



International
Carbon Action
Partnership

EMISSIONS TRADING SYSTEMS AND CARBON REMOVALS

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International Carbon Action Partnership (ICAP)

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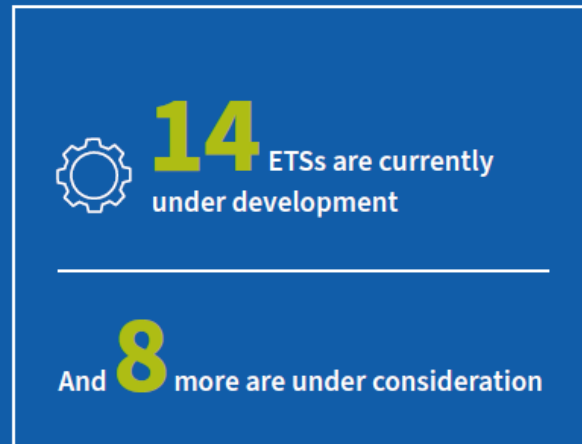
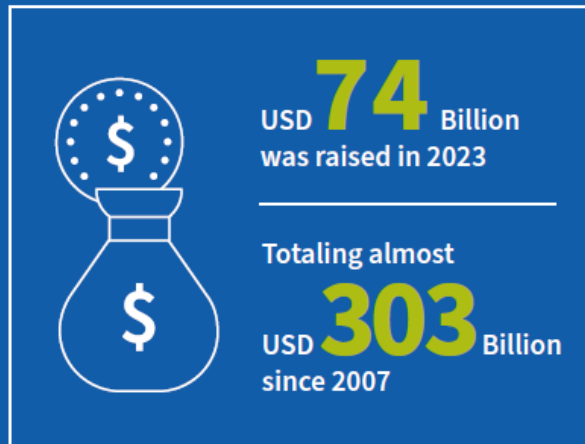
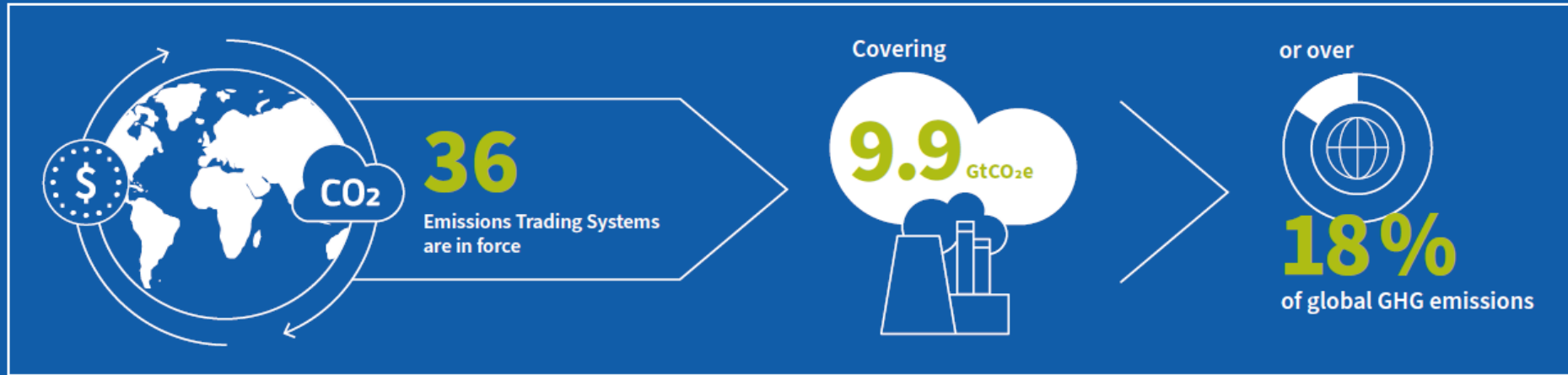
ABOUT ICAP

An international **forum** of **43 national & subnational** governments to **exchange** knowledge and experiences on emissions trading systems (**ETS**)

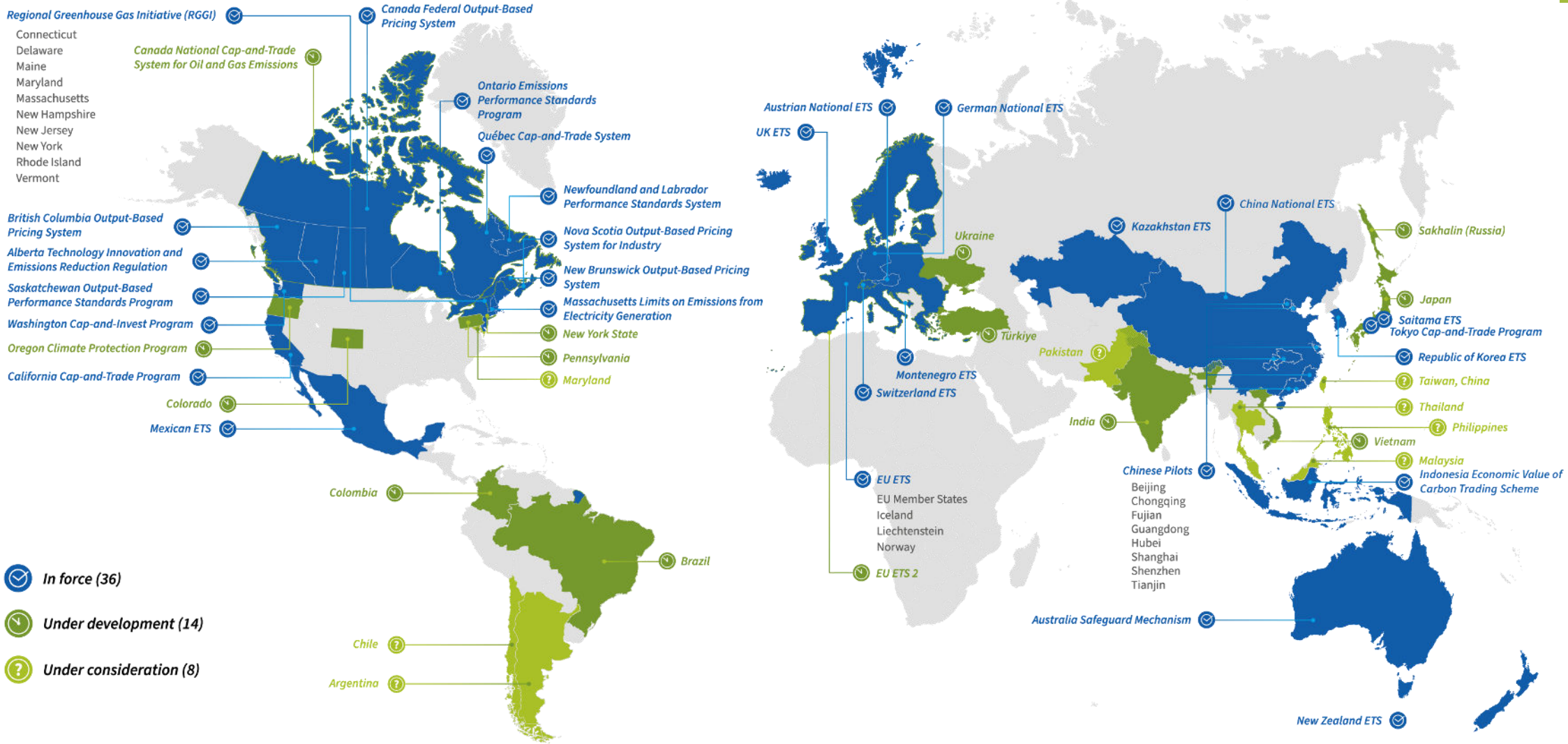
- Share **best practices** & learn from each others' experiences
- Facilitate **development and improvement** of carbon markets
- Explore the **role** of emissions trading in decarbonization



EMISSIONS TRADING IN NUMBERS



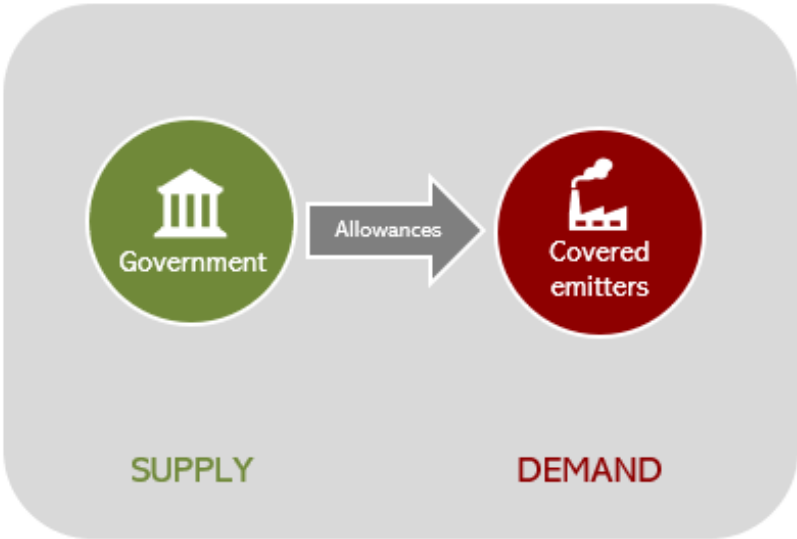
EMISSIONS TRADING WORLDWIDE



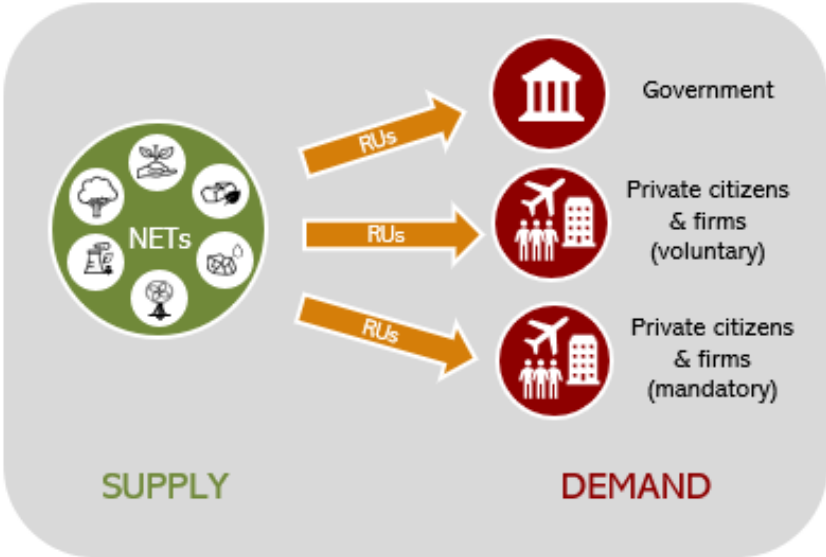
- In force (36)
- Under development (14)
- Under consideration (8)

ETS AND THE MARKET FOR REMOVALS

ETS (or 'Market for Allowances')



Market for Removals

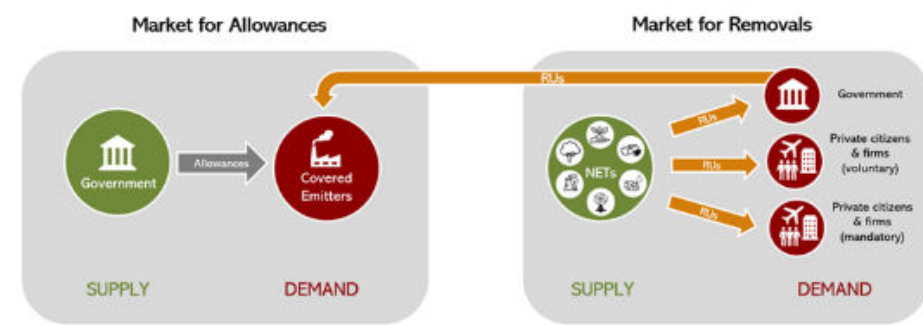


MODELS OF INTERACTION BETWEEN ETS & MARKET FOR REMOVALS

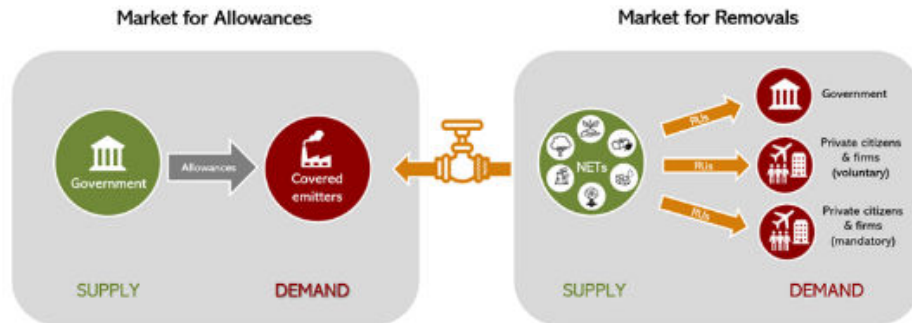
Disconnected markets (Model A)



Connected through Government (Model B)



Connected with restrictions (Model C)



Integrated markets (Model D)



SOME EXAMPLES OF REMOVALS IN COMPLIANCE CARBON PRICING

(DRAFT – CORRECTIONS WELCOMED!)

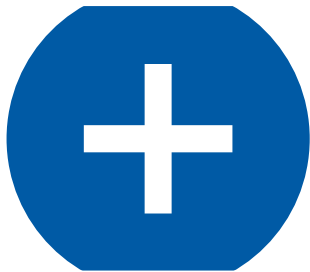
System	Quantitative limits	Eligibility for removals	Permanence for removals (examples)
California cap and trade	Up to 4% of compliance obligations (Some 200 million forestry credits since 2013. Prices currently between 16 and 30 USD/t)	Mostly forestry, Domestic	Demand-side liability, buffer pool, 100 years monitoring obligation
Québec ETS	Up to 8% of compliance obligations	Mostly forestry, Domestic	Supply-side liability, buffer pool, tonne-year accounting
New Zealand ETS	No limit (forest owners receive fully fungible allowances) (70 million tonnes since 2008. Prices currently 40 USD/t)	Forestry, Domestic	Supply-side liability (obligation to surrender allowances), no monitoring sunset
China ETS	Up to 5% of verified emissions	Forestry & AFOLU, Domestic	Discounting at issuance, 20-40 years monitoring
Colombian carbon tax	Up to 50% of covered GHG emissions	Mostly forestry, Domestic	Addressed by the crediting mechanism – e.g. VCS buffer pool

REMOVALS IN COMPLIANCE CARBON PRICING: WHY / WHY NOT?

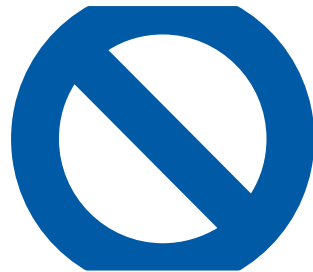
-
- ✓ Instrument for **compliance cost control** (depends on cost of abatement vs cost of removal)
 - ✓ Increasing **market liquidity** (higher supply of units, plus increase in gross emissions)
 - ✓ Providing an **incentive for CDR** development and deployment (depends on cost of abatement vs cost of removal)
 - ✓ **Flexibility in emissions outcomes** (e.g. net zero tax or ETS)
 - ✗ Risk of **undermining environmental integrity with low-quality units** (reversals, quantification)
 - ✗ **Loss of control over decarbonization pathways**
 - ✗ Risk of **abatement deterrence**
 - Short term replacement of abatement with removal can be addressed with limits & cap adjustments
 - **Long term effects** (delays in abatement investment due to uncertainty in future removal costs and availability) **much harder to manage**

THE FUTURE TRAJECTORY OF ETSs IS AN OPEN QUESTION WITH MULTIPLE POSSIBILITIES

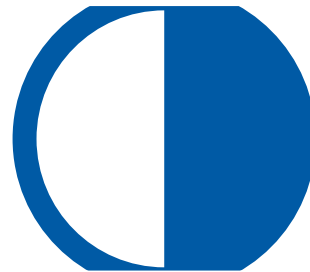
ETS emission levels may or may not mirror broader jurisdictional goals



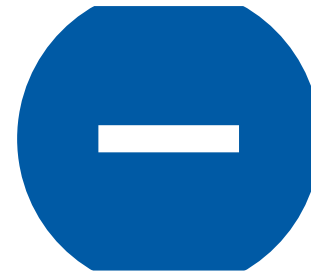
Net positive
emissions



Absolute zero
emissions



Net zero
emissions



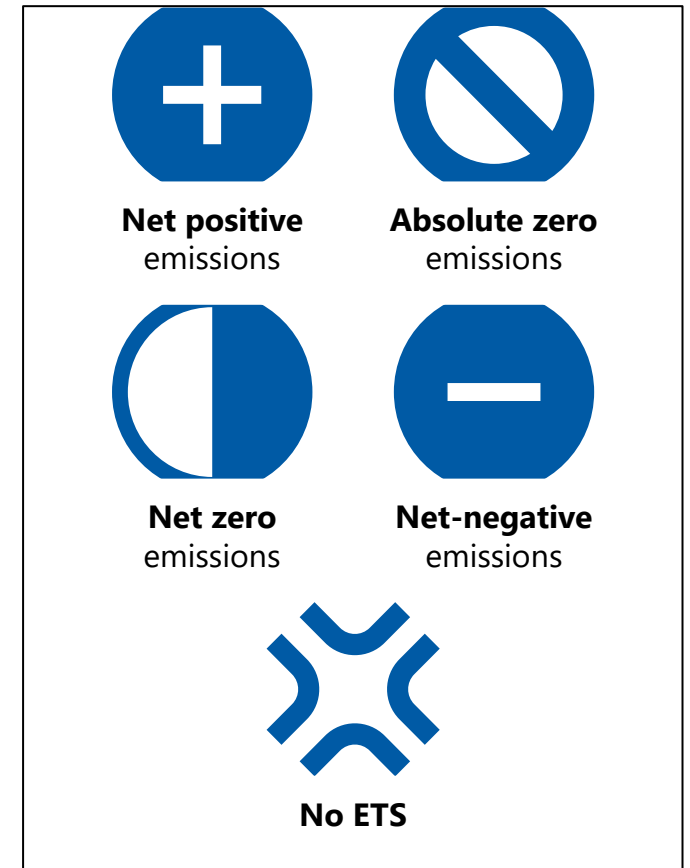
Net-negative
emissions



No ETS

SOME TAKEAWAYS

1. The future trajectory of ETSs is an open question with **multiple possibilities**
2. ETS emission levels **may or may not mirror broader jurisdictional goals**
3. Definitions of **'residual'** and **'hard-to-abate'** emissions are crucial
4. Some ETS designs vulnerable to the **risk that is CDR not viable at scale**
5. ETSs could provide support to CDR, but are **unlikely to suffice**
6. Understanding the **policy mix for net-negative emissions** is crucial for defining the role of ETSs in long-term climate strategies



ADDITIONAL ICAP RESOURCES



ICAP Website & ETS Map



News

News
ICAP publishes regular news updates covering ETS developments worldwide as well as ICAP governance, publications, courses, and events.

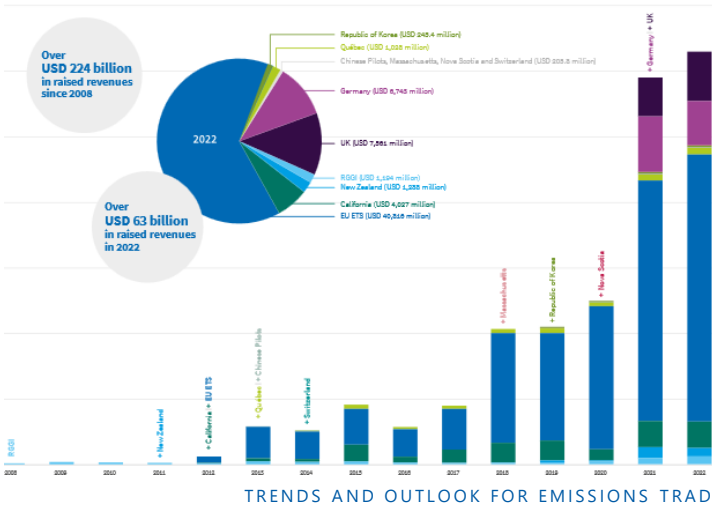
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- Washington's cap-and-invest program hold first auction** (Mar 20, 2023 | ETS-News)
- ICAP and IETA extend partnership to convene regional climate summits in 2023** (Mar 01, 2023 | ICAP-News)
- Indonesia launches emissions trading system for power generation sector** (Feb 27, 2023 | ETS-News)

ETS Briefs



Infographics



Publications



Allowance Price Explorer





THANK YOU!