the [ICAP map](#) or follow us on [Twitter](#).