

INSIGHTS FROM ECS 2026

THE STATE OF CARBON



ECS 2025
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INTRODUCTION

The **IETA European Climate Summit 2026** brought together senior policymakers, market practitioners, and industry leaders to assess the state of carbon markets at a defining moment for global climate action. Across two days of workshops, plenaries, and breakout sessions, participants examined the structural pressures, reform debates, and emerging opportunities shaping both voluntary and compliance markets — from the EU ETS and ETS2 to Article 6, CORSIA, and CBAM.

Several clear themes emerged. Integrity and quality remain the central challenge for the voluntary carbon market, with reputational risk and the absence of harmonised standards continuing to constrain corporate uptake. In compliance markets, the tension between strong long-term fundamentals and near-term political uncertainty is weighing on prices — while the EU ETS2, set to cover 80% of European emissions, raises urgent questions around consumer impact and the adequacy of current reform proposals. Meanwhile, 41 emissions trading systems now cover 26% of global emissions, a signal that the architecture of carbon pricing is broadening — even as the governance, legal, and technical challenges of linking those systems remain formidable.

Against this backdrop, the Summit reinforced a conviction that runs through every session: markets alone are insufficient. Regulatory clarity, government-backed demand signals, and coordinated industry advocacy are the conditions under which carbon markets can scale to meet the ambition of the Paris Agreement. Europe, as the dominant force in global carbon market turnover, carries particular responsibility — and particular opportunity — in forging what one panel called the new carbon order.

SINCE 1999 IETA HAS BEEN THE LEADING VOICE OF BUSINESS ON AMBITIOUS MARKET-BASED CLIMATE CHANGE SOLUTIONS AND DRIVING NET ZERO. IETA ADVOCATES FOR TRADING SYSTEMS FOR EMISSIONS REDUCTIONS AND REMOVALS THAT ARE ENVIRONMENTALLY ROBUST, FAIR, OPEN, EFFICIENT, ACCOUNTABLE AND CONSISTENT ACROSS NATIONAL BOUNDARIES. REPRESENTING MORE THAN 300 LEADING INTERNATIONAL ORGANISATIONS, IETA IS A TRUSTED PARTNER IN DEVELOPING INTERNATIONAL POLICIES AND MARKET FRAMEWORKS TO REDUCE GREENHOUSE GAS EMISSIONS AT THE LOWEST COST WHILE BUILDING A CREDIBLE PATH TO NET ZERO EMISSIONS. SEE WWW.IETA.ORG FOR MORE INFORMATION.

WORKSHOPS

DAY ONE OF THE EUROPEAN CLIMATE SUMMIT 2026 CONVENED PRACTITIONERS, ANALYSTS, AND INDUSTRY VOICES ACROSS FOUR WORKSHOP SESSIONS. DISCUSSIONS SPANNED THE STRUCTURAL CHALLENGES FACING THE VOLUNTARY CARBON MARKET, NEAR-TERM PRICE DYNAMICS AND EU ETS REFORM DEBATES, THE ROLE OF CARBON MARKETS IN THE ENERGY TRANSITION, AND THE CASE FOR COORDINATED INDUSTRY ADVOCACY.

INTEGRITY AND QUALITY ARE CRITICAL TO ENSURE THAT CREDITS ARE MEETING DEMAND — AND TO UNLOCK HIGHER PRICES.

1. VCM Dialogue

In a series of round-table sessions, participants stressed key challenges facing the VCM, including market complexity, concentration in comparatively few players and the need for capacity-building, a lack of clear guidance on the use of claims guidance and associated reputational risk, continuing doubts about integrity, and the need for assurance on legal title.

Key actions to ensure progress included developing harmonised standards and principles to reduce complexity; government regulation to guide corporate climate claims to address reputational risk; and clear rules on how the VCM, compliance and Article 6 markets interact, particularly concerning the VCM's contribution to NDCs.

2. EU Carbon Market Analysts Roundtable

The EU carbon market is increasingly shaped by tension between strong long term fundamentals and near term political and regulatory uncertainty, with competitiveness concerns and policy signals weighing on prices despite expectations of tightening supply.

Debate around ETS reform, especially the future role and effectiveness of the Market Stability Reserve, remains central. Upcoming decisions, including on the MSR for ETS1, are generally seen as critical but current proposals are seen as insufficient to meaningfully reduce the surplus on their own.

Price volatility persists, existing safeguard mechanisms are widely seen as ineffective, and while policymakers retain tools to manage supply and stabilise prices, incentives to deploy them remain limited.

Carbon prices are increasingly reflecting abatement costs after subsidies and political risk, alongside cautious optimism on UK-EU ETS linking and continued uncertainty around benchmarks and free allocation.

3. The Role of Carbon Markets in the Energy Transition

Contributors discussed the energy transition, projects that support it, and the potential of Article 6 to scale the impact. The EU ETS is central to emphasising the importance of decarbonising economies efficiently, and that any reforms must ensure liquidity and market openness, with an underlying goal to reach climate targets by 2030.

Discussion pivoted to the disruption of energy markets due to conflict in the Middle East, the potential for a major shock on global gas, oil, and food supply, and what that could mean for the energy transition.

The topic of the coal transition raised the issue of reputational risk and consent in carbon markets. Integrity and quality are critical to ensure that credits are meeting demand, and to unlock higher prices.

Another subject was decarbonisation of data centres. Hyperscalers have net-zero targets, but there will always be residual emissions. Durable CDR can deal with the residual emissions from data centres, but its primary focus should be on developments like SAF, which represent harder to abate emissions.

4. IETA: Joining with Purpose

The IETA community provides an opportunity to connect with industry participants across carbon markets. Critically, policymakers continue to seek industry inputs on shaping carbon markets. Collective advocacy from an industry voice will support achieving climate action at scale.

PLENARIES AND BREAKOUTS

DAY TWO BROUGHT TOGETHER GOVERNMENT, INDUSTRY, AND POLICY VOICES TO EXAMINE THE STATE OF EMISSIONS TRADING AT SCALE. DIRK FORRISTER AND SPAIN'S ELENA PITA SET THE TONE BEFORE THE OPENING PLENARY EXPLORED GLOBAL ETS EXPANSION, PUBLIC ACCEPTABILITY, CONSUMER IMPACT, AND IMPLEMENTATION COMPLEXITY ACROSS MARKETS AT DIFFERENT STAGES OF MATURITY.

Plenary 1: Opening Session

Dirk Forrister opened the Summit by emphasizing the need for cost-effective climate ambitions in Europe and highlighted the role of carbon credits to provide connectivity and resources for abatement in different regions.

In an opening address, Elena Pita, director-general of Spain's ministry of ecological transition, emphasised the importance of accelerating the transition to clean energy to ensure energy independence, reduce external shocks, and enhance Europe's strategic autonomy. Pita highlighted Spain's decarbonisation progress, noting renewables' 55% share of generation in 2024.

The first plenary session began with a briefing by Stefano DeClara from ICAP on the global expansion in emissions trading; DeClara noted that 41 systems now cover 26% of global emissions. In particular, he highlighted the diversification in system design features and the increasing use of intensity-based forms of ETS, especially in emerging economies.

Kavita Ahluwalia of Uniper stressed the importance of public acceptability and affordability, sharing insights from Germany on the challenges of balancing climate ambition with public acceptability and affordability.

Jean-Philippe Brisson of Latham & Watkins discussed recent changes to the California cap-and-invest program to alleviate the impact of carbon regulation on consumers.

Peter Zaman discussed the challenges of implementing emissions trading systems in countries with different levels of market sophistication, particularly the need for data reliability and flexibility.

The panelists emphasised the importance of collaboration and alignment between different policy frameworks to ensure the success of ETS and other climate initiatives.

41 EMISSIONS
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PLENARIES AND BREAKOUTS

ARTICLE 6 OF THE PARIS AGREEMENT IS INCREASINGLY SEEN AS A STRATEGIC TOOL FOR NATIONAL MARKETS — A DIPLOMATIC, TRADE AND PARTNERSHIP INSTRUMENT FOR THE EU.

**Plenary 2:
How the EU Can Best Leverage International Credits in its 2040 Climate Target**

Article 6 of the Paris Agreement is increasingly seen as a strategic tool for national markets. Speakers highlighted its potential as a diplomatic, trade and partnership instrument for the EU, especially if credit sourcing is aligned with broader relationships with host countries and EU strategic interests.

Developers and host countries need early clarity on eligibility criteria, authorisation, accounting rules and the link between any pilot phase and future compliance use. Without long-term certainty and fungibility, project developers will struggle to invest and host countries may be cautious.

There was openness to using international credits as a flexibility mechanism for Member States, potentially outside the EU ETS and linked to ESR/LULUCF-type targets. At the same time, speakers stressed integrity, benefit-sharing, non-permanence risks, NDC accounting impacts and the need to avoid undermining domestic action.

**Breakout 1:
Connecting Carbon Markets: Lessons from Linked and Emerging ETS Systems**

Cross-border cooperation in emissions trading is shifting from theory to practical design and early implementation. Attention is moving from high-level ambition to the governance, legal architecture, and operational mechanics required to make cooperation work in practice.

Governance alignment is the foundation — and the hardest part. Linking emissions trading systems requires reconciling different political priorities, regulatory cultures, and institutional setups. Decisions around oversight, dispute resolution, and rule-setting authority are not just technical — they reflect sovereignty concerns and long-term trust between partners.

Technical compatibility goes beyond registry connections. While infrastructure like registries and MRV systems must be interoperable, deeper challenges lie in aligning sectoral coverage, compliance cycles, allocation methods, and offset rules. Even small design differences can create market distortions or limit the feasibility of full linking.

Legal design determines durability. Speakers emphasised that robust legal frameworks are essential to ensure stability and investor confidence. This includes clear provisions on liability, enforcement, and exit mechanisms if one party changes its system. Weak legal alignment can undermine the environmental integrity and credibility of linked markets.

Price stability and market efficiency are real — but not automatic — benefits. Larger, linked markets can reduce price volatility and improve liquidity, but only if design features are sufficiently harmonised. Poorly aligned systems risk importing instability or creating arbitrage opportunities that weaken climate outcomes.

Trust and transparency are preconditions for ambition. Successful cooperation depends on confidence in each partner's enforcement rigour, data quality, and long-term policy commitment. Without this trust, countries are unlikely to accept mutual recognition of allowances or deeper integration.

Incremental approaches are emerging as the preferred pathway. Rather than full system linking from the outset, jurisdictions are exploring step-wise approaches — such as partial linking, mutual recognition of offsets, or alignment of specific sectors — to build experience and confidence over time.

International carbon market integration remains a long-term objective, not an immediate outcome. While there is growing momentum, significant political, legal, and technical barriers remain.



PLENARIES AND BREAKOUTS

Breakout 2:

ETS2: Is the EU Ready for its New Carbon Market?

The EU's Emissions Trading System (ETS2) for buildings, road transport, and additional sectors will bring the share of European emissions covered by a carbon pricing mechanism to 80%.

The European Commission agreed on a 2040 target of a 90% reduction versus 1990 levels, which is more aggressive than current policies.

BNEF analyst Emma Coker presented a price forecast of €164/tonne, significantly higher than the EU Commission's reference price of €45/tonne.

Panelists underlined the need for significant abatement in order to meet the total supply of ETS2 allowances, with new vehicle sales and building renovations being key drivers.

The impact on consumers was a key topic, and speakers talked about the importance of managing expectations around the cost of emissions and the impact on fuel prices.

Plenary 3:

VCM 2.0: Corporate Climate Action to Support NDCs Delivery

The discussion focused on the integration and scaling of the Voluntary Carbon Market with compliance markets under Article 6 and CORSIA.

Key points included an underlining of the resilience of the VCM, with Q1 2026 retirements matching previous years, despite geopolitical challenges.

The UK's six principles for voluntary carbon markets and the coalition to grow carbon markets were also highlighted.

The importance of high-quality credits, with a significant drop in high-quality retirements, was noted.

The need for regulatory clarity and government support to enhance corporate confidence in using carbon credits was emphasised, along with the potential for increased fungibility and interoperability between registries.

Breakout 3:

EU CBAM: Implementation Challenges, International Perspectives and Pathways Forward

CBAM has moved from policy design to operational reality. With the definitive regime in force, the focus has shifted decisively from legislative debate to day-to-day compliance. Companies are now dealing with emissions data quality, supplier engagement, verification readiness, internal governance, and cost exposure in real time.

Data remains the biggest implementation challenge. Across sectors, obtaining reliable installation-level emissions data from non-EU producers remains one of the most significant hurdles. Complex supply chains, inconsistent methodologies, and limited readiness among upstream suppliers continue to create friction.

Carbon price recognition and interoperability are central unresolved issues. How carbon prices paid in third countries are recognised under CBAM will be critical for fairness, competitiveness, and international acceptance. Greater clarity is still needed on equivalence, evidence requirements, and how overlapping systems interact, like Article 6 and use of international/domestic offsets.

Trade partners are watching implementation closely. Third countries continue to distinguish between the climate rationale of CBAM and concerns over design details, administrative burden, and market impacts.

Markets need predictability more than constant re-design. Businesses can adapt to ambitious rules, but frequent uncertainty is costly. Clear guidance, stable methodologies, and timely regulatory decisions are considered as important as the policy architecture itself.

ETS2 WILL BRING THE SHARE OF EUROPEAN EMISSIONS COVERED BY A CARBON PRICING MECHANISM TO 80% — COVERING BUILDINGS, ROAD TRANSPORT, AND ADDITIONAL



PLENARIES AND BREAKOUTS

THE EU ETS ACCOUNTS FOR 85% OF GLOBAL CARBON MARKET TURNOVER BY VALUE — YET THE SHARE OF GLOBAL EMISSIONS COVERED BY ETS IS STILL GROWING, DRIVEN BY CHINA'S INCLUSION OF INDUSTRIAL EMISSIONS.

Breakout 4: Scaling CORSIA in 2026: Challenges and Opportunities Affecting the Market

The infrastructure and integrity of the system has been established through collaboration between government, standards, insurance and project developers.

The market ecosystem needs to see demand signals from airlines ahead of the CORSIA Phase 1 deadline in December 2027. Countries are expecting revenue now and project developers could move credits to other schemes outside of CORSIA.

Airlines remain committed to CORSIA and do not see a need for further compliance pressures (i.e., implementation into national law).

Breakout 5: Carbon Pricing and Public Finance: How to Use Climate Revenues in EU and Beyond?

Climate revenues are now a core pillar of EU climate policy, but the main challenge is ensuring they are used for climate and energy purposes, to preserve trust in carbon pricing systems.

As ETS and CBAM revenues grow, governments face pressure to rely on them for climate budgets, raising concerns about transparency, earmarking, and uneven use across member states.

Effective climate action depends on using revenues to support industrial decarbonisation, especially for hard-to-abate sectors, through long-term, predictable funding and risk sharing for high-cost projects.

Limited guidance and oversight on how revenues are spent, alongside wide national differences, risk weakening both climate ambition and the credibility of carbon markets.

Plenary 4: Forging the New Carbon Order: Markets, Capital and Climate Competitiveness

A panel discussed the emerging carbon landscape, emphasising the importance of Article 6 in linking global carbon markets.

Europe remains central, with the EU ETS accounting for 85% of global carbon market turnover by value in 2024. Nevertheless, the share of global greenhouse gas emissions covered by ETS increased from 18% to 23% between 2023 and 2025, driven by China's inclusion of industrial emissions.

The panel highlighted the need for a stable, predictable carbon pricing framework to support decarbonisation efforts, advocating for a portfolio approach to credit quality and urging the EU to endorse existing standards. The discussion also touched on the challenges of political pressures and the need for de-risking mechanisms.



THE MARKET ECOSYSTEM NEEDS TO SEE DEMAND SIGNALS FROM AIRLINES AHEAD OF THE CORSIA PHASE 1 DEADLINE IN DECEMBER 2027.

ECS 2026 CONCLUSION

IETA president **Dirk Forrister** highlighted the progress made by carbon markets, the optimism among practitioners, and the cost-effective ideas for achieving Europe's goals.

Markets need to use all available flexibilities to reduce costs, he said, and international connections help this to happen. The climate focus is on balancing sources and sinks, and the cooperation required under Article 6 of the Paris Agreement means that 'middle powers' like Europe will be critical in delivering on the true spirit of the Paris Agreement.



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