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Submission:
Climate Change Authority 2026 ACCU Scheme Review

Climate Energy Finance (CEF) submission to the public consultation of CCA Issue Paper: Enhancing the ACCU Scheme to support Australia's 2035 emissions reduction target.

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Summary of Responses to Key Questions

How can the right price signals be established to incentivise high-quality abatement?
Are there any other ways that the ACCU Scheme could be improved?

CEF supports the objectives of the CCA Review to provide recommendations on policy settings that improve the market dynamics of the ACCU Scheme to incentivise high-quality abatement and investment into nature-based solutions while simultaneously not limiting or hindering onsite emissions reductions at industrial facilities. This balance will be critical for Australia to achieve its interim emissions reduction targets at the necessary speed and scale to pivot our economy while concurrently reforming the regulatory landscape to value embodied decarbonisation that supports the emergence and scale-up of low-emissions value-added exports and manufacturing.

We also need stronger demand and supply balance to drive a clear market price signal of a progressively rising ACCU price towards alignment with the European Union (EU) ETS pricing (currently €82/tCO_2-e).[1]

The ACCU Scheme, Australia's environmental protection and biodiversity conservation laws, and its industrial decarbonisation strategy, the Safeguard Mechanism, must harmonise to simultaneously improve the state of nature, as well as reduce the risks and impacts on nature of industrialisation and climate change. Stronger environmental and planning laws are critical to mitigating the impact of further urbanisation and industrialisation while a Safeguard Mechanism that drives emissions reduction and onsite abatement activity is critical to alleviating human-induced climate change and the progressive decline of natural capital. To achieve this, industrial emitters must be exposed to a sufficiently high price on carbon to drive investment into the deployment of marginal abatement technologies. We need to target a progressive ratcheting down in the threshold from 100,000 tonnes per annum (tpa) towards 25,000tpa by 2030.

As discussed below in Appendix A, Australia currently faces a **two-fold climate crisis,** the collective cost of which to Australians is estimated at A$38bn pa today, forecast to double to A$73bn pa by 2060.[2]

This requires significant government intervention to reform the regulatory landscape of climate, energy and industry policy so as to (i) rapidly accelerate the electrification and decarbonisation of industry, and (ii) direct capital at speed and scale into nature repair, maintenance and conservation. With the right settings, the ACCU Scheme will be an essential mechanism to achieve both of these critical objectives.

The degradation and decline of Australia's natural capital, as well as the rapid rise in human-induced GHG emissions, has been the product of systemic economic, policy and regulatory failures resulting from a lack of policy ambition, integrity and stability. To reverse these trends, **Australia must employ both regulatory and economic solutions to jointly address nature and climate change**.

Governments have a responsibility to address market failures through targeted interventions, primarily enacting regulatory frameworks that capture externalities of economic activity, including negative externalities, as well as providing a pricing mechanism to reward economic actors that generate spillover benefits.

In the context of this review, CEF recommends the CCA evaluate a number of pathways to improve the interoperability and market dynamics of the ACCU Scheme to accelerate action and drive capital flows into both onsite abatement (addressing negative externalities) and nature repair (incentivising

[1] EU ETS price as of 4 December 2025 is €82/t
[2] Actuaries Institute, Mobilising Investment For Climate Adaptation, November 2025

investment into projects with spillover benefits). CEF sees massive opportunities to reward and incentivise our land and agriculture sectors to deliver globally significant benefits.

ACCU Scheme Dynamics in Driving Emissions Abatement Onsite

To incentivise high-quality abatement, the ACCU Scheme must **have a unit price rising at a significantly greater pace than historical growth to drive on-site emissions abatement**. A rising price on carbon is the single most effective market signal to industry to incentivise high-quality abatement through the deployment of technologies that displace fossil fuel consumption and emissions at their source, such as methane venting and flaring.

From 2005 to 2024, Australia's national GHG inventory has declined 184MtCO_2-e (29%) from 631MtCO_2-e to 447MtCO_2-e. However, from the all-time high base year of 2005, the land use, land use change and forestry (LULUCF) sector has been responsible for 91% of Australia's emissions reductions. Excluding LULUCF, Australia's national emissions have only fallen 17MtCO_2-e from 2005 to 2024, at an average annual reduction of just 0.9MtCO_2-e. Emissions from the transport, industrial process and stationary energy sectors have risen materially since 2005.

The Federal Treasury recognises there is considerable uncertainty around the scale and composition of land-based carbon sequestration required to achieve net zero. This is primarily driven by uncertainties in analytical and data constraints on sequestration potential of different land types, and uncertainty about revenues that would incentivise landowners to repurpose their land to build resilience, biodiversity and embodied carbon.

For Australia to achieve its interim emissions reduction targets, reforms must be made to the dynamics of Australia's market-based industry decarbonisation policies to drive decarbonisation across electricity, transport, industry and resource sectors. **Current policies and price signals are insufficient to deliver the emissions reductions necessary to meet Australia's targets.**

As outlined in Appendix C, much of the world's established emissions trading schemes (ETS) are constructed as cap-and-trade mechanisms with a combination of auctioning and output-based free allocation of emissions allowances. These allowances 'allow' the purchaser to surrender units as it emits. Such allowances, as seen in the United Kingdom's, Europe's, China's, Germany's, New Zealand's or California's ETSs, have no emissions additionality requirements.

Conversely, the integration of Australia's ACCU Scheme and the Safeguard Mechanism means the compliance surrender of carbon credits for facilities that exceed baselines were issued once an ACCU project has demonstrated its intervention has led to a reduction or sequestration of emissions.

However, the aforementioned ETSs have the advantage over Australia in the ability for their regulators to influence market dynamics through the restriction or increase in allowance auctioning, enabling governments to determine carbon prices in line with their respective emissions reduction targets.

To incentivise high-quality abatement, the CCA and Clean Energy Regulator (CER) must ensure market dynamics are reformed such that supply and demand dynamics reflect conditions that translate to a progressively rising price. A ratcheting up of ambition and scope in the Safeguard Mechanism is critical to catalysing demand for ACCUs as the vehicle to expose emitters to a carbon price. As outlined below, a market-based approach for nature-based solutions with participation from industrial emitters through high integrity compliance mechanisms has been key to rising prices in the ACCU Scheme that have shifted investment cases in land-based carbon projects.

Concurrently, the CCA could evaluate the issuance of ACCUs across all methodologies to potentially reduce the volume of credits issued for an equivalent scale of investment. Criticisms of the ACCU Scheme are principally targeted to uncertainties surrounding the verifiability, permanence, and additionality of ACCU methodologies. Uncertainties could be managed through the discounting or deferral of credit issuance, with revised credit issuance likely offset with a rising unit price driven by

restricted supply and rising demand to ensure project proponents maintain positive returns on investment.

The advantage of Australia's carbon market structure is that the Integration of the ACCU Scheme with the Safeguard Mechanism ensures revenues generated from carbon liabilities of captured facilities are directed back through the farm gate into nature-based solutions.

This is an incredible opportunity to leverage the window of opportunity to use compliance carbon markets to also catalyse investment into nature repair. However, it is critical the Federal Government enhance this design to ensure a progressively rising carbon price is placed on industrial emitters to incentivise on-site abatement.

It is imperative industry, regulators, investors, landholders and the academic community focus on enhancing the standard and effectiveness of this structure, not on abandoning this model.

ACCU Scheme to Facilitate Nature Repair

Despite international governmental commitments to phase out fossil fuel subsidies, environmentally harmful subsidies rose 55% to US$1.7 trillion globally from 2021 to 2022, driven primarily by fiscal support for fossil fuel consumption.[3] The United Nations' Environment Programme has estimated private finance flows with a direct negative impact on nature reached US$5 trillion in 2022, accounting for 5% of global GDP.

Conversely, the 2023 State of Finance for Nature report estimated only US$200bn in finance flows were directed into nature-based solutions in 2022 globally, with governments providing 82% (US$165bn) of nature-based solutions transactions. We need a stronger polluter-pays balance.

Nature repair cannot be achieved through government investment alone. Private sector finance in nature investment must be leveraged alongside the facilitation of industry participation in the demand-side of nature markets to achieve the scale and speed required.

Since its launch in 2005, the EU ETS has helped drive down emissions from electricity and heat generation and industrial production by 50%, and is on track to achieve its 2030 target of a 62% reduction (compared to 2005). To date, the system has generated €248bn in auction revenue, distributed primarily to national budgets to be used for climate action and energy transformation. The total revenue generated by the EU ETS in 2024 amounted to €38.8bn. This funds the Innovation and Modernisation Funds as well as contributing to the Resilience and Recovery Facility's budget for the REPowerEU plan to ensure polluters pay and to protect taxpayers. [4]

Australia's move towards a market-based approach has already seen positive shifts in transferring capital from emitters to land-based carbon sequestration. The Coalition's Emissions Reduction Fund (ERF), which replaced Labor's Carbon Pricing Mechanism (CPM) and expanded the Carbon Farming Initiative, restructured the roles of public and private capital in carbon sequestration projects. Under the CPM, liable entities in high-emitting businesses were obligated to purchase ACCUs under a national 'cap-and-trade' mechanism. The introduction of the ERF inverted the demand-side of Australia's carbon market from private industry to government, with the Federal Government becoming the primary purchaser of credits.

The ERF's purchase of carbon credits was positioned as the central policy lever for Australia to achieve its emissions reduction targets at the lowest cost of abatement. Under the ERF mechanism, ACCU prices traded well below current levels, trading at <$20 a unit.

In December 2021, the then Labor Opposition first signalled its policy position to adopt reforms to the Safeguard Mechanism outlined by the Business Council of Australia in October 2021, including the progressive decline of facility baselines for captured entities that would incentivise emissions

[3] UN Environment Programme, State of Finance for Nature 2023, 09 December 2023
[4] European Commission, The functioning of the European carbon market in 2024, 03 December 2025

reductions through a rising exposure to a carbon price.[5] Speculation on future compliance obligations to surrender ACCUs under a reformed Safeguard Mechanism drove unit prices to exceed $50 a unit.

Following the 2023 Safeguard Mechanism reforms, captured facilities have become the dominant purchaser and holder of ACCUs, providing price support at $30-40 a unit to-date, more than double that of prices realised under the former government's ERF. As Safeguard baselines decline, demand for ACCUs will continue to rise, translating to a rising unit price.

To incentivise high-quality abatement in the land-sector, the CER as the governing body of the ACCU Scheme and the agency responsible for the development of eligible methodologies must incentivise investment into ACCU methods that ensure nature-focussed co-benefits. Integrating ancillary, nature-positive outcomes – such as biodiversity additionality, socioeconomic benefits in agricultural productivity or First Nations involvement, water systems, habitat, or soil health – ensure projects generating ACCUs are driving nature repair outcomes beyond carbon sequestration.

The Wentworth Group of Concerned Scientists' Blueprint to Repair Australia's Landscapes[6] outlines that with concerted action, strategic policy intervention and the facilitation of finance for nature and land rehabilitation, Australia can substantially repair past degradation of its landscapes. In order to achieve this, Australia must deploy **$7.3bn per annum** in real 2022 terms over 30 years (~0.3% GDP) into nature-based solutions.[7]

To incentivise high-quality abatement in the land sector, the ACCU Scheme can leverage the market-based approach and integration with the Safeguard Mechanism to facilitate investment **into nature-positive outcomes, ensuring ACCU projects provide benefits to nature** and broader socioeconomic benefits, leveraging the systems and infrastructure being deployed by the CER.[8]

Nature-based crediting mechanisms to provide a price signal are a key part of the solution to unlocking finance and investment into nature-based solutions, but it is imperative policy settings facilitate a breadth of pathways to funding nature repair and mitigating future risks and impacts on nature, as outlined in Appendix B.

Crediting mechanisms and the models that underpin carbon sequestration and nature repair credit issuance are not without their uncertainties in verifiability, additionality, permeance, and fungibility.

However, the largest risk in nature and carbon markets is delay.

Building social licence and confidence in the iterative nature of environmental markets is critical to deployment capital at speed and scale into nature repair.[9] The 'anti-offsets' arguments lobbed at forest conservation activity and ACCU issuance for projects covered under vegetation methodologies is an own goal from parts of the environment sector, driving nature conservation out of climate conservations and sidelining nature repair in the zeitgeist of climate action.[10]

[5] Australian Parliament House, Reforming Australia's Safeguard Mechanism, 05 November 2024
[6] Wentworth Group of Concerned Scientists, Blueprint to Repair Australia's Landscapes, Part 1: Synthesis Report, July 2024
[7] Wentworth Group of Concerned Scientists, Blueprint to Repair Australia's Landscapes, Part 1: Synthesis Report, July 2024
[8] Clean Energy Regulator, Major advance in Australian carbon market infrastructure, 11 November 2025
[9] Pollination, Nature Finance Focus: Tracking Global Trends in Nature Investment, June 2025
[10] Penny Van Oosterzee, The Forest For the Trees, The Monthly, September 2025

Appendix A. Australia's Imperative to Accelerate Emissions Reduction and the Criticality of Nature Repair

Australia currently faces a two-fold climate crisis that requires significant government intervention to reform the regulatory landscape of climate, energy and industry policy to rapidly accelerate the electrification and decarbonisation of industry, as well as direct capital at speed and scale into nature repair, maintenance and conservation. With the right settings, the ACCU Scheme will be an essential mechanism to achieve both of these critical objectives.

The impacts and effects of human-induced climate change are not a future problem for the post-2050 world to manage and adapt to, but are already having widespread effects on global ecosystems, economies and populations. The scientific evidence is unequivocal: climate change is a threat to human wellbeing and the health of the plant. Any further delay in concerted global action will miss the rapidly closing window to secure a liveable future. The magnitude and rate of climate change and its associated risks depend strongly on near-term mitigation and adaptation actions as projected adverse impacts, losses and damages escalate with every increment of global warming.[11]

The global reinsurance majors all highlight that the global economic costs of insufficient climate change action are clear, and rising.[12]

Australia's Unsustainable Decline in Nature Capital

In 2020, the World Economic Forum (WEF) determined US$44 trillion of economic value generation was moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss. Construction, agriculture and food supply chains are the world's largest industries dependent on the state of nature, either directly from the extraction of resources from land or oceans, or the provision of ecosystem services, such as healthy soils, clean water, pollination and a stable climate. In 2023, PWC, in partnership with WEF, determined the total economic value that was moderately or highly dependent on nature had risen US$14 trillion to US$58 trillion, equivalent to 55% of global GDP.[13]

Without urgent intervention, the trajectory of the destruction of natural capital beyond critical tipping points will have grave and lasting impacts on the world, including on national security, economic resilience and human wellbeing. Since 1954, the rate of biodiversity loss due to human activity has been larger than any time in human history, driven by habitat loss from infrastructure and agriculture, over-exploitation, pollution, invasive species and climate change.[14] Currently, only 16% of lands and 8% of oceans are protected, with an uneven global distribution and uncertainties surrounding their effective management.[15]

Since 1970, the average size of wildlife populations have collapsed 73%, with freshwater populations suffering the largest declines of 85%, followed by terrestrial (69%) and marine populations (56%) across ~ 5,500 species of amphibians, birds, fish, mammals and reptiles.[16]

Australia's biodiversity crisis has been primarily driven by systemic inadequacies in legislation, policy and planning laws and processes that have failed to protect natural capital. Since 2000, 7.7 million

[11] IPCC, AR6: Climate Change 2023 Synthesis Report, 2023
[12] MunichRe, Climate change is showing its claws: The world is getting hotter, resulting in severe hurricanes, thunderstorms and floods, 9 January 2025
[13] PWC, Managing Nature Risks: From Understanding to Action, 19 April 2023
[14] UN Environment Programme, State of Finance for Nature 2023, 09 December 2023
[15] WWF, Living Planet Report 2024, 10 October 2024
[16] WWF, Living Planet Report 2024, 10 October 2024

hectares of threatened species habitats have been destroyed, 93% of which were not regulated under national environmental law. Australia's biodiversity has experienced large and rapid declines since European colonisation, primarily through:

- Habitat destruction and fragmentation due to land clearing for agriculture and urbanisation
- The introduction of invasive plants, animals and diseases
- The disruption of First Nations Peoples practices in caring for Country, including fire management, and
- Debilitation of freshwater habitats through the modification of rivers and wetlands.[17]

Climate change is increasingly exacerbating the effects of these practices in Australia. As the National Climate Risk Assessment laid bare in September 2025, Australia faces 56 nationally-significant climate risks to First Nations systems, communities, defence and national security, economy and trade, health, infrastructure, the built environment, nature, primary industries and our food system.[18]

Without urgent intervention into policy settings to drive industrial decarbonisation and fossil fuel abatement as well as drive capital into nature repair, Australia risks:

- **Annual disaster costs** across Australia from floods, bushfires, storm surges and tropical cyclones under a 1.5°C scenario that could reach **A$43bn by 2050**.
- **Losses in property values** across Australia increasing to **A$611bn by 2050**.
- An estimated **700,000 - 2.7 million additional days of work to be lost** each year by 2061 due to higher frequency and intensity of heatwaves, particularly impacting agriculture, construction, manufacturing and mining.
- Decreases in **labour productivity** that would reduce annual economic output by between A$135-423bn.
- Increasing **insured losses from climate-related catastrophes**, having already risen from a historical 0.2% of GDP to 0.7% of GDP in 2020-24, equal to **$4.5bn per annum**.[19]

Australia Must Accelerate Emissions Reductions

From 2005 to 2024, Australia's national GHG inventory has declined 184MtCO_2-e (29%) from 631MtCO_2-e to 447MtCO_2-e - see Figure 1.[20] However, the land use, land use change and forestry (LULUCF) sector has been responsible for 91% of Australia's emissions reductions, at an average annual reduction of over 8.7MtCO_2-e pa. Since 2015, Australia's LULUCF sector has shifted from a carbon source to a carbon sink, sequestering a net 74MtCO_2-e in 2024.

Excluding LULUCF, Australia's national emissions have only fallen 17MtCO_2-e from 2005 to 2024, at an average annual reduction of just 0.92MtCO_2-e. Across all economic sectors outside of LULUCF, electricity emissions have realised the largest emissions abatement, declining 47MtCO_2-e to 152MtCO_2-e in 2024, relative to 2005. Conversely, the transport, industrial process and stationary energy sectors have risen materially since 2005.

The CCA's 2025 Annual Progress Report identified emissions reductions as having averaged an 8MtCO_2-e annual decline across the previous five years to 2024. As a result, to achieve Australia's 2030 target, annual reductions need to more than double to 18MtCO_2-e pa. Furthermore, to achieve the top of Australia's 62-70% emissions reduction range for 2035, annual reductions must triple to 20-25MtCO_2-e over the next decade.

However, Australia's emissions reduction progress has slowed in recent years, not accelerated. Following a negative shock in transport emissions in 2020 during COVID-19 that have since recovered, Australia has only averaged a 4MtCO_2-e annual emissions reduction since 2020.

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[17] Biodiversity Council, The Major Causes of Nature Loss in Australia, 24 January 2024
[18] Australian Climate Service, National Climate Risk Assessment, 15 September 2025
[19] Australian Climate Service, National Climate Risk Assessment, 15 September 2025
[20] DCCEEW, National Greenhouse Gas Inventory Quarterly Update: June 2025, 27 November 2025

Figure 1: Australian Annual Emissions by Sector, $MtCO_2$-e

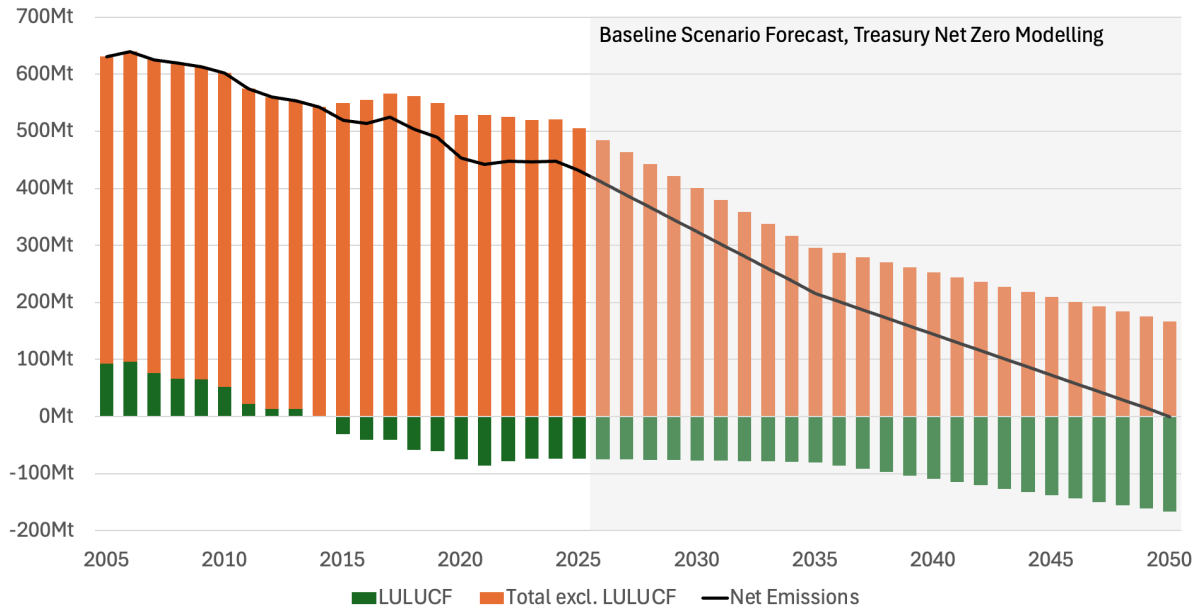

Chart: Climate Energy Finance
Source: DCCEEW (2025),[21] Treasury (2025)[22]

Treasury modelling, published in September 2025, on Australia's net zero transformation models a baseline scenario in which Australia builds on existing climate and energy policies to achieve emissions reduction targets and net zero by 2050. In Treasury's baseline scenario, Australia's 43% reduction by 2030 target is achieved, and national emissions reduce by 65% by 2035, in alignment with Australia's latest nationally determined contribution of 62-70% by 2035.[23]

This scenario determines the required pathway Australia must follow in order to meet its emissions reduction targets, including declines in fossil fuel consumption and industrial decarbonisation, as well as the growth in Australia's land sector and carbon removals to achieve such objectives. Treasury modelling does not demonstrate the probable pathway for Australia. **In reality, current policies are insufficient to deliver the emissions reductions necessary to meet Australia's targets.**

[21] DCCEEW, National Greenhouse Gas Inventory Quarterly Update: June 2025, 27 November 2025
[22] Treasury, Australia's Net Zero Transformation: Treasury Modelling and Analysis, 18 September 2025
[23] Treasury, Australia's Net Zero Transformation: Treasury Modelling and Analysis, 18 September 2025

Appendix B. Financing Nature Repair and Nature-based Solutions

Nature can be conserved, restored and used sustainably alongside achieving other global societal goals through urgent and concerted efforts to foster transformative change. The 2023 State of Finance for Nature report estimated only US$200bn in finance flows were directed into nature-based solutions in 2022, with governments providing 82% (US$165bn) of nature-based solutions transactions.

To meet Rio Convention targets to limit global warming to below 1.5°C, limit biodiversity loss by ensuring 30% of land and sea is protected by 2030 and reach land degradation neutrality by 2030, annual investment into nature-based solutions needed to more than double by 2025 from US$200bn to US$436bn, and triple to US$542bn by 2030 into restoration, sustainable land management, and nature protection.[24]

In 2020, studies estimated between US$150-440bn per year is required to halt biodiversity loss globally, well ahead of current funding of US$52bn each year. This gap in nature financing necessitates innovative finance mechanisms, policy shifts, and greater engagement and coordination with the private sector to mobilise private capital resources.[25]

In the Australian context, as outlined in the Wentworth Group of Concerned Scientists' Blueprint to Repair Australia's Landscapes,[26] with concerted action, strategic policy intervention and the facilitation of finance for nature and land rehabilitation, Australia can substantially repair past degradation of its landscapes, including the:

1. **Repair of the productive base of agricultural soils**. Restoring the productive base of degraded and vulnerable soils through the removal of intractable constraints is critical to improving agricultural productivity, as well as to building sustained resilience to climate change and allowing soil carbon to rebuild.
2. **Fixing of overallocated and fragmented river systems and rehabilitation of degraded water catchments**. Ailing river basins can be restored through recovering surface and groundwater in overallocated systems, reconnecting floodplain wetlands to ensure the persistence of habitat.
3. **Restoration of healthy native ecosystems to a minimum 30% of their pre-1750 extent**. It is possible to restore 99.8% of Australia's degraded terrestrial ecosystem types to 30% of their pre-1750 extent while maintaining productivity on prime agricultural land.
4. **Avoidance of most extinctions and recovery of almost all threatened species**. Imminent extinction risk can be mitigated and medium-term survival of most nationally-listed threatened species can be ensured through the restoration of habitat, addressing threats and undertaking interventions, such as translocation and breeding programs.
5. **Maintenance or improvement of the condition of estuaries**. The health of estuaries can be improved through integrated catchment management, reconnecting freshwater and tidal flows to protect and restore salt marshes and re-establishing seagrass meadows and reefs.

In order to achieve this using best available science and methods, the Wentworth Group determines Australia must deploy **$7.3bn pa** in real 2022 terms over 30 years (~0.3% GDP) into nature-based solutions.[27]

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[24] UN Environment Programme, State of Finance for Nature 2023, 09 December 2023
[25] Singapore Green Finance Centre, Opinion: The Critical Role of Nature FInance, 25 October 2024
[26] Wentworth Group of Concerned Scientists, Blueprint to Repair Australia's Landscapes, Part 1: Synthesis Report, July 2024
[27] Wentworth Group of Concerned Scientists, Blueprint to Repair Australia's Landscapes, Part 1: Synthesis Report, July 2024

Nature-based crediting mechanisms are a key part of the solution to unlocking finance and investment into nature-based solutions, but it is imperative policy settings facilitate a breadth of pathways to funding nature repair and mitigating future risks and impacts on nature. In addition to environment markets, Australian governments, corporates and financial institutions should actively develop multiple pathways, including but not limited to:

- **Nature-linked corporate debt** for reducing nature-related degradation and fragmentation from direct and indirect investments
- **Transition finance** to enable the shift to more sustainable production models
- **Natural capital real asset funds** to improve the management of natural capital in agriculture, forestry, fishery and carbon-based real assets
- **Natural hybrid infrastructure** via active development of natural capital as part of hybrid infrastructure developments
- **Conservation bonds** to finance direct solutions in conservation, and
- **Early-stage investment in nature-focussed technologies** to accelerate commercialisation of technologies designed to improve the management of natural capital.[28]

Embedding nature into economic and financial systems requires fiduciary alignment, institutional support and robust valuation methods for long-term investing. As the Principles for Responsible Investment framework emphasises, biodiversity and nature loss represent material risks to the global economy. As a result, the integration of nature-related factors is essential to meeting modern fiduciary obligations.[29]

[28] Pollination, Nature Finance Focus: Tracking Global Trends in Nature Investment, June 2025
[29] WEF, Finance Solutions for Nature: Pathways to Returns and Outcomes, September 2025

Appendix C. Global Carbon Markets Design

Figure: Major ETS Allowance Allocation and Offsets Use

Scheme	Allocation	Offset	Price 2024 (USD)
Safeguard Mechanism	Output-based Benchmarking Free Allocation of allowances.	Domestic offset credits.	23.6
EU ETS	Auctioning & Fixed Benchmarking Free Allocation of allowances.	Not allowed.	70.6
China ETS	Output-based Benchmarking Free Allocation of allowances.	Domestic offset credits with quantitative limits.	13.3
German ETS	Fixed price allowance.	Not allowed.	48.7
UK ETS	Auctioning & Fixed Benchmarking Free Allocation of allowances.	Not allowed.	47.5
Canadian ETS	Output-based Benchmarking Free Allocation of allowances.	Domestic offset credits.	58.4
Korea ETS	Auctioning & Fixed Benchmarking Free Allocation of allowances.	Domestic and international offset credits with quantitative limits.	6.8
New Zealand ETS	Auctioning & Fixed Benchmarking Free Allocation of allowances.	Not allowed.	35.9
California ETS	Auctioning & Fixed or Output-based Benchmarking Free Allocation of allowances.	Domestic offset credits generated from forestry, agriculture, methane management practices.	35.2

Source: International Carbon Action Partnership (2025) [30]

[30] ICAP, Emissions Trading Worldwide Status Report 2025, 08 April 2025