

CARBON MARKET BUSINESS BRIEF

TOKYO

TOKYO ETS AT A GLANCE

Years in operation	1st compliance period: 2010-14 2nd compliance period: 2015-19 3rd compliance period: 2020-24
Overall cap & trajectory	2030 cap: 10.78 million tonnes CO ₂
Target(s)	25% reduction from 2000 GHG levels by 2020, and 30% by 2030
Emissions Reduced to date	1st compliance period: 14.28 MtCO ₂ 2nd compliance period: 21.90 MtCO ₂
Sectors covered	Commercial 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. The baseline is calculated as the average of three consecutive years between FY2002 and FY2007 multiplied 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 the entities cannot achieve the reduction by the deadline, the name of company will be published. In addition, the payment of the monetary amount of the reduction shortage and/or a penalty (up to ¥500,000) will be ordered by the governor.
Use of revenues	No information

MAJOR DEVELOPMENTS

By the end of FY2020, emissions from covered facilities were 11.04 Mt, representing a 33% reduction from the baseline. This reduction occurred as a result of continuous energy efficiency efforts and increased use of low-carbon electricity or heat. Further reductions are expected because of new energy efficiency measures. It has been found that updating to high-efficiency equipment, such as LED lighting, contributed to emission reductions.

USEFUL LINKS

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

REFERENCES

[Tokyo Metropolitan Government](#)

[Result of Tokyo Cap-and Trade Program in the Second Compliance Period](#)

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