

Updated October 2023

Tokyo Emissions Trading Scheme (ETS)

Years in operation	1st compliance period: FY2010-14 2nd compliance period: FY2015-19 3rd compliance period: FY2020-24
Overall cap & trajectory	N/A
Target(s)	Tokyo City: 50% reduction from 2000 GHG levels by 2030 ETS: 25-27% reduction from the base-year as 3rd compliance period
Emissions reduced to date	1st compliance period: 14.28 MtCO ₂ for 5 years 2nd compliance period: 21.90 MtCO ₂ for 5 years 3rd compliance period: 10.85 MtCO ₂ for 2 years
Sectors covered	Buildings and industrial sector
GHGs covered	CO ₂
# of covered entities	1200 (as of April 2022)
Allocation method	The base-year emissions are derived from the CO ₂ emissions associated with the consumption of fuels, heat and electricity and as the average of three consecutive years between FY2002 and FY2007. A reduction obligation is calculated by multiplying the base-year emissions by a compliance factor, depending on the type of emitter.
Trading rules	Only covered facilities and legal entities with an office in Japan can open trading accounts.
Use of offsets and linking	Small and midsize facility credits in Tokyo, Outside Tokyo credits, renewable energy credits and Saitama Credits Limitation: Outside Tokyo credits can only be used for up to one-third of the reduction obligation amount. The Tokyo programme linked with that of Saitama Prefecture in 2011.
Other features	Excess emission reductions and credits in the second compliance period can be banked for reduction obligations in the third compliance period. Borrowing is not allowed.
Penalties for non-compliance	If a facility fails to comply, the governor orders the facility to reduce emissions by the amount of the reduction shortfall multiplied by 1.3. Any facility that fails to carry out the order will be publicly named and subject to penalties (up to JPY 500,000) and surcharges (1.3 times the shortfall).
Use of revenues	No information



Major Developments

In FY2021, emissions from covered facilities were 11.11 Mt, representing a 33% reduction from the base-year emissions, which is much larger than the compliance factor of 25% or 27%. More than 20Mt excess emission reductions and credits were held at the end of FY2022. The measures for 4th Compliance period (FY2025-29) with the compliance factor of 48% or 50% will be passed and issued in October 2023.

References

[ICAP: Tokyo Cap-and-Trade Program](#)

[Tokyo Cap-and-Trade Program Tokyo Metropolitan Government](#)

[CapandTrade2021result.pdf \(tokyo.lg.jp\)](#)

[Carbon Credit Trading Information_202303.pdf \(tokyo.lg.jp\)](#)

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