



IETA

**MAKING NET
ZERO POSSIBLE**

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Acerca de IETA



01



We foster effective models of private sector engagement in climate finance.



OUR MISSION & VALUES

IETA'S MISSION IS TO:

- Empower business to engage in climate action and pursue net zero ambitions to advance the Paris Agreement's objectives, and
- Establish effective market-based trading systems for GHG emissions and reductions that are environmentally robust, fair, open, efficient, accountable and consistent across national boundaries.

IN PURSUIT OF OUR MISSION, IETA WORKS IN COLLABORATION WITH OTHER STAKEHOLDERS TO:

- Develop components of the GHG market and trading systems
- Develop a global GHG market
- Strengthen business capacity and embrace innovation
- Promote market-based solutions and broad participation in GHG markets





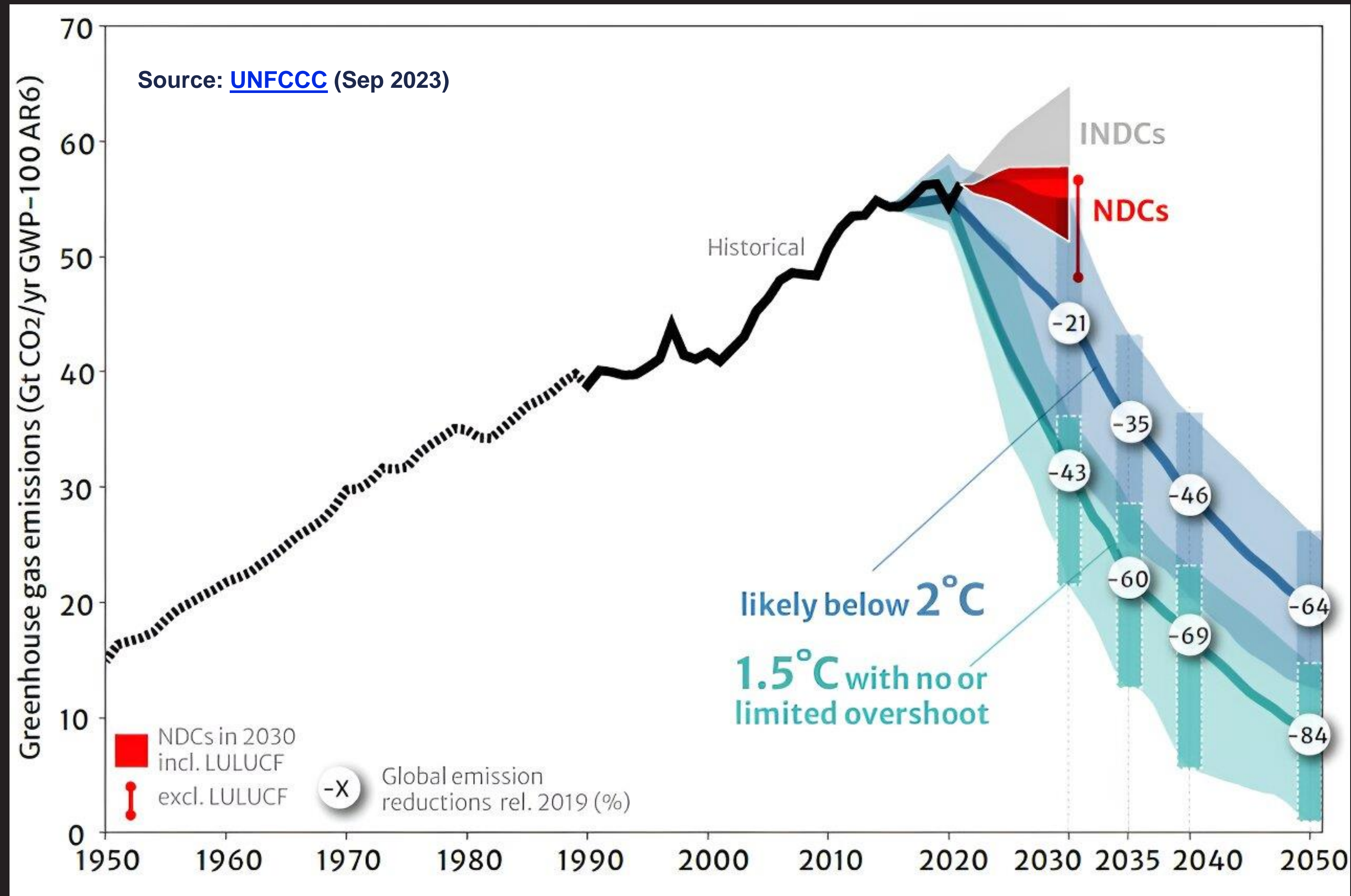
OUR MEMBERS

IETA



Global Stock Take: UN Synthesis Report

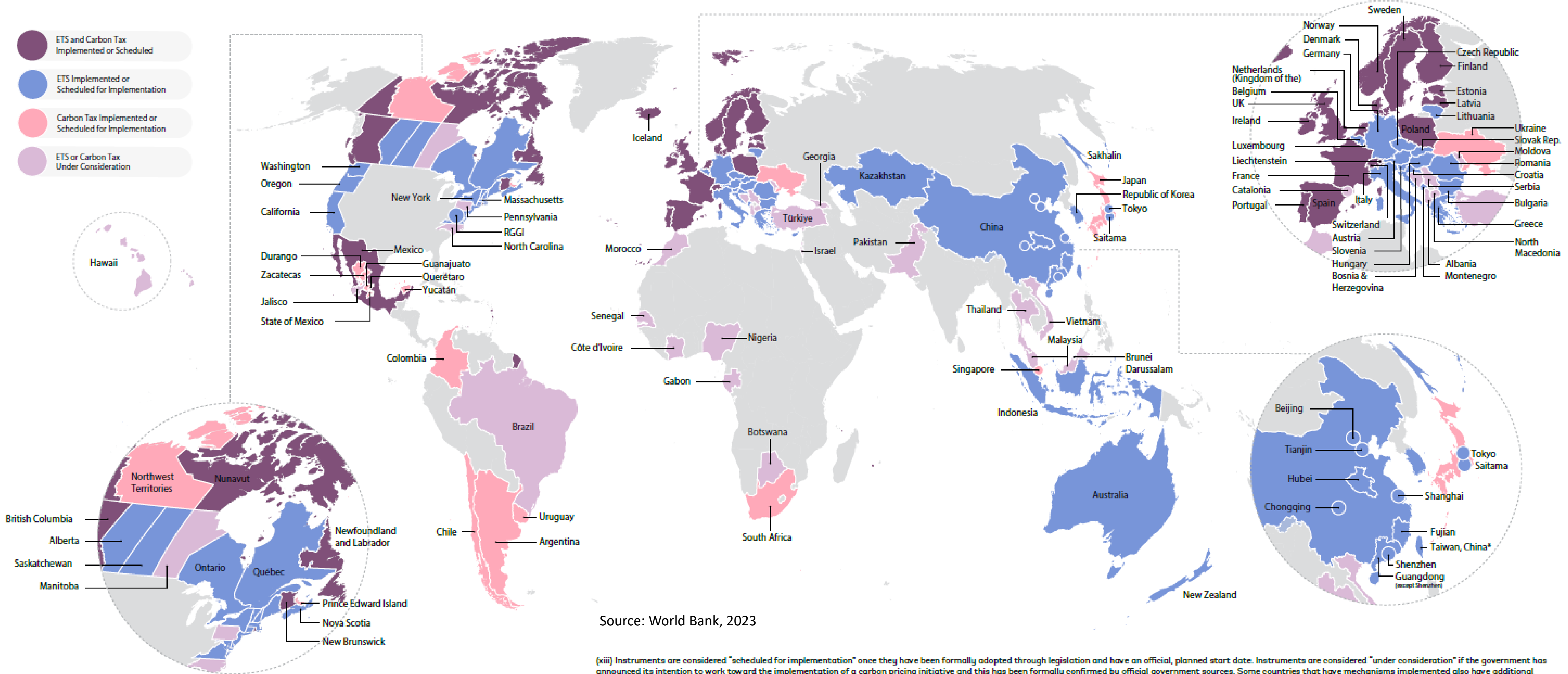
Major Gap to Meet Paris Goals



Precio al Carbono en el Mundo



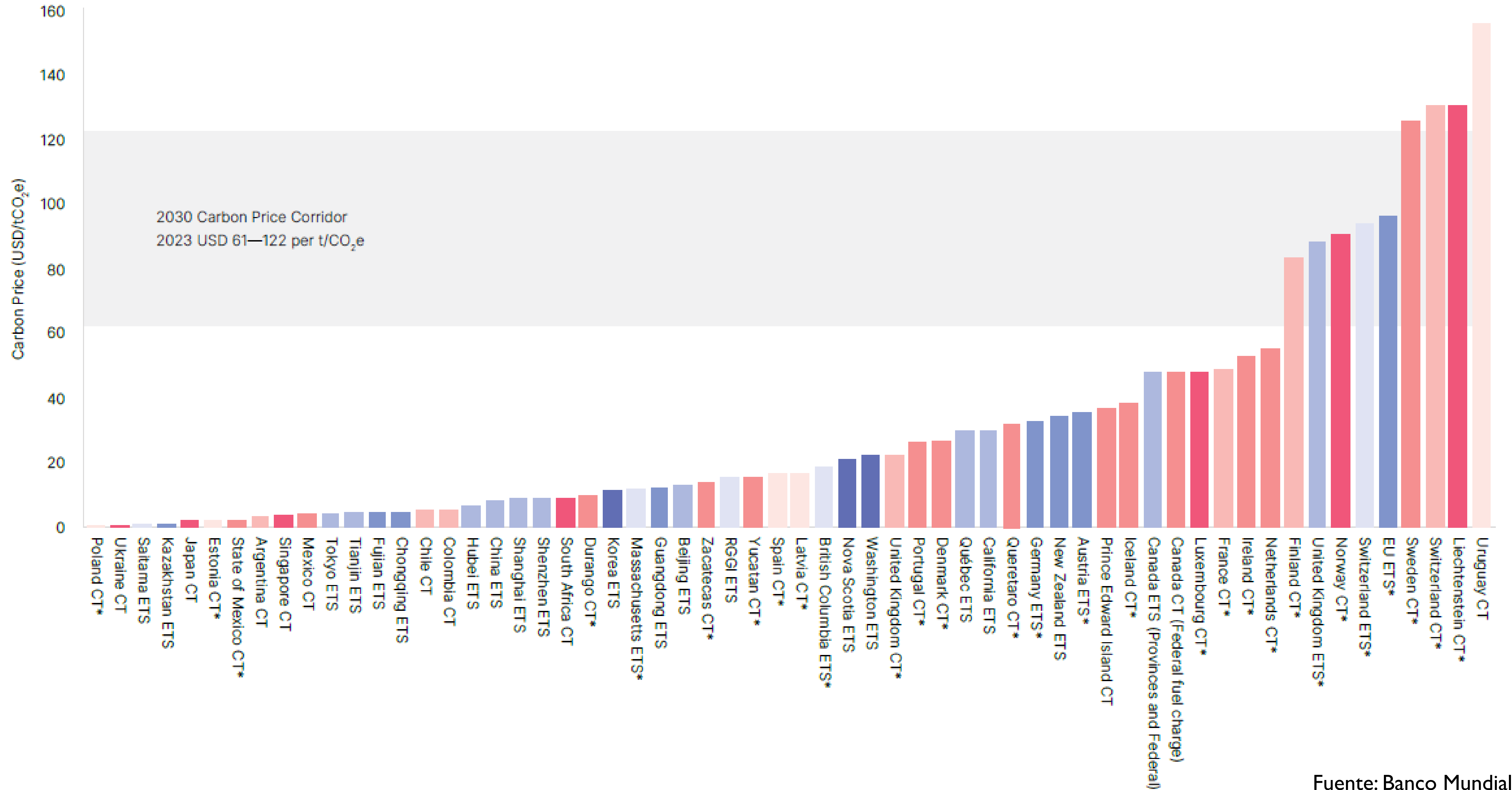
FIGURE 5
MAP OF CARBON TAXES AND ETSs^(xiii)



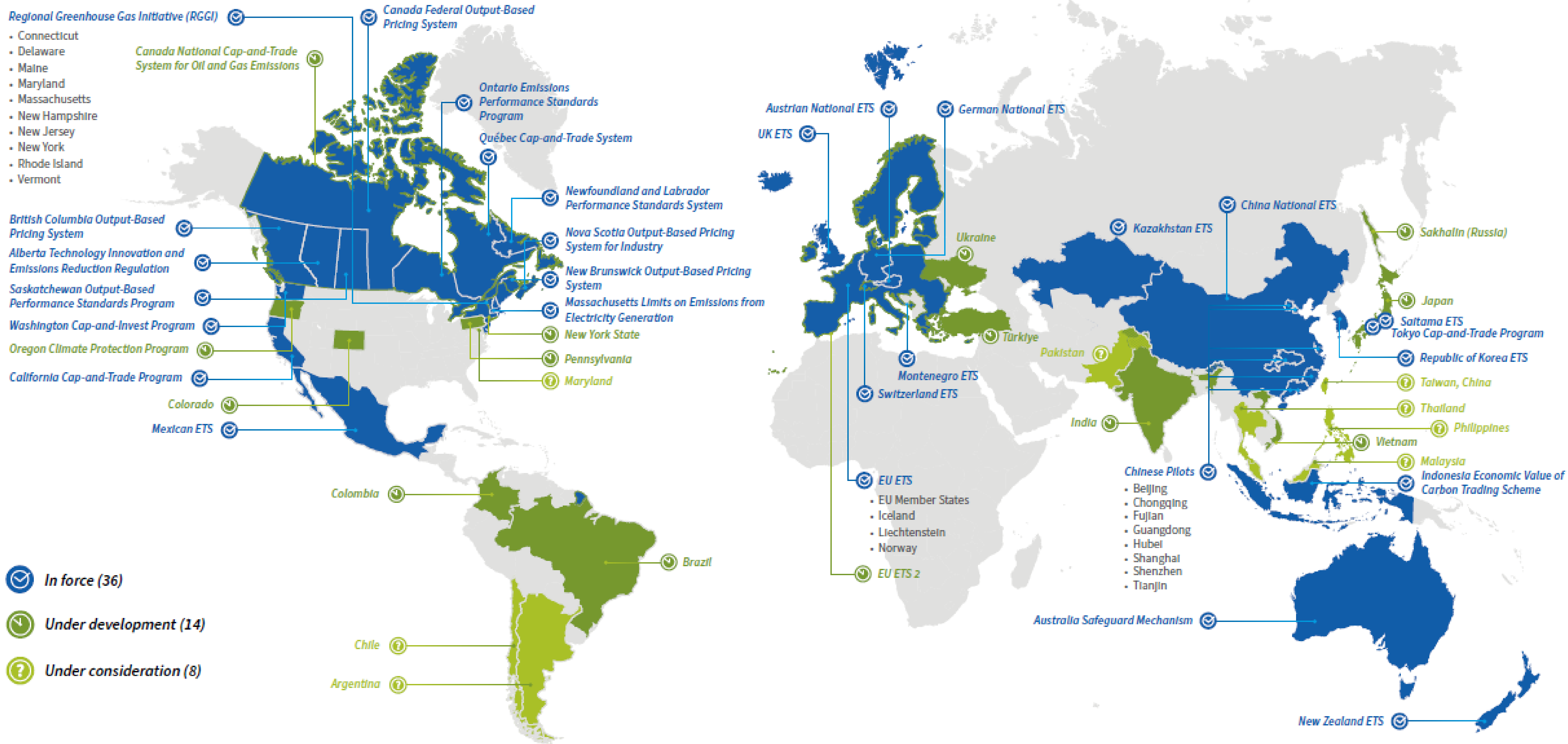
Source: World Bank, 2023

(xiii) Instruments are considered "scheduled for implementation" once they have been formally adopted through legislation and have an official, planned start date. Instruments are considered "under consideration" if the government has announced its intention to work toward the implementation of a carbon pricing initiative and this has been formally confirmed by official government sources. Some countries that have mechanisms implemented also have additional instruments under consideration. For subnational jurisdictions only the subnational instrument is reflected.

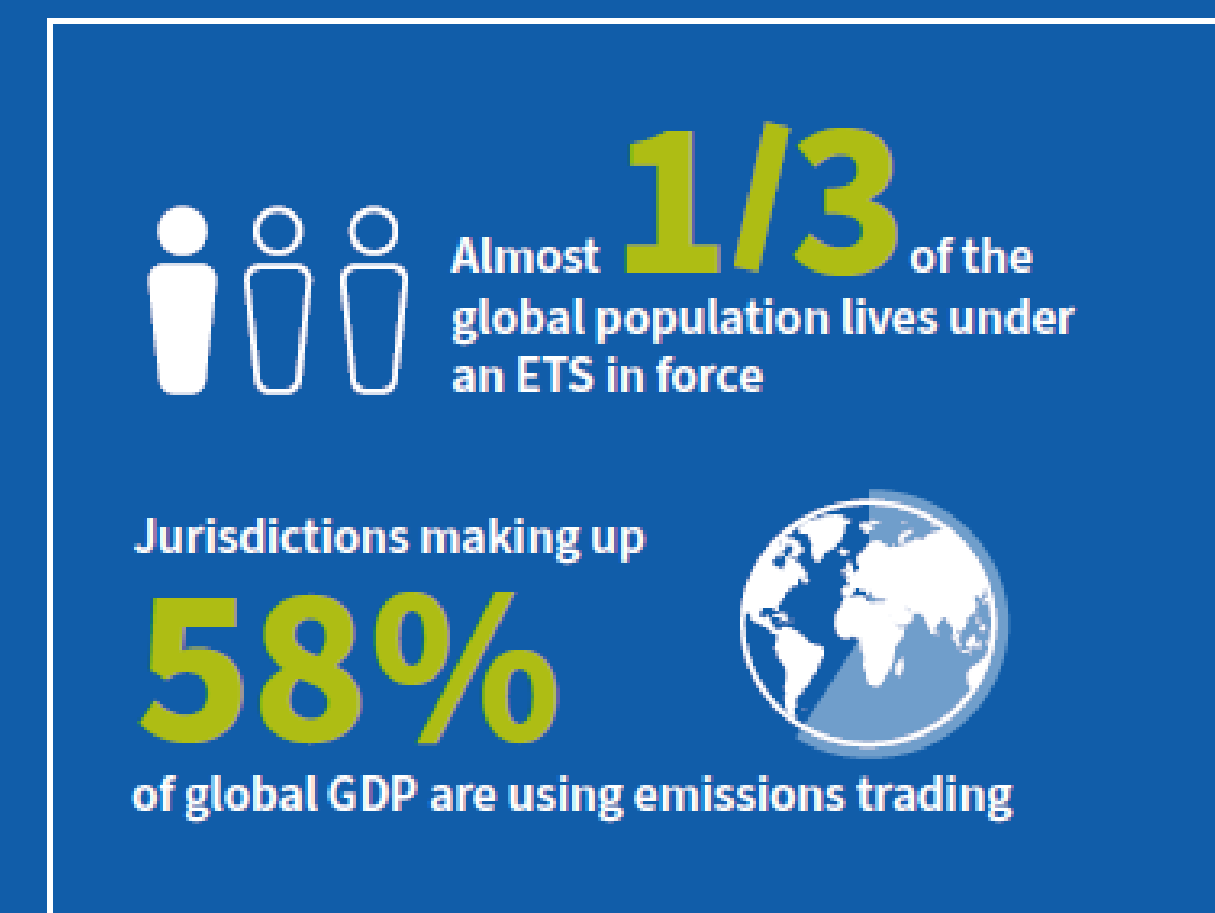
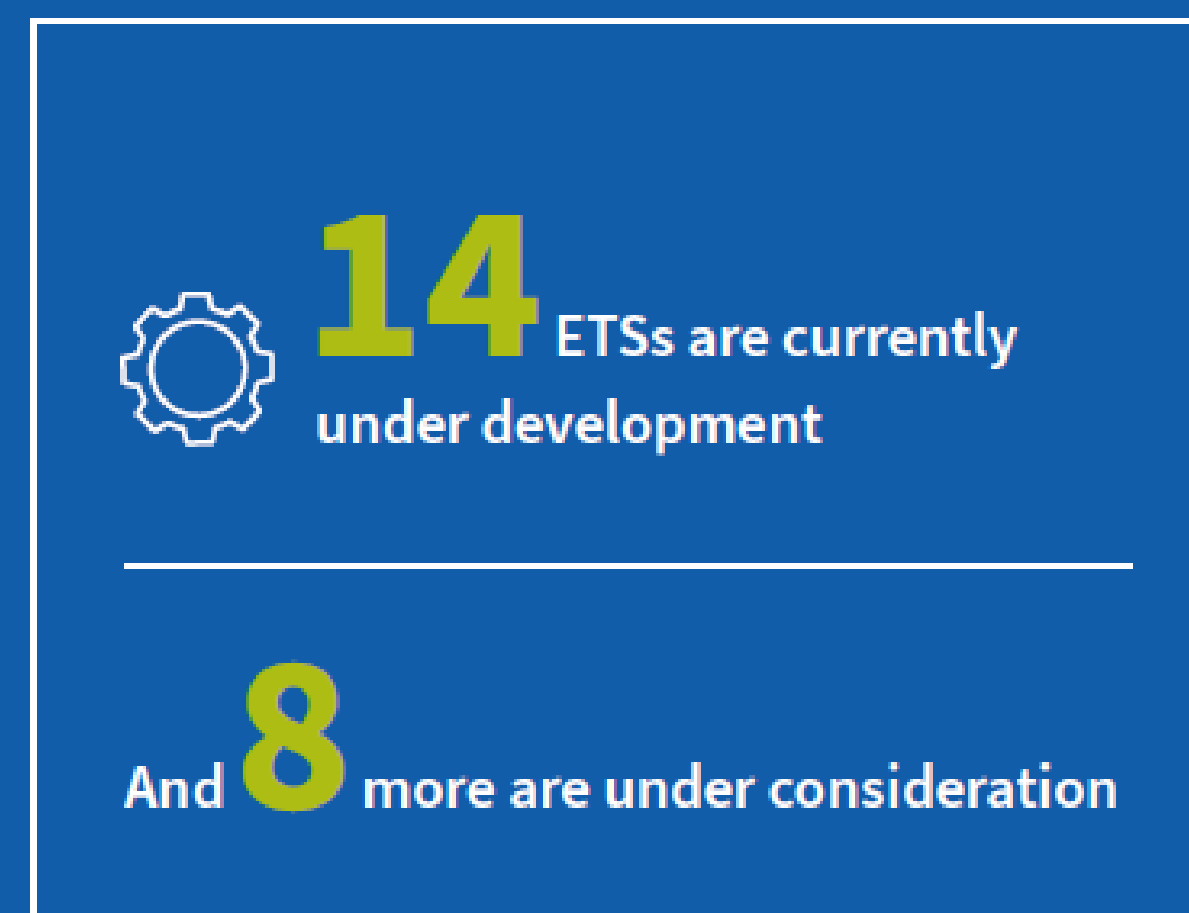
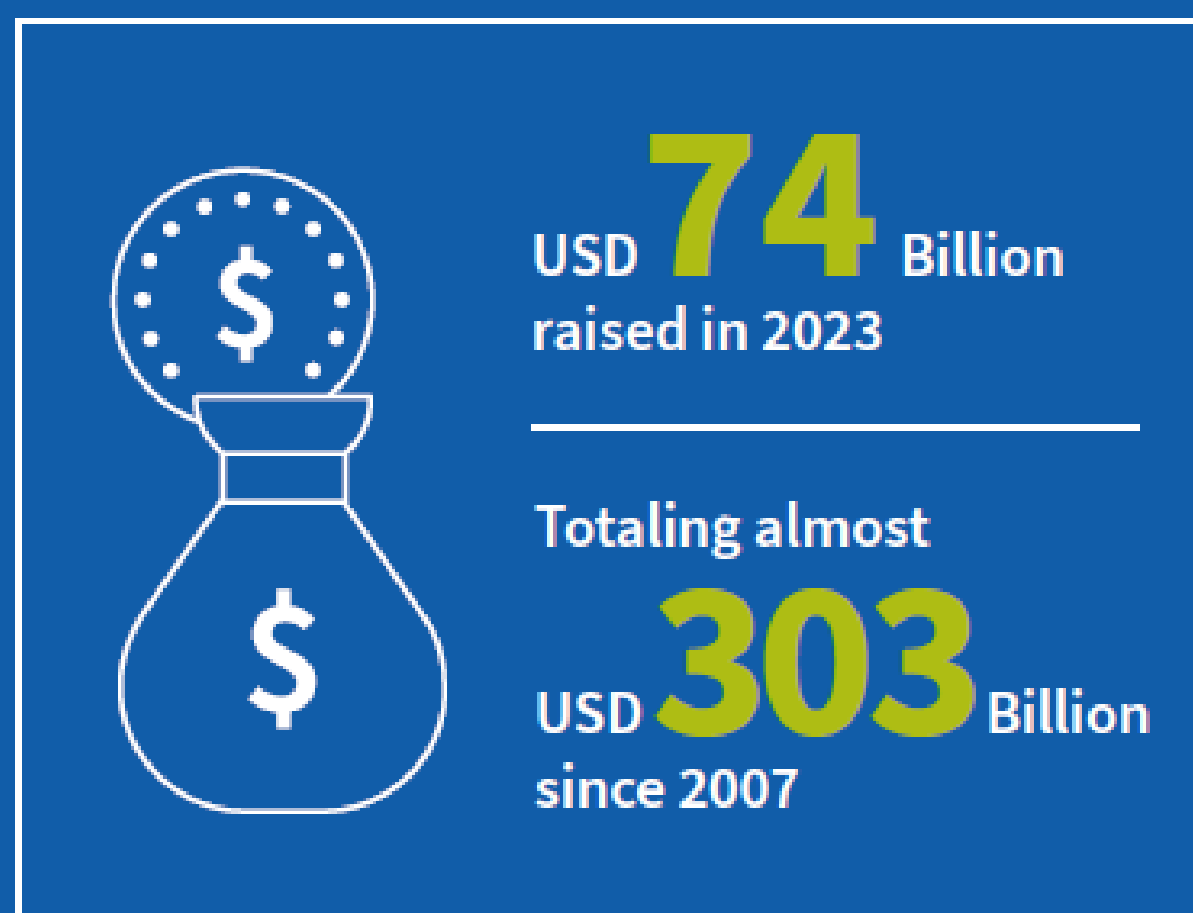
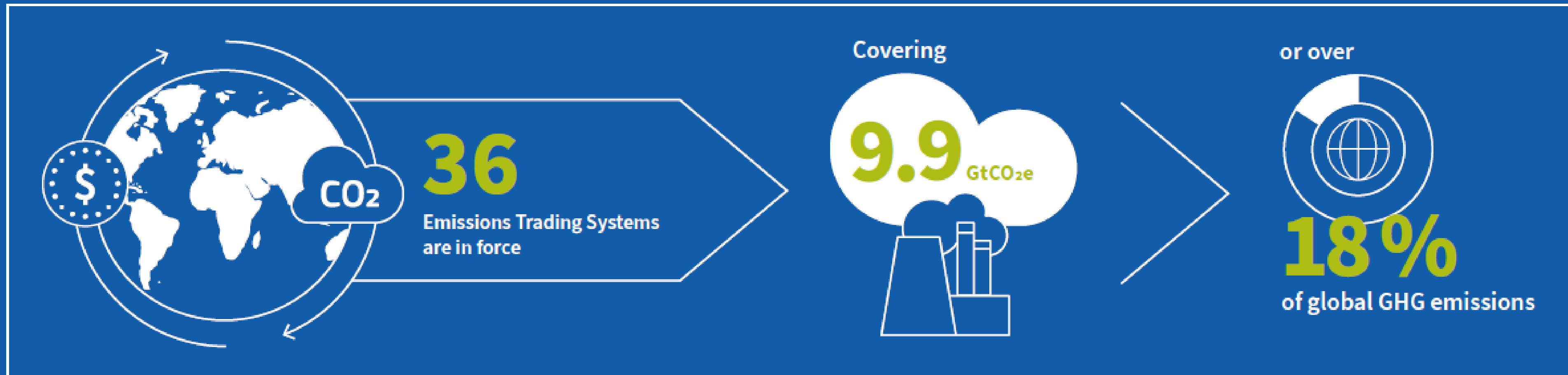
FIGURE 3
PRICES AND COVERAGE ACROSS ETSs AND CARBON TAXES



Fuente: Banco Mundial, 2023



SCE en números



Carbon Markets – Expected Growth (2030)

Making Net Zero Possible



Carbon pricing covers over 23% of GHG emissions → **Push to reach 60% coverage by 2030**

25,000 companies now covered under compliance systems – growth expected:

- ✓ **More jurisdictions**
- ✓ **More emitters covered**
- ✓ **Higher price per tonne**

Over 20,000 publicly traded companies expected to have net zero commitments



Estado precios al carbono LAC



02

LAC LANDSCAPE

Allow offsets

Offsets not allowed

Carbon Tax



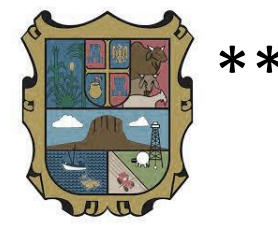
Querétaro - MX



Guanajuato - MX



Jalisco - MX



Tamaulipas - MX



Estado de México - MX



Durango - MX

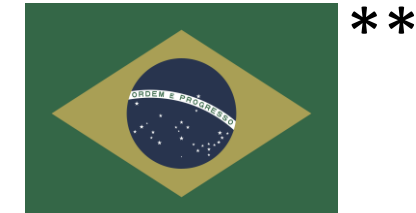


Zacatecas - MX



Yucatán - MX

Emissions Trading System



GHG Voluntary Programs



General regulation*



Art.6



* Regulation on carbon markets without specifying carbon pricing instruments

** Under discussion/regulation

*** Carbon tax law includes the use of offsets, but it has never been regulated as appropriate

Some highlights of carbon markets in LAC

At the end of December 2023, Bill 412/2022, which regulates the cap-and-trade legislation, was approved at the Congress. The full implementation of the ETS is expected by 2028 or 2029.

- Agriculture approach
- Offsets inclusion
- Units' treatment



Argentina launched the National Strategy for the Use of Carbon Markets (ENUMeC). This strategy aims to promote the development of carbon markets as a tool for meeting and increasing climate ambition in the national territory. The final objective is to provide enabling conditions for developing projects that contribute to the mitigation and adaptation to climate change.



Some highlights of carbon markets in LAC



In July 2022, the Bahamas government enacted the Climate Change and Carbon Market Initiative Act, which seeks to give effect to the Paris Agreement, create and implement initiatives to offset carbon emissions, and set the rules to trade carbon credits.

Units property

The Ministry of the Environment, Water and Ecological Transition (MAATE) released the “National Greenhouse Gas Emissions Offsetting Scheme” in June 2023. It sets out the rules for project development and issuance of carbon credits. This instrument complements the previously launched Ecuador Zero Carbon Program (PECC), a voluntary carbon footprint initiative.



Some highlights of carbon markets in LAC

Colombia has a carbon tax which incorporates use of offsets. A tax reform was approved in December 2022, introducing modifications to the mechanism. The government established a cap for compensation of 50% of covered emissions, new rates, and included coal to the tax.

Regulation is expected in 2024 related to project developments and procedures, the Article 6 institutional framework and the emissions trading system



Chile has a USD 5 carbon tax in operation since 2017. In September 2023, the Ministry of Environment approved Regulation establishing the obligations and procedures for evaluating, verifying, and certifying emission reduction projects to offset the carbon tax in the country.

Climate Change Law, enacted in 2022, provides the basis for the development of fiscal, financial, and market-based mechanisms, such as a regime of emissions cap or a potential ETS. Considering the implementation of an ETS for the power sector.



Some highlights of carbon markets in LAC



Mexico's ETS began its pilot phase in January 2020. Sectors covered include facilities with annual direct emissions greater than 100,000 tCO₂ from the energy⁷ and industrial sectors. The fully operational phase was intended to start in January 2023. However, the main market rules for this phase have yet to be published. The Mexican regulator announced that the operational rules for this phase will be defined in 2024 or 2025.

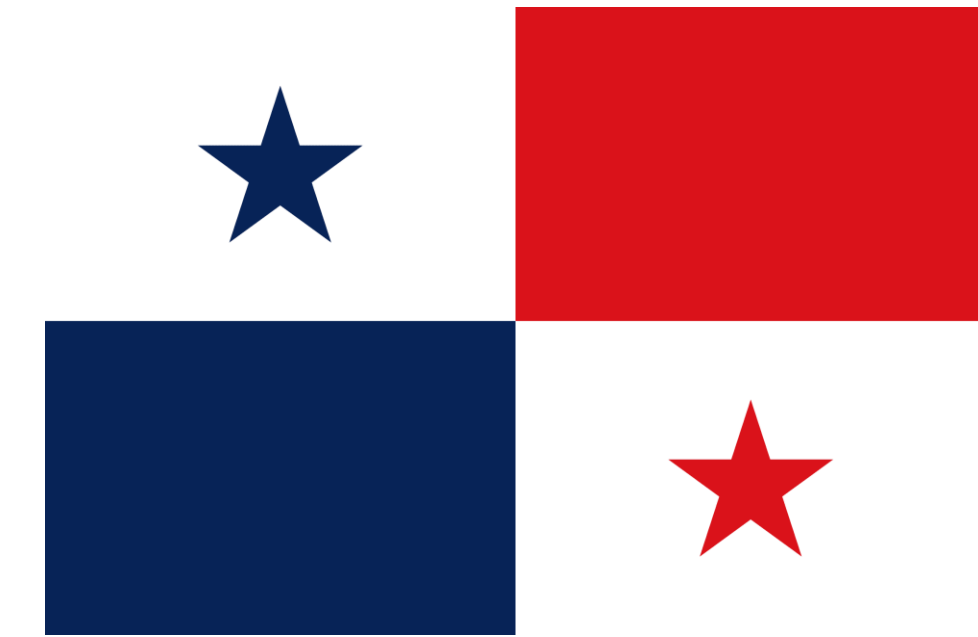
In 2022, Peru put out to public consultation the Supreme Decree that seeks to operationalize the National Registry of Mitigation Measures (RENAMI), which continues in the process of socialization and consultation with indigenous communities. The registration process for mitigation initiatives includes review and approval by the Ministry of the Environment, seeking to ensure compliance with crucial elements such as safeguards and environmental integrity criteria.



Some highlights of carbon markets in LAC

The Ministry of the Environment laid the foundations for the development of a voluntary mechanism called the National Carbon Market of Panama (MNCP). It is composed of:

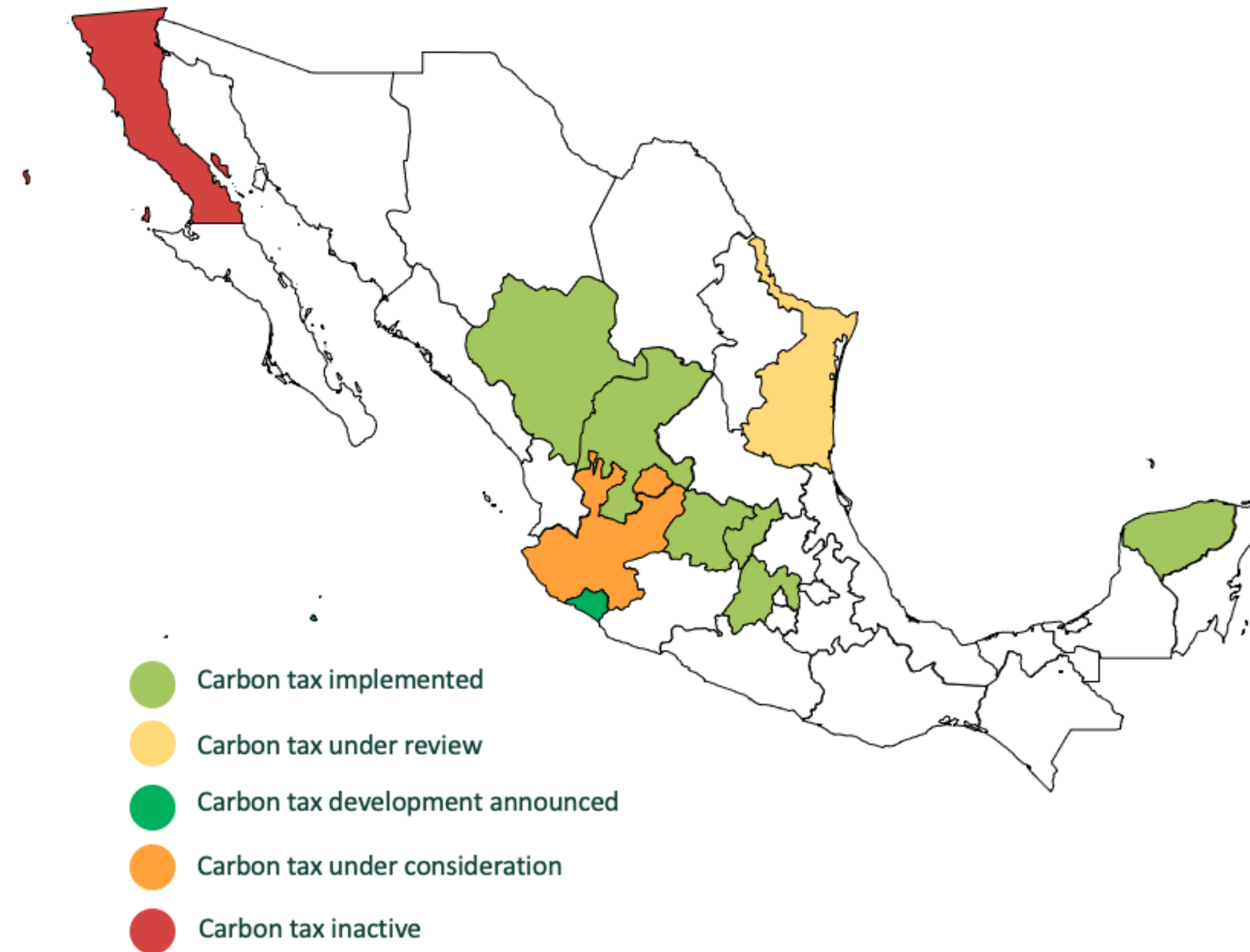
- Reduce Your Footprint National Programme
- National GHG Compensation System
- The Panamanian Carbon Exchange



The Paraguayan Congress approved in October 2023 the Law No° 7190 on Carbon Credits. The law provides general definitions and aims to encourage and facilitate the participation of public and private sectors in carbon markets.



Subnational carbon taxes



Source: Mexico2, 2023

*Colima and Aguascalientes are the most recent cases of states deciding to implement a carbon tax. Although the design process is underway in the case of Colima and is being discussed in Aguascalientes the earliest they will be implemented will be 2024



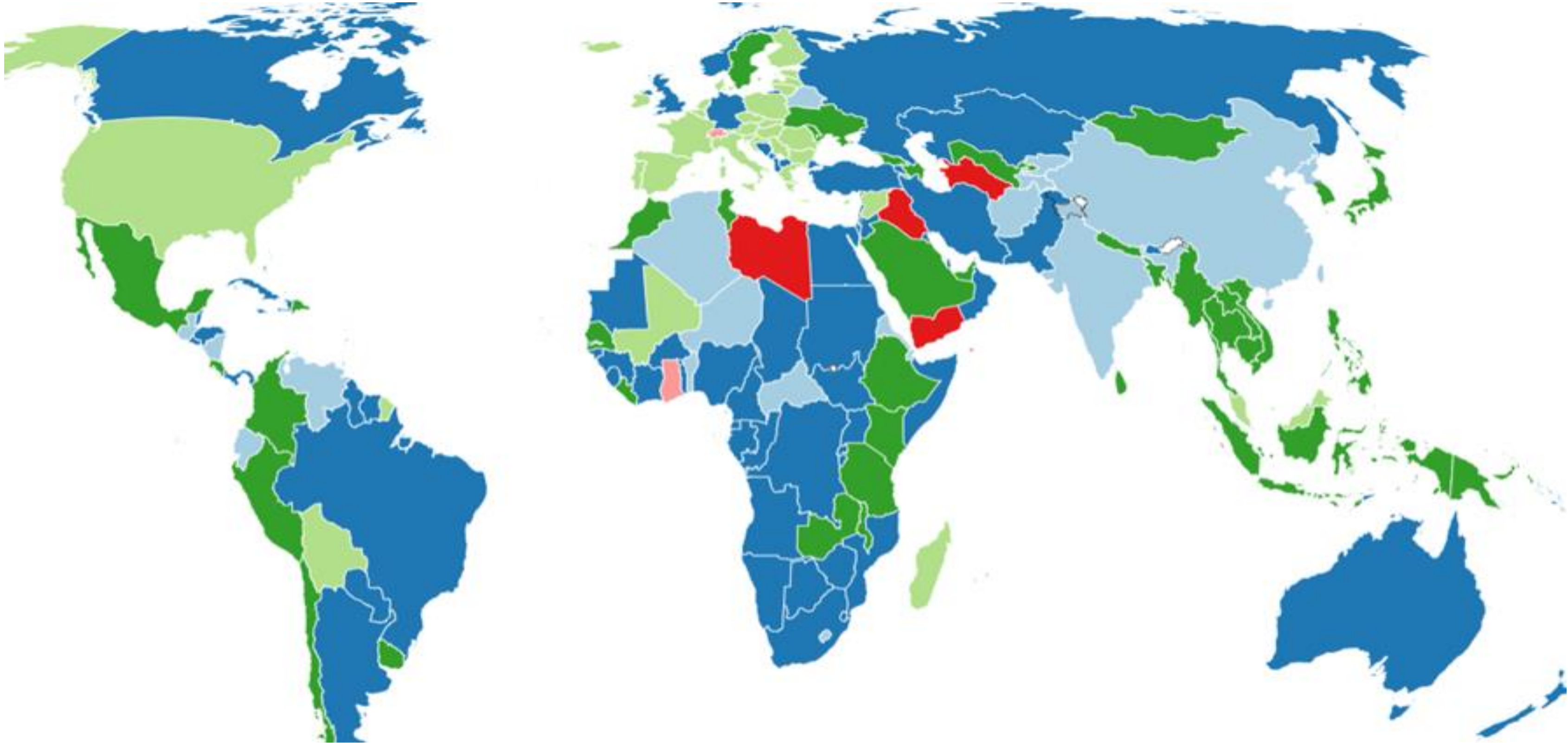
Subnational carbon taxes

	State	Coverage	Value	Incentives
Zacatecas	Active	Fixed sources CO ₂ , CH ₄ , N ₂ O, HFC, PFC, SF ₆	14.65 USD/tCO ₂ e	No
Baja California	Inactive	Fixed sources CO ₂ , CH ₄ , N ₂ O, HFC, PFC, SF ₆	0.010 USD per kgCO ₂ in the fuel	No
Queretaro	Active	Fixed sources CO ₂ , CH ₄ , N ₂ O, HFC, PFC, SF ₆	40 USD/tCO ₂ e	Up to 20% in offsets/credits, tax incentive
Yucatan	Active	Fixed sources over 500 tCO ₂ e CO ₂ , CH ₄ , N ₂ O, HFC, PFC, SF ₆	16.41 USD/tCO ₂ e	Incentives for the use of renewable energy , forest conservation and the use of natural gas
State of Mexico	Active	Fixed sources CO ₂ , CH ₄ , N ₂ O	2.52 USD/tCO ₂ e	No
Guanajuato	Active	Fixed sources CO ₂ , CH ₄ , N ₂ O, HFC, PFC, CN	2.64 USD/tCO ₂ e	Up to 20% in offsets/credits, tax incentive, price thresholds and use of natural gas
Durango	Active	Fixed sources CO ₂ , CH ₄ , N ₂ O	10.49 USD/tCO ₂ e	No
Tamaulipas	Under review	Fixed sources over 25 tCO ₂ e CO ₂ , CH ₄ , N ₂ O, HFC, PFC, SF ₆	18.23 USD/tCO ₂ e	Up to 20% in offsets/credits, tax incentive, use of of natural gas
Jalisco	Under discussion	Fixed sources over 25,000 tCO ₂ e CO ₂ , CH ₄ , N ₂ O, CN	TBD	Up to 20% in offsets/credits

Source: Mexico2, 2023



Article 6: International Market Cooperation



80% of countries intend to use international markets

~25% of countries actively engaged in A6 arrangements (MOUs, bilats, pilots)

Different types of countries are already interacting under the cooperative approaches of Article 6, regardless of their characteristics or economic conditions.:

- Chile
- Colombia
- Costa Rica
- Dominica
- Dominican Republic
- Mexico
- Peru
- Uruguay



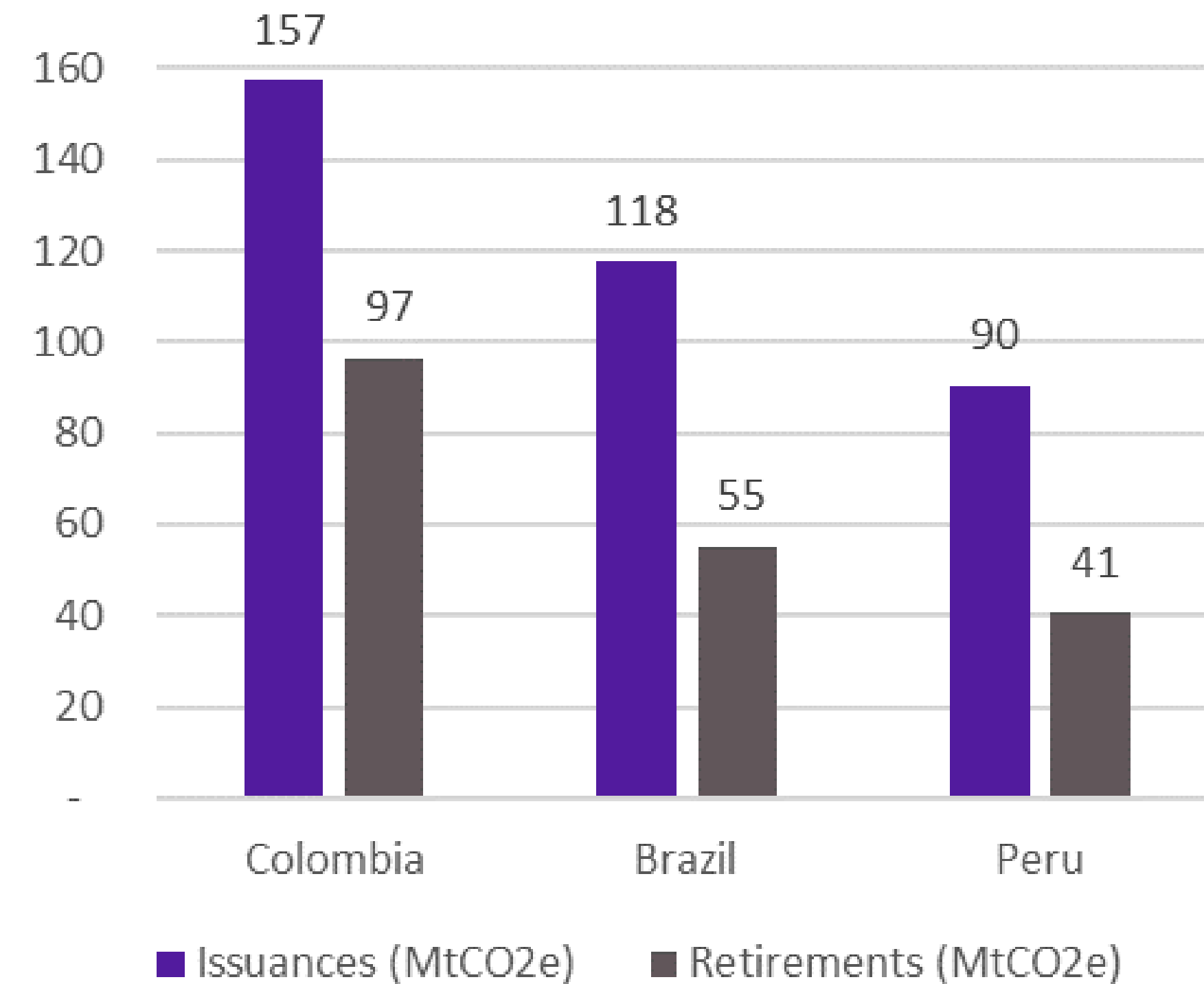
LAC DEVELOPMENT: MAIN POINTS

- An increasing number of countries are enabling demand and regulation for developing carbon markets.
- LAC has a wide range of instruments and types of projects according to the countries' and jurisdictions' characteristics and needs.
- Sub-national states are increasingly playing a more active role in market development.
- Several countries are focusing on generating rules to define quality and ensure control in the project's development.
- Four of the five largest economies in the region already have or are in the process of designing an ETS: Brazil, Mexico, Colombia, and Chile.
- Countries belonging to the Pacific Alliance – Chile, Colombia, Mexico, and Peru – are at the forefront, participating or aiming to participate in two, three, or four different mechanisms simultaneously.



VCM: HISTORICAL ISSUANCES AND RETIREMENTS

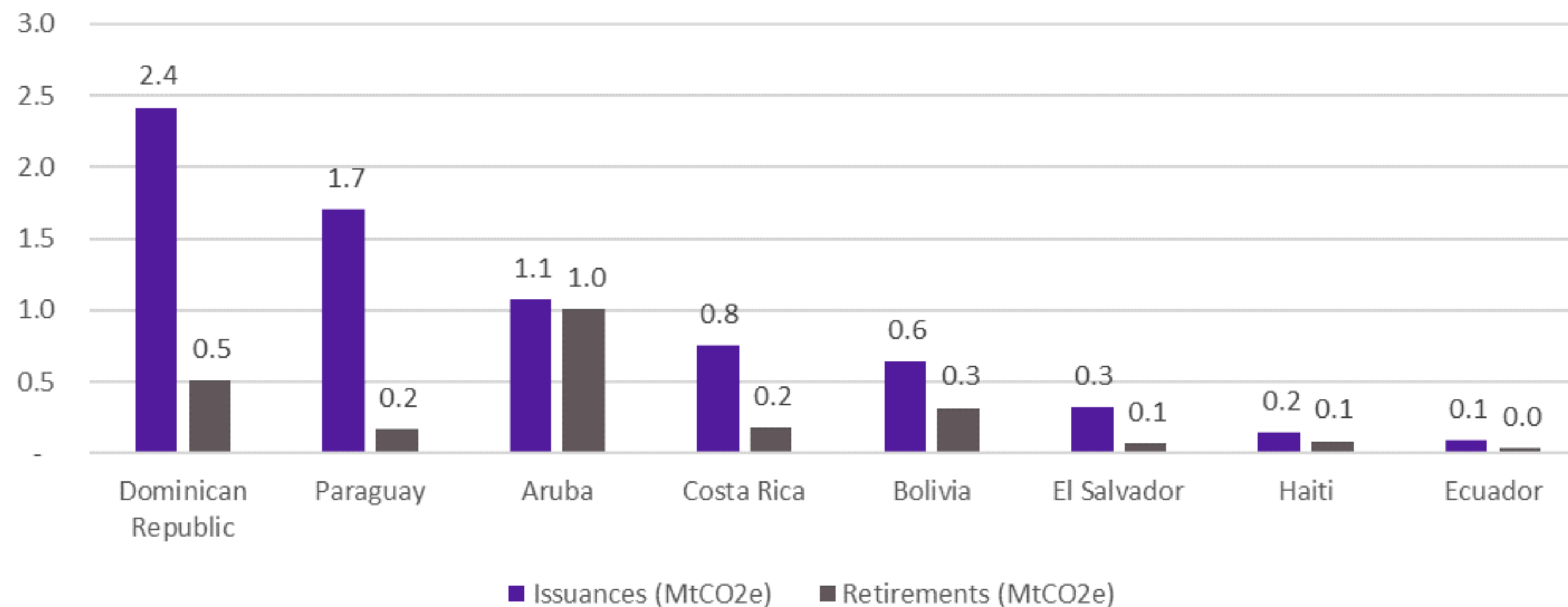
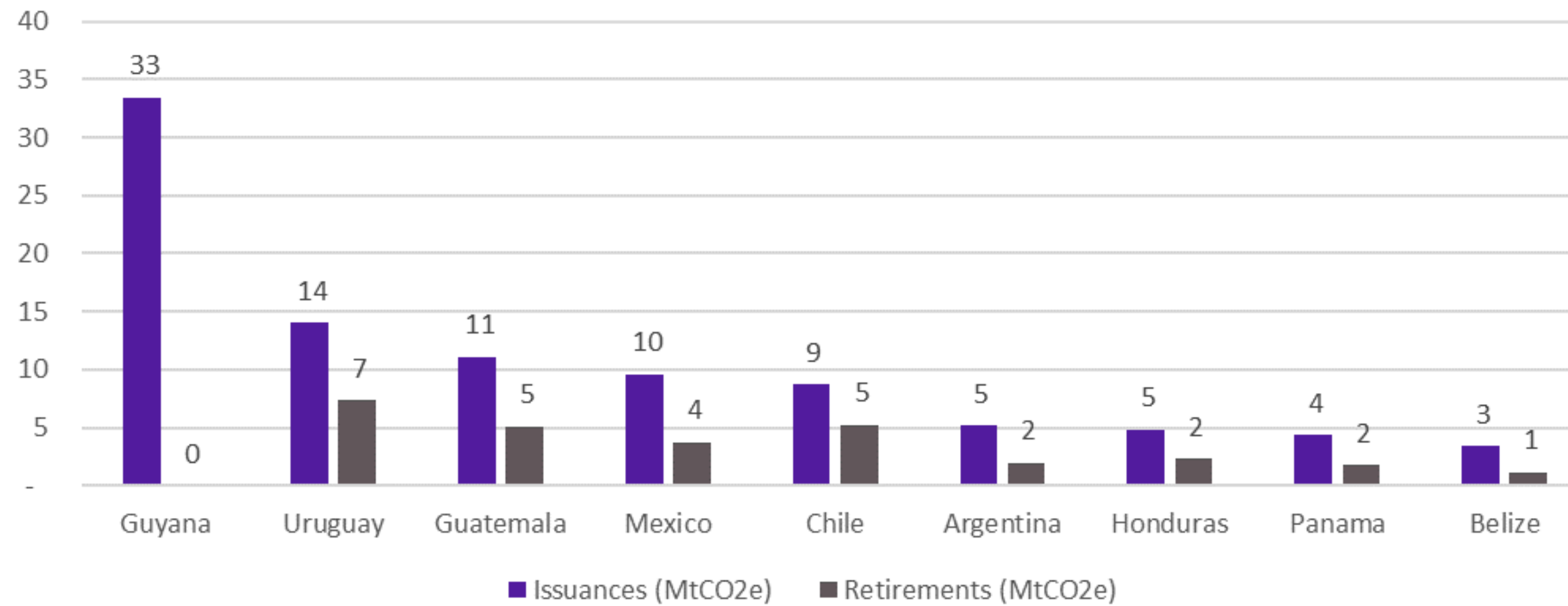
- Colombia, with an area 8 times smaller than Brazil, ranks first in terms of credits issued and retired. This can be explained, in large part, by the carbon tax offsetting mechanism implemented in the country since 2017.
- However, Brazil is the country with the highest number of registered projects (184), followed by Colombia (154) and Mexico (152).



Source: Trove Research, 2023



VCM: HISTORICAL ISSUANCES AND RETIREMENTS



- Mexico has almost the same number of registered projects as Colombia but only 6% of issuances and 4% of credit retirements. This is because recent regulations in the Central American country have encouraged the development of initiatives, but certification of emissions reductions and removals has not yet materialized.
- Guyana, with only one registered project (jurisdictional), has generated 33 million carbon credits, more than 16 countries in the region

Source: Trove Research, 2023

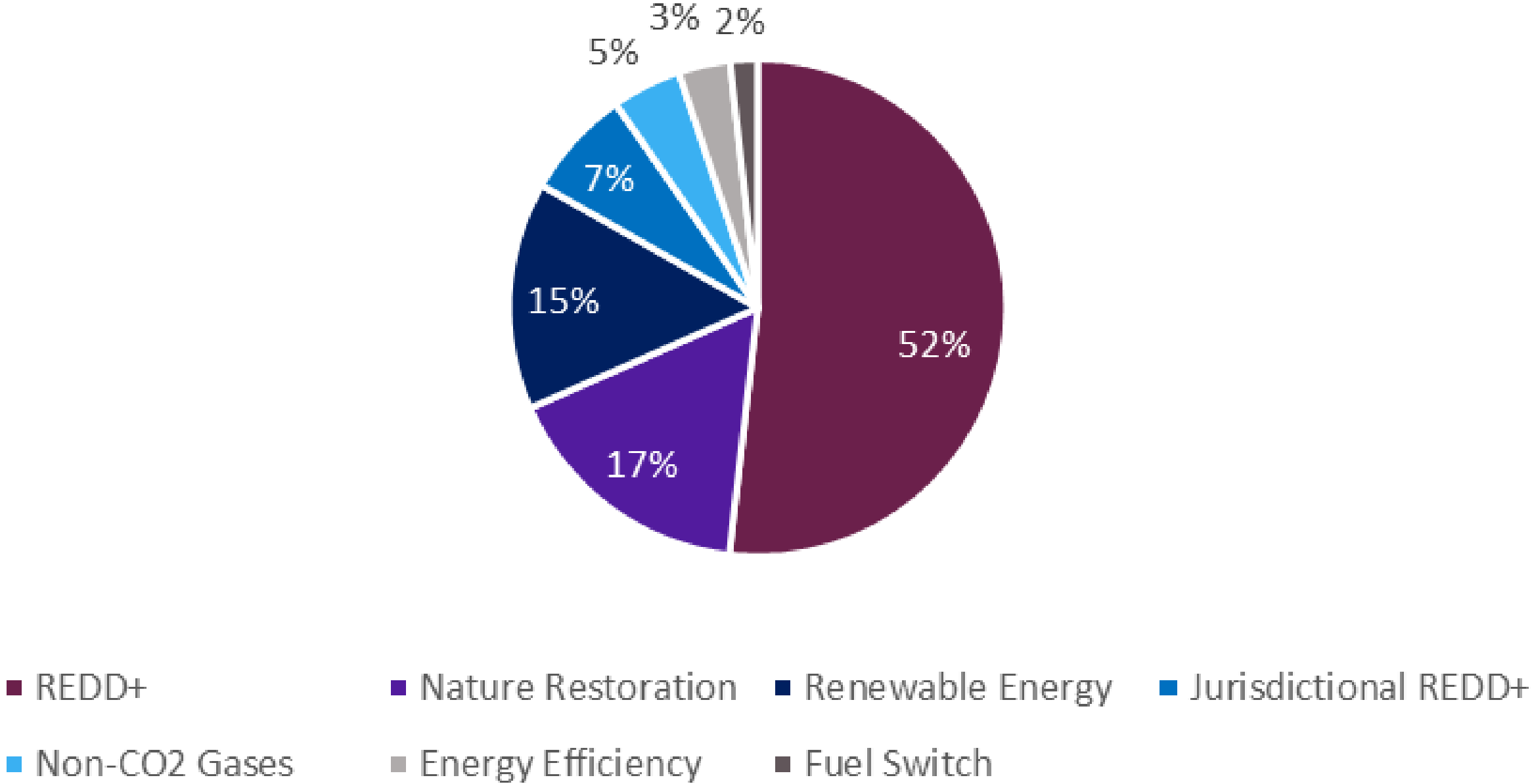


VCM: ISSUANCES BY PROJECT TYPE

- 723 registered projects in 20 countries. 10 in South America and 10 in Central America and the Caribbean.
- These projects have emitted 536 million carbon credits, of which 227 million have been retired.
- As expected, nature-based solutions dominate the spectrum regarding credits issued, led by REDD+ initiatives and natural restoration solutions. Next on the podium are renewable energy projects.

Source: Trove Research, 2023

Issuances by Project Type



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