

July 2025

TOKYO EMISSIONS TRADING SCHEME (ETS)

Years in operation	1st compliance period: FY2010-14 2nd compliance period: FY2015-19 3rd compliance period: FY2020-24 4th compliance period: FY2025-29
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 until the end of the 3 rd compliance period. The base-year is any three consecutive years between FY2002 and FY2007 as selected by each entity.
Emissions reduced to date	1st compliance period: 14.28 MtCO ₂ over 5 years 2nd compliance period: 21.90 MtCO ₂ over 5 years 3rd compliance period: 21.35 MtCO ₂ over 4 years (FY2020-23)
Sectors covered	Buildings and industrial facilities whose annual energy consumption is 1,500 kL or more (crude oil equivalent). This covers 11MtCO ₂ -eq in FY2023.
GHGs covered	CO ₂
# of covered entities	About 1200 (as of February 2025)
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 of 25% for factories or 27% for office buildings for the 3 rd compliance period. Allowances are then freely allocated for each compliance period.
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 can be used as offsets. 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 revenue generated

MAJOR DEVELOPMENTS

The Tokyo Emissions Trading Scheme (ETS) established in 2010 is the oldest ETS in Japan which has provided significant experience and learnings to the design of carbon pricing instruments in the country.

In FY2023, emissions from covered facilities were 11.32 Mt, representing a 31% reduction from the base-year emissions, which is much larger than the compliance factor of 25% or 27%. By February 2025, more than 13Mt of accumulated excess emission reductions were held as a result of low demand and trading activity. Most of these were the achievements of 2nd Compilation period and will be invalidated by the end of the results compilation period of 3rd Compliance period (the end of September 2026).

The measures for 4th Compliance period (FY2025-29) with the compliance factor of 48% for factories or 50% for office buildings were issued in October 2023. As a higher compliance factor is being introduced for the 4th period, the market could become more active.

As of now, there is no expectation for the Tokyo ETS to integrate into the GX-ETS.

Tokyo Metropolitan Government established its own voluntary carbon market on 25 March 2025 ([Tokyo Carbon Credit Market](#)). The tradable credits are J-Credits (domestic) and international voluntary credits. Any registered company in Japan can participate the market.

REFERENCES

ICAP: Japan - Tokyo Cap-and-Trade Program (English)
<https://icapcarbonaction.com/en/ets/japan-tokyo-cap-and-trade-program>

Tokyo Cap-and-Trade Program Official Site (English)
<https://www.english.metro.tokyo.lg.jp/w/021-101-001120>

Tokyo Cap and Trade Program Official Site (Japanese)
https://www.kankyo.metro.tokyo.lg.jp/climate/large_scale/trade/

Tokyo Cap and Trade FY2023 result shared in March 2025(Japanese)
<https://www.kankyo.metro.tokyo.lg.jp/documents/d/kankyo/capandtrade2023result>

Tokyo Cap and Trade 4th period targets (Japanese)
<https://www.kankyo.metro.tokyo.lg.jp/documents/d/kankyo/no-57-bessi02>

Tokyo Credit trading results shared in February 2025 (Japanese)
https://www.kankyo.metro.tokyo.lg.jp/documents/d/kankyo/torihiki_kouhyou_202502

Tokyo Carbon Credit Market Website (Japanese & English)
<https://carbon-market.metro.tokyo.lg.jp/>

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