

# Introduction to carbon markets

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# Agenda

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- Development of Carbon Markets and purpose
- Interaction between Compliance and Voluntary Markets
- Driving Finance
- LOAs and Corresponding Adjustments
- Methodologies and Eligibility
- Market Developments

# Development of carbon markets

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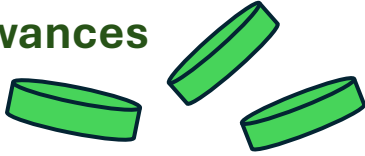
**Carbon markets** have emerged as critical **tools** in the **global effort** to **mitigate** climate change, driven by the objectives set forth in the **Kyoto Protocol 1997** and the **Paris Agreement 2015**.

## Concept – ONE ATMOSPHERE

Aspect	Kyoto Protocol	Paris Agreement
Adopted	1997	2015
Objective	Emissions reductions (Annex 1 only)	Limit warming below 2 degrees
Commitments	Top down - binding targets	Bottom up - universal NDC, binding on transparency

# Two types of tradeable instrument

## Allowances



- Government issued
- Allocated or auctioned
- Purchased for submission in a **compliance scheme**



Some **Verified Carbon Credits** are **eligible** for use in certain **Compliance Schemes**. Eligibility is set by the **rules of the scheme** and usually specifies certain **crediting standards** and certain **methodologies** and certain **jurisdiction** of projects.



## Credits



- Unit that represents the achievement of a reduction in, or removal of, GHGs
- As a result of a carbon mitigation project
- Verified by an independent VVB
- Measured in 1tonne CO2 equivalent

### **Carbon credits** issued by:

- Independent bodies e.g. Verra, Gold Standard
- Domestic bodies e.g. UK, Thailand, Malaysia
- United Nations under Article 6.4 Paris Agreement Crediting Mechanism, (PACM)



Purchased to fulfil voluntary climate commitments

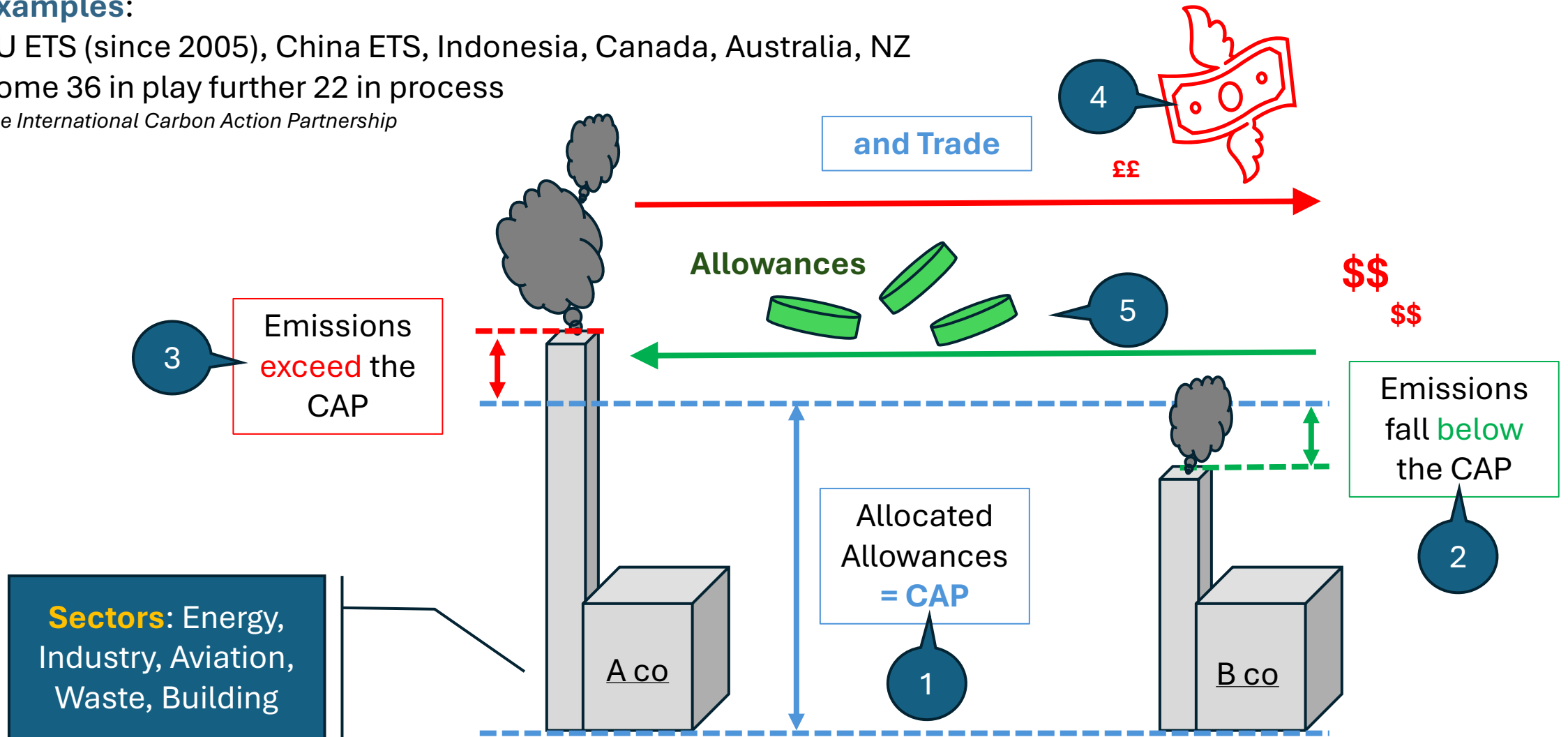
# Domestic Emissions Trading Scheme

## Examples:

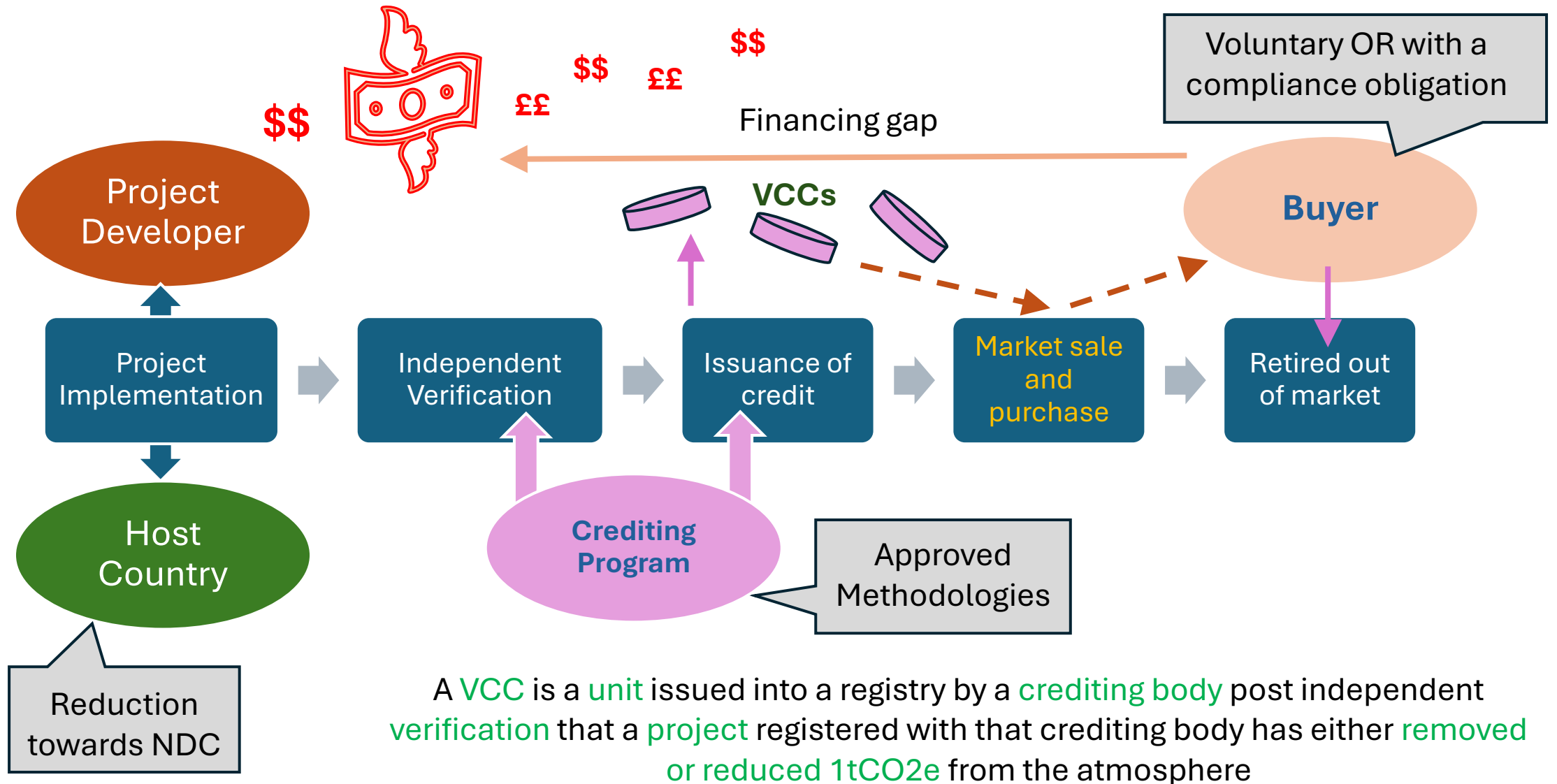
EU ETS (since 2005), China ETS, Indonesia, Canada, Australia, NZ

Some 36 in play further 22 in process

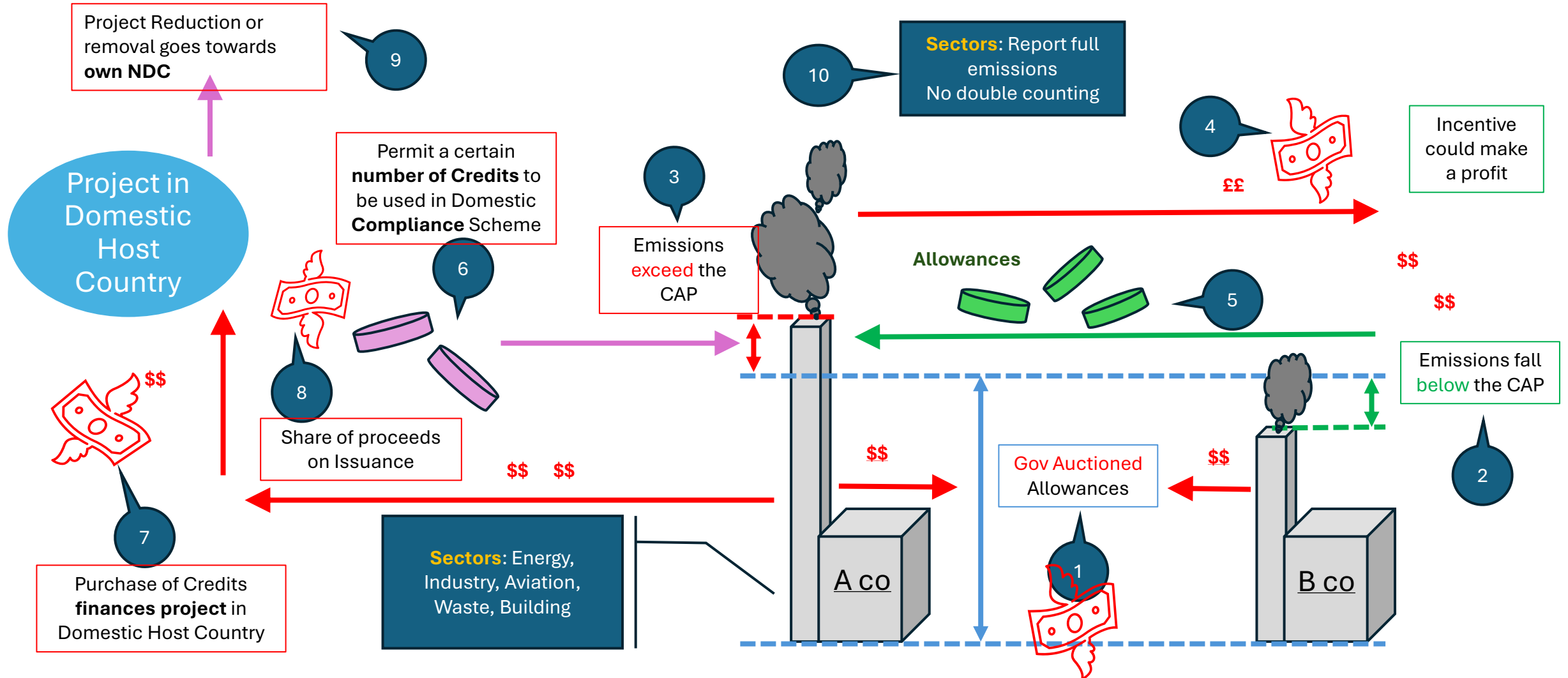
See *International Carbon Action Partnership*



# Markets in Verified Carbon Credits



# Revenue and meeting NDCs



# LOA and Corresponding Adjustments

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- Project implemented **in Host Country** reducing or removing carbon **within** that country
- **Reduction or removal** is **counted** by the Host Country towards its **NDC**
- Must **avoid Double Counting** i.e. avoid counting the reduction or removal across more than one NDC
- Where the credit is **exported** for use by **another country** that will **count** the **reduction** or **removal towards its NDC** the Host Country must make a **Corresponding Adjustment** to its own NDC to avoid such reduction or removal being Double Counted
  - use towards **NDC or Other International Mitigation Purpose** (OIMP) e/g/ CORSIA **must be Correspondingly Adjusted**
  - use in the **Voluntary Market do not need to be Correspondingly Adjusted** as not being used for another NDC

## Letter of Authorisation

Between

**Host Country**

And

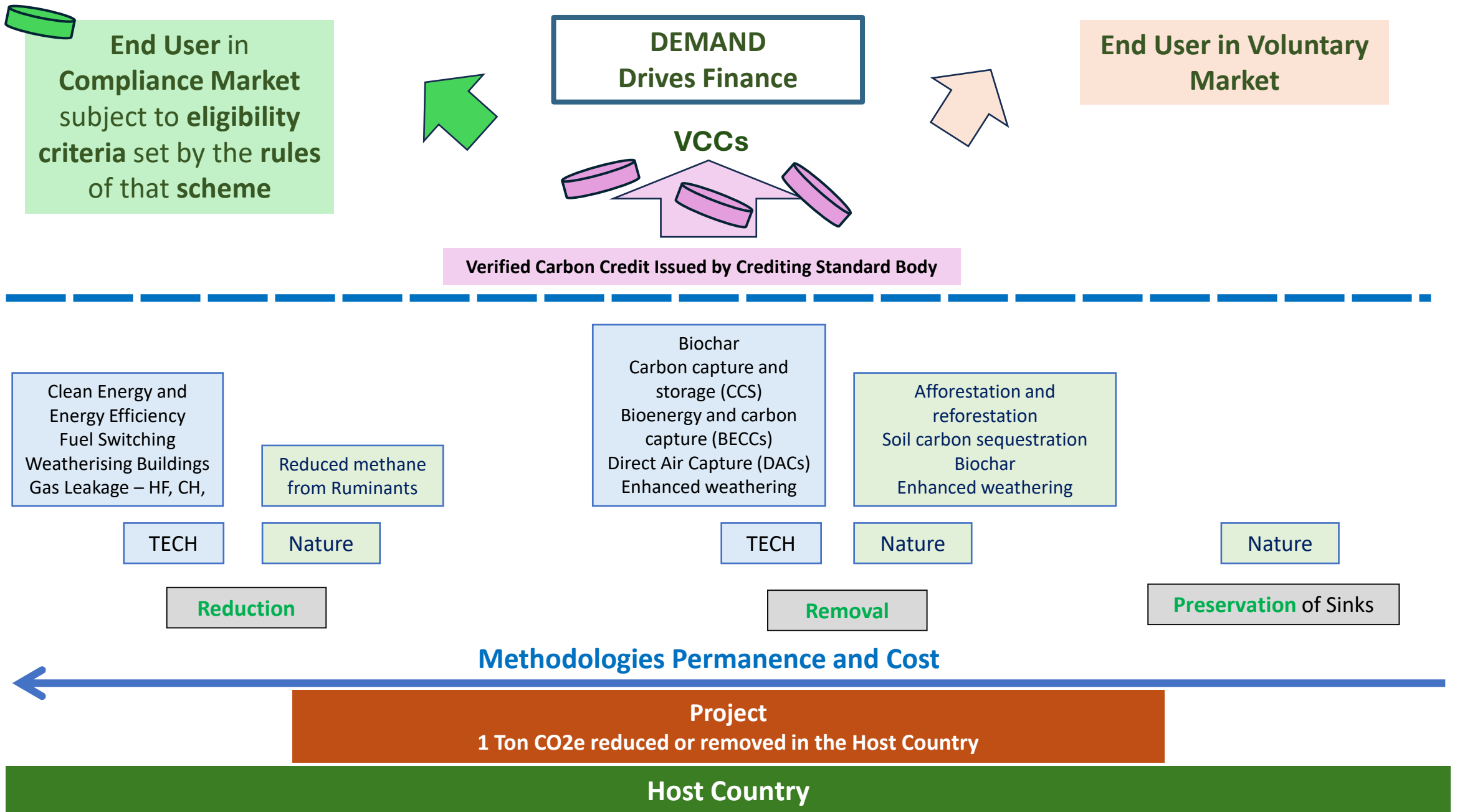
**Project Developer**

And

**All transferees of credits**

Hereby

- Authorising Activity
- Authorising Use Case
- Conditions e.g.
  - benefit sharing
  - share of proceeds
  - Percentage of production only
  - Fixed time period



# Global ETS



International  
Carbon Action  
Partnership

## ETS Map

Visualize, access, and  
compare the current status  
of ETS worldwide.

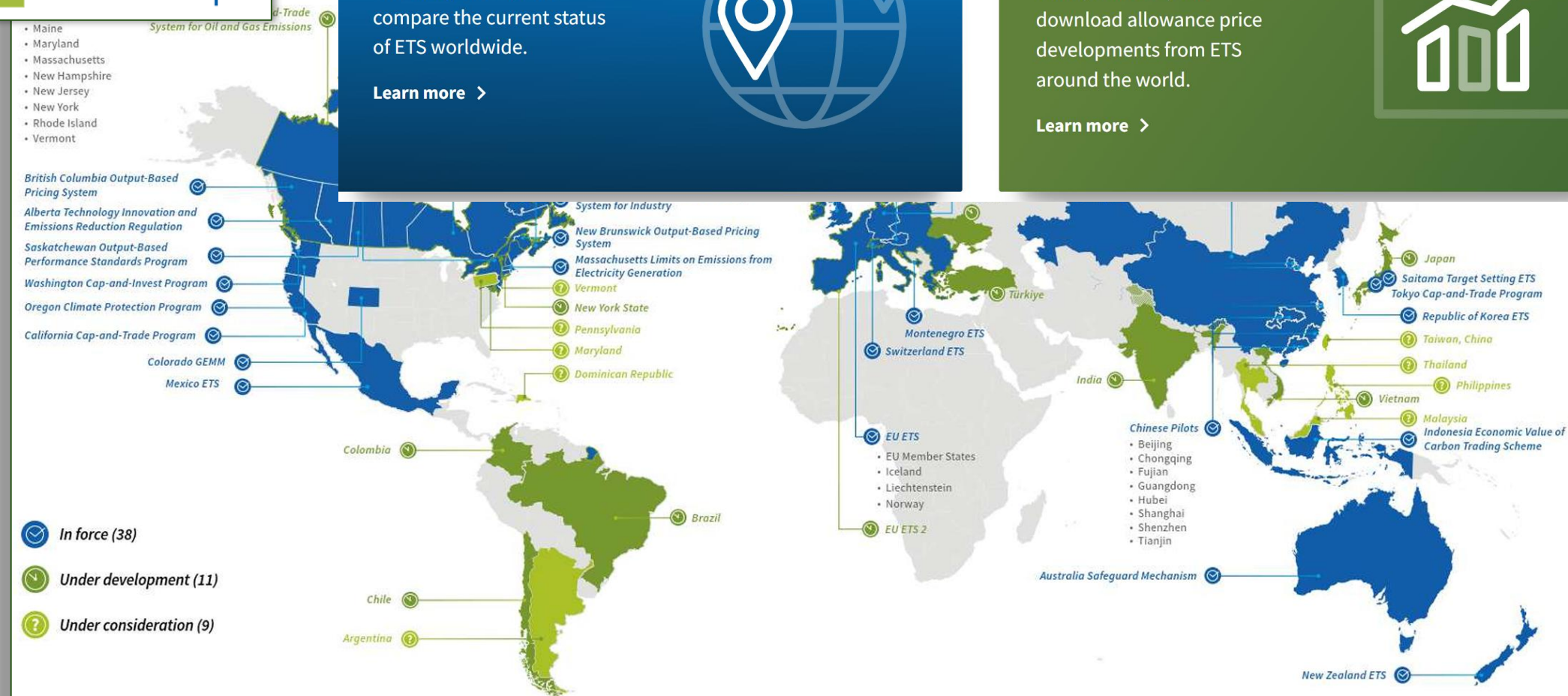
[Learn more >](#)



## Allowance Price Explorer

Track, visualize, and  
download allowance price  
developments from ETS  
around the world.

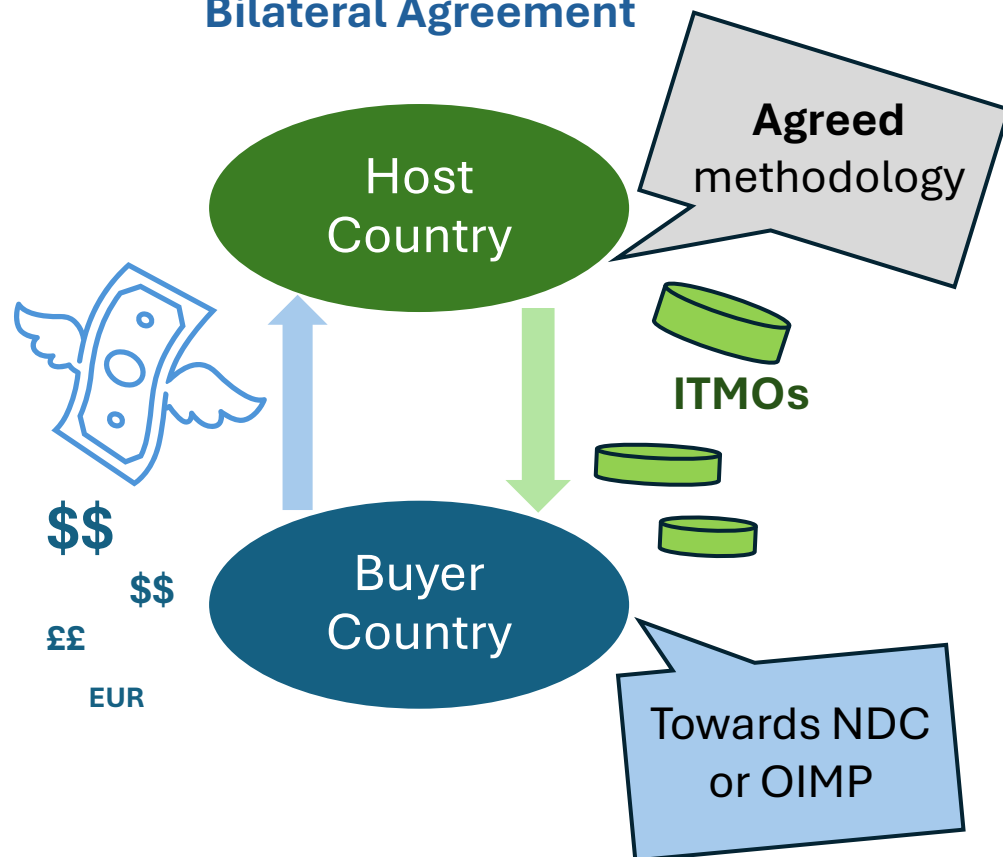
[Learn more >](#)



# Paris Agreement Article 6

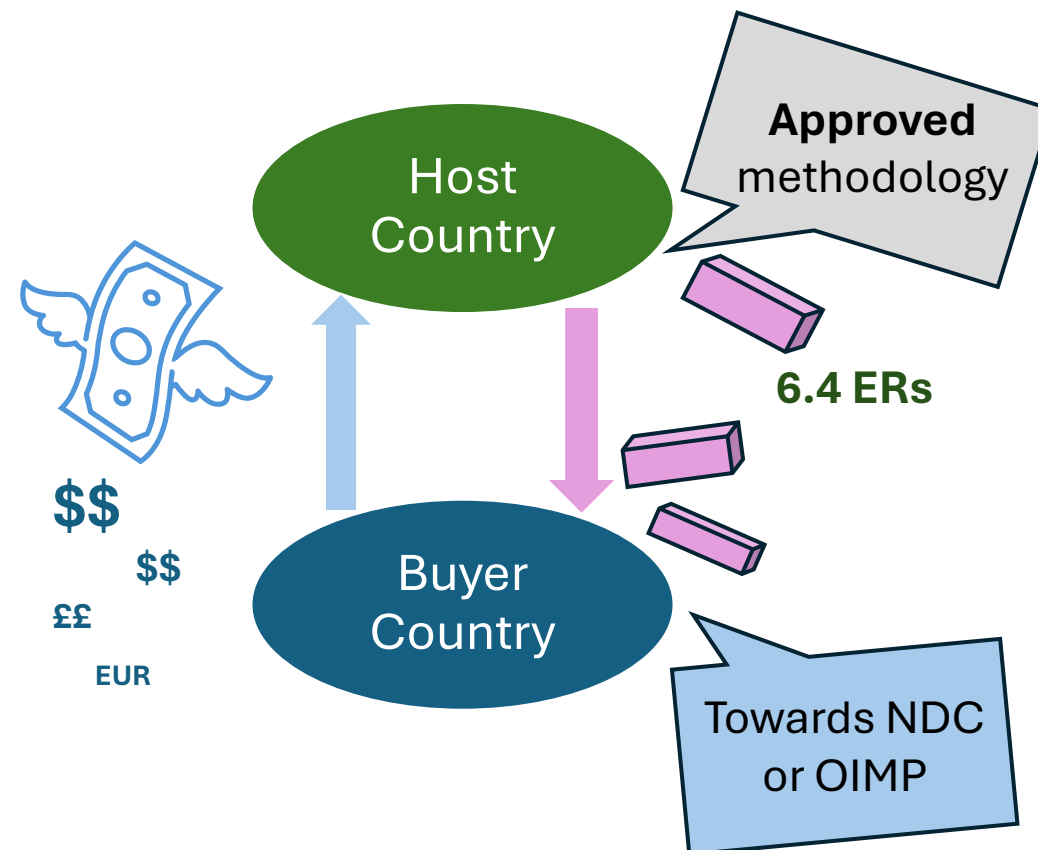
## Article 6.2

Facilitates **cooperative approaches** between countries  
**Bilateral Agreement**



## Article 6.4

Establishes a **UN** centralized mechanism



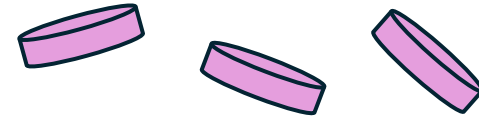
# ASIA ETS

ETS	Status
China X Regional	In force
China National ETS	In force
India	Under Development
Indonesia	In force
Japan GX-ETS	Under Development 2026
Japan Saitama	In force
Japan Tokyo	In force
Kazakhstan	In force
Korea	In force
Malaysia	Under consideration
Pakistan	Under consideration
Philippines	Under consideration
Taiwan, China	Under consideration
Thailand	Under consideration
Vietnam	Under Development 2030

## SECTORS

- Energy
- Aviation
- Transport
- Industry
- Waste
- Buildings

VCCs



Domestic

Some International

# CBAM

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- **EU Carbon Boarder Adjustment Mechanism**

- Importers of selected carbon-intensive goods into the EU must report the carbon content of their imports, and from 2026 they will be required to pay for that carbon content by purchasing CBAM certificates at a price equivalent to EU carbon price
- Carbon price paid in the country of origin will be deducted

- **Reaction**

- China - cost of their steel exports rise by 49% by 2034, China plans to extend application of ETS beyond just power to aluminium, steel and cement
- India – considering taxing exporters to the EU based on their carbon content
- UK trade treaty – relinking the UK and EU ETS
- South Korea K-ETS considering changes (in development)
- Malaysia, Singapore, and Thailand – carbon taxes and voluntary systems

# ASEAN Common Carbon Framework (ACCF)

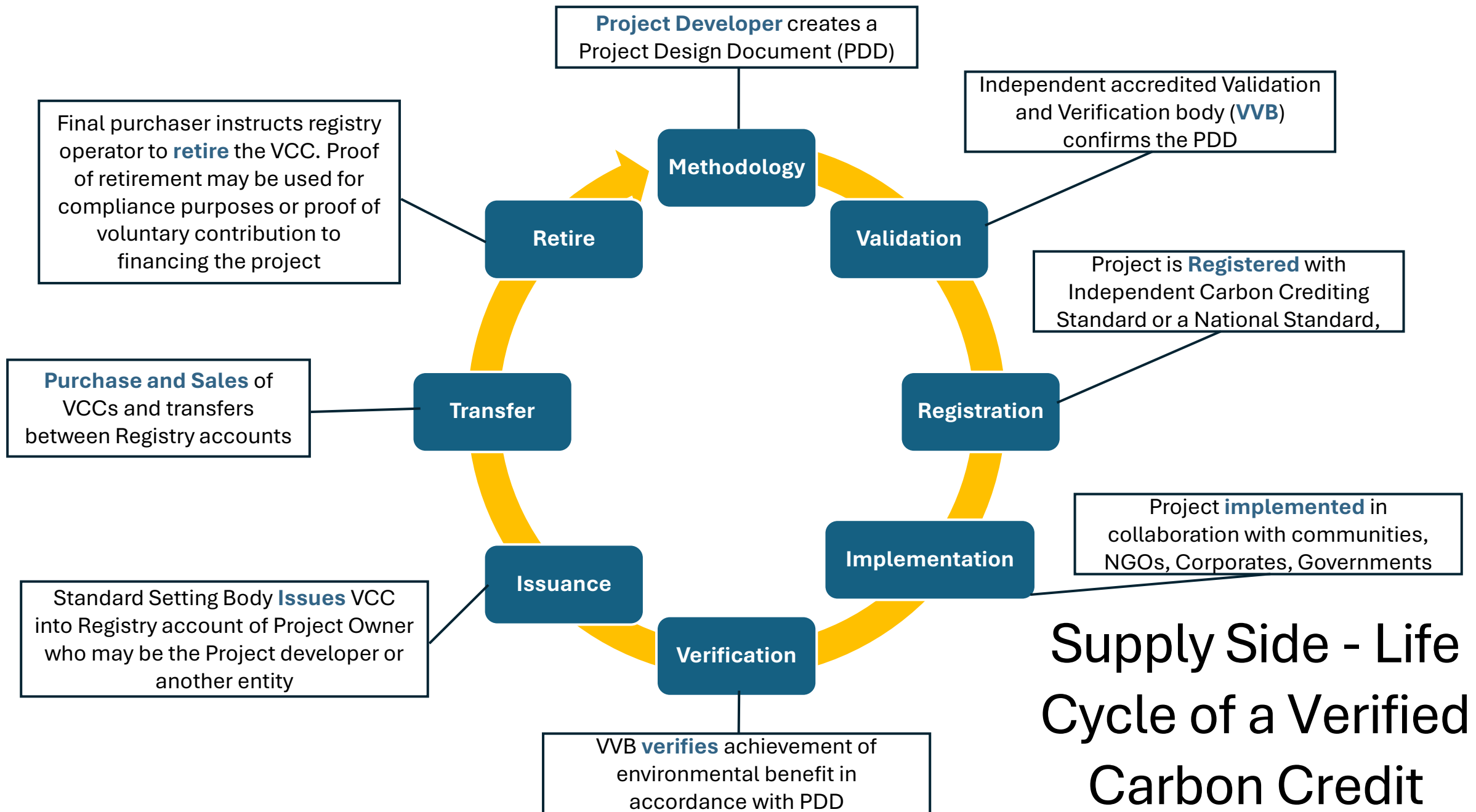
- Develop a regional and globally **interlinked carbon market**
  - **Align** with international standards and support linking
  - **Support** implementation of **Art 6**
  - **Support mutual** recognition of **methodologies**
- Strengthen **market infrastructure** to facilitate trade in carbon markets
  - Establish a global/regional **registry**
  - Oversight of **verification**
- Adopt **global standards** – ICVCM and VCMi Claims code
- Standard **carbon accounting** and reporting - GHG Protocol



**Aligning carbon pricing frameworks and strengthening market integrity, ASEAN can drive investment** into low-carbon technologies and nature-based solutions, ensuring its long-term competitiveness in global trade and **advancing the region's transition to net zero**

# Independent crediting program support

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# Eligibility

- **CORSIA**

- authorized by the host country for use in CORSIA
- corresponding adjustment has already been applied, or Guaranteed

Standard	Exclusion include:
American Carbon Registry (ACR)	ROCs or EAOC or REDD+ country large AFOLOU
Architecture for REDD+ (ART)	None
Climate Action Reserve (CAR)	RECs or EAOC or REDD+ country large AFOLOU, or FMUs, have reversal risk
Global Carbon Council (GCC)	Nuclear, HFC, REDD, Aff&Re, CCS
Gold Standard	PERs, REDD+ country large AFOLOU, large renewable, engineered renewable
Verra (VCS)	ROCs or EAOC or REDD+ country large AFOLOU, or large REDD+ (with exemptions), larger renewable,

- **Singapore**

- **Eligibility List** sets out the requirements that **international carbon credits** (ICCs) must meet to **be accepted** by the National Environment Agency (**NEA**) for carbon tax-liable companies in Singapore **to offset up to 5%** of their taxable emissions from 1 Jan 2024

## Carbon Crediting Programme

Gold Standard for the Global Goals (GS4GG)

Verified Carbon Standard (VCS)

American Carbon Registry (ACR)

Global Carbon Council (GCC)

# Independent Crediting Programs



## Working closely with Governments to Accelerate Climate Action

- Support the **design and implementation**
  - **policies** and provide **capacity building**
  - domestic **market mechanisms**
- **Knowledge** sharing
- VCS **methodology** development
- Verra's **review** processes
- **Indonesia, Malaysia, Philippines, Singapore, Taiwan**
  - Putrajaya, Malaysia – June 19, 2024 | The Malaysia Forest Fund (MFF)
  - MFF's Forest Conservation Certificate (FCC) and Forest Carbon Offset (FCO) standards to meet requirements of Verra's VCS Program. Activities include on the general carbon market operation of the Verra Registry, VCS Program requirements, VCS methodology development, and

**Gold Standard**



- **Factsheets** offering guidance and insights for policy makers considering national regulations
- **Master classes**

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