



International  
Carbon Action  
Partnership

# EMISSIONS TRADING SYSTEMS AND CARBON REMOVALS

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# ABOUT ICAP

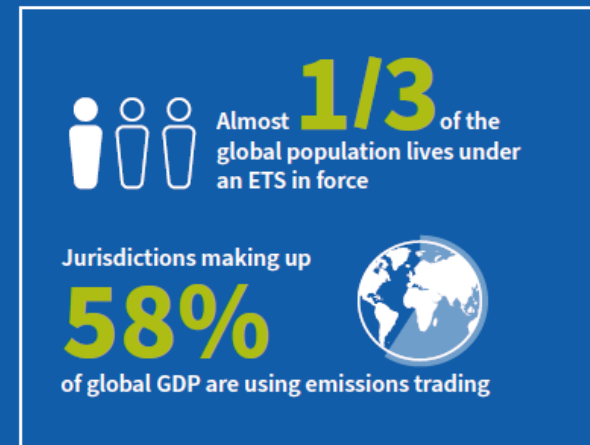
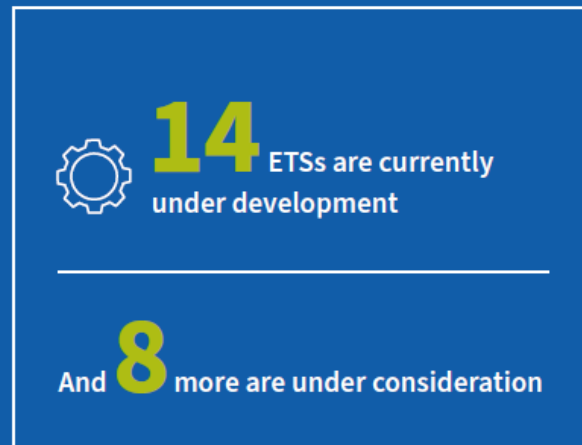
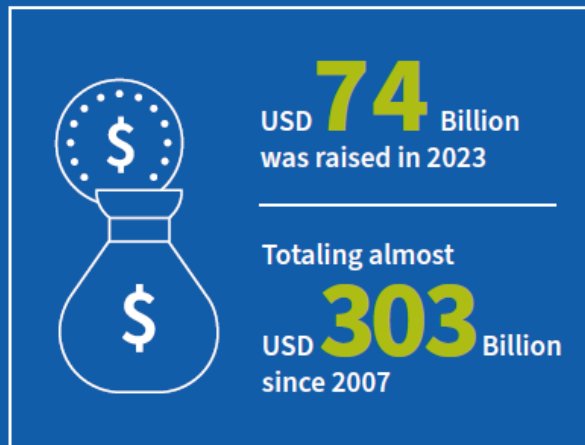
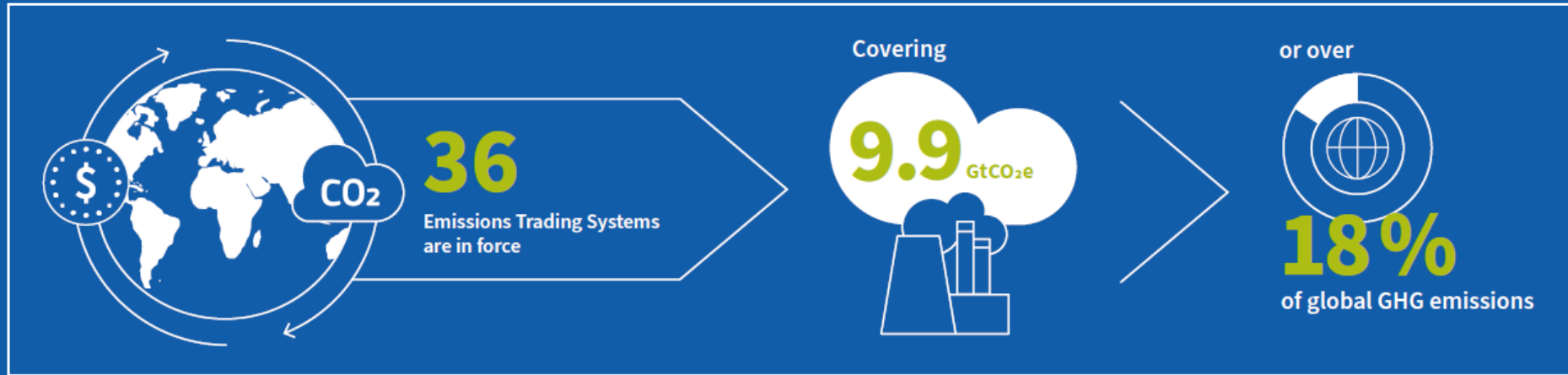
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An international **forum** of **43 national & subnational** governments to **exchange** knowledge and experiences on emissions trading systems (**ETS**)

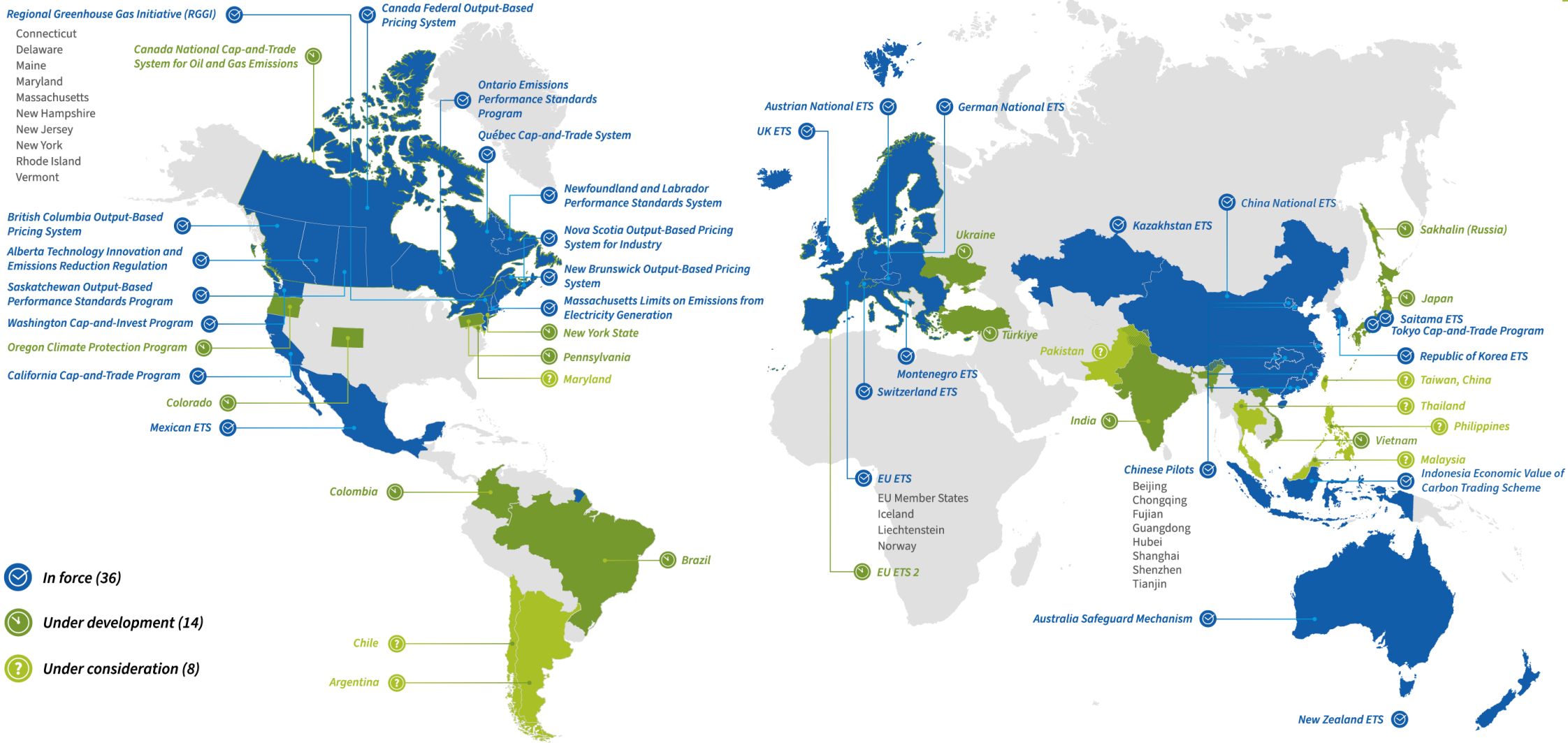
- Share **best practices** & learn from each others' experiences
- Facilitate **development and improvement** of carbon markets
- Explore the **role** of emissions trading in decarbonization



# EMISSIONS TRADING IN NUMBERS



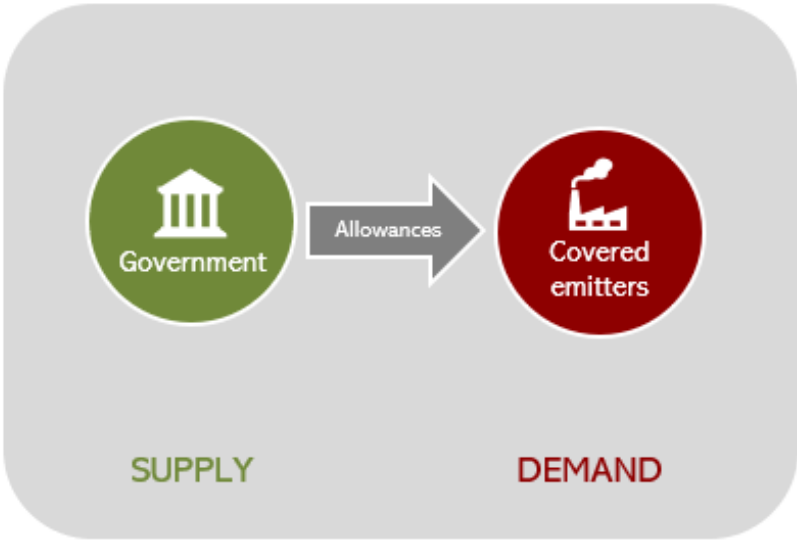
# EMISSIONS TRADING WORLDWIDE



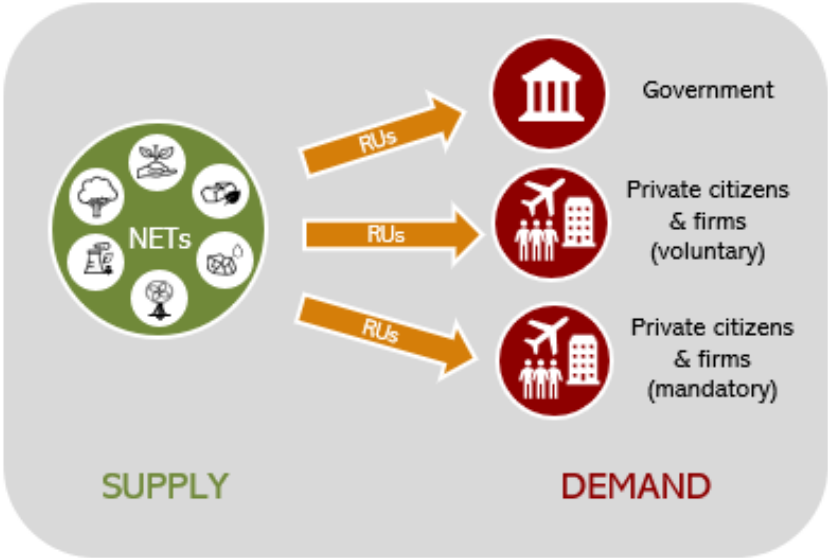
- In force (36)
- Under development (14)
- Under consideration (8)

# ETS AND THE MARKET FOR REMOVALS

ETS (or 'Market for Allowances')



Market for Removals

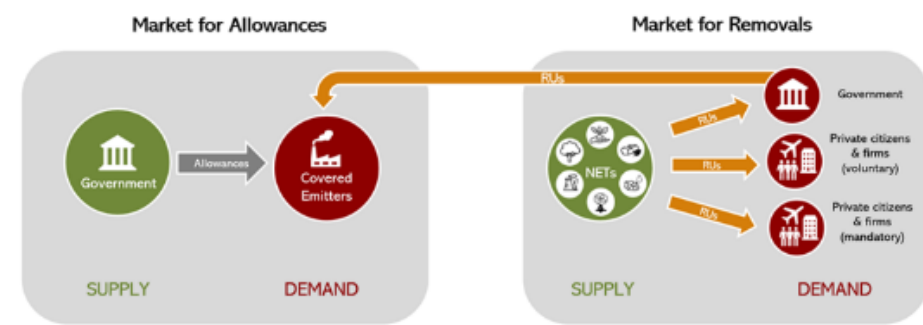


# MODELS OF INTERACTION BETWEEN ETS & MARKET FOR REMOVALS

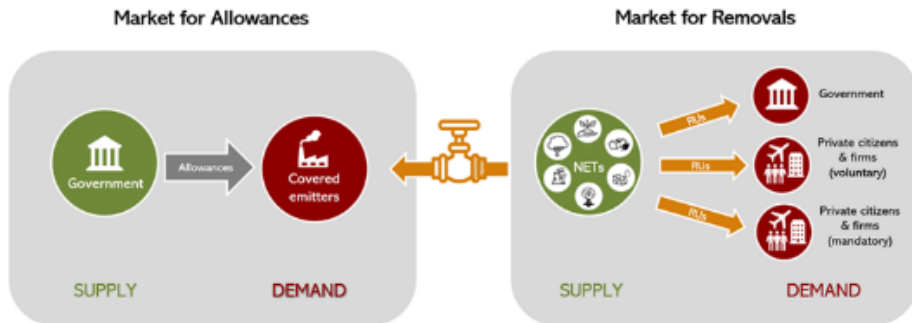
### Disconnected markets (Model A)



### 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

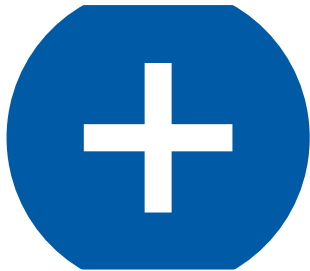
# REMOVALS IN COMPLIANCE CARBON PRICING: WHY / WHY NOT?

- 
- ✓ 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**

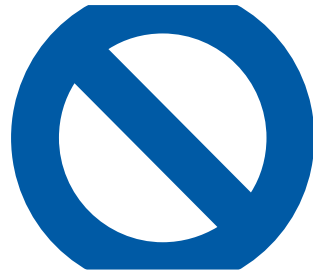


# THE FUTURE TRAJECTORY OF ETSs IS AN OPEN QUESTION WITH MULTIPLE POSSIBILITIES

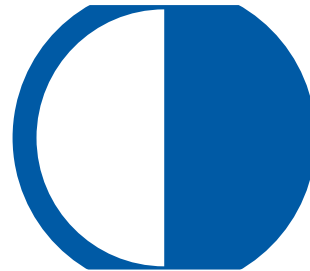
ETS emission levels may or may not mirror broader jurisdictional goals



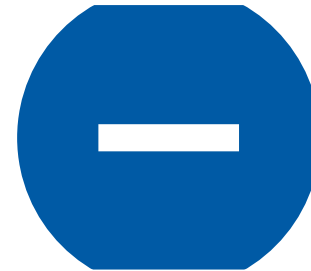
**Net positive**  
emissions



**Absolute zero**  
emissions



**Net zero**  
emissions



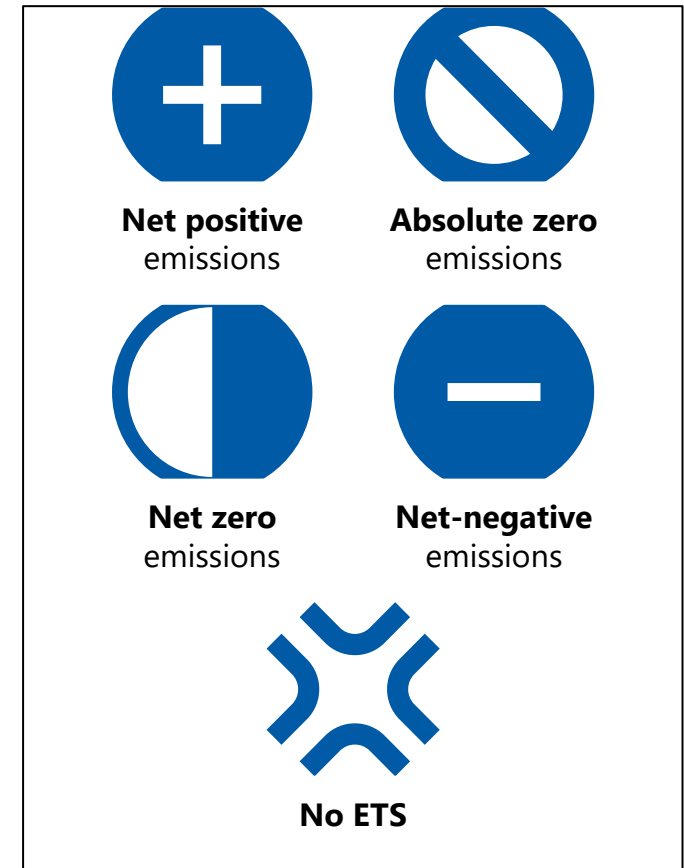
**Net-negative**  
emissions



**No ETS**

# SOME TAKEAWAYS

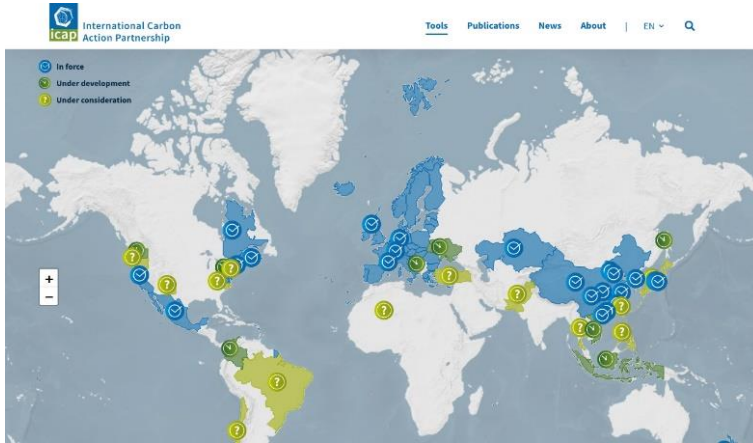
1. The future trajectory of ETSs is an open question with **multiple possibilities**
2. ETS emission levels **may or may not mirror broader jurisdictional goals**
3. Definitions of **'residual'** and **'hard-to-abate'** emissions are crucial
4. Some ETS designs vulnerable to the **risk that is CDR not 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.

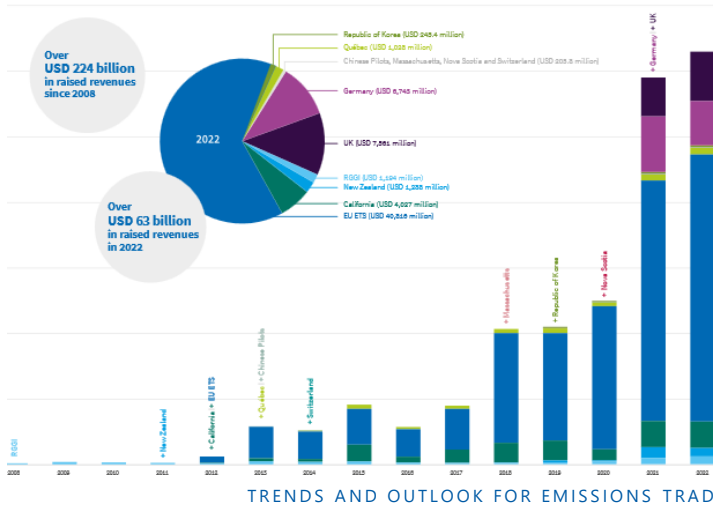
Displaying 1-12 out of 349

- Mar 26, 2023 | ETS-News: **Washington's cap-and-invest program hold first auction**
- Mar 01, 2023 | ICAP-News: **ICAP and IETA extend partnership to convene regional climate summits in 2023**
- Feb 27, 2023 | ETS-News: **Indonesia launches emissions trading system for power generation sector**

## ETS Briefs



## Infographics



## Publications



## Allowance Price Explorer





**THANK YOU!**