

# 4 Ways to Make ETS Socially Acceptable!

We do think it's important to report on revenue. This is very much linked to the social acceptance and the acceptance of the ETS, so we have a report every year on the use of revenues by member states. That is a detailed report where you can see how the money has been spent. But we also publish very clearly what we finance at the European level for Innovation, all the innovation projects, what we do for the modernization of energy systems, and also already now on the social aspect in the new Social Climate Fund that will also be funded by revenue. So yes, the short answer: it's very, very important to showcase.

The above response was provided by Mette Quinn, Head of Unit for Carbon Markets and Clean Mobility at the European Commission, during the [launch webinar](#) of the 'ICAP Status Report 2024' for the Americas and Europe on April 10, 2024. The question addressed efforts made by panelists from various regions to demonstrate the use of emissions trading systems (ETS) revenues and emphasize the benefits of ETS for social acceptance.

The continued global growth and adoption of ETS is encouraging, with various innovative approaches emerging. According to the [International Carbon Action Partnership \(ICAP\) Status Report 2024](#), there are currently 36 systems in place as of January 2024 (Chart 1), with an additional 22 under development or consideration, including in Argentina, India, Brazil, Vietnam, and Türkiye, among others. Developed economies like the European Union and Canada are also working on new systems to expand carbon

pricing into new sectors, aiming to reduce emissions. However, an often overlooked aspect is the transparency surrounding revenue allocation.

## EMISSIONS TRADING WORLDWIDE

### THE CURRENT STATE OF PLAY IN CAP-AND-TRADE

The ICAP ETS world map depicts emissions trading systems currently in force, under development or under consideration. As of January 2024, there are 36 ETSs in force. Another 14 are under development and expected to be in operation in the next few years. These include ETSs in Colombia, Türkiye, and Vietnam. 12 jurisdictions are also considering the role an ETS can play in their climate change policy mix. If a jurisdiction has multiple systems in force, it is depicted in blue, with the borders of the jurisdiction representing the layered systems (e.g. Germany and Guangdong). If, however, it has a system in force but is also developing an additional system, it is depicted in blue but also features a green border (e.g. the EU).

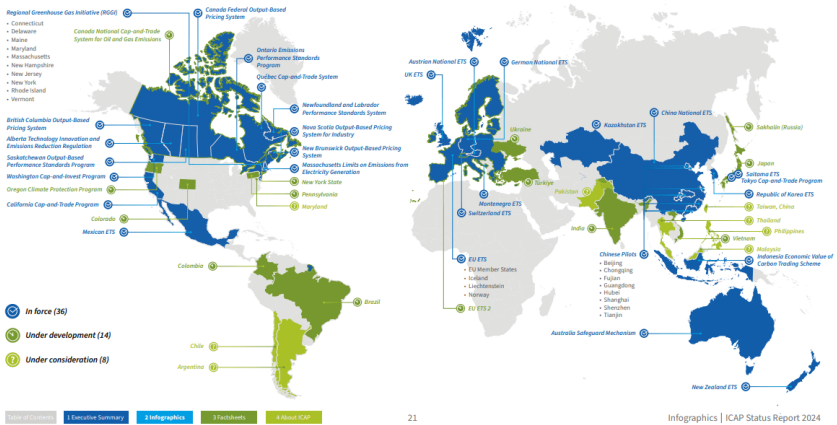


Chart 1

Annual discussions regarding the allocation of ETS revenue are crucial for four reasons, including:

1. **Building Trust:** Public discussions foster trust between participating countries and their citizens, ensuring

transparency and effective use of collected funds. These annual discussions can be supported by social media influencers advocating for climate change. In conjunction, governing political parties can leverage this annual discussion to showcase trust among their constituents that their promise to a cleaner, safer, and climate-resilient mandate is being kept.

2. **Demonstrating Positive Impact:** Highlighting the positive outcomes of using ETS revenue for renewable projects during these discussions can garner support for the system and its role in promoting clean energy solutions.

3. **Standardization:** Standardized reporting on revenue use allows for comparisons between countries, fostering healthy competition and knowledge sharing.

4. **Addressing Concerns:** Open discussions

enable countries to address concerns about revenue effectiveness, building public confidence and support for the program.

### **Strategies for Highlighting Revenue Use**

Although ETSs are still in their nascent stage with European Union ETS leading the way; there is a need for a well-articulated global framework for revenue collection, allocation, and detailed reporting to support its rapid adoption and long-lasting support. However, that seems not to be the case. Currently, different jurisdictions have policies regarding the collection and use of ETS revenue, with other countries having no laws tailored explicitly for ETS.

In the UK, it's quite unusual to track the use of ETS revenue as the money is channeled to a central consolidated fund. In the US, specifically in Washington State, detailed reporting on the use of ETS revenue has not been done in the

past, but considerations are being deliberated. Similarly, a comparable effort is currently underway in Brazil to utilize ETS revenue to finance innovations and climate mitigation projects.

During the ICAP Status Report 2024 Launch Webinar for Europe and the Americas, leaders from across the Americas and Europe acknowledged the potential benefits of highlighting ETS revenue collection and allocation to improve public acceptance. ETS revenue use can be highlighted through three strategies:

a) **Annual Reports**: Countries can publish detailed revenue collection and allocation reports, making the data readily available to the public.

b) **Success Stories**: Highlight specific projects or initiatives funded by ETS revenue that have demonstrably reduced emissions or advanced clean energy.

c) **Interactive Platforms:** Develop online platforms where citizens can easily track revenue allocation and its impact, fostering a sense of ownership and engagement.

Participating countries can secure broader public acceptance for this vital climate change mitigation tool by prioritizing transparency and effectively communicating the positive influence of ETS revenue. After all, a well-informed public is a more engaged public, and a more involved public is crucial for the long-term success of the ETS in achieving a cleaner future.