



International Carbon  
Action Partnership

The background of the slide is a photograph of a wind farm at sunset. The sun is a bright, glowing orb in the center of the sky, casting a warm orange and yellow light. Several wind turbines are silhouetted against the sky, with one in the center directly in front of the sun. The foreground shows a misty or hazy landscape with rolling hills and trees.

## **Use of ETS revenues to promote public acceptability**

**Stefano De Clara**

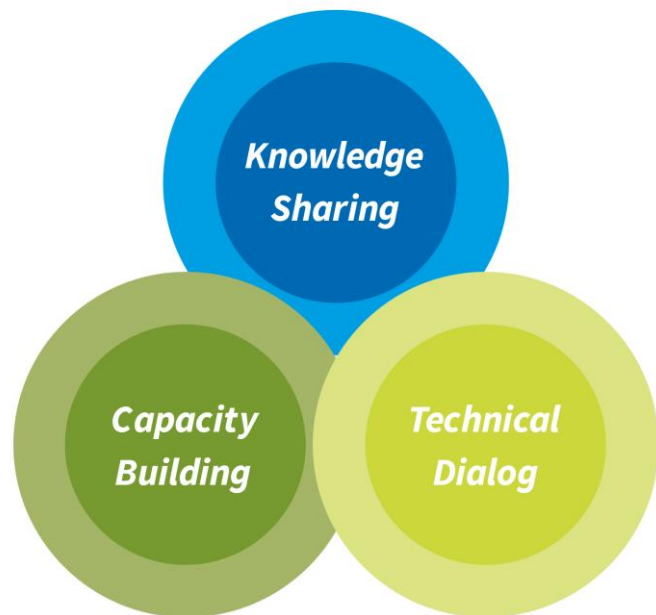
*Head of Secretariat, International Carbon Action Partnership (ICAP)*

**7 October 2023**

# About the International Carbon Action Partnership

An international **forum** of **41 national & subnational** governments to **exchange** knowledge and experiences on emissions trading systems (**ETS**)

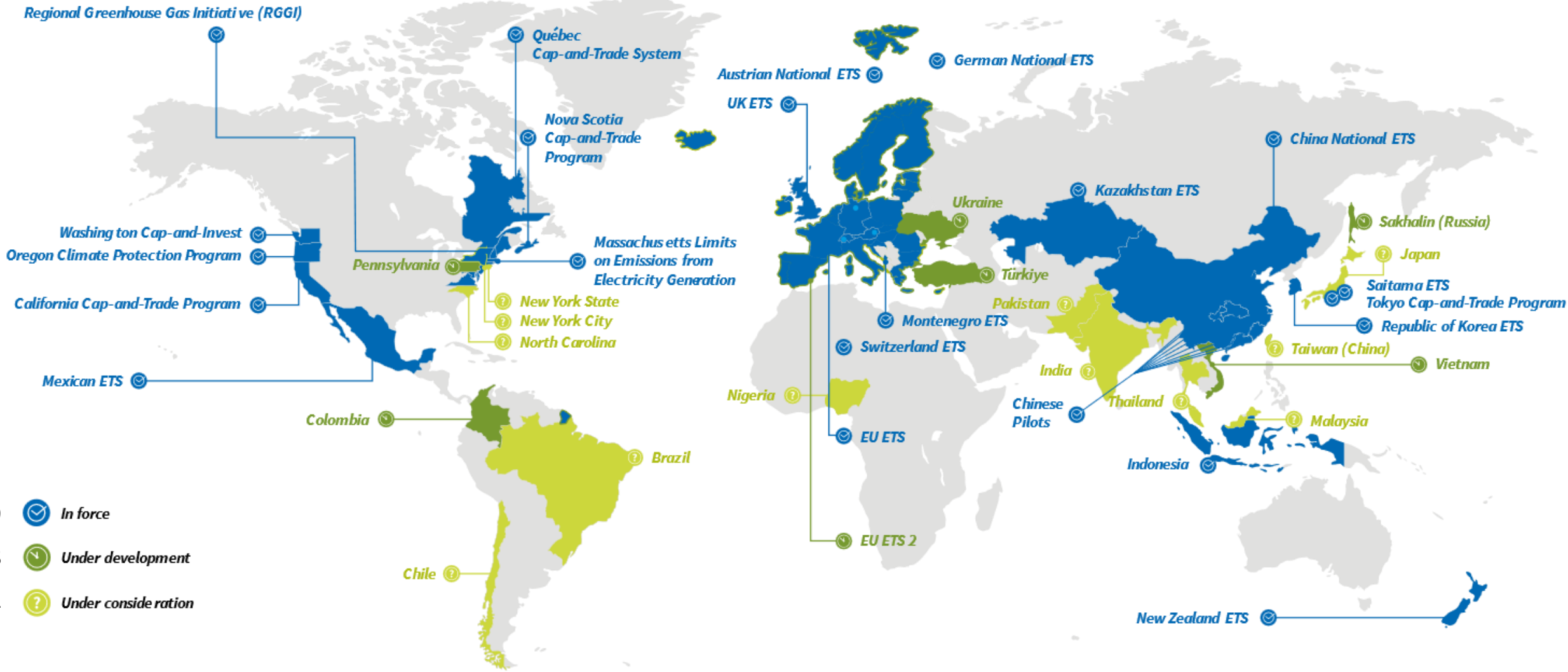
- Share **best practice** & learn from each others' experiences
- Facilitate **development and improvement** of carbon markets
- Explore the **role** of emissions trading in decarbonization



# ETS worldwide

The number of ETS systems in force grew from 25 to 29

17% of global GHG emissions are under and ETS cap

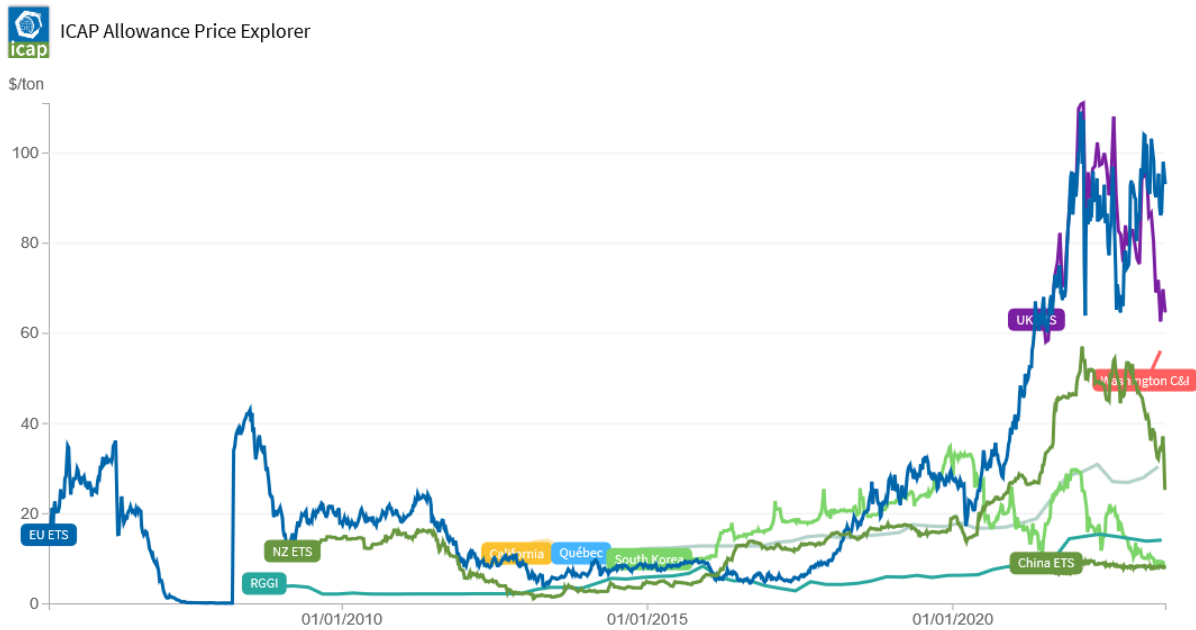


# Allowance price developments

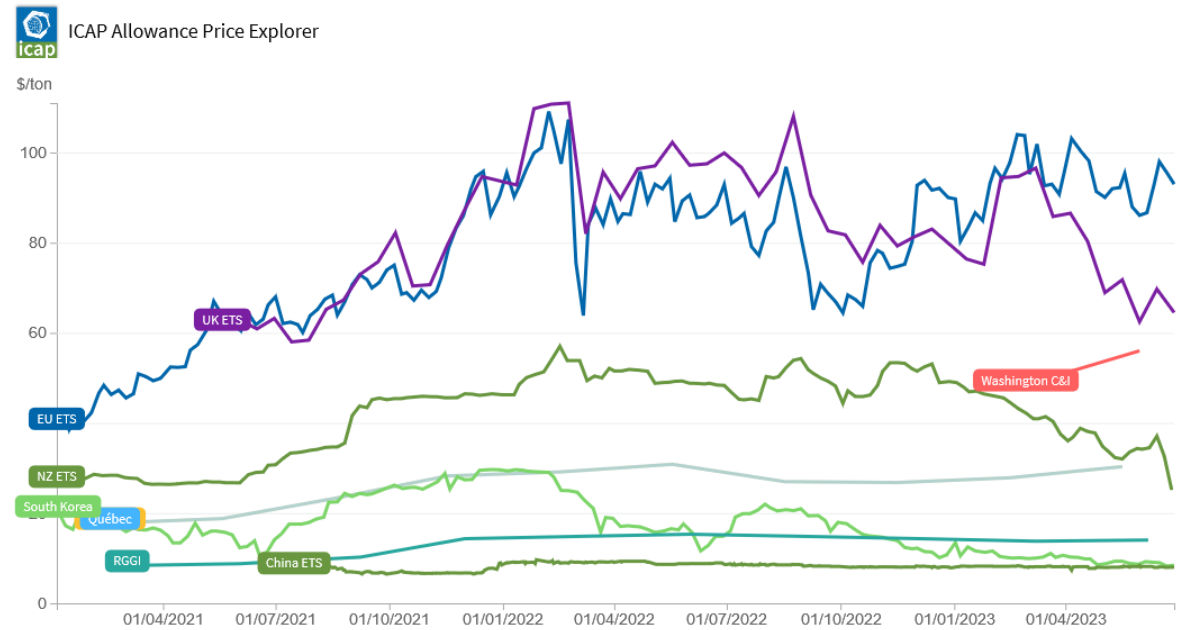
*Allowances prices in most systems have been largely stable since 2022*

*This follows significant price gains and record levels over the last 3+ years*

2005 - 2023 (June)



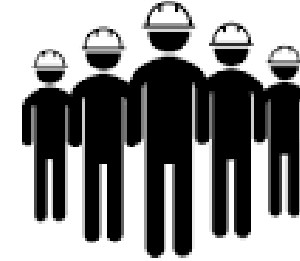
Jan 2021 - Jun 2023



# Groups affected by carbon pricing



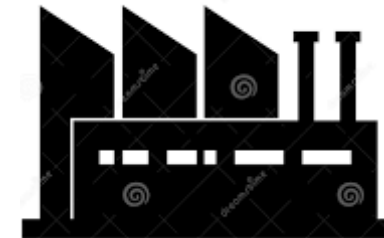
Additional expenses for energy and fossil intensive products



Economic transition/loss of jobs



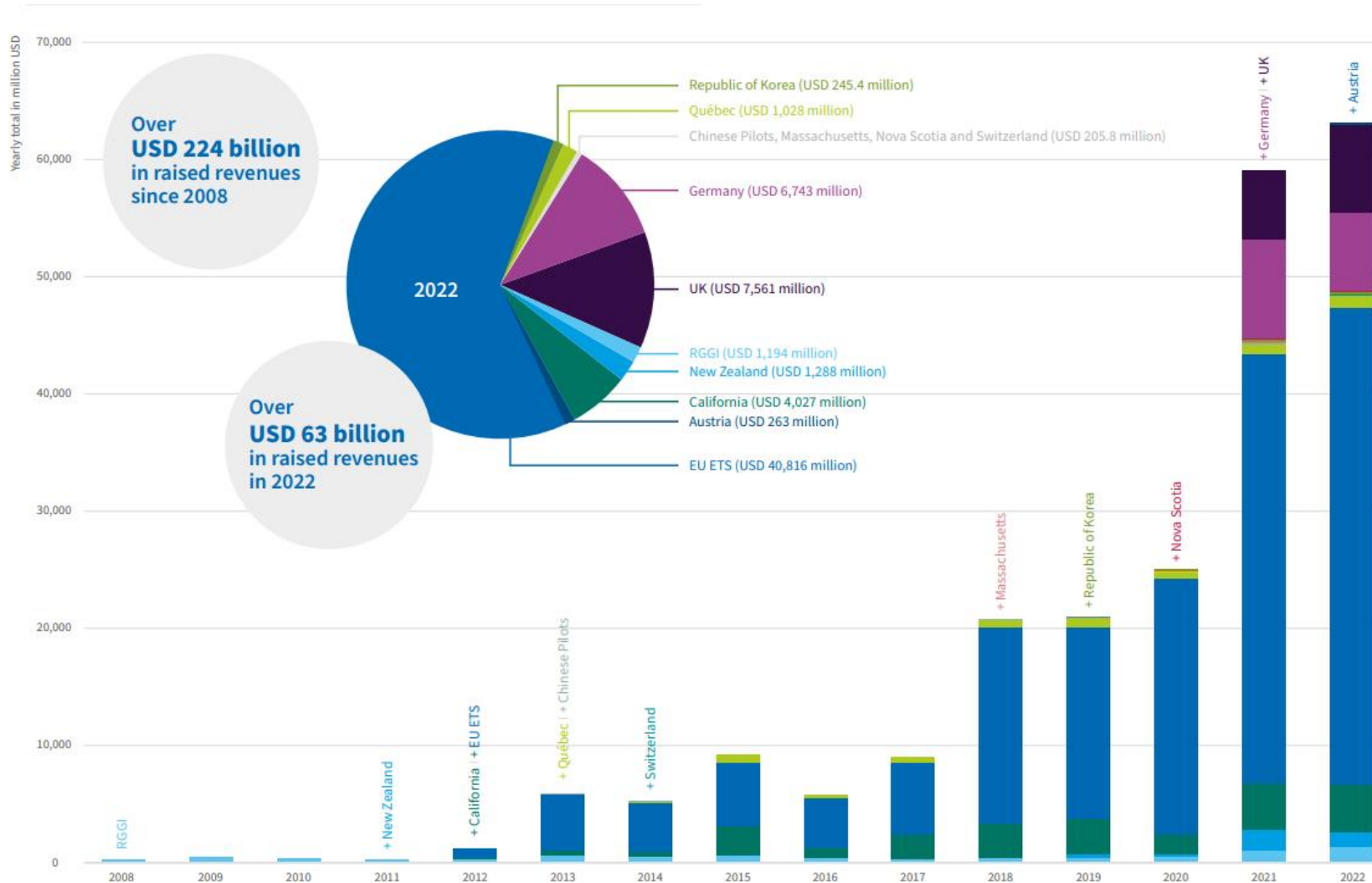
Fair distribution of co-benefits



Competitiveness impacts

Source: adelphi

# Auctioning revenues in ETSs



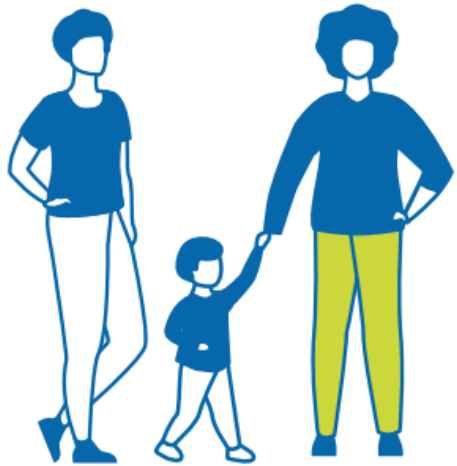
*High carbon prices and new revenue streams raised a record \$63 billion globally in 2022. The EU ETS represents 2/3 of the total.*

*More than half of the total revenues raised by ETSs since 2008 was collected in 2021 and 2022 alone*

*Revenues are being reinvested to further climate action or assist industry and consumers*

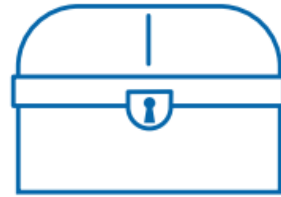
# Using auction revenue

Spending depends on the policy objectives of the jurisdiction  
 Can **build political support** among the public and other constituencies



## FINANCIAL ASSISTANCE TO DISADVANTAGED GROUPS

Governments can support low-income households or vulnerable communities to counter rising energy costs and to facilitate the transition to a low-carbon economy.



AUCTION PROCEEDS CAN BE USED IN DIFFERENT WAYS:



## FUND CLIMATE ACTION

Governments can invest in adaptation, renewable or other low-carbon technology, energy efficiency, clean transport, waste and forestry.



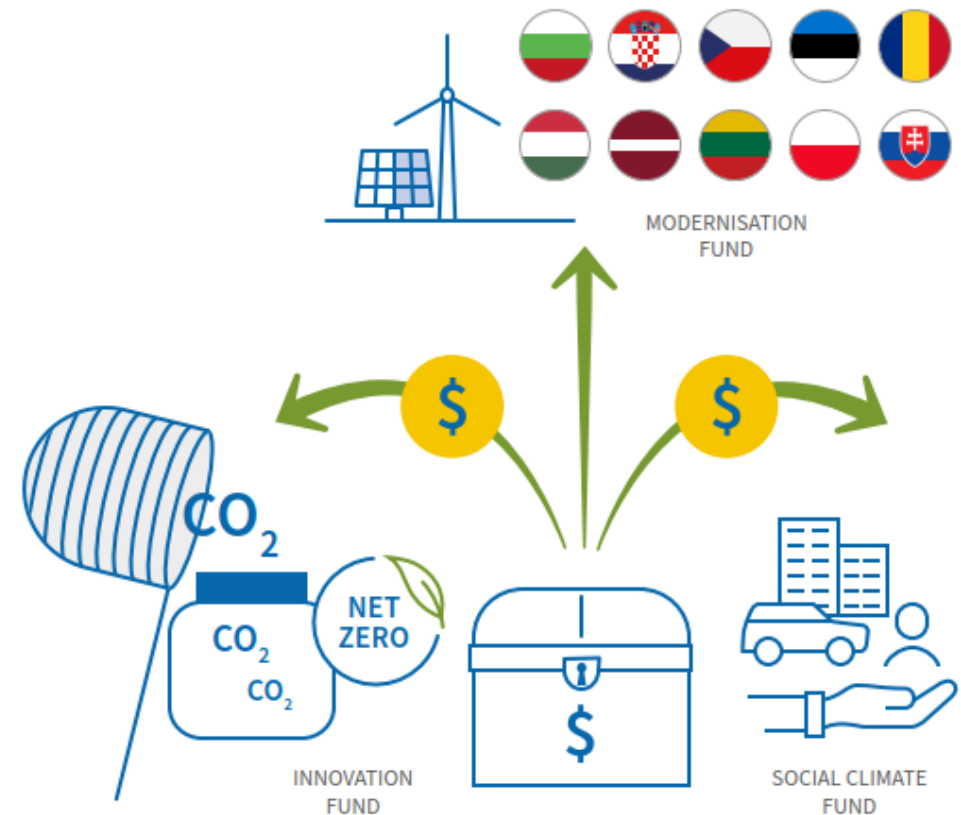
## CONTRIBUTION TO THE PUBLIC BUDGET

Governments can use ETS revenue to reduce taxes, finance other policy priorities or to reduce the budget deficit.

# EU auctioning revenues

## ➤ Focus on climate funding

- Member States decide how to use their auction revenue
- Min. 50% should go towards climate action
- The Innovation Fund, populated with 530 million ETS allowances, was established to support innovation in low-carbon technologies across member states
- The Modernization Fund, fed with revenues from 4.5% of total allowances for 2021-30, finances low-carbon technology innovation, modernization of energy systems and energy efficiency in 10 lower-income MSs
- The Social Climate Fund will be put in place alongside the ETS 2 to address social impacts from the new system





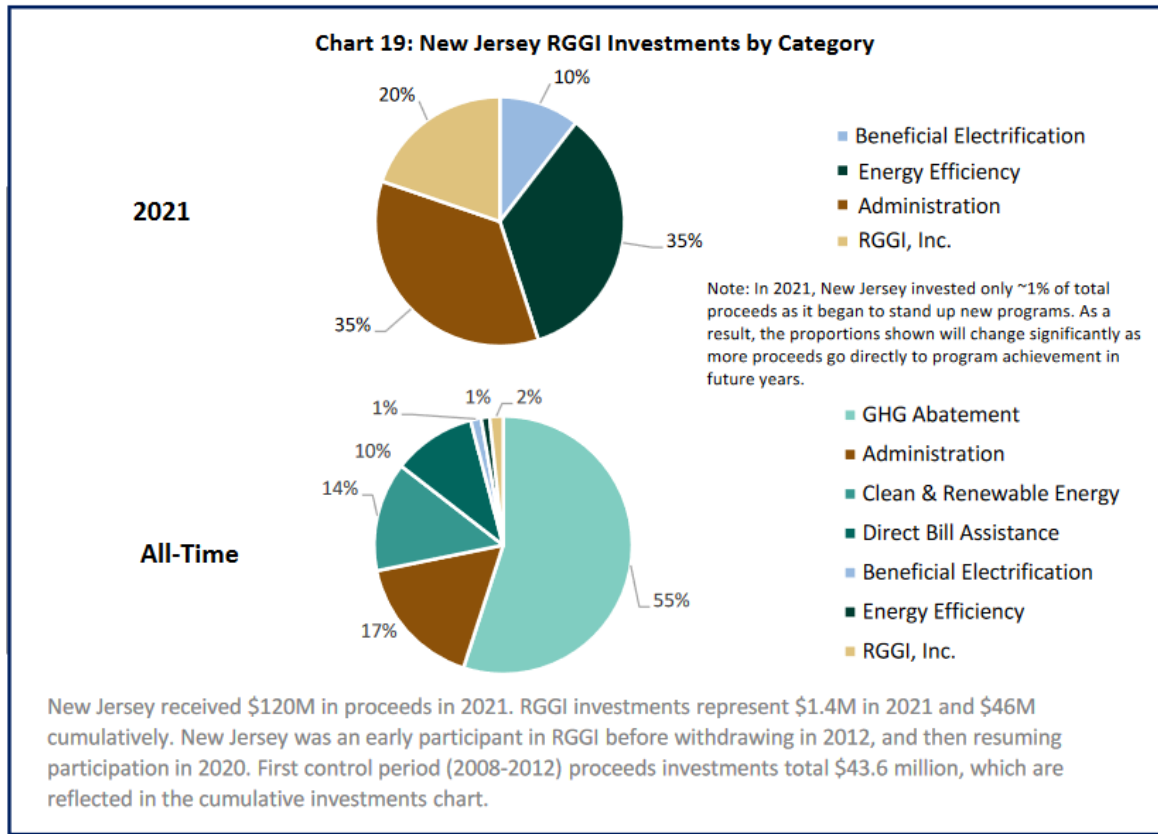
## RGGI auctioning revenues

- RGGI considered a “Cap and invest” program – emphasis on investment
- RGGI states decide how they invest RGGI revenues
- Approx. 80% of proceeds have so far been invested in **consumer benefit programs**



\*a job-year is one year of full-time employment; jobs such as efficiency audit performers, energy efficiency measures installers or trainers on energy issues

# Auctioning revenues in ETSs: RGGI investments in New Jersey



Source: *The Investment of RGGI Proceeds in 2021* (2023)

NJBIZ: *NJEDA expands NJ ZIP voucher program statewide* (2022)

## NJEDA expands NJ ZIP voucher program statewide

Matthew Fazelpoor // July 19, 2022 // 3 Minute Read

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The New Jersey Economic Development Authority announced the expansion of the New Jersey Zero Emission Incentive Program (NJ ZIP), which supports businesses and institutions statewide that are purchasing new, zero-emission medium- and heavy-duty vehicles operating around the state. – NJEDA

At a Monday press conference in Lyndhurst, the New Jersey Economic Development Authority (NJEDA) announced the expansion of the New Jersey Zero Emission Incentive Program (NJ ZIP), which supports businesses and institutions statewide that are purchasing new, zero-emission medium- and heavy-duty vehicles operating around N.J.

## Auction revenue use in California and Quebec

- **Linked carbon market with joint auctions**
- **Manage shares of auctioning revenues separately**

### California

- Strict statutory requirements on how revenues must be spent
- Revenues from state-owned allowances go to GHG Reduction Fund (for clean transportation, sustainable communities, clean energy, energy efficiency, natural resources, waste diversion)



### Quebec

- Revenues go to the Quebec Green Fund
- Supports climate change programs and helps achieve objectives set out in the Climate Change Action Plan



# California auctioning revenues



## Transformative Climate Communities Program

*California Strategic Growth Council (SGC)*

### What does it fund?

Community-driven, collaborative projects that integrate a variety of California Climate Investments project types within a five-square mile area to create transformative change at the neighborhood level, and planning activities to prepare disadvantaged communities for future funding opportunities that align with these objectives.

## Cumulative Statistics

*As of May 31, 2023*

**\$241.3** million allocated

**\$207.8** million implemented

**\$192.6** million benefiting **priority populations**

**149,536** MTCO<sub>2</sub>e GHG emissions reductions

**203** projects implemented

**At least \$1.5** million benefiting low-income households

**At least 91** projects benefiting low-income households

# Auctioning revenues in ETs: Funding mitigation in New Zealand

## First Emissions Reduction Plan spends \$2.9b from Emergency Response Fund

1:48 pm on 16 May 2022

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-  **Hamish Cardwell**, Climate Reporter  
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-  **Katie Scotcher**, Political Reporter  
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-  **Russell Palmer**, Digital Political Journalist  
 @russellpalm  russell.palmer@rnz.co.nz

Low-income families who scrap their old car will get funding to buy a low-emitting vehicle in a \$569 million scheme, one of the big-ticket items in the government's first Emissions Reductions Plan.

The plan sets out a strategy to achieve the reductions demanded by the 2022-2025 [emissions budget](#), and includes \$2.9b of spending from the \$4.5b Climate Emergency Response Fund (CERF) over the next four years, funded through the Emissions Trading Scheme.

That compares to \$2.3b on climate change related spending in last year's Budget.

### By the numbers

#### Transport: \$1.3b from CERF

- \$569m 'Scrap and replace' scheme for Clean Car programme with 2500 vehicles covered in initial trial
- \$350m for improving access to low-impact transport like walking, cycling and public transport

#### Agriculture and forestry: \$710m over four years from CERF

- \$339m to accelerate technology , including establishing a Centre for Climate Action on Agricultural Emissions
- \$256.2m to boost forestry to help with carbon sequestration
- \$73.5m from Budget 2022 for forestry to increase use of woody biomass as an alternative to coal

#### Energy: total seven-year spend of \$1b

- \$650m for the GIDI fund for decarbonising industry over four years, plus \$25m already allocated in previous Budgets and planning for about \$330m in future years

Source: RNZ (2022)

# Auctioning revenues in ETSs: Setting priorities in Nova Scotia



\*funded in fiscal year 2021-2022

Source: Sustainable Communities Challenge Fund

News release

## Funding to Help Communities, Homeowners Address Climate Change


[Environment and Climate Change](#)  
May 9, 2023 - 1:05 PM

The Province is investing in two new programs that will help Nova Scotians reduce their greenhouse gas emissions and better prepare for climate change.

Clean Foundation will receive almost \$5.4 million to deliver the new community and homeowner programs, Environment and Climate Change Minister Timothy Halman announced today, May 9, in Dartmouth.

"Nova Scotians expect action to address the global climate change emergency and help them

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## Who Can Apply?

The Fund is intended for community organizations and institutions. The following groups are eligible lead applicants:

- Nova Scotia municipalities
- First Nations bands and tribal councils
- Post-secondary institutions
- Registered non-profit organizations active in Nova Scotia

Collaboration, partnerships, and regional approaches between communities, organizations and sectors are encouraged.

Applications from organizations of Mi'kmaq peoples, African Nova Scotians, racialized peoples, immigrants, Acadians, individuals living on low incomes, individuals living with disabilities, older adults, youth, 2SLGBTQ+, and women will be favorably considered.

# Thank you



@ICAPSecretariat



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[www.icapcarbonaction.com](http://www.icapcarbonaction.com)