PANORAMIC

CLIMATE REGULATION 2027

Contributing Editors

James M Auslander and **Brook J Detterman**

Beveridge & Diamond PC



LEXOLOGY

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Panoramic guide (formerly Getting the Deal Through) enabling side-by-side comparison of local insights, including the main climate regulations, policies and authorities; national emission levels, limits and emission reduction projects; emission allowances and trading; energy and non-energy sector regulation; renewable energy consumption, policy and general regulation, including carbon capture and storage; climate matters in M&A transactions; and recent trends.

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Introduction

Brook J Detterman and James M Auslander

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Environmental law – indeed the environment itself – continues to evolve at a rapid pace, with no signs of slowing. The global community is grappling with issues including climate change adaptation, sustainability and supply chains, waste and circular economy considerations, infrastructure development, oceans and species protection, management of plastics and chemicals such as per- and polyfluoroalkyl substances (PFAS), and environmental justice – all while the United States retreats from key domestic and global initiatives. Corporate, investor and non-governmental organisations (NGOs) and stakeholder attention to environmental, social and governance (ESG) issues continue to rise even as an 'anti-ESG' movement also takes shape in the United States and abroad.

In the United States, the trajectory of environmental law has been anything but linear, particularly in the past year. Since taking office in January 2025, the Trump administration has advanced a deregulatory agenda that has upended long-standing regulatory frameworks. These actions have reshaped the relationship between federal and state governments, industry, and the courts, resulting in uncertainty and intensified litigation. Congress, in turn, largely followed the Administration's lead, highlighted by recent major legislation undoing key provisions enacted just three years earlier that were aimed at curbing greenhouse gas emissions and deploying renewable energy and other energy technologies.

A hallmark of the second Trump administration has been the drawdown of enforcement efforts. In response, states and environmental non-governmental organisations (eNGOs) have stepped in to fill in the gap. While compliance with core environmental laws for industry remains critical, the Administration has scaled back – or in some cases dismantled—teams addressing issues like climate change, environmental justice, and renewable energy. By contrast, it continues to emphasise areas such as Superfund, PFAS, clean water, and expedited environmental reviews and permitting for project development. The Administration has also taken drastic steps to amend or undo prior funding and permitting decisions for projects or initiatives that it deems inconsistent with its policy priorities.

The European Union continues to assert leadership in environmental law through measures such as the Corporate Sustainability Due Diligence Directive, the Carbon Border Adjustment Mechanism, and the expansion of the Environmental Crimes Directive. Waste management remains a critical focus, and circular economy laws have been introduced in the Netherlands, France, and Italy. France's anti-waste and circular economy regulations have been particularly stringent, often exceeding EU standards. Meanwhile, the UK is charting its path post-Brexit; the new government's approach to environmental law is yet to be fully seen.

Meanwhile in Asia, emissions trading schemes are gaining steam. Japan and Indonesia launched their schemes in 2023, India is developing its own, and China recently expanded its scheme to cover more sectors.

Climate litigation remains a key area to watch. Courts in Switzerland and India are some of the latest to rule that environmental and climate change issues are human rights concerns, requiring lawmakers to introduce stronger regulation.

At this moment of widespread change and complexity, Beveridge & Diamond is pleased to lead the preparation of the Lexology Panoramic: *Environment & Climate Regulation* chapters at this exciting time. As the largest dedicated environmental law firm in the United States, Beveridge & Diamond is a US and global leader on all the issues discussed in these chapters. Beveridge & Diamond is also honoured by the opportunity to work with the esteemed contributing firms outside the United States and appreciates their authored additions to this valuable resource.

We hope you find this publication helpful, and we invite you to contact the contributing editors or any of the authors for additional insights.



Brook J Detterman bdetterman@bdlaw.com
James M Auslander jauslander@bdlaw.com

Beveridge & Diamond PC

Read more from this firm on Lexology

India

Gautam Chabra, **Yashaswi Belani**, **Nimal Padiyath**
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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

India ratified the United Nations Framework Convention on Climate Change on 1 November 1993, acceded to the Kyoto Protocol on 26 August 2002, accepted the Doha Amendment on 8 August 2017 and ratified the Paris Agreement on 2 October 2016. India acceded to the Montreal Protocol on 19 June 1992 and ratified the Kigali Amendment on 27 September 2021.

Treaty provisions do not ordinarily become enforceable as domestic law upon ratification. The Montreal Protocol is implemented principally through the Ozone Depleting Substances (Regulation and Control) Rules, 2000 made under the Environment (Protection) Act, 1986 (EPA). The National Clean Development Mechanism Authority, constituted under the EPA, is India's designated national authority for the Kyoto Protocol's Clean Development Mechanism and grants host country approval to projects.

India's Paris Agreement commitments are implemented through domestic measures, including the Energy Conservation Act, 2001, as amended in 2022, which provides the statutory basis for the Carbon Credit Trading Scheme, 2023 and minimum non-fossil energy consumption obligations under the Renewable Consumption Obligation framework. The Greenhouse Gases Emission Intensity Target Rules, 2025, notified under the EPA, prescribe entity-level GHG emission intensity targets.

Law stated - 23 September 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

International commitments materially influence the direction and design of domestic regulation. The statement of objects and reasons to the draft bill enacted as the Energy Conservation (Amendment) Act, 2022 linked the proposed reforms to the five climate commitments India announced at the 26th Conference of the Parties in 2021 and to the Paris Agreement, while the Greenhouse Gases Emission Intensity Target Rules, 2025 expressly identify contribution to India's nationally determined contribution under the Paris Agreement as an objective. Article 6 of the Paris Agreement has had a more direct institutional effect. India has constituted a National Designated Authority to approve and authorise activities under the article 6 mechanisms and has specified the activity types for international transfer. The Kigali Amendment to the Montreal Protocol has separately resulted in licensing and reporting controls for hydrofluorocarbons.

Law stated - 23 September 2026

Main national regulatory policies

3 | Outline recent government policy on climate matters.

India's climate policy is framed by the National Action Plan on Climate Change, 2008, a non-statutory policy now comprising nine national missions, together with state action plans, India's nationally determined contribution under the Paris Agreement and its target of net zero by 2070.

Sectoral priorities include renewable generation and storage, green hydrogen, nuclear power, carbon capture, energy efficiency, cleaner transport and climate-resilient agriculture and forestry, while recent policy places greater emphasis on market-based compliance and emission intensity regulation. India is developing its first National Adaptation Plan, covering nine thematic areas including water, agriculture, health and forests.

The Green Credit Programme, established under the Green Credit Rules, 2023, awards credits for voluntary environmental action, principally tree plantation and restoration of degraded forest land. The Draft Framework of India's Climate Finance Taxonomy, released for consultation in May 2025 to identify activities eligible for climate finance, remained under development as at the law stated date.

India does not levy an economy-wide carbon tax and fiscal policy operates through targeted, sector-focused measures, such as concessional goods and services tax on renewable energy equipment and electric vehicles, and cesses on petrol and diesel levied as additional excise duties.

Law stated - 23 September 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

India does not have a consolidated statute addressing climate change. The principal national legislation and regulations include:

- the Energy Conservation Act, 2001, as amended in 2022, and subordinate measures including the Carbon Credit Trading Scheme, 2023, the renewable consumption obligation framework, and the Perform, Achieve and Trade scheme and the energy savings certificate regime, vehicle fuel-consumption and corporate average fuel efficiency standards, and the Energy Conservation and Sustainable Building Code, 2024;
- the Environment (Protection) Act, 1986 and subordinate legislation including the Greenhouse Gases Emission Intensity Target Rules, 2025, the Green Credit Rules, 2023 and the Ozone Depleting Substances (Regulation and Control) Rules, 2000;
- the Electricity Act, 2003 and subordinate measures including the Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022, the Central Electricity Regulatory Commission (CERC) (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations,

2022, and the CERC (Terms and Conditions for Purchase and Sale of Carbon Credit Certifica
tes) Regulations, 2026;

- the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981, under which industrial consents are granted but which do not generally regulate greenhouse gas emissions;
- the Van (Sanrakshan Evam Samvardhan) Adhiniyam, 1980, formerly the Forest (Conservation) Act, 1980, and the rules made under it;
- the Banking Regulation Act, 1949 and the Securities and Exchange Board of India Act, 1992, under which the Reserve Bank of India has issued climate finance and climate risk management directions and the Securities and Exchange Board of India has imposed sustainability reporting and ESG debt securities requirements; and
- the Sustainable Harnessing and Advancement of Nuclear Energy for Transforming I
ndia Act, 2025.

The Green Hydrogen Standard for India, 2023 and the Green Hydrogen Certification Scheme of India, 2025 are issued under the National Green Hydrogen Mission rather than under statute.

Law stated - 23 September 2026

National regulatory authorities

5 Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

The principal authorities responsible for climate regulation and implementation are:

Authority	Areas of competence
Ministry of Environment, Forest and Climate Change	Nodal ministry for climate policy and the national greenhouse gas inventory. It administers the greenhouse gas emission intensity targets, the Green Credit Rules, 2023, ozone - depleting substances regulations, forest conservation legislation and environmental clearance
National Designated Authority under article 6 of the Paris Agreement	Approves and authorises activities under article 6 mechanisms
Ministry of Power	Notified the Carbon Credit Trading Scheme, 2023

National Steering Committee for the Indian Carbon Market	Oversight of the Indian carbon market and recommends issuance of carbon credit certificates (CCCs)
Bureau of Energy Efficiency	Administrator of the Indian carbon market, including procedures, methodologies and accreditation of verification agencies. Also administers energy efficiency and green hydrogen certification
Grid Controller of India Limited	National electricity system operator, and registry for CCCs, renewable energy certificates and energy savings certificates
Central Electricity Regulatory Commission (CERC) and state electricity regulatory commissions	CERC regulates trading of CCCs and renewable energy certificates The CERC and state electricity regulatory commissions regulate tariffs and renewable energy procurement
Central Pollution Control Board and State Pollution Control Board	Enforces emission intensity obligations through environmental compensation and administers industrial environmental consents
Ministry of New and Renewable Energy	Nodal ministry for renewable energy and green hydrogen policy and schemes
Indian Council of Forestry Research and Education	Administrator under the Green Credit Rules, 2023

Law stated - 23 September 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

India's First Biennial Transparency Report, submitted under the United Nations Framework Convention on Climate Change in April 2026, reports 2022 GHG emissions of approximately 3,396 million tonnes of carbon dioxide equivalent, excluding land use,

land-use change and forestry (LULUCF). Carbon dioxide accounted for 78.9%, methane 15.7% and nitrous oxide 3.7%, with fluorinated gases the balance. Emissions by sector were approximately 2,492 million tonnes from energy, 509 million tonnes from agriculture, 301 million tonnes from industrial processes and product use, and 94 million tonnes from waste. LULUCF was a net sink of approximately 572 million tonnes. The largest source categories were energy industries (principally electricity generation), manufacturing and construction, and transport.

India's nationally determined contribution under the Paris Agreement targets reductions in the emission intensity of gross domestic product of 45% from 2005 levels by 2030 and 47% by 2035. These commitments do not themselves bind private parties. Designated consumers in notified energy-intensive sectors are subject to energy consumption targets under the Perform, Achieve and Trade scheme. Approximately 490 obligated entities in notified industrial sectors are subject to emission intensity targets under the Carbon Credit Trading Scheme, 2023. Designated consumers are also subject to renewable consumption obligations, and passenger-car manufacturers to corporate average fuel efficiency standards.

Law stated - 23 September 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

India was the second largest host under the Kyoto Protocol's Clean Development Mechanism, with 1,672 registered projects and approximately 252 million certified emission reductions issued. Renewable energy, particularly wind, dominated by project count. By credit volume, the largest individual generators were HFC-23 destruction projects, including SRF Limited's project, which was designed to reduce approximately 3.8 million tonnes of carbon dioxide equivalent annually. Requests for issuance ceased on 30 June 2026, and Indian activities are among those seeking transition to the Paris Agreement Crediting Mechanism under article 6.4.

Domestically, the offset mechanism under the Carbon Credit Trading Scheme, 2023 is at an early stage. Non-obligated entities may register additional projects commencing on or after 1 January 2025. Projects cannot be concurrently registered under another crediting mechanism except the Green Credit Programme. Draft project methodologies include biogas, hydrogen, hybrid solar and storage, and biomass.

Indian participation in credited projects abroad has been limited. The 126MW Dagachhu Hydropower Project in Bhutan, in which Tata Power holds a 26% interest, was registered in 2010 as the first cross-border Clean Development Mechanism project and deregistered in December 2025.

Law stated - 23 September 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

India's climate sector spans renewable electricity and storage, green hydrogen and ammonia, biofuels, electric mobility, clean technology manufacturing, industrial decarbonisation, carbon markets and nuclear power.

Renewable electricity, procured by government offtakers through competitive bids, and private offtakers, remains the largest established segment. As at 31 July 2026, non-fossil sources accounted for approximately 54% of India's 552GW installed generation capacity, although approximately 45GW of bid-out capacity remained without signed agreements in May 2026. Energy storage is expanding through competitive procurement and viability gap funding.

Green hydrogen and ammonia are emerging commercial markets under the National Green Hydrogen Mission, which supports production and electrolyser manufacturing. Clean technology manufacturing is supported through production incentives for solar modules and battery storage. Biofuels and electric mobility are driven by blending obligations and central incentive programmes.

Industrial decarbonisation is developing into a separate market. Approximately 490 obligated entities are subject to GHG emission intensity targets under the Carbon Credit Trading Scheme, 2023, creating demand for carbon credit certificates and verification services. Nuclear generation has also been opened to wider private participation.

Financing includes project finance, specialised public-sector lenders, sovereign green bonds, sustainability-linked debt and bank green deposits. Foreign investment of up to 100% is permitted in renewable energy under the automatic route.

Law stated - 23 September 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

At national level, article 4 of the Paris Agreement requires India to maintain successive nationally determined contributions and pursue domestic mitigation measures aimed at achieving them. These commitments do not themselves impose directly enforceable obligations on private parties, and India has no economy-wide emissions cap.

Binding GHG obligations arise principally under the Carbon Credit Trading Scheme, 2023. Approximately 490 obligated entities in notified energy-intensive sectors are subject to GHG emission intensity targets for 2025–26 and 2026–27 against a 2023–24 baseline. An

entity performing below its target receives carbon credit certificates. An entity exceeding its target must purchase and surrender certificates for the shortfall.

No obligation to remove GHGs from the atmosphere applies to private parties. Separate energy efficiency and non-fossil energy consumption obligations contribute indirectly to emissions reduction, but do not impose GHG emission targets.

Law stated - 23 September 2026

GHG emission permits or approvals

10 | Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

India does not operate a GHG permitting or allowance regime, and no authorisation is required to emit GHGs. The Carbon Credit Trading Scheme, 2023 instead establishes an emission intensity-based compliance regime for notified industrial entities. Obligated entities must meet GHG emission intensity targets prescribed under the Greenhouse Gases Emission Intensity Target Rules, 2025, and those entities exceeding their targets must purchase and surrender carbon credit certificates rather than obtain permits.

Projects and facilities may nevertheless require general environmental approvals, including prior environmental clearance under the Environmental Impact Assessment Notification, 2006 and consent to establish and operate from the relevant state pollution control board under air and water pollution legislation. These approvals regulate project impacts and prescribed pollutants rather than GHG emissions.

Law stated - 23 September 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

At national level, the Ministry of Environment, Forest and Climate Change compiles India's GHG inventory using the 2006 Intergovernmental Panel on Climate Change guidelines and reports to the United Nations Framework Convention on Climate Change through national communications and biennial transparency reports. These reports are subject to technical expert review and facilitative multilateral consideration under the Paris Agreement's Enhanced Transparency Framework.

At entity level, monitoring, reporting and verification are governed by the compliance procedure under the Carbon Credit Trading Scheme, 2023 and the Greenhouse Gases Emission Intensity Target Rules, 2025. Obligated entities submit annual emissions and performance reports, verified to a reasonable level of assurance by carbon verification agencies accredited by the Bureau of Energy Efficiency (BEE). The BEE may require check verification before issuing carbon credit certificates. Offset projects are independently validated before registration and verified before credits are issued.

Separately, the top 1,000 listed entities by market capitalisation must disclose GHG emissions and emission intensity in their Business Responsibility and Sustainability Reports. Assurance of core disclosures extends to those entities from financial year 2026–27.

Law stated - 23 September 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

India operates an emissions trading regime under the Carbon Credit Trading Scheme, 2023, but not a conventional cap-and-trade system. The scheme does not impose an absolute emissions cap or allocate allowances in advance, and instead establishes an emission intensity-based compliance market. Each carbon credit certificate represents one tonne of carbon dioxide equivalent of GHG emission reduction, removal or avoidance.

Under the compliance mechanism, an obligated entity whose verified emission intensity is below its target receives certificates equal to the difference between its target and achieved intensity multiplied by production. An entity above its target must purchase and surrender certificates for the shortfall, satisfying its compliance obligation. Under the offset mechanism, non-obligated entities may receive certificates for verified reductions, removals or avoidance from registered projects. Certificates are issued by the Bureau of Energy Efficiency on the recommendation of the National Steering Committee for the Indian Carbon Market and with central government approval.

Certificates are transferable, although trading had not commenced as at the law stated date. Their validity is governed by the detailed procedure for the relevant offset mechanism. Compliance certificates remaining after a compliance cycle may be banked for use or sale in subsequent cycles.

Law stated - 23 September 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

Grid Controller of India Limited is the designated registry for carbon credit certificates (CCC) under the Carbon Credit Trading Scheme, 2023. It registers obligated and non-obligated entities, maintains their accounts and transaction records, and may link to national or international registries with central government approval.

The Bureau of Energy Efficiency (BEE) administers the Indian carbon market and develops procedures for registration, transactions and transfers. The Central Electricity

Regulatory Commission regulates CCC trading and determines registry and platform fees in consultation with the BEE.

Grid Controller of India Limited also maintains registries for renewable energy certificates and energy savings certificates, while the Green Credit Programme has a separate registry administered under the Green Credit Rules, 2023 by the Indian Council of Forestry Research and Education. These instruments are not denominated in greenhouse gases. The National Designated Authority separately maintains a registry of authorised activities under article 6 of the Paris Agreement.

Law stated - 23 September 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

Under the Carbon Credit Trading Scheme, 2023, carbon credit certificates (CCC) may be obtained by issuance or purchase. The scheme has a compliance mechanism for obligated entities subject to GHG emission intensity targets, and an offset mechanism under which non-obligated entities may generate CCCs from registered projects.

Under the compliance mechanism, performance must be verified by a carbon verification agency accredited by the Bureau of Energy Efficiency (BEE) and the assessment submitted to the BEE after each compliance year. Under the offset mechanism, a project must be registered following validation and its reductions, removals or avoidance must be verified. The BEE issues CCCs through the registry in both cases.

CCCs are held electronically in registry accounts maintained by Grid Controller of India Limited, and may be traded by obligated and non-obligated entities. Transfers are to be effected through power exchanges, unless the Central Electricity Regulatory Commission permits another mode, although trading is yet to commence as at the law-stated date.

An obligated entity whose emission intensity exceeds its target must surrender CCCs for such shortfall. Unused compliance certificates may be banked. The framework does not expressly provide a general procedure for voluntary cancellation, or for pledges, charges or other security interests over CCCs or their recording in the registry.

Law stated - 23 September 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 What GHG emission trading systems or schemes are applied in your country?

The principal GHG trading system is the Indian carbon market established under the Carbon Credit Trading Scheme, 2023. It comprises a compliance market for obligated entities subject to GHG emission intensity targets and an offset market for carbon credit certificates (CCC) generated by non-obligated entities from registered emission reduction, removal or avoidance projects.

Trading is governed by the Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2026. CCCs may be traded only through power exchanges unless the Central Electricity Regulatory Commission (CERC) permits another mode. CCCs issued under the two mechanisms are not interoperable and must be accounted for separately, and each certificate may be traded only once. Compliance market prices are subject to floor and forbearance prices approved by the CERC, which may also intervene in abnormal market conditions. As at the law-stated date, trading had not commenced and the price band had not been fixed.

Indian projects also generate credits for international voluntary carbon markets under international carbon standards. These are issued and transferred through the relevant standard's registry and are ordinarily sold under bilateral contractual arrangements addressing matters such as quantity, price, delivery and registry transfer or retirement.

Law stated - 23 September 2026

Trading agreements

16 Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

No standard bilateral agreement for trading carbon credit certificates (CCC) has been prescribed under the Carbon Credit Trading Scheme, 2023 or the applicable Central Electricity Regulatory Commission (CERC) regulations. CCCs are to be traded through power exchanges unless the CERC permits another mode, under CERC-approved contract specifications, business rules and byelaws. CCC trading had not commenced as at the law-stated date.

For credits generated by Indian projects for international voluntary markets, no India-specific standard form exists. Transfers are documented bilaterally using bespoke emission reduction purchase agreements or international precedents published by the International Emissions Trading Association or the International Swaps and Derivatives Association. Terms typically address the carbon standard and vintage, quantity, delivery, price, non-delivery and invalidation risk, and registry transfer or retirement.

Law stated - 23 September 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state

and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

India's principal non-renewable energy sources are coal and lignite, crude oil, natural gas and nuclear power. Of approximately 1,846TWh of electricity generated in 2025–26, fossil fuels accounted for approximately 1,307TWh, including approximately 1,250TWh from coal. India produced approximately 1.04 billion tonnes of coal in 2025 and imports approximately 89% of its crude oil. The energy sector accounted for approximately 73% of national GHG emissions in 2022, excluding land use, land-use change and forestry.

Energy efficiency is regulated principally under the Energy Conservation Act, 2001, which provides for energy-consumption standards, appliance standards and labelling, mandatory energy audits, appointment of energy managers, annual returns by designated consumers and energy conservation building codes, with state-designated agencies responsible for implementation.

Under the Perform, Achieve and Trade (PAT) scheme, designated consumers in notified energy-intensive sectors receive specific energy-consumption reduction targets. Verified savings beyond target generate energy savings certificates, each representing one tonne of oil equivalent. Nine of the 13 covered sectors are progressively transitioning to the carbon market, while four, including thermal power plants, remain under the PAT scheme and are therefore subject to energy-consumption targets rather than GHG emission intensity targets. Energy savings certificates are held electronically in registry accounts operated by Grid Controller of India Limited and traded on power exchanges under Central Electricity Regulatory Commission regulations. No standard form agreement is prescribed, with transactions governed by the approved exchange rules and terms.

Law stated - 23 September 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

Agriculture and forestry, mineral extraction, and waste-to-energy facilities are not subject to sector-specific GHG emission limits or intensity targets. Participation in the offset mechanism of the Carbon Credit Trading Scheme, 2023 is voluntary, with approved methodologies covering livestock and manure methane, rice cultivation, afforestation and reforestation, landfill methane recovery and compressed biogas. Certain non-climate rules incidentally limit emissions, including the Petroleum and Natural Gas Rules, 2025, which prescribe flaring limits.

Industrial processes are the principal domestic exception. Approximately 490 obligated entities across aluminium, cement, chlor-alkali, pulp and paper, petroleum refining, petrochemicals and textiles are subject to notified GHG emission intensity targets. Targets for iron and steel were published in draft in June 2026 but were not in force as at the law stated date.

In transport, Phase II corporate average fuel efficiency standards apply to passenger cars. International shipping is subject to GHG efficiency and carbon-intensity requirements under MARPOL Annex VI. India did not participate in the voluntary phases of the International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation, but offsetting obligations for Indian carriers begin in 2027. No greenhouse gas regulation applies specifically to rail, although Indian Railways has a policy target of net zero by 2030.

Law stated - 23 September 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

India generated approximately 477.79 TWh of renewable electricity in 2025–26, including large hydropower, representing approximately 26% of total generation. As at 31 July 2026, installed renewable capacity was approximately 292GW, including 164.59GW of solar and 58.14GW of wind.

Renewable energy policy is governed principally by the Electricity Act, 2003, the Energy Conservation Act, 2001 and central and state regulations. Under the Ministry of Power's Renewable Consumption Obligation framework, distribution licensees and designated open access and captive consumers must meet minimum non-fossil electricity consumption shares, expected to be 43.33% in 2029–30. Compliance may be met through qualifying electricity or renewable energy certificates, with shortfalls subject to penalties under the Energy Conservation Act.

Government-procured renewable projects are commonly developed under standardised power purchase agreements awarded through competitive bidding, while private procurement includes open access and captive arrangements.

Under the Central Electricity Regulatory Commission (Terms and Conditions for Renewable Energy Certificates for Renewable Energy Generation) Regulations, 2022, eligible renewable generators register with the National Load Despatch Centre and receive certificates against eligible renewable electricity. Certificates may be traded and redeemed for renewable consumption compliance.

Law stated - 23 September 2026

Wind energy

20 Describe, in general terms, any regulation of wind energy.

Wind energy development is governed by the Electricity Act, 2003 and guidelines issued by the Ministry of New and Renewable Energy. Government-led competitive procurement is governed by Ministry of Power guidelines notified in 2023, as amended. Offshore development remains nascent under the National Offshore Wind Energy Policy, 2015 and the Offshore Wind Energy Lease Rules, 2023.

No generation licence is required, and wind projects do not ordinarily require prior environmental clearance under the Environmental Impact Assessment Notification, 2006. Principal approvals include using a turbine model that is included in the Approved List of Models and Manufacturers (Wind), type certification from an internationally accredited body, defence or airport no-objection certificates where required, grid connectivity and evacuation approvals, and applicable land, forest and wildlife approvals. The framework now also includes localisation requirements.

The National Repowering and Life Extension Policy for Wind Power Projects, 2023 permits eligible older turbines to be repowered or life-extended, with surplus generation available for separate sale.

Current central support for onshore wind includes accelerated depreciation and tapered relief from inter-state transmission charges through June 2028. Offshore projects are proposed to be supported by viability gap funding and longer transmission charge relief.

Law stated - 23 September 2026

Solar energy

21 | Describe, in general terms, any regulation of solar energy.

Solar energy development is governed by the Electricity Act, 2003 and guidelines issued by the Ministry of New and Renewable Energy. Government-led competitive procurement is governed by Ministry of Power guidelines notified in 2023, as subsequently amended.

No generation licence is required, and solar photovoltaic projects do not ordinarily require prior environmental clearance under the Environmental Impact Assessment Notification, 2006. Principal approvals include sourcing of modules from the Approved List of Models and Manufacturers (Solar Photovoltaic Modules), Bureau of Indian Standards certification, defence, airport or highway no-objection certificates where required, grid connectivity and evacuation approvals, and applicable land, forest and wildlife approvals. Solar cells must also be sourced through the Approved List of Models and Manufacturers (Solar Photovoltaic Cells). The framework now also includes localisation requirements, and specified government schemes impose domestic content requirements.

Competitively discovered tariffs are adopted by the appropriate electricity regulatory commission, while regulated tariffs are determined by the commission. Direct commercial and industrial supply is priced contractually, and rooftop and distributed solar exports are compensated under state-level net-metering or net-billing arrangements.

Producers of solar photovoltaic modules, panels and cells are subject to extended producer responsibility under the E-Waste (Management) Rules, 2022, requiring registration with the Central Pollution Control Board, annual returns and storage of end-of-life material.

Current central support includes production-linked incentives for high-efficiency solar photovoltaic module manufacturing, PM Surya Ghar for residential rooftop systems, PM-KUSUM for agricultural solarisation, and tapered relief from inter-state transmission charges. Basic customs duty on imported modules and cells protects domestic manufacturing.

Law stated - 23 September 2026

Hydropower, geothermal, wave and tidal energy

22 Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Hydropower development is governed by the Electricity Act, 2003,Central Electricity Authority guidelines on detailed project reports and the Dam Safety Act, 2021. Government-led competitive procurement of pumped storage is governed by Ministry of Power guidelines notified in February 2025. Geothermal development remains nascent under the National Policy on Geothermal Energy, 2025, which allows states to grant exploration permits and land leases, while tidal and wave energy remain at research stage. States allot project sites and prescribe additional requirements concerning land, water, free power, intra-state transmission, open access, banking and wheeling.

No generation licence is required, but hydro schemes involving estimated capital expenditure exceeding 30 billion rupees require Central Electricity Authority concurrence, except off-stream closed-loop pumped storage schemes. Principal approvals include environmental clearance for projects of 25MW and above, dam safety compliance, rehabilitation and resettlement approvals, grid connectivity and evacuation approvals, and applicable land, forest and wildlife approvals.

Hydropower tariffs are determined by the appropriate electricity regulatory commission, while competitively discovered pumped storage tariffs are adopted by it.

Current central support includes budgetary assistance for enabling infrastructure and flood moderation, and a 25-year waiver of inter-state transmission charges for pumped storage projects awarded by 30 June 2028. The Small Hydro Power Development Scheme provides central financial assistance for 1 to 25MW projects.

Law stated - 23 September 2026

Waste-to-energy

23 Describe, in general terms, any regulation of production of energy based on waste.

Energy recovery from waste is governed by the Environment (Protection) Act, 1986 and the Solid Waste Management Rules, 2026. Non-recyclable waste with a net calorific value of 1,500 kilocalories per kilogram or more must be used for energy generation, directly or as feedstock for waste-derived fuel.

No generation licence is required. Principal approvals include authorisation from the relevant state pollution control board or pollution control committee, environmental clearance where applicable, and grid connectivity and evacuation approvals.

Tariffs are determined by the appropriate electricity regulatory commission, and the rules require the Ministry of Power to fix and periodically review the tariff for electricity from solid waste-based plants and to ensure its compulsory purchase by distribution companies.

Industrial units using solid fuel within 100 kilometres of a waste-derived fuel plant must substitute 6% of their fuel consumption with combustible fraction from solid waste, rising to 15% after six years, while specified grades of refuse-derived fuel must be co-processed in cement kilns within 400 kilometres. Coal-based thermal power stations must separately co-fire biomass, which may include torrefied charcoal made from municipal solid waste.

Central financial assistance for waste-to-energy projects was available under Phase I of the National Bioenergy Programme until March 2026, and no Phase II had been notified as at the law stated date.

Law stated - 23 September 2026

Biofuels and biomass

24 Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

Biofuel for transport is governed by the National Policy on Biofuels, 2018, as amended in 2022, which advanced the 20% ethanol blending target for petrol to 2025–26, and retains a 5% biodiesel blending target for diesel by 2030. The ethanol blending target was met ahead of the date. Ethanol is supplied to oil marketing companies under the Ethanol Blended Petrol Programme at administered prices varying by feedstock, and biodiesel is procured by those companies separately. Distilleries require environmental clearance and consent to establish and operate from the state pollution control board and state excise licences are required for ethanol and molasses. Second-generation ethanol is supported under the Pradhan Mantri JI-VAN Yojana.

Compressed biogas is supported under the GOBARdhan scheme, approved in August 2026 for 2026–27 to 2035–36, which provides capital assistance, pipeline infrastructure and credit guarantees, and an administered price of 2,110 rupees per million British thermal units. City gas distribution entities must procure compressed biogas under a blending obligation rising from 3% in 2026–27 to 5% from 2028–29.

Biomass generation is treated as renewable and qualifies for renewable consumption compliance. No generation licence is required, and plants require consent to establish and operate from the state pollution control board. Bagasse and non-bagasse cogeneration are procured at tariffs determined by the appropriate electricity regulatory commission. Coal-based thermal power stations must co-fire 5% by weight of biomass pellets or torrefied charcoal from municipal solid waste, and plants in the National Capital Region a further 2%, with the National Mission on Use of Biomass in Thermal Power Plants supporting the pellet supply chain. Biomass used for industrial heat has no dedicated regime.

Law stated - 23 September 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

India has no dedicated carbon capture, utilisation and storage (CCUS) legislation or licensing regime. Policy rests on non-statutory instruments, principally NITI Aayog's 2022 CCUS report and the Department of Science and Technology's research roadmap of December 2025. CCUS is an eligible offset sector under the Carbon Credit Trading Scheme, 2023, although no methodology had been approved as at the law-stated date.

The Oilfields (Regulation and Development) Act, 1948, as amended in 2025, empowers rules on decarbonisation of mineral oil operations, including use of oilfields for CCUS, and the Petroleum and Natural Gas Rules, 2025 allow a lessee to use its leased area for that purpose. Approvals run in sequence: authorisation to assess feasibility, a renewable two-year injection permit for pilot testing conferring no long-term storage rights, and, once geological suitability is established, a storage permit for permanent sequestration. The lessee must maintain environmental and disaster management plans, monitor continuously, report annually, report leakage immediately, and monitor for at least five years after closure. Outside petroleum lease areas, CCUS is subject to general environmental, industrial and pipeline requirements.

The 2026–27 Budget proposed 200 billion rupees over five years for a CCUS scheme covering power, steel, cement, refining and chemicals.

Law stated - 23 September 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

Climate issues in Indian transactions arise mainly from a target's regulatory compliance and from benefits that may not survive the deal.

Environmental diligence typically covers clearances and consents, past violations and pending National Green Tribunal proceedings. Where the target is an obligated entity under the Carbon Credit Trading Scheme, 2023, diligence would need to extend to its emission intensity targets, verified emissions and any shortfall it must cover with carbon credit certificates. Buyers are also likely to assess how emissions are measured and reported.

Some regulatory benefits depend on ownership and can be lost on a change of control. Captive status under rule 3 of the Electricity Rules, 2005, as amended in 2026, is a notable example, since continued eligibility depends on satisfaction of prescribed ownership and consumption tests.

Listed targets must publish Business Responsibility and Sustainability Report disclosures, whose accuracy may create warranty risk. These matters are commonly addressed through warranties, indemnities and conditions precedent.

Law stated - 23 September 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

Operationalisation of the Indian carbon market is the principal development. The first compliance cycle covers the 2025–26 financial year, and verified data were due by 31 July 2026, but as at the law-stated date, trading had not commenced, and floor and forbearance prices had not been fixed. First issuance and trading, and extension of emission intensity targets to further sectors, are the next steps.

The nationally determined contribution under the Paris Agreement for 2031 to 2035, approved on 25 March 2026, targets a 47% reduction in the emission intensity of gross domestic product, a 60% non-fossil share of installed electricity capacity, and a forest and tree cover carbon sink of 3.5 to 4 billion tonnes of carbon dioxide equivalent. Its implementation will shape further mitigation measures, and it identifies carbon capture, utilisation and storage among activities for article 6 cooperation.

Other developments include finalisation of the climate finance taxonomy, and implementation of the Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India Act, 2025, which enables private participation in nuclear generation; draft rules published in August 2026 remain to be finalised. India's first National Adaptation Plan remains under preparation.

The Supreme Court held in March 2024 that the rights to life and equality encompass a right against the adverse effects of climate change, the scope of which remains to be developed.

Law stated - 23 September 2026

TRILEGAL

Gautam Chabra gautam.chabra@trilegal.com
Yashaswi Belani yashaswi.belani@trilegal.com
Nimal Padiyath nimal.padiyath@trilegal.com

Trilegal

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Indonesia

Avinash Panjabi, **Mery Enjelica Stephany**, **Jorryn Alexander Rotty**, **Renanda Aditya Putra**, **Sepania Immanuella Magdalena Perpetua**
PSHP Adrem Law

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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

Yes. Indonesia is a party to several international agreements relating to climate matters, which have been ratified and incorporated into the national legal framework. These include:

- The United Nations Framework Convention on Climate Change (UNFCCC), ratified through Law No. 6 of 1994 on the ratification of the UNFCCC, which laid the foundational legal framework for global cooperation in stabilising greenhouse gas (GHG) concentrations in the atmosphere;
- The Kyoto Protocol, ratified through Law No. 17 of 2004 on the ratification of the Kyoto Protocol to the UNFCCC, which introduced binding emissions reduction targets for developed countries and formalised mechanisms such as emission trading and the Clean Development Mechanism; and
- The Paris Agreement, ratified through No. 16 of 2016 on the ratification of the Paris Agreement to the UNFCCC, which shifted the climate governance paradigm towards a bottom-up nationally determined contribution (NDC) approach with all parties – including developing countries – committing to mitigation and adaptation actions.

Law stated - 10 September 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

Following the ratification of the relevant international climate agreements and as a party to the UNFCCC, Indonesia has developed various laws, regulations and policies to implement its international climate commitments, including the fulfilment of its NDC target, through climate change mitigation and adaption.

Indonesia's current overarching framework for implementing these commitments is established under Presidential Regulation No. 110 of 2025 on the Implementation of Carbon Economic Value Instruments and National Greenhouse Gas Emission Control (PR 110/2025).

PR 110/2025 provides an integrated framework for implementing Indonesia's NDCs and controlling national greenhouse gas emissions. It regulates, among other things, carbon economic value instruments (including emissions trading and emissions offsets), carbon allocation, transparency measures (including monitoring, reporting and verification), climate financing and institutional coordination.

In addition to the above, Indonesia's climate commitments are also reflected in its national energy policy, established under Government Regulation Number 40 of 2025 regarding

National Energy Policy (GR 40/2025). The regulation establishes the national policy frameworks for Indonesia's energy sector by setting out the objectives, strategies and priorities applicable to electricity, oil and gas, coal and other energy sources, including renewable energy.

GR 40/2025 serves as a reference for ministries, regional governments and other relevant government institutions in managing the national energy sector over the next five years. The policy is intended to support the achievement of Indonesia's GHG emission reduction targets and net-zero emissions by 2060, while maintaining energy independence and national energy security.

Law stated - 10 September 2026

Main national regulatory policies

3 | Outline recent government policy on climate matters.

Indonesia's climate policy has continued to develop through the implementation of renewable energy and carbon market mechanisms. PT Perusahaan Listrik Negara (PLN) (Persero) continues to facilitate the issuance of renewable energy certificates (RECs), with each certificate representing 1MWh of electricity generated from renewable sources. The REC market has continued to expand, including through the authorisation of the Indonesia Commodity & Derivatives Exchange (ICDX) to facilitate physical REC trading. In March 2026, PLN also distributed 23,040 RECs, equivalent to 23MWh of green electricity, to PT Borneo Indobara, reflecting the growing adoption of RECs in the mining sector.

A significant recent development is the strengthening of Indonesia's carbon market infrastructure. In July 2026, the government of Indonesia launched the Carbon Unit Registry System (SRUK) as the national registry dedicated to the recording, tracking and management of carbon units. The SRUK is intended to replace the carbon-related functions of the National Registry System for Climate Change Control (SRN-PPI), which has historically served as the broader registry of Indonesia's climate change action and resources.

The SRUK is also expected to be integrated with the Indonesia Carbon Exchange and serve as a single authoritative source for national carbon trading records.

Law stated - 10 September 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

Following are various regulations related to climate change, which may be amended from time to time, including:

- Law No. 6 of 1994 on the ratification of the UNFCCC;
- Law No. 17 of 2004 on the ratification of the Kyoto Protocol to the UNFCCC;

- Law No. 32 of 2009 on Environmental Protection and Management;
- Law No. 16 of 2016 on the ratification of the Paris Agreement to the UNFCCC;
- Presidential Regulation No. 110 of 2025 on the Implementation of Carbon Economic Value Instruments and National Greenhouse Gas Emission Control (PR 110/2025);
- Minister of Environment and Forestry Regulation No. 21 of 2022 on Procedures for the Application of Carbon Economic Value (MEFR 21/2022);
- Minister of Environment/Environmental Control Agency Regulation No. 23 of 2025 on the Nationally Determined Contribution Target (MOER 23/2025);
- Ministry of Forestry Regulation No. 6 of 2026 on Carbon Trading Procedure Through Green House Gas Emission Offset in Forestry Sector (MOFR 6/2026);
- Minister of Environment/Environmental Control Agency Regulation No. 7 of 2026 on the Implementation of the Nationally Determined Contribution (MOER 10/2026);
- Minister of Environment/Environmental Control Agency Regulation No. 10 of 2026 on Carbon Unit Registry System (MOER 10/2026);
- Minister of Environment/Environmental Control Agency Regulation No. 11 of 2026 on Carbon Unit Registry System (MOER 11/2026); and
- Indonesia Financial Authority Regulation No. 14 of 2023 concerning Carbon Trading through Carbon Market, as last amended by Indonesia Financial Authority Regulation No. 10 of 2026 (POJK 14/2023).

Law stated - 10 September 2026

National regulatory authorities

5 Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

In general, the Ministry of Environment (MOE) (or currently also known as the Environmental Control Agency (ECA)) is the primary government authority responsible for environmental issues, including climate-related matters in Indonesia. The implementation and administration of climate policies and initiatives are carried out by the Deputy for Climate Change and Carbon Pricing Governance through its respective directorates.

The following directorates are also responsible for formulating and implementing policies in their respective areas:

- Directorate of Climate Change Mitigation, responsible for climate change mitigation and the reduction and phase-out of ozone-depleting substances;
- Directorate of Climate Change Adaptation, responsible for climate change adaptation and promoting climate resilience in communities;
- Directorate of Greenhouse Gas Inventory and Monitoring, Reporting and Verification (MRV), responsible for maintaining the national greenhouse gas inventory, conducting MRV, and managing the registry of climate mitigation and adaptation actions and related resources;

- Directorate of Carbon Economic Value Management, responsible for administering carbon economic value mechanisms, emission reduction certification schemes, and overseeing the carbon market ecosystem; and
- Directorate of Climate Change Control Resource Mobilisation, responsible for mobilising financial and other resources to support climate change control initiatives.

In addition to the above, the Fiscal Policy Agency (BKF) under the Ministry of Finance serves as Indonesia's National Designated Authority for the Green Climate Fund (GCF). As the primary liaison between the government and the GCF, BKF ensures that GCF-supported activities align with Indonesia's national climate priorities. In this capacity, BKF issues technical guidelines and no-objection letters, reviews funding proposals and accreditation requests, coordinates relevant stakeholders, oversees project implementation, and leads the development of Indonesia's GCF Country Programme. BKF also promotes capacity building, stakeholder engagement and transparency, including through an annual participatory forum, while strengthening national climate finance governance and institutional capacity.

Indonesia has also established a domestic carbon exchange through the Indonesia Carbon Exchange (IDXCarbon), which was officially launched on 26 September 2023. IDXCarbon serves as a trading platform for carbon units, including emission quotas, carbon certificates and non-carbon certificates. As the carbon exchange operator, IDXCarbon is authorised to issue and implement more detailed rules governing, among other things, the registration of carbon exchange service users, the registration and listing of carbon units, carbon trading mechanisms, market surveillance and the standardisation and classification of carbon units traded on the exchange. authority responsible for regulating, licensing, supervising and promoting the development of carbon trading through IDXCarbon.

Law stated - 10 September 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

According to Indonesia’s first Biennial Transparency Report submitted to UNFCCC in 2024, the country’s main sources of GHG emissions in 2022 derived from five sectors: energy; industrial processes and product use (IPPU); agriculture; land use, land use change and forestry; and waste.

The largest contributor to GHG emissions was the energy sector, which accounted for 53.42% or 738,753.39 kilotons of CO2 equivalent. This was followed by the land use, land-use change and forestry sector at 22.58% (312,311.57 kilotons of CO2e). The waste sector came next with 10.04% (138,862.07 kilotons of CO2e), followed by the agriculture sector at 9.8% with 135,565.84 kilotons of CO2e. Last, the IPPU sector contributed 4.15%, amounting to 57,361.63 kilotons of CO2e.

Both domestic and foreign investment companies operating within the above high-polluting sectors in Indonesia are obliged to comply with a cap-and-trade mechanism set out under PR 110/2025.

Law stated - 10 September 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

Waste-to-energy power plant projects

To accelerate the development of Waste-to-Energy (WtE) facilities, the Indonesian Government has enacted Presidential Regulation No. 109/2025 on Urban Waste Handling through Waste Processing into Renewable Energy based on Environmentally Friendly Technology (PR 109/2025).

PR 109/2025 mandates BPI Danantara to support the development of WtE projects through its subsidiaries, Danantara Investment Management, Danantara Operational Management, or other state-owned enterprises or their subsidiaries. In current practice, PT Danantara Investment Management has undertaken the partner-selection process to identify developers and operators for WtE power plant projects across Indonesia.

In May 2026, PT Danantara Investment Management entered into cooperation agreements with several regional governments to accelerate the development of WtE facilities in six priority regions, namely Lampung, Serang, Medan, Semarang, Bogor-Depok and Bekasi, with a total estimated investment value of approximately US$5 billion. These projects are also intended to contribute to the reduction of carbon emissions, including direct emissions arising from the combustion of fossil fuels for energy or heat and indirect emissions resulting from waste decomposition.

100GW solar power plant ambition

On 25 August 2026, the Indonesian government officially launched an ambitious initiative to develop a 100GWp solar power plant programme. As the initial phase, the programme has been developing 14 solar power projects across six provinces, with a combined capacity of 5.3GWp, which are currently at various stages, including construction, groundbreaking, inauguration and tender preparation.

As of August 2026, the solar power projects ready for tender comprise the Jatiluhur Floating Solar Power Plant (West Java), with a capacity of 1,688MWp; Cirata Floating Solar Power Plant (West Java), with a capacity of 1,250MWp; Jatigede Floating Solar Power Plant (West Java), with a capacity of 636MWp; Madura Solar Power Plant and Battery Energy System (BESS) Cluster (East Java), with a capacity of 605 MWp; Bali Solar Power Plant

in Gilimanuk, with a capacity of 300MWp; and Bank Tanah Purwakarta Solar Power Plant (West Java), with a capacity of 69MWp.

The programme is intended to expand reliable electricity access, particularly in areas and villages that remain underserved by the electricity grid, while strengthening national energy independence and supporting the transition away from fossil fuels. It is also expected that the programme can support rural economic development, stimulate domestic solar and battery manufacturing industries, and contribute to the reduction of carbon emissions. According to the Ministry of Energy and Mineral Resources, the 100GWp solar power plant programme is anticipated to reduce carbon emissions by approximately 140.16 million tons of CO2, with an estimated carbon project value of approximately 6.3 trillion rupiah.

Law stated - 10 September 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

The PR 110/2025, as an umbrella regulation for climate action, does not merely impose new compliance obligations on business entities – but also provides market-based incentives aimed at fostering private sector engagement in climate action. Through mechanisms such as carbon trading and result-based payment (RPB) schemes, the regulation accommodates commercial aspects for business entities and individuals to actively participate and financially benefit from emission reduction efforts.

Carbon trading

At its core, carbon trading is a market-based mechanism for reducing greenhouse gas (GHG) emissions by enabling the trading of carbon units. Carbon units may take the form of carbon certificates issued domestically or internationally, or GHG emission quotas. Carbon trading transactions may take place through a regulated carbon exchange, such as IDXCarbon, or pursuant to bilateral agreements between parties.

Under the system established by the government, certain high-emitting sectors are subject to mandatory emissions caps. Entities that emit below their allocated emission cap may generate surplus carbon units, which can be sold to entities that exceed their allocated limits. Conversely, companies whose emissions exceed their allocated cap must acquire additional carbon units to meet their compliance obligations.

Beyond facilitating domestic carbon trading, PR 110/2025 also establishes the integration of Indonesia's carbon market with international carbon markets. Cross-border carbon trading under this framework may be conducted through two mechanisms, namely:

- cross-border trading requiring government approval – which requires a recommendation from the Minister of Environment and a corresponding adjustment. This mechanism applies where the carbon trading: (1) is linked to international GHG emission trading; (2) is intended to fulfil international obligations; and (3) involves

GHG emission offsets that meet the requirements of 1rticles 6.2 and 6.4 of the Paris Agreement; and

- cross-border trading not requiring government approval or a corresponding adjustment – which applies where the emission offset trading is not intended to contribute to NDC fulfilment or fulfil other international obligations.

Results-based payment(RBP)

RBP is a climate finance mechanism that offers financial incentives for verified activities that reduce GHG emissions or deliver other recognised climate outcomes, particularly in the forestry and land-use sectors. Participation is open to central and regional government institutions, business entities and individuals. Funding may be channelled through several arrangements: from international entities to the central or regional government, with funding provided to regional governments subject to approval from the central government; from the central government to regional governments, businesses and/or local communities; and from provincial governments to city or regency governments, businesses and/or local communities.

Under the RBP scheme, the funding party does not require ownership of the verified GHG emission reductions, which continue to count towards the fulfilment of Indonesia's nationally determined contribution

target.

Law stated - 10 September 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

Indonesia’s GHG emission reduction framework applies mandatorily to entities and activities operating in the sectors and sub-sectors specified in PR 110/2025. These include seven main sectors: energy; waste; industrial processes and product use; agriculture; forestry; marine and fisheries; and/or other sectors in accordance with developments in science and technology. The relevant sub-sectors range from power generation, oil and gas, transportation, to agriculture, forestry and peatland management, blue carbon management and other sub-sectors in accordance with developments in science and technology.

The current regulatory framework establishes three tiers of emissions limits. The first is the “carbon allocation”, which refers to the permissible volume of GHG emissions over a specified period, typically one year, as determined jointly by the relevant minister(s) based on national capacity. The second is the “GHG emission ceiling limit”, which represents the maximum level of GHG emissions that may be from all activities within an applicable sector or subsector and is determined based on the national carbon allocation. The third is the “GHG emission quota”, representing the maximum level of GHG emission that may be

released by a business entity or obligated installation, as determined by reference to the applicable carbon allocation and GHG emission ceiling limit.

Entities falling within a mandatory sector or sub-sector and subject to a GHG emission quota are required to monitor, reduce and report their GHG. They also must implement emission reduction measures to ensure their emissions remain within the applicable quota.

Where an entity's emissions exceed its allocated quota, it is required to undertake one of the following measures: (1) implement climate change mitigation actions; (2) acquire surplus emission quota from another obligated entity that has not exhausted its own allocation; or (3) purchase certified carbon units. An entity that fails to undertake any of these measures becomes liable to pay a carbon tax.

Law stated - 10 September 2026

GHG emission permits or approvals

10 | Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

Indonesia does not require a specific permit or licence to emit GHG emissions. However, business entities operating within the mandatory sectors remain bound by the GHG emission quota allocated to them.

The GHG emission quota for each business entity or obligated installation is determined and issued by the relevant minister responsible for the relevant sector or sub-sectors. For instance, the Minister of Energy and Mineral Resources is authorised to issue PTBAE-PU for power plant producers, while the Ministry of Industry is responsible for issuing PTBAE-PU for manufacturing businesses.

In addition to the direct ministerial determination, each business entity may also proactively submit a request for its own quota allocation. Such application must include the following information: (1) a report detailing the actual GHG emissions produced by the business within a specified reference period; and (2) a comprehensive mitigation plan outlining how the entity intends to reduce its emissions going forward.

Following its evaluation of the submitted application, the relevant sectoral ministry may issue the GHG emission quota, specifying the allocated emission limit in tonnes of CO2, equivalent per year for that business entity.

Law stated - 10 September 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

In July 2026, the Minister of Environment/Environmental Control Agency issued Regulation Number 10 of 2026 (MOER 10/2026), to further implement the carbon registry concept (ie,

the Carbon Unit Registry System (SRUK) introduced under PR 110/2025 and establish the legal framework and more detailed rules governing SRUK.

Carbon units reported through SRUK are initially recorded through an activity implementation report prepared by an Installation (ie, units, facilities, power plants, buildings or entities subject to mandatory participation in the carbon trading mechanism) or voluntary participants. The report is then verified by an independent third-party verifier, accredited by the National Accreditation Committee. The verifier shall assess the methodology applied and the result of the carbon unit verification conducted by the relevant entity. If the verification confirms the existence of surplus carbon units, the verified report is subsequently submitted to the MOE and recorded in the SRUK to determine the number of verified carbon units.

Verified carbon units may be issued in one of two forms: (1) GHG emission offsets certificate (SPE GRK), issued by the minister responsible for environmental affairs; and (2) Non-SPE-GRK carbon units, issued under an internationally recognised standard and subsequently endorsed by the relevant sectoral minister in Indonesia.

Law stated - 10 September 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

Yes, Indonesia has implemented a GHG emission quota or allowance regime. Under the MEMR Regulation No. 21 of 2022, the maximum allowance granted to each business entity by the relevant minister is referred to as PTBAE-PU, while the total allowance allocated for each mandatory sector – representing the cumulative allowances of all business entities operating within that sector – is referred to as PTBAE.

Further, MEMR Regulation No. 16 of2022, which serves as the subsector-specific regulation governing carbon emission reduction in the power subsector, sets out three phases for the implementation of PTBAE for each type of power plan: phase one, covering 2023–2024; phase two, covering 2025–2027; and phase three, covering 2028–2030.

The PTBAE for phase one was issued by the MEMR specifically targeting the coal-fired power plants based on their respective type and capacity, as follows:

Coal - fired power plant types	Capacity	Year
2023 and 2024 (ton CO2-e/MWh)		
Non - mine mouth and mine mouth	25MW X <100MW	1,297

Non - mine mouth	100MW X 400MW	1,011
Non - mine mouth	>400MW	911
Mine mouth	100MW	1,089

As at August 2026, the MEMR has yet to issue a PTBAE applicable to the phase two period.

Law stated - 10 September 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

SRUK, which was launched on 9 July 2026, replaces the National Registration System for Climate Change Control (SRN-PPI) as Indonesia's registry system, specifically for recording and monitoring carbon units, whether generated by Obligated Installations or voluntary participants. SRUK also facilitates connectivity among relevant ministries, government institutions, private entities and international registries. Meanwhile, SRN-PPI remains the official platform for recording and providing data and information on climate change mitigation and adaptation activities, supporting Indonesia’s broader efforts to track and report progress toward its NDC target.

Law stated - 10 September 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

GHG emission allowances (or emission ceilings) apply on a mandatory basis to business entities, facilities, installations and activities operating in the sectors and sub-sectors designated under PR 110/2025, known as the Obligated Installations). The relevant minister determines the amount of allowances for each Obligated Installation based on its actual or historical GHG emissions. For example, the Minister of Energy and Mineral Resources determines allowances for power producers, while the Minister of Industry is responsible for manufacturing companies. An Obligated Installation may also apply for an allowance by submitting its verified historical emissions data together with a mitigation plan setting out its future emission reduction strategy to the relevant minister.

Obligated Installations must carry out mitigation measures to ensure that their actual GHG emissions do not exceed their allocated allowances. Where emissions exceed the allocated limit, they must: (1) purchase additional emission allowances or quotas from other Obligated Installations; and/or (2) purchase emission offsets in the form of carbon

certificates from the market. Failure to take any of these measures will result in the imposition of a carbon tax.

Conversely, where an Obligated Installation emits less than its allocated allowance, it may not convert the unused allowance into carbon certificates for sale on the carbon market. Instead, it may transfer or sell its unused emission allowance to other Obligated Installations.

In regard to the encumbrance of carbon units, POJK 14/2023 classifies carbon units as securities. POJK 14/2023 specifically defines a carbon unit as a certified reduction or removal of GHG emissions under a domestic certification scheme, an international certification scheme, or a GHG emission allowance, with each unit representing one metric ton of carbon dioxide equivalent (tCO e). Although the regulation does not expressly provide that carbon units may be used as collateral, under Indonesian law, securities constitute movable property and may therefore serve as the object of a pledge. Accordingly, carbon units that fall within the definition under OJK Regulation No. 14 of 2023 may be used as collateral by creating a pledge over them.

Law stated - 10 September 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 | What GHG emission trading systems or schemes are applied in your country?

PR 110/2025 regulates two carbon trading mechanisms: emissions trading and emissions offsetting, both of which may be conducted domestically or internationally. While both involve the trading of carbon units, they serve different purposes. Emissions trading applies to business entities in regulated sectors that are subject to government-imposed emissions caps or quotas. By contrast, emissions offsetting is a voluntary mechanism that enables business entities outside those regulated sectors to participate in carbon trading, typically by undertaking emission reduction projects.

Emission trading

Emission trading refers to the transfer of GHG emission allowances or quotas between Obligated Installations. If an Obligated Installation exceeds its allocated emission allowances, it must obtain additional carbon units, either in the form of carbon certificates or emission quotas, equal to its excess emissions. This may be conducted either through direct transactions with other entities or via an authorised carbon exchange platform- . Conversely, an Obligated Installation that emits less than its allocated emission quota may sell its unused carbon units to other Obligated Installations that require additional units to meet their compliance obligations.

Emission offsetting

Business entities outside the regulated sectors and sub-sectors may voluntarily participate in emissions reduction efforts. For this purpose, an entity must first obtain a GHG emissions baseline, which is a reference emissions limit determined by the relevant minister based on the entity's historical emissions. To establish the baseline, the entity must submit one of the following documents to SRUK, setting out the proposed emissions reduction activities: (1) a Climate Change Mitigation Action Plan Document for the subsequent issuance of a SPE GRK; or (2) a Project Plan Documentfor the subsequent issuance of a Non-SPE GRK.

Upon completion of the emissions reduction activities, the entity's actual GHG emissions are compared against its approved baseline. If the actual emissions are lower than the baseline, the resulting emissions reductions are eligible to be traded as carbon units, subject to verification by an accredited independent verifier. The verification report must then be submitted to the Minister of Environment and recorded in the SRUK, based on which the verified carbon units are issued as either SPE-GRK for carbon offset activities verified under Indonesia's national verification system or Non-SPE-GRK for activities verified under an internationally recognised verification standard.

Both emission trading and emission offsetting schemes may be traded across and within multiple sectors. Recently, Indonesia has also expanded its carbon market framework to facilitate integration with international carbon markets, allowing carbon units issued under recognised international standards to be traded, subject to the applicable regulatory requirements.

Law stated - 10 September 2026

Trading agreements

16 Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

There are two common forms of agreements used for GHG emission trading in Indonesia:

- Exchange-based trading agreements, used for transactions conducted through IDXCarbon. These are standardised agreements that follow securities market practices and exchange protocols, with trades executed through the electronic trading platform using an automated matching system.
- Direct transactions between parties, used for off-exchange transactions between buyers and sellers. These agreements are negotiated on a case-by-case basis and typically address MRV Monitoring, Reporting and Verification requirements, the transfer and ownership of carbon units, and other regulatory requirements. In practice, parties often refer to the Voluntary Emissions Reduction Purchase Agreement published by Verra as a template or reference.

GHG emissions trading agreements typically include provisions addressing:

- carbon unit specifications, including the type (eg, emission allowances or SPE-GRK), quantity and vintage year;
- pricing and payment terms, such as unit price, payment schedule and currency;

- delivery and transfer procedures, including registry transfers;
- MRV compliance; and
- compliance with applicable Indonesian carbon market regulations.

Law stated - 10 September 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

Based on PT PLN (Persero)'s electricity supply business plan for 2025 to 2034 (PLN RUPTL 2025–2034), Indonesia's power generation sector continues to rely heavily on non-renewable energy sources. Oil-based fuels recorded a consumption level of approximately 4.5 million kilolitres. Coal remains the dominant energy source, with steam power plants (PLTU) consuming around 59.1 million metric tons. In addition, natural gas and liquefied natural gas usage reached approximately 356.2 trillion British thermal units (BTU).

PT PLN (Persero) also outlines several strategies in improving energy efficiency by prioritising renewable energy expansion, phasing down fossil fuel reliance and investing in transmission, smart grid, and storage systems to ensure reliable, affordable, and sustainable power. These strategies are carried out in consideration of infrastructure growth with national policy, dynamic demand and the net-zero-emission 2060 target. Additionally, PT PLN (Persero) is also deploying mobile reserve plants, enhancing system flexibility and leveraging carbon financing and partnerships with IPPS and government programmes.

In addition, Indonesia regulates energy efficiency through a dedicated energy conservation framework under Government Regulation 33 of 2023 on Energy Conservation. Both public and private actors are subject to a legal obligation to promote energy conservation and improve energy efficiency across the economy. For the public side, government institutions are required to incorporate energy conservation measures into their operation and management of public facilities. For private-sector entities, the obligation to carry out energy conservation through energy management applies across the energy supply chain in various sectors (eg transportation, industry and household), with specific obligations imposed on energy suppliers, energy-source users and energy end users.

Further, Indonesia does not currently have a dedicated statutory scheme for the registration and trading of verified energy-saving certificates or other tradable accounting units representing energy savings.

Law stated - 10 September 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

PR 110/2025 serves as the principal regulatory framework governing GHG emissions and establishes the framework for carbon pricing to support emission reduction targets through various mechanisms, including carbon trading, and result-based payment. Under PR 110/2025, the relevant ministers responsible for each sector or sub-sector are authorised to prepare sectoral GHG emission baselines and reduction target, issue sector-specific regulations governing and implementing emission reduction mechanisms, and ensure that such implementation is aligned with national emission reduction goals.

As of now, only a limited number of sectors and sub-sectors in Indonesia have adopted sector-specific regulations addressing GHG emission reduction and the implementation of carbon pricing mechanisms, as follows.

Power generation sub-sector

This is regulated under the Minister of Energy and Mineral Resources Regulation No. 16 of 2022, which requires power plant operators to enhance efficiency by preparing and reporting annual GHG emission monitoring plans for each plant unit.

Forestry sector

This is regulated by the MOFR 6/2026, which sets out carbon trading procedures, including market mechanisms, offset activities, and the technical requirements for MRV. After the enactment of MOFR 6/2026, carbon trading in the forestry sector was previously conducted through two mechanisms, namely emission trading and GHG emissions offset. However, the current framework has removed the emission trading mechanism and now limits carbon trading in the forestry sector exclusively to GHG emissions offset.

Another notable update introduced by MOFR 6/2026 concerns the eligible sources of carbon units for GHG emissions offsetting in the forestry sector. Under the new regulation, carbon units may be generated from:

- permanent production forest areas, convertible production forest areas, and/or utilisation blocks within protected forest areas that have been encumbered with business licences, management rights or management approvals;
- utilisation zones/blocks within nature conservation zone and hunting parks that have not yet been encumbered with management rights, business licences or cooperation agreements;
- customary forests;
- private forests; and/or
- state land that is not classified as forest areas.

Marine sector

This is covered by the Minister of Marine Affairs and Fisheries Regulation No. 1 of 2025, which provides a framework for managing carbon economic value in the marine sector and specifies how carbon emissions should be measured, reported and verified to ensure the accuracy of mitigation activities for the marine sector. These activities include blue carbon management, fishing, aquaculture and the processing and marketing of marine and fishery products, as well as other initiatives aligned with advancements in science and technology.

Law stated - 10 September 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

Indonesia's actual renewable energy generation in 2015 was recorded at 24,900GWh. Based on PLN RUPTL 2025–2034, PT PLN (Persero) reports that realised renewable energy generation has increased by approximately 47% to 36,700GWh, reflecting consistent growth over the period. Meanwhile, Indonesia's electricity consumption is projected to grow substantially, with total electricity sales expected to rise from 323,044GWh in 2025 to 510,575GWh in 2034, and per capita consumption from 1,135kWh to 1,666kWh.

By 2034, the government of Indonesia has set a target of achieving a 34.3% share of renewable energy in total electricity generation. However, according to the electricity supply plan issued last year by PT PLN (Persero), only 8,215.5MW of renewable capacity has been installed – significantly below Indonesia's technical potential, particularly in geothermal, hydropower, solar and ocean energy.

To address this gap, PT PLN (Persero) plans to develop a total installed capacity of 69,512 MW, including 42,569MW from renewable sources, supported by 10,256MW of energy storage systems and 16,687MW from fossil fuel-based generation. To achieve this target, the government of Indonesia is implementing a range of supporting policies, including:

- instructing PT PLN (Persero), as the sole electricity off-taker in Indonesia, to prioritise the procurement of electricity from renewable power plants;
- phasing out coal-fired power plants under certain conditions,
- introducing two pricing mechanisms for renewable-sourced electricity, namely ceiling price and agreed price;
- implementing the 100GW solar PV programme; and
- implementing a hybrid power plant programme to expand access to renewable energy in remote areas by combining solar PV and battery energy storage systems or other power sources, including biomass, hydro, wind and/or diesel power).

Additionally, production or generation of renewable energy units can be registered to obtain verified emission reductions through carbon certificates or RECs.

Law stated - 10 September 2026

Wind energy

20 | Describe, in general terms, any regulation of wind energy.

Indonesia's total wind energy potential is estimated at 154.6GW, comprising 60.4GW of onshore and 94.2GW of offshore capacity. Notably, eastern Indonesia (Maluku, Papua and Nusa Tenggara) accounts for approximately 40% of the national wind energy potential. However, under the PLN RUPTL 2025–2034, PT PLN (Persero) recorded that the actual utilisation remains minimal, with only 3.1MW currently installed.

Wind-sourced renewable energy falls under the general regulatory framework for renewable energy sources, primarily governed by Presidential Regulation No. 112 of 2022 and Minister of Energy and Mineral Resources Regulation No. 50 of 2017 (as amended).

Licensing

To undertake power generation for public use from wind energy, a business licence must be obtained through the online single submission system. As this activity is classified as a high-risk business under Government Regulation No. 28 of 2025, the project developer is required to obtain a business identification number (NIB) and an electricity supply business licence (IUPTL)).

In addition to administrative requirements, the main requirements for obtaining an IUPTL include: (1) a feasibility study for the electricity supply business, which must be prepared in Indonesian by a certified business entity, assessing various aspects, such as financial viability, operational plans, network interconnection, installation location, one-line diagram, type and capacity of the proposed business, as well as construction and operational schedules; and (2) an executed power purchase agreement with PT PLN (Persero).

Further, the construction of a wind power plant also requires key infrastructure and environmental requirements, including spatial permits, environmental permits and assessment reports, building approvals, compliance with equipment standards and the employment of certified technical personnel prior to commencing operations.

Minimum local content requirement

Wind power plants supplying electricity to PT PLN (Persero), as the state-owned enterprise responsible for electricity, are required to meet a minimum local content requirement (TKDN)) for the construction of power plant infrastructure, covering goods, services and the combination thereof.

Minister of Energy and Mineral Resources Decree No. 191.K/EK.01/MEM.E/2024 sets out the minimum local content requirements for combined goods and services applicable to

various types of renewable and non-renewable power plants. For wind power projects, at least 15% of the combined goods and services must be sourced domestically.

Pricing

Presidential Regulation No. 112 of 2022 sets out the ceiling price for wind power plants, categorised into: (1) wind power plants (excluding battery facilities or other energy storage facilities); (2) wind power plant expansions (excluding battery facilities or other energy storage facilities); and (3) wind power plants entirely developed by the central or regional government.

For privately developed onshore wind power plants without battery or energy storage systems, and their expansion, the applicable regulation sets a benchmark purchase price for the first 10 years based on installed capacity and project location. The ceiling price is calculated by multiplying a base rate by a location factor that ranges from 1 to 1.5, depending on how remote the site is.

Law stated - 10 September 2026

Solar energy

21 | Describe, in general terms, any regulation of solar energy.

According to the Indonesia Energy Transition Outlook 2025, published by Institute for Essential Services Reform, 41.6% of the 1.89GW of solar projects in the pipeline, comprise gound-mounted PV systems with capacities ranging from 10 to 50MW, followed by floating PV systems at 31.3%.

PT PLN (Persero) continues to develop both centralised and communal solar power projects using hybrid systems adapted to local energy resources and geographic conditions. These systems are implemented in both newly electrified areas and those already connected to the grid to enhance reliability.

To support the development of solar energy, the government issued Minister of Energy and Mineral Resources Regulation No. 2 of 2024 on rooftop solar power plants connected to the electricity grid of business licence holders for public electricity supply. This regulation requires business entities engaged in rooftop solar power generation to prepare development quotas for their systems in line with national energy policy directions. Additionally, rooftop solar users are eligible for incentives, including exemptions from certain charges, such as grid standby fees.

Ground-mounted solar PVs are also regulated under Presidential Regulation No. 112 of 2022 and Minister of Energy and Mineral Resources Regulation No. 50 of 2017 (as amended).

Licensing

Solar power plants are classified under the same business classification code as wind energy power plants. Therefore, the same requirements apply, namely NIB and IUPTL.

Minimum local content requirement

Local content requirements for solar power plants are regulated under Minister of Energy and Mineral Resources Decree No. 191.K/EK.01/MEM.E/2024, which sets out the minimum local content requirements for combined goods and services applicable to various types of renewable and non-renewable power plants. For solar power projects, at least 20% of the combined goods and services must be sourced domestically.

Pricing

Presidential Regulation No. 112 of 2022 sets out ceiling prices for solar power plants, categorised into: (1) photovoltaic solar power plants (excluding battery or other electrical energy storage facilities); (2) expansion of photovoltaic solar power plants (excluding battery or other electrical energy storage facilities); (3) photovoltaic solar power plants with land provided by the government (excluding battery or other electrical energy storage facilities); and (4) solar power plants entirely developed by the central or regional government.

For privately developed photovoltaic solar power plants without battery or energy storage systems, the applicable regulation sets a benchmark purchase price for the first ten years based on installed capacity and project location. The ceiling price is calculated by multiplying a base rate by a location factor that ranges from 1 to 1.5, depending on how remote the site is.

Law stated - 10 September 2026

Hydropower, geothermal, wave and tidal energy

22 Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Hydropower

The potential for hydropower plants in Indonesia, as recorded in PLN RUPTL 2025–2034, is 26,321MW. However, most existing dams in Indonesia have not yet been fully assessed, with an estimated potential generation capacity of around 28GW spread across the country.

To develop hydropower plants, it is generally subject to the same requirements as other renewable energy sources, which include obtaining a NIB and IUPTL.

The Minister of Energy and Mineral Resources Decree No. 191.K/EK.01/MEM.E/2024 sets out the minimum local content requirements applicable for hydropower plants, which is: (1) 45% for power plants with capacity of up to 10MW; (2) 35% for power plants with capacity between 10MW and 50MW; and (3) 23% for power plants with a capacity exceeding 50MW.

Further, Presidential Regulation No. 112 of 2022 sets out the ceiling price for hydropower plants categorised into hydropower plants that (1) utilise energy from river flow or waterfalls

(2) utilise energy from reservoirs, dams or irrigation canals owned by the ministry in charge of water resources, with multipurpose development, (3) hydropower plant expansion and (4) hydropower plant excess power.

Geothermal

Several studies on Indonesia's geothermal resources and reserves estimate a total potential of 23,592MWe, comprising 9,181MWe of identified resources and 14,411MWe of proven reserves. However, as of now, the country's installed geothermal capacity remains relatively low at only 2,597.52MWe. In practice, geothermal power plant (PLTP) development has faced significant challenges and has not progressed as smoothly as anticipated. PT PLN (Persero) acknowledges these obstacles and attempts to provide breakthroughs in renewable energy development, particularly in the geothermal sector – such as prospective geothermal areas under PLN's geothermal permit (*Izin Panas Bumi*) as well as areas assigned to private entities holding preliminary survey and exploration assignments.

The project developer is required to obtain a NIB and an IUPTL.

Based on the relevant ministerial regulation, geothermal power projects in Indonesia are subject to minimum local content requirements, including: (1) 24% for geothermal power plants up to 60MW; (2) 29% for geothermal power plants over 60MW; and (3) 20% for partial geothermal business activities.

Waves and tidal

Wave energy development in Indonesia is still at the research and development stage. Before moving to large-scale implementation, thorough assessments of technical and commercial feasibility, as well as integration into local power systems, are needed.

Generally, wave-sourced energy is categorised into five types: tidal rise and fall; tidal or ocean currents; wave motion; salinity gradients; and thermal gradients. Among these, tidal and current energy are the main focus. Feasibility studies are ongoing in areas such as the Larantuka Strait, Sape Strait and Maluku, covering technical viability, grid readiness, financing options and tariff schemes in line with regulations.

Wave energy remains at an early stage of development, with potential to contribute to Indonesia's renewable energy goals and presents increasing opportunities for private sector investment and collaboration.

Law stated - 10 September 2026

Waste-to-energy

23 | Describe, in general terms, any regulation of production of energy based on waste.

The development of waste power plants (PLTSa) is guided by Presidential Regulation No. 109/2025 on Urban Waste Handling through Waste Processing into Renewable Energy based on Environmentally Friendly Technology (PR 109/2025).

In recent years, the programme has been expanded under the national waste-to-energy initiative coordinated by Danantara in collaboration with the central government, PLN, local governments and private-sector partners. The new initiative aims to develop waste-to-energy facilities in up to 33 cities nationwide. The project implementation is prioritised based on waste generation volumes, project readiness, land availability, and local electricity demand. Each facility is typically designed to process at least 1,000 tons of waste per day and is expected to generate approximately 15–25MW of electricity.

Beyond these priority locations, PLTSa projects may also be developed in other districts and cities, including through partnerships with private sector entities in waste management. The government of Indonesia has mandated PT PLN (Persero) to purchase electricity generated from these PLTSa projects.

Waste-to-energy power plants are classified under the same business classification code as other energy power plants and generally require an NIB and an IUPTL. Further, for waste-to-energy power projects, at least 16.53% of the combined goods and services must be sourced domestically. The utilisation of waste by setting out specific procedures for carbon trading in this sector. The regulation allows domestic carbon trading through both GHG emissions trading and offsetting.

For GHG emissions trading, the regulation sets out several mechanisms, including the designation of Obligated Installations, determination of GHG emission allowances, and trading of such allowances. Notably, MOER 11/2026 provides that unused emission allowances may be carried forward for up to two years after the relevant compliance year. For international carbon trading, the regulation distinguishes between transactions requiring authorisation and corresponding adjustment and those that do not, in line with the framework established under PR 110/2025.

Law stated - 10 September 2026

Biofuels and biomass

24 Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

The government of Indonesia has specifically mandated the use of biofuels for transportation and biomass for heat and power generation as a means of utilising national energy resources through Government Regulation No. 40 of 2025 concerning the national energy policy. Furthermore, several regulations are relevant to biofuels and biomass, including: (1) MEMR Regulation No. 12 of 2023 on the Utilization of Biomass Fuel as a Fuel Blend in Steam Power Plants; and (2) MEMR Regulation No. 4 of 2025 on Business Operations and the Utilization of Biofuels.

The Ministry of Energy and Mineral Resources reports that Indonesia's bioenergy potential reaches 57GW, but only 3,073MW have been developed. According to Global Energy Monitor, Indonesia is among the world's top 10 countries by installed bioenergy capacity, with 3,977MW or 5.23% of the global total.

In terms of licensing, biofuel and biomass power plants are generally subject to the same requirements as other renewable energy sources, which include obtaining a NIB and IUPTL.

The Minister of Energy and Mineral Resources Decree No. 191.K/EK.01/MEM.E/2024 sets out the minimum local content requirements applicable for biomass, which is at least 25.19%.

Further, Presidential Regulation No. 112 of 2022 sets out the ceiling price for biomass and biofuel power plants, categorised as follows: (1) biomass power plants; (2) expansion of biomass power plants; (3) biogas power plants; (4) expansion of biogas power plants; (5) excess power for biomass and biogas power plants; and (6) biomass and biogas power plants entirely developed by the central or regional government.

For privately developed biomass and biofuel power plants, the applicable regulation sets a benchmark purchase price for the first 10 years based on installed capacity and project location. The ceiling price is calculated by multiplying a base rate with a location factor that ranges from 1.0 to 1.5, depending on how remote the site is.

Law stated - 10 September 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

Carbon Capture and Storage (CCS) is a relatively new policy in Indonesia, first introduced in 2023 through Minister of Energy and Mineral Resources Regulation No. 2 of 2023 on the implementation of carbon capture and storage, as well as carbon capture utilisation and storage in upstream oil and gas business activities (MEMR 2/2023). Additionally, the government of Indonesia also issued Presidential Regulation No. 14 of 2024 on the implementation of CCS and the MEMR Regulation Number 16 of 2024 on the Implementation of Carbon Capture Activities in Carbon Storage Permit Areas for the Purpose of Carbon Capture and Storage Activities.

CCS activities in Indonesia may be carried out by (1) oil and gas contractors operating under a production sharing contract, limited to their respective working areas, and (2) Indonesian limited liability companies or permanent establishments engaging in CCS business activities, provided they hold the required licence – specifically, the exploration and storage operation permits (ESOP).

In CCS schemes carried out under a production-sharing contract, contractors are required to fulfil several prerequisites before commencing CCS activities. These include: (1) obtaining prior approval from the MEMR; (2) submitting a detailed plan specifying implementation of CCS activities; and (3) amending the existing production sharing contract, provided such contract does not include a provision regulating CCS.

On the other hand, CCS schemes involving an ESOP are subject to a competitive bidding process or a limited selection mechanism. If the contractor is successful in the bidding process, it will first be granted the exploration permit, which is valid for six years and may

be extended once for a maximum of four years. Following exploration activities within the designated area, if the potential for carbon emission storage is confirmed, the permit holder may apply for a storage operation permit.

The CCS policy in Indonesia also outlines strict requirements for safety, environmental protection, post-operation closure and asset transfer. Oversight is conducted by the Ministry of Energy and Mineral Resources, while the coordinating Ministry for Maritime and Investment Affairs and the MOE is responsible for licensing, incentives and safeguarding nationally determined contribution

and carbon economic value integrity.

Law stated - 10 September 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

To date, there are no climate-specific regulations that directly mandate compliance in the context of M&A transactions. However, environmental licences, including environmental impact assessments, remain mandatory for certain types of businesses and must be considered. In addition, companies may be subject to other regulatory obligations depending on their activities, such as compliance with GHG emission reporting, administered by the Minister of Environment, and potential participation in carbon trading schemes, particularly those under the carbon economic value framework pursuant to PR 110/2025.

Law stated - 10 September 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

Below are some key emerging trends in Indonesia's climate sector.

The launch of the Carbon Registry

Indonesia has recently strengthened its carbon market through the launch of the Carbon Unit Registry System (SRUK) on 9 July 2026, establishing a dedicated national registry for the recording, tracking, and management of carbon units. Replacing the carbon-related registry of SRN-PPI, SRUK is intended to serve as the single source of information for carbon trading records through its integration with the Indonesia Carbon Exchange.

The system also accommodates international accreditation and registry connectivity and introduces greater oversight from newly authorised authorities, enhancing transparency, governance and market credibility.

The introduction of SRUK coincides with the expansion of carbon trading into the forestry sector and is expected to accelerate market participation. By requiring independent verification before carbon units are registered and traded, SRUK strengthens the integrity of carbon credits. Its alignment with international standards is expected to also increase the participation of international voluntary verified carbon credits, potentially boosting market liquidity and investment while influencing domestic carbon pricing and competitiveness.

Introduction of a New Carbon Trading Regulation in Forestry Sector

The regulatory framework for carbon trading in the forestry sector has shifted from a broader trading framework to a more focused and regulated offset-based framework. While the previous regulation allowed both emissions trading and GHG emissions offsetting and recognised a broad range of carbon sources, MOFR 6/2026 limits forestry carbon trading to GHG emissions offsetting and narrows the categories of eligible carbon sources. In particular, carbon sources that were previously eligible, such as certain unlicensed production forest areas, other protected forest blocks, and peatland, mangrove and conservation forest areas, are no longer included, while certain utilisation zones/blocks within a nature conservation zone and hunting parks are now expressly recognised.

The new framework also strengthens government oversight through approval and registration procedures, the use of SRUK for carbon unit administration, and additional reporting and safeguard requirements. While these changes are expected to improve transparency and traceability in the forestry carbon market, they also increase the regulatory and compliance requirements for market participants.

Tariff framework for hybrid power plants

On 29 December 2025, MEMR issued Regulation Number 19 of 2025 on Hybrid Power Plants (MEMR 19/2025). The regulation governs hybrid power plants connected to small-scale grids and forms part of the government's de-dieselisation programme, which is designed to progressively phase out diesel-fired power plants in favour of cleaner, more sustainable alternatives, particularly in remote and underserved regions.

As part of the hybrid programme, the government has targeted the conversion of approximately 5,200 diesel power generation units across 2,130 sites, together representing 2.37GW of installed capacity.

MEMR 19/2025 further provides that interested investors may participate through a direct selection tender process administered by PT PLN (Persero), subject to being included on PLN's shortlisted provider list. The regulation also determines that the electricity pricing will follow a ceiling-and-floor price mechanism, with the applicable price levels to be set out in a separate MEMR decree.

On 24 June 2026, the MEMR issued Decree number 264.K/EK.01/MEM.E/2026, providing implementing guidance on the purchase of electricity from hybrid power plants. The

decree sets out the applicable price ceilings and floors for various hybrid power plant configurations, including:

- configuration combining solar photovoltaic power with:
    - BESS;
    - hydropower;
    - hydrogen power and BESS;
    - biomass power;
    - biomass power and BESS;
    - wind power;
    - BESS and diesel power (with a renewable energy mix of 70%–95%);
    - BESS and diesel power (with a renewable energy mix of 50–70%);
    - BESS and diesel power (with a renewable energy mix of 30–50%); and
- configurations combining hydrogen power and BESS with grid-supplied electricity.

Law stated - 10 September 2026

Avinash Panjabi avinash.panjabi@pshpadrem.law
Mery Enjelica Stephany mery.enjelica@pshpadrem.law
Jorryn Alexander Rotty jorryn.alexander@pshpadrem.law
Renanda Aditya Putra renanda.aditya@pshp.law
Sepania Immanuella Magdalena Perpetua sepania.immanuella@pshpadrem.law

PSHP Adrem Law

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Japan

Kenji Miyagawa, **Yuko Hashimoto**, **Kei Takada**, **Ryotaro Kagawa**, **Aya Shinjo**
Anderson Mori & Tomotsune

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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

In 1993, Japan ratified the United Nations Framework Convention on Climate Change (UNFCCC) adopted in 1992. Pursuant to the provisions of the UNFCCC, Japan periodically reports to the UNFCCC secretariat on GHG emissions and removals in Japan, the implementation status of countermeasures and policies for climate change, and the status of assistance provided to developing countries to help them combat climate change.

Japan signed the Kyoto Protocol in 2002. Japan has set a goal of reducing GHG by 6% compared to 1990 levels during the period from 2008 to 2012. After the approval of the Kyoto Protocol Target Achievement Plan in a cabinet meeting in April 2005, Japan implemented measures to achieve this goal. Japan did not participate in the protocol during the second commitment period, from 2013 to 2020. Subsequently, at COP21 in December 2015, the Paris Agreement was adopted as a new international framework for the reduction of GHG emissions in the post-2020 period, replacing the Kyoto Protocol.

Japan ratified the Paris Agreement in 2016, and has set a target of reducing its GHG emissions by 46% by FY2030 compared to FY2013 levels, while continuing its efforts to achieve a 50% reduction. Furthermore, in the Long-term Strategy under the Paris Agreement, which was approved in the cabinet meeting on 22 October 2021, Japan declared that it will aim to achieve net-zero GHG emissions by 2050, namely, 2050 Carbon Neutrality.

Furthermore, on 18 February 2025, the global warming countermeasures plan, which was approved in the cabinet meeting on 22 October 2021, was revised to set a new goal for Japan's Nationally Determined Contribution. This new goal is consistent with the global 1.5-degree goal and aims to reduce GHG emissions by 60% in the financial year 2035 and by 73% in the financial year 2040 respectively (compared to the financial year 2013), with a further goal of achieving net-zero emissions by 2050.

Law stated - 3 September 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

Japan enacted the Act on Promotion of Global Warming Countermeasures in 1998 as a countermeasure for global warming, which was amended in 2022 by taking into account the Paris Agreement and with a view to achieving 2050 Carbon Neutrality. Following the amendment, it is now specified in law that the increase in the global average temperature will be held to well below 2 above pre-industrial levels and efforts will be pursued to limit the global average temperature increase to 1.5 above pre-industrial levels as prescribed in article 2, 1(a) of the Paris Agreement, as well as that Japan will realise a decarbonised

society by 2050. Moreover, in 2024, amendments were made to advance the goal of 2050 Carbon Neutrality, establishing provisions on measures such as strengthening the implementation system of the Joint Crediting Mechanism (JCM) and expanding the system of local decarbonisation promotion projects to promote global warming countermeasures domestically and internationally (effective from 1 April 2025).

Furthermore, the Basic Policy for the Realization of GX (the GX Basic Policy) was approved in a cabinet meeting on 10 February 2023, which included provisions on (1) the promotion of thorough energy saving, (2) making renewable energy the main power source, (3) the utilisation of nuclear power, (4) the utilisation of hydrogen and ammonia, and (5) the introduction of growth-oriented carbon pricing. On the same day, the bill of the Act on the Promoting Transition to the Decarbonized Growth Economic Structure (the GX Promotion Act) was approved at a cabinet meeting under the GX Basic Policy to conduct: (1) the formulation and implementation of the GX Promotion Strategy; (2) the issuance of GX Economic Transition Bonds; (3) the introduction of growth-oriented carbon pricing; (4) the establishment of the GX Acceleration Agency; and (5) a progress assessment and review of the GX Promotion Strategy. On 25 February 2025, to realise both the achievement of "2050 Carbon Neutrality" and economic growth via GX, the bill to amend the GX Promotion Act was approved at a cabinet meeting, which included (1) making the Japanese version of the emissions trading scheme statutory, (2) the actualisation of measures to collect fossil fuel levies, and (3) the establishment of a financial support system for the GX sector. The amendment to the GX Promotion Act was enacted in May 2025 and came into effect in April 2026.

Law stated - 3 September 2026

Main national regulatory policies

3 | Outline recent government policy on climate matters.

In Japan, the Global Warming Countermeasures Act was enacted, which provides for a framework for the government, local governments, business operators and citizens to work on global warming countermeasures as one. Furthermore, the amended Act of 2024 (enforced on 1 April 2025) stipulates the procedures, etc, carried out by the competent minister with regard to the issuance and management, etc, of the "JCM Credits'" to promote global warming countermeasures in Japan and abroad, and also stipulates measures for expanding the framework for local decarbonisation promotion projects that aim to promote the use of community-based renewable energy.

In addition, the GX Promotion Act was enacted in May 2023 under the GX Basic Policy and was enforced on 30 June 2023. Under the GX Promotion Act, the government has issued GX Economic Transition Bonds and introduced a carbon levy, paid allocations of emissions allowances to electricity generation operators, and a Japanese emissions trading scheme (GX Emission Trading Scheme or GX-ETS). The February 2024 amendment included provisions for the establishment of the Organization for the Promotion of Decarbonized Growth Economic Structure Transition (GX Acceleration Agency). In May 2025, the GX Promotion Act was partially amended. From April 2026 onwards, Large Emitters will be required to participate in the Japanese GX-ETS. They will be obliged to calculate and report

their GHG emission amounts, as well as to retire their emission allowances. Additionally, the Act now provides that a market for trading emission allowances is to be established, with the GX Acceleration Agency responsible for its operation.

In February 2025, in order for the government and the private sector to take a common direction in the mid to long term in the approach toward GX, the "Strategy for Promoting Structural Transition based on Decarbonisation" (GX Promotion Strategy) was revised. In accordance with the revision, the GX2040 Vision was instituted. The GX2040 Vision sets out a medium- to long-term vision of enhancing the predictability of investments for achieving GX while also ensuring a stable energy supply, economic growth and decarbonisation.

Law stated - 3 September 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

In Japan, the Global Warming Countermeasures Act was enacted, which provides for a framework for the government, local governments, business operators and citizens to work on global warming countermeasures as one. Furthermore, the amended Act of 2024 (enforced on 1 April 2025) stipulates the procedures, etc, carried out by the competent minister with regard to the issuance and management, etc, of the JCM Credits in order to promote global warming countermeasures in Japan and abroad, and also stipulates measures for expanding the framework for local decarbonisation promotion projects that aim to promote the use of community-based renewable energy.

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Law stated - 3 September 2026

National regulatory authorities

5 Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

The main authorities regulating climate change are (1) the Ministry of the Environment and (2) the Ministry of Economy, Trade and Industry. (1) The Global Environment Bureau of the Ministry of the Environment promotes policies of the government as a whole regarding global environment conservation such as the prevention of global warming and protection of the ozone layer. (2) The Ministry of Economy, Trade and Industry promotes various policies to achieve both climate change measures and economic growth such as the GX-ETS which started in the financial year 2026 under the GX Promotion Act.

In addition, the Cabinet has established the Green Transformation Implementation Council and Global Warming Prevention Headquarters (which are led by the Prime Minister of Japan), which set up expert panels for the promotion of climate change countermeasures and report on the progress of the global warming countermeasures plan every year.

Law stated - 3 September 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

Under the UNFCCC, Japan annually submits a GHG inventory (a list of GHG emissions and removals) to the UNFCCC secretariat.

The GHG emissions and removals in the financial year 2024 amounted to approximately 994 million tons (on a CO2-equivalent basis), which is a 1.9% (minus approximately 18.8 million tons) decrease as compared with the financial year 2023, and a 28.7% (minus approximately 399.5 million tons) decrease as compared with the financial year 2013. The GHG emissions and removals reached their lowest levels since the financial year 2013 and fell below the 1 billion-ton mark for the first time (Page 1 of Japan's National Greenhouse Gas Emissions and Removals in Financial Year 2024).

For further details, please refer to the website of the Ministry of Environment (Japan's National Greenhouse Gas Emissions and Removals in Financial Year 2024).

The breakdown is 95.2% for emissions associated with the combustion of fuels, 3.8% for the use of industrial processes and products, and 0.9% for emissions from the waste sector. The breakdown of emissions associated with the combustion of fuels was 41.7% for the energy sector, 22.5% for the manufacturing and construction sector, 18.6% for the transport sector, and 12.3% for other sectors (businesses, households, and the agriculture, forestry

and fisheries industries) (National Greenhouse Gas Inventory Document of Japan, 2026, pp. 2–4).

Based on the GHG emission calculation, reporting, and disclosure system targeted at specified emitters under the Global Warming Countermeasures Act, the aggregated results of GHG emissions for the financial year 2023 were published in November 2025 (Press Release by the Ministry of the Environment "Announcement of the aggregated results of GHG emissions in the financial year 2023 under the GHG emission calculation, reporting, and disclosure system pursuant to the Act on the Promotion of Global Warming Countermeasures").

Law stated - 3 September 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

The following three systems can be listed as the main approach in Japan toward the reduction of GHG emissions.

The first are the systems under the Global Warming Countermeasures Act, which mainly consist of the GHG emission calculation, reporting, and disclosure systems. Under this system, specified emitters that produce significant amounts of GHGs are required to calculate and report their GHG emissions, and the state compiles and publishes the reported information. The Act provides for a non-penal fine (*karyo*) for failure to report or false reporting. In accordance with the amendments to this system made in March 2025, certain business operators are required to report the amounts of their energy-derived CO2 emissions in a disaggregated manner, categorising them as direct emissions (also known as Scope 1 emissions) and indirect emissions (also known as Scope 2 emissions). In addition, a partial amendment to the Ministerial Ordinance on Calculation was promulgated in January 2026. As a result, on 1 April 2026, a revised approach took effect, which is that entities receiving waste heat generated from incineration of wastes need not include emissions resulting from the use of such waste heat in the calculation of emissions associated with the use of heat supplied by third parties.

The second is global warming tax. In Japan, a global warming tax is levied on the use of fossil fuels such as petroleum, natural gas and coal in proportion to their CO2 emissions. The tax revenue is used for measures to reduce energy-derived CO2 emissions, including energy-saving measures, the promotion of the use of renewable energy, and the use of cleaner and more efficient fossil fuels. Specific examples of these measures include promoting the establishment of facilities for innovative low-carbon technology-intensive industries (eg, the lithium-ion battery business) in Japan, promoting the introduction of energy-saving equipment by small and medium-sized enterprises, and promoting the introduction of renewable energy in line with characteristics of each region via the Green New Deal funds and other resources.

Third, under the amended GX Promotion Act of 2025, a system to levy taxes on CO2 emissions from fossil fuel consumption was established, targeting business operators involved in fossil fuel extraction and import. Starting from the financial year 2028, these entities will be required to pay a fossil fuel levy.

Law stated - 3 September 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

Under the Global Warming Countermeasures Act, the Guidelines for the Reduction of Greenhouse Gas Emissions were established, which provide measures to be implemented by business operators as part of their obligations to make best efforts to reduce GHG emissions caused by business activities and the daily lives of individuals.

In addition, the Act on Rationalization Energy Use and Shift to Non-fossil Energy (the Energy Saving Act) provides for direct regulations and indirect regulations imposed on energy users. More specifically, under the direct regulations, judgement criteria are set, and instructions to prepare and submit rationalisation plans are given to, or obligations to periodically report conditions of use of energy are imposed on specified business operators with annual energy use of not less than 1,500 kilolitres if their rationalisation of use of energy is extremely inadequate. Under the indirect regulations, target energy consumption efficiency of items such as automobiles is set for manufacturers, etc, and there is a provision that home electrical appliance retailers and energy retailers have obligations to make best efforts to provide information on the energy consumption efficiency of appliances to general consumers. Recently, the information disclosure system for periodic reports under the Act on Rationalization of Energy Use and Shift to Non-fossil Energy has also been implemented. Of the 2,343 specified business operators that submitted a declaration of participation by 14 November 2025, the Agency for Natural Resources and Energy has published the disclosure sheets for 2,338 operators which are subject to the Revised Report.

Furthermore, it is planned that fossil fuel levies will be imposed on importers of fossil fuels, and charges for electricity generation will be levied on specified electricity generation operators. In addition, the GX Acceleration Agency was established as a body that unitarily imposes such fossil fuel levies and charges on specified electricity generation operators. Under the emissions trading scheme, which will become fully operational in the financial year 2026, entities subject to the scheme will be required to use the Emission Reporting & Management System (ERMS) to report emissions targets, submit transition plans, report actual emissions and manage emission allowances. They will also be required to prepare a transition plan each financial year and submit it to the Minister of Economy, Trade and Industry and the minister having jurisdiction over the relevant business.

Tokyo has established a total emissions reduction obligation and an emissions trading scheme. It is the "cap-and-trade system" where obligations to reduce GHG emissions are

imposed on specific business establishments, and excess emission reductions are traded with emission reduction shortfalls. In the financial year 2024, an actual reduction of 31% from baseline emissions was recorded (Actual reduction in the final year (financial year 2024) of the 3rd Plan Period.).

In addition, following the conclusion of the 3rd Plan Period (financial year 2020 to financial year 2024), the 4th Plan Period (financial year 2025 to financial year 2029) has begun. In October 2025, the Tokyo Metropolitan Government held a briefing session on the main revisions for the 4th Plan Period and the changes to the Global Warming Countermeasures Plan to be submitted in the financial year 2026.

Law stated - 3 September 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

In addition to the goal of reducing GHG emissions in the financial year 2030 under the Paris Agreement by 46% from the level of GHG emissions in the financial year 2013 (ie, Japan's Nationally Determined Contribution), the Japanese government has set up a goal of reducing GHG emissions by 60% and 73% compared to the financial year 2013 levels in the financial year 2035 and in the financial year 2040, respectively, and declared that it will realise carbon neutrality in the financial year 2050 in the new NDC submitted on 18 February 2025.

At the national level, the Japanese version of the emissions trading scheme (GX-ETS) became fully operational in the financial year 2026, and regulations have been tightened according to the following schedule. The Ministry of Economy, Trade and Industry has published the Emission Reporting & Management System (ERMS) and various manuals to assist entities subject to the scheme in completing the necessary procedures.

- Phase 1 (financial year 2023 to financial year 2025): This was a trial period and the scheme was operated as a voluntary scheme. The GX League ceased operations at the end of the financial year 2025, with the exception of reporting and settlement related to voluntary emissions trading.
- Phase 2 (from financial year 2026 to around financial year 2032): From the financial year 2026 (ie, from April 2026) onwards, an emissions trading scheme has been implemented, which targets business operators whose average annual direct carbon dioxide emissions are at least 100,000 tons or more over the three financial years up to the previous financial year. The government allocates emission allowances to the entities subject to the scheme based on certain criteria. Every financial year, the entities subject to the scheme are required to hold an amount of emission allowances equal to their actual emissions by the deadline specified by law, and business operators may trade emission allowances among themselves depending on whether they have a surplus or a shortage of emissions allowances.
-

Phase 3 (from financial year 2033): Further tightening of regulations is expected, including paid allocations of emission allowances to electricity generators.

At the local government level, there is the aforementioned Tokyo Cap-and Trade Program. Companies are proceeding with measures for the voluntary reduction of carbon dioxide emissions in accordance with international initiatives such as CDP and RE100.

Law stated - 3 September 2026

GHG emission permits or approvals

10 | Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

As of July 2026, Japan has not adopted any licensing or authorisation system regarding GHG emissions.

However, as mentioned above, in addition to the GHG calculation, reporting and disclosure system, the GX-ETS, which will become fully operational in the fiscal year 2026, will impose economic penalties on entities subject to the scheme (those with direct carbon dioxide emissions (Scope 1 emissions) of 100,000 tons or more per year) in respect of their emissions exceeding the emission allowances allocated to them based on certain mandatory GHG emission reduction obligations. Consequently, these emission allowances are expected to function as an incentive for business operators subject to the scheme to reduce their GHG emissions.

Law stated - 3 September 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

The GHG emission calculation, reporting and disclosure system under the Global Warming Countermeasures Act requires specified emitters to report GHG emissions. Specified emitters report the information on the previous year's emissions for each business operator, which will be ultimately compiled and published for the public by the Minister of the Environment and the Minister of Economy, Trade and Industry.

The method of calculating GHG emissions under the GHG emission calculation, reporting and disclosure system was amended in April 2026 to encourage utilisation of waste heat with the goal of achieving net-zero emissions. In accordance with the amendments to this system, entities receiving waste heat generated from incineration of wastes need not include emissions resulting from the use of such waste heat in the calculation. Furthermore, certain business operators will be able to calculate changes in forest carbon stocks based on their performance records for the financial year 2026, and will be able to report these figures from the financial year 2027 onwards. In addition, under the Energy Saving Act, specified business operators (generally, business operators with annual energy use exceeding 1,500 litres) are obliged to submit periodic reports on their energy use.

Law stated - 3 September 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

In April 2026, the GX-ETS under the GX Promotion Act began operation. Under this scheme, the government allocates emission allowances for each fiscal year based on reports submitted by covered entities, and such entities are required to surrender emission allowances equal to their actual emissions. Depending on whether they have a surplus or a shortfall of emission allowances, covered entities may trade emission allowances in the emissions trading market or through similar platforms.

In addition, certain eligible offset carbon credits may also become available for compliance, in addition to the surrender of emission allowances. Examples of such eligible offset carbon credits includeJ-Credits and Joint Crediting Mechanism Credits (JCM Credits). The J-Credit Scheme is administered by the Ministry of Economy, Trade and Industry, the Ministry of the Environment and the Ministry of Agriculture, Forestry and Fisheries, under which the Japanese government certifies as credits reductions in CO2 and other greenhouse gas emissions achieved through measures such as the introduction of energy-saving equipment and the use of renewable energy, as well as removals of CO2 and other greenhouse gases achieved through proper forest management. The Joint Crediting Mechanism is a mechanism under article 6, paragraph 2 of the Paris Agreement under which credits are generated from projects that reduce CO2 emissions in partner countries that have concluded bilateral arrangements with the Japanese government.

Furthermore, in Phase 3 of the GX-ETS (expected to commence in 2033), the regulations are expected to be tightened further, including through the introduction of paid allocation of emission allowances to electricity generators.

For further details of the carbon offset credit markets/regime in Japan, please refer to our newsletter.

Law stated - 3 September 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

With respect to the emissions allowances traded under the GX-ETS, the following rules were established as a result of the amendment to the GX Promotion Act.

- The title of emissions allowances will be determined based on the records in the emissions allowances account book.

- A transfer of emissions allowances will take effect only by changing the title holder in the relevant registry.
- A bona fide third-party purchaser who is not negligent will be protected even if a seller is not the true title holder of emissions allowances.

The J-Credit Scheme includes the J-Credit Scheme Registry System, under which users can open credit management accounts in this registry system, and hold, invalidate, and transfer domestic credits such as J-Credits.

The Joint Crediting Mechanism includes the JCM Registry System, under which companies and other entities intending to acquire, hold and transfer JCM Credits can open accounts in the JCM Registry in Japan and use the Joint Crediting Mechanism.

JCM Credits are classified as 'emission reductions through international cooperation' as defined in the Global Warming Countermeasures Act. The Act prescribes that (1) a transfer of JCM Credits will take effect only by changing the title holder in the relevant JCM Registry and (2) a bona fide third-party purchaser who is not negligent will be protected even if a seller is not the true title holder.

Law stated - 3 September 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

In Japan, there are currently three main types of GHG emission allowances/credits (government-led) in a broad sense, which are (1) emission allowances, (2) J-Credits, and (3) JCM Credits.

Emission allowances are allocated by the government to entities subject to the GX-ETS.

To create J-Credits under the J-Credit Scheme, it is first necessary to make applications to the state for projects such as the introduction of energy-saving equipment, use of renewable energy, efforts to be made in the field of agriculture, and adequate forest management, and to undergo examinations and obtain approval. Then, the projects are registered following this examination and approval. Only after a report on the projects is submitted and monitoring is conducted may emission reductions in CO2, etc, and removals of CO2, etc, be certified as J-Credit.

There are two methods of trading J-Credits, which are via trade intermediation services by J-Credit providers and negotiated transactions through registration in the list on the J-Credit website.

In addition, in the case of creating credits under the JCM, a project participant first receives confirmation of the validity of the project, and has the project registered. Then, after monitoring and verification of the registered project are implemented, credits are issued.

On 8 December 2025, the criteria for projects eligible for the application of JCM were established and announced ("Application criteria of the JCM" by the Ministry of the Environment and other governmental bodies).

JCM Credits are used by methods such as making adjustments in the GHG calculation, reporting and disclosure system, and utilisation in international emission reduction systems.

Law stated - 3 September 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 | What GHG emission trading systems or schemes are applied in your country?

Under the GX-ETS, while participating business operators may receive allocations of emission allowances without consideration, they will be obliged to calculate and report their GHG emission amounts, as well as to retire their emission allowances in the following financial year. These emission allowances may be traded on the market, which will be operated by the GX Acceleration Agency. Furthermore, to ensure predictability for companies subject to the GX-ETS, the maximum and minimum prices for emissions allowances have been established, and trading prices will be determined within the range between the maximum and minimum prices.

The J-Credit Scheme is a system where credits are granted to GHG emission reduction and removal projects in Japan.

The Joint Crediting Mechanism (JCM) is a mechanism where credits are provided according to the reduction and removal of GHG emissions in partner countries (mainly developing countries). So far, Japan has signed agreements with 32 countries and is conducting various related activities. As for JCM Credits, as a system under article 6, paragraph 2 of the Paris Agreement, it is utilised by the Japanese government to achieve its NDC. It is a scheme where reductions and removals that were transferred to Japan are not included in the calculation of reductions and removals of partner countries. In addition, under the GX-ETS, the participating business operators are also allowed to offset their GHG emissions against JCM Credits.

Law stated - 3 September 2026

Trading agreements

16 | Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

Since 1 April 2026, the GX-ETS, a mandatory system similar to the EU ETS, has been fully operational. While emissions allowances can be traded through negotiated transactions in addition to trading on the market, contract forms such as those of transfer agreements

have not been released yet for either type of trading. Since title to emissions allowances is determined based on the records in the emissions allowances account book, it is important to adjust the terms of the agreement to ensure that entries are accurately recorded in the emissions allowances account book. Furthermore, should any derivative transactions related to emission allowances be conducted in the future, there is a possibility that a Japanese law governed version may be prepared based on the contract forms of IETA/ISDA, which are used internationally.

Trading under the J-Credit Scheme is conducted by bid selling by the J-Credit Scheme Secretariat or through negotiated transactions. In the case of bid selling, it is possible to purchase credits that have been publicly disclosed in advance. In the case of negotiated transactions, the relevant information is disclosed in the "List of Credits on Sale" on the J-Credit Scheme website (Certified Credits List of Credits on Sale – J-Credit Scheme).

In addition, the Carbon Credit Market of the Tokyo Stock Exchange was launched on 11 October 2023, enabling trading of carbon credits on the exchange (Carbon Credit Market – Japan Exchange Group). As of June 2026, the number of registered participants was 355 (List of Market Participants in Carbon Credit Market), and as of 8 September 2025, a total of 1 million tons of carbon had been traded. ("Carbon Credit Market - Briefing Session on Registration and Designation of GX Credits" by Carbon Credit Market Office of Tokyo Stock Exchange, Inc. (16 July 2024). In this market, the J-Credits which have been certified are subject to trading (Working Group on Financial Infrastructure for Carbon Credit Transactions (Fourth meeting)).

Offset carbon credits issued based on baseline and credit schemes in Japan, such as J-Credits and JCM Credits, are traded through negotiated transactions (such as spot trading) outside trading markets. Since no standard contract form has been prepared at present, there is a possibility that a Japanese law version may be prepared based on the contract forms of IETA/ISDA, which are used internationally.

The carbon credit market is viewed as being different from the financial instruments market for listed shares, etc, launched by the Tokyo Stock Exchange. Furthermore, according to the explanation in the "Q&A on the Treatment of Carbon Credits" published by the Financial Services Agency on 26 June 2024, the trading of J-Credits falls under the category of "anything equivalent to the quota" (article 10, paragraph 2, item 14 of the Banking Act, article 68, item 16 of the Cabinet Office Order on Financial Instruments Business, etc, article 98, paragraph 1, item 8 of the Insurance Business Act, etc). Therefore, companies subject to regulations on the scope of business under various business acts, such as financial instruments business operators, are required to follow legal procedures such as the submission of notifications to the relevant authorities.

Law stated - 3 September 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy

efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

Production and consumption of non-renewable energy

Japan's energy needs are heavily dependent on natural gas, coal, and oil imported from abroad, and largely consist of energy produced from such fossil fuels. As a result of the Great East Japan Earthquake that occurred in 2011 and the subsequent shutdown of nuclear power plants, consumption of fossil fuels as fuels for power generation replacing nuclear power has increased, the dependency rate on fossil fuels is increasing (Energy Trends in June 2025 (Chapter 1 Domestic Energy Trends)). However, subsequently, as a result of renewable energy being introduced and the operation of nuclear power plants resuming in the power generation sector, the ratio of oil in primary energy supply has decreased. The ratio of fossil fuel energy to primary energy supply in the financial year 2023 is as shown below (page 4 of Energy Trends in June 2025 (Chapter 1 Domestic Energy Trends)). Furthermore, the dependency rate on fossil fuel energy (fossil fuel energy domestic supply divided by primary energy domestic supply) for the fiscal year 2024 was 80.1% (page 4 of FY 2024 Energy Supply and Demand Report (Revised Report).

For further details, please refer to the website of the Ministry of Economy, Trade and Industry below (available in Japanese only).

In crude oil equivalent of 10,000 kilolitres

Ratio (%)

Oil	16,200	35.7
Coal	11,100	24.4
Natural gas, city gas	9,400	20.6

Viewing the composition of power sources (power generation quantity), in the financial year 2024, the amount of power generation by natural gas was 3,194 hundred million kilowatt-hours, which made up the largest portion. The amount of power generation by coal, following natural gas, was 2,785 hundred million kilowatt-hours. Power generation by oil was 711 hundred million kilowatt-hours. The amount of electricity generation from thermal power generation using fossil fuel energy was 6,690 hundred million kilowatt-hours, which accounted for approximately 68% of the total (FY 2023 Energy Supply and Demand Report (Revised Report)).

(Page 28 of FY 2024 Energy Supply and Demand Report (Revised Report).)

GHG emissions and regulations

Domestic GHG emissions in the financial year 2024 were approximately 7 million tons, which was an approximately 1.6% decrease from the previous year and was the lowest in the years since the financial year 1990. The causes are thought to be the decline in the manufacturing industry, the decrease in energy consumption due to a warm winter,

and the continuous expansion of the introduction of renewable energy. Compared with the financial year 2013, the base year for Japan's "nationally determined contribution" (GHG emission reduction goal, etc) under the Paris Agreement, the emission amount represents a reduction of about 26.6% (page 46 of FY 2024 Energy Supply and Demand Report (Revised Report) mentioned above).

For further details, please refer to the website of the Ministry of Economy, Trade and Industry (Japanese language only).

From the perspective of regulation, under the Global Warming Countermeasures Act, those who emit a large amount of GHG (also known as "specified emitters") are obliged to calculate and report to the state their own GHG emission amounts, and the state must compile and publish the reported information.

A similar regulation is the reporting system under the Energy Saving Act. This system sets regulations for business operators that fulfil certain standards, such as business operators with annual energy use in crude oil equivalent of not less than 1,500 kilolitres and freight carriers owning not less than 200 trucks. The regulations include obligations for making periodic reports on conditions of energy use, preparing and submitting medium- to long-term plans concerning energy-saving efforts, and establishing energy management systems in factories.

Law stated - 3 September 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

GX Promotion Plan

Under the GX Promotion Plan, measures have been taken to reduce GHG emissions.

JCM

This is a mechanism where Japanese companies and the Japanese government cooperate with partner countries to implement measures through provision of technology and funding, and allocate the resulting GHG reductions and removals according to each country's level of contribution.

J-Credit Scheme

This is a scheme where GHG emission reductions and removals achieved through installation of energy-saving and renewable energy equipment and forest management are certified as credits.

Emissions trading scheme (GX-ETS)

From April 2026, business operators with direct carbon dioxide emissions (Scope 1 emissions) of 100,000 tons or more per year (Large Emitters) are required to participate in the GX-ETS. Business operators subject to the scheme will be obliged to calculate and report their Scope 1 CO2 emissions, as well as to retire their emission allowances. If the actual emissions of a Large Emitter exceed the allocated emissions allowance, it will be necessary for such Large Emitter to trade emissions allowances from other Large Emitters to avoid sanctions against such Large Emitter. In addition, Large Emitters (whose total emission of CO2 is less than the amount of allocated emission allowances) will be permitted to sell or carry over their emissions allowances.

Furthermore, starting in the financial year 2033, the allocation of emission allowances through auctions is scheduled to be phased in.

Taxes on fossil fuels

There are two types of taxes and other charges imposed on fossil fuels.

The first is a "global warming tax", which came into force in phases from 1 October 2012. The purpose of the global warming tax is to impose a fair tax burden broadly and thinly with respect to the use of all fossil fuels including oil, natural gas, and coal, in accordance with their environmental burden. Specifically, the tax rate per unit amount (kilolitres or tons) is set by using CO2 emission intensity for each type of fossil fuel, so that the tax burden for each type of fossil fuel will be equal to 289 yen per ton of CO2 emissions. It is expected that, by utilising this tax revenue, various measures to reduce energy-derived CO2 emissions such as energy-saving measures, the promotion of the use of renewable energy, and the use of cleaner and more efficient fossil fuels will be steadily implemented.

The second is the fossil fuel levy, which is scheduled to be introduced starting in the financial year 2028. This levy will be imposed on business operators that extract or import fossil fuels and will be calculated based on their CO2 emissions. Details of the levy are currently being finalised.

Fluorocarbon Emissions Control Act

The Act on Rational Use and Proper Management of Fluorocarbons (Fluorocarbon Emissions Control Act) is an act on the reduction of fluorocarbons and prevention of fluorocarbon leakage to restrain fluorocarbon emissions. The Act requires business operators that manufacture and import fluorocarbons to take measures to (1) lower the global warming potential (GWP) of manufactured or imported fluorocarbons and substitute them with other substances, (2) construct facilities necessary for the manufacturing of alternative gases, conduct improvements in technology, and capture, destroy, and recycle fluorocarbons.

Act on Carbon Dioxide Storage Business (CCS Business Act)

The government is promoting the adoption of CCS, a technology for separating and capturing carbon dioxide generated when fossil fuels are used in power plants, factories and other facilities. To this end, the CCS Business Act establishes a licensing system for storage businesses that are necessary to carry out CCS businesses. The government

intends to develop a business environment that will enable the private sector to start CCS businesses by 2030.

Law stated - 3 September 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

Responsibilities to be borne by the state and the private sector

While aiming to achieve 2050 Carbon Neutrality, under the Seventh Strategic Energy Plan, the global warming countermeasures plan and GX2040 Vision, which were approved in a cabinet meeting in February 2025, Japan aims to introduce renewable energy at an utmost level by aiming to reduce GHG emissions by 73% by the financial year 2040 and ensuring that renewable energy becomes the main power source, and to promote its maximum introduction while harmonising with local communities excessive national burdens and managing and by strengthening measures through cooperation among relevant ministries and agencies.

At the local government level, Tokyo has established a system that makes it compulsory to install solar power generation facilities in newly constructed houses, and to ensure thermal insulation performance and energy-saving performance. Other local governments have also established or are considering the establishment of similar systems.

Production of renewable energy

The production of renewable energy (including hydroelectric power generation) is increasing year by year. Specific figures are 20.3% for the financial year 2021, 21.7% for 2022, 22.9% for 2023, and 23.1% for 2024. Of the figures for 2024, solar power generation accounted for 9.8%, which, together with the 1.1% for wind power generation, makes the ratio of variable renewable energy approximately 11%.

Renewable energy policy

Among the measures for promoting renewable energy, the Feed-in Tariff (FIT) scheme has been playing a central role. The FIT scheme is a scheme under the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (Renewable Energy Special Measures Act), which came into force from July 2012, and obliges power companies to purchase electricity produced from renewable energy at the unit price set by the state over a certain period. Through this system, even

if the market price of electricity changes, an electricity generation utility may earn fixed electricity sales proceeds.

In addition, in April 2022, a new Feed-in Premium (FIP) scheme started. While the purchase price under the FIT scheme is fixed in any situation, the purchase price under the FIP scheme is linked to the market price. Under the FIP scheme, the purchase price will be higher if electricity is sold when the demand is low as compared to the case where electricity is sold when demand is high.

On the other hand, starting in April 2027, ground-mounted solar power generation (excluding rooftop solar power generation) of not less than 10 kilowatts will not be subject to the application of the FIT scheme and the FIP scheme. Consequently, solar power generation businesses by methods that do not rely on the FIT scheme and the FIP scheme such as corporate PPAs are expected to increase.

As a system to enable trading of the "environmental value" of the electricity purchased under the FIT scheme, non-fossil certificates were introduced in 2018. This is a system to extract "environmental value" (also called non-fossil value) from electricity generated from "non-fossil power sources" (meaning power sources that do not use fossil fuels) such as oil and coal, and to turn the value into certificates and trade them. Non-fossil certificates are managed under the Japan Electric Power Exchange (JEPX)'s non-fossil certificate trading system. Initially, when this system was introduced, the attribute information (such as the type of power source and the location of the power plant) of the power source from which the non-fossil certificates were derived was not given. Thus, to enable non-fossil certificates to be utilised for the reporting obligation under "Renewable Energy 100 per cent" (RE100), in November 2021, procedures were introduced for providing the attribute information of the power source from which the non-fossil certificates were derived (tracking system). In 2024, the system was reviewed in response to the increase in the needs of consumers against the backdrop of increased environmental awareness in the international community, and it was decided that information on power plants would be attached to all non-fossil certificates. Concurrently, to deal with the increase in costs in connection with the commencement of full tracking, JEPX increased the membership fee for those who trade non-fossil fuels from ¥120,000 to ¥600,000.

Law stated - 3 September 2026

Wind energy

20 | Describe, in general terms, any regulation of wind energy.

Wind power generation is subject to the application of the FIT scheme and the FIP scheme.

Since wind power generating facilities may cause damage such as noise and bird strikes, conducting environmental impact assessments under the Environmental Impact Assessment Act is compulsory.

To address the issues surrounding wind power generation, a zoning method was implemented, under which certain areas are designated as areas where environmental conservation is prioritised. In 2018, the "Local Governments' Zoning Manual on Wind Power Generation" was compiled and released.

With regard to the safety of windmills, confirmation used to be conducted by the Ministry of Land, Infrastructure, Transport and Tourism in accordance with the Building Standards Act and by the Ministry of Economy, Trade and Industry in accordance with the Electricity Business Act. The matters confirmed by the two ministries were summarised, and in April 2014, the procedures were unified into those under the Electricity Business Act. Currently, wind power generation facilities are designated as facilities excluded from the application of the Building Standards Act.

In addition to ensuring the safety of windmills in operation, the importance of ensuring the proper dismantling of windmills after the end of the business is starting to gain recognition. Until now, the obligation for accumulating funds to cover disposal costs has been imposed only on solar power generation facilities subject to the application of the FIT scheme and the FIP scheme. From October 2026, wind power generation facilities subject to the application of the FIT scheme and the FIP scheme will also be subject to the obligation to accumulate funds to cover disposal costs.

Offshore wind power

Offshore wind power generation is one of the 'next-generation renewable energies' which is a priority area under the Green Growth Strategy. In the Seventh Strategic Energy Plan announced in 2025, offshore wind power generation is expected to account for a certain percentage of Japan's power supply, as it is a power source that is anticipated to reduce costs and is considered to be a trump card for making renewable energy the main power source.

In April 2019, the Act on Promoting the Utilisation of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities (Renewable Energy Sea Area Utilisation Act) came into force. As a result, rules with respect to the exclusive occupancy in general sea areas and a framework for coordination with existing users were prepared, and it was decided that unified rules will be established with respect to the installation of offshore wind power generation facilities in general sea areas.

Under the Renewable Energy Sea Area Utilisation Act, a mechanism is incorporated whereby the Minister of Economy, Trade and Industry and the Minister of Land, Infrastructure, Transport and Tourism first designate certain sea areas as "promotion zones for the development of marine renewable energy power generation facilities" (Promotion Zones) for conducting offshore wind power generation. The ministers also appoint through a public tender system the business operators that exclusively occupy these zones to conduct electricity generation and determine the FIT price. The maximum period of occupancy permission for appointed business operators is 30 years. The Ministry of Land, Infrastructure, Transport and Tourism indicated that, in principle, the exclusive occupation may continue if certain requirements are met.

In June 2025, the Renewable Energy Sea Area Utilisation Act was amended, which allows offshore wind power generation facilities to also be installed in the Exclusive Economic Zone (EEZ). For windmills to be installed in the EEZ, business operators must first obtain provisional approval from the government by submitting a proposal on the planned installation areas for the offshore wind power generation facilities and the draft implementation plan. Subsequently, the government must hold a council meeting for discussions between business operators who have obtained such provisional

approval, local relevant parties such as fishermen, and academic experts. If the council's understanding is obtained, the government may grant its official approval for the installation to the business operators.

Law stated - 3 September 2026

Solar energy

21 | Describe, in general terms, any regulation of solar energy.

Solar power generation is subject to the application of the FIT scheme and the FIP scheme. However, starting in April 2027, ground-mounted solar power generation (excluding rooftop solar power generation) of not less than 10 kilowatts will not be subject to the application of the FIT scheme and the FIP scheme.

In Japan, which is surrounded by sea and has extensive forested mountainous areas, the availability of suitable lands is decreasing due to the proliferation of large-scale solar power plants. At the same time, solar power generation using building rooftops is gaining attention. Consequently, the Act on Rationalization of Energy Use and Shift to Non-fossil Energy has been amended to impose an obligation on business operators that consume a certain amount of energy or more to submit written plans and reports regarding their energy saving measures and efforts to shift to using non-fossil fuels. Business operators subject to the scheme must report their projected timeline for installing rooftop solar power generation facilities (effective from financial year 2026). They must also report the area of their rooftops available for installation of such facilities and the area in which such facilities have already been installed (effective from the financial year 2027 onward). In addition, since April 2025, the Tokyo Metropolitan Government has imposed an obligation on major homebuilders to install solar power generation facilities in new homes they construct (with a total floor area of less than 2,000 square metres).

Furthermore, in line with the growing regulatory environment concerning the construction of mega-solar power plants, an amendment has been made to lower the minimum output threshold at which an environmental impact assessment becomes mandatory, from 30,000kW to 15,000kW. The new threshold is scheduled to come into force in 2027.

In recent years, there has been a growing emphasis on coexistence with the local community, and the Renewable Energy Special Measures Act provides for briefing sessions for local residents and prior notification in accordance with the "Implementation Guidelines for Briefings and Prior Notification Measures", which set out the matters that must be explained to achieve the coexistence of the renewable energy power generation business and the local community, and the strengthening of disciplinary measures such as the temporary suspension of the FIT scheme and the FIP scheme subsidies to business operators that violate relevant laws and regulations.

Since the FIT scheme commenced, the introduction of renewable energy was promoted with a focus on solar power generation. Meanwhile, it is expected that the disposal of solar panels will reach its peak in the late 2030s, and it is required to take measures systematically to adequately address this situation. In light of these circumstances, the Act on the Promotion of Recycling and Other Measures for Solar Cell Waste was enacted and

enforced on 5 June 2026. Among other provisions, the said Act imposes an obligation on mega-solar power operators to notify the competent authority of their solar panel disposal plans in advance.

Furthermore, in May 2024, as part of the ESG Outbound Project promoted by the Tokyo Metropolitan Government, "offshore floating solar power generation facilities" were installed on the sea surface for the first time in Japan to demonstrate floating solar power generation technology at sea. In May 2025, it was confirmed that power generation by the facilities was stable. Although there are currently no laws or regulations specific to offshore solar power generation facilities, new laws and regulations may be established depending on future developments in the practical use of such facilities.

Law stated - 3 September 2026

Hydropower, geothermal, wave and tidal energy

22 Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Hydroelectric power generation

Hydroelectric power generation accounts for approximately 8% of the power sources in Japan. Prior to the oil crisis (1973), development proceeded with a focus on large-scale hydroelectric power generation (larger facilities have power generation capacity exceeding 1 million kilowatts) to meet the rapidly increasing electricity demand. Now in the 21st century, the focus is on the development of small and medium-sized power plants (with average power output of approximately 4,500 kilowatts).

To introduce small and medium-sized hydroelectric dams, the construction of small and medium-sized hydroelectric power plants that utilise existing dams should be promoted. However, if power generation facilities will be installed in multipurpose dams operated by the state by newly acquiring the right of use of these dams, an appropriate amount of the expenses required for the construction of the dams must be paid to the state. On the other hand, in the case of power generation facilities installed in dams operated by a person other than the state (such as prefectures), the River Act provides that the sharing of expenses for the construction of the dams will be determined by mutual consultations among the persons concerned.

To install hydroelectric power generation facilities (mainly small-sized hydroelectric power generation facilities with power output of less than 1,000 kilowatts) utilising river water, it is necessary to obtain permission from the river administrator. In the case where permission to use river water as agricultural water and tap water has been obtained from the river administrator prior to the installation of power generation facilities and where the river water will also be used for hydroelectric power generation, a registration system is adopted, instead of a licensing system.

At present, the application of the FIT scheme is, in principle, limited to hydroelectric power generating facilities with power output of less than 1,000 kilowatts that fulfil the requirements for utilisation in local communities. Thus, hydroelectric power generation

facilities with power output of not less than 1,000 kilowatts can only use the FIP scheme. Requirements for utilisation in local communities are requirements for obtaining FIT certification and are imposed for the purpose of promoting utilisation of self-consumption or utilisation by the local community as a whole.

Geothermal power generation

Geothermal power generation is one of the 'next-generation renewable energies' which is a priority area under the Green Growth Strategy. Furthermore, the Seventh Strategic Energy Plan calls for the development of next-generation geothermal technologies to expand geothermal power generation to more than four times its current level, and the adoption of these technologies is expected to grow in the future. Geothermal power generation is also subject to the application of the FIT scheme and the FIP scheme. The application of the FIT scheme is limited to geothermal power generating facilities that fulfil requirements for utilisation in local communities with power output of less than 1,000 kilowatts. Thus, geothermal power generation facilities with power output of not less than 1,000 kilowatts can only use the FIP scheme.

Among the new business operators that started after the fixed price purchase system was established, some do not always have a good understanding of the spread of underground geothermal resources when conducting development, which raises concerns that such development affects existing geothermal power plants and neighbouring hot springs. For such concerns, local governments can effectively avoid such circumstances by also utilising local ordinances and councils. In this regard, the Agency for Natural Resources and Energy has disclosed the judgement criteria, which may be used as the baseline for confirming the appropriateness of the development plan.

In addition, underground resources (hot springs) will be utilised when carrying out excavation. This means that the excavation will be subject to restrictions under the Hot Springs Act, and it is necessary to obtain permissions or authorisations from prefectural governors.

In addition, in Japan, it is often the case that geothermal resources are in national parks, quasi-national parks, or natural parks, and there are cases where permission must be obtained from the Minister of the Environment or prefectural governors as provided in the Natural Parks Act.

Tidal power generation

While demonstration activities are currently being conducted in some parts of Japan for the purpose of eventually achieving practical use, and demonstration operations toward commercialisation have started, tidal power generation has not reached commercialisation at present, and it is difficult to construct power plants that are cost-effective. This is because the cost for tidal power generation depends to a large extent on the topography and it is considered that suitable lands are concentrated mostly in western Japan, which means that the places where large turbines can be installed will be even more limited if they are to be installed on such land.

To install tidal power generation facilities in fisheries zones, it is necessary that various laws such as the Fishery Act and the Act on the Protection of Marine Resources are

complied with. Under the Fishery Act, if fishery rights are restricted by constructions for public works projects such as landfilling, it is necessary to compensate fishery operators. Thus, expenses other than the costs for installation and operation need to be discussed.

Law stated - 3 September 2026

Waste-to-energy

23 | Describe, in general terms, any regulation of production of energy based on waste.

While there are several types of waste power generation, the basic structure involves using heat generated by the incineration of waste to produce steam, which drives a turbine to generate electricity. Among waste power generation facilities, those that supply electricity through the transmission and distribution grid are regulated as power generation facilities under the Electricity Business Act. Business operators that meet certain requirements are classified as electricity generation utilities under the Act and are subject to obligations under the Electricity Business Act, such as filing a notification with the Minister of Economy, Trade and Industry and submitting a supply plan. In addition, waste biomass power generation that meets certain requirements may be eligible for the FIT scheme and the FIP scheme.

At the same time, if waste biomass falls under the definition of "wastes" as stipulated under the Waste Management Act, strict regulations under the Waste Management Act will be imposed.

Law stated - 3 September 2026

Biofuels and biomass

24 | Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

In 2009, the Basic Act on the Advancement of Utilising Biomass came into force, under which the state has developed the "Basic Plan for Advancement of Biomass Utilisation". The plan requires each prefecture to endeavour to develop its own "biomass utilisation advancement plan". In 2022, the Third Basic Plan for Advancement of Biomass Utilisation was approved at a cabinet meeting, which sets a goal for all prefectures to develop their biomass utilisation advancement plans by 2030.

Biomass power generation is subject to application of the FIT scheme and the FIP scheme. In order to use the FIT scheme and the FIP scheme, it will usually suffice to obtain certification from the Minister of Economy, Trade and Industry. However, in the case where electricity generation subject to the scheme is biomass power generation, the Minister of Economy, Trade and Industry must consult with the Minister of Agriculture, Forestry and Fisheries, the Minister of Land, Infrastructure, Transport and Tourism or the Minister of the Environment in advance. Furthermore, under the Regulations for the Enforcement of the Renewable Energy Special Measures Act, additional requirements are imposed on the

certification of biomass power generation business plans, as well as the requirements for the certification of ordinary electricity generation business plans. For example, to obtain certification, it is a requirement to periodically calculate the ratio of biomass for the relevant generation more than once a month and to enter the ratio of biomass and the basis of calculation thereof in the books.

It was decided that, from 2026 onward, biomass power generation businesses that utilise woody biomass (power generation of not less than 10,000kW) and biomass liquid fuel (large-scale) would not be covered by the FIT scheme and the FIP scheme.

As to biomass fuel, the utilisation of domestic wood is also on the rise in addition to imported wood. Under the FIT scheme and the FIP scheme, only wood logged in accordance with laws is certified as fuel. Thus, upon making an application for certification, it is necessary to certify that wood and wood products whose sustainability (legality) is proven are used in the system concerning fuel procurement. Specifically, certification through the forest certification system (a system for an independent third-party organisation to conduct certification based on certain standards of woods or management organisations where or by which appropriate or sustainable forest management is conducted) or Chain of Custody certification system (a system for a third-party organisation to evaluate and certify business operators that deal in wood and wood products in terms of the appropriate separated management of wood and wood products made from wood logged from certified forests so that they will not be mingled with those made from wood logged from forests without certification) is required. For details of the certification, the Forestry Agency has published the "Guidelines for Verification on Legality and Sustainability of Wood and Wood Products".

Law stated - 3 September 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

The storage of carbon dioxide under the seabed is restricted by the 1996 Protocol to the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, 1972 (also known as the London Protocol). Since Japan is a party to the London Protocol, Japan is therefore required to comply with the Protocol. The Act on the Prevention of Marine Pollution and Maritime Disaster (Marine Pollution Prevention Act) was amended in 2007, which regulates compliance with the London Protocol under domestic law. Under the provisions of the said Act, a person intending to dispose of CO2 under the seabed must obtain permission from the Minister of the Environment and must monitor the marine environment when disposing of CO2 on the seabed after obtaining permission.

Under the said Act, the "Tomakomai CCS Demonstration Project", which is the first large-scale CCS demonstration project in Japan with the purpose of conducting utility-scale CCS (Carbon Capture and Storage), was launched, and then in November 2019, achieved its goal of a total CO2 injection amount of 0.3 million tons. Subsequently, following an urgent proposal from industry calling for the establishment of business regulations on CCS businesses and other events, in May 2024, the Act on Carbon Dioxide Storage Businesses was enacted and came into full force in May 2026. The Act adopts a licensing system in

which the Minister of Economy, Trade and Industry designates the area where a reservoir is likely to exist as a specified zone, and then recruits and gives permission to businesses that conduct storage business or prospecting. Prospecting and storage rights are established for the licensed business operators. Prospecting and storage rights are so-called deemed real rights that are treated as real rights to ensure stable storage of CO2. Holders of mining rights under the Mining Act may, with the permission of the Minister of Economy, Trade and Industry, conduct prospecting and storage businesses in their mining sites in areas other than specified zones.

From an international perspective, Japan has judged that the promotion of CCUS (Carbon Capture, Utilisation and Storage) in Asia has great significance, and the then Minister of Economy, Trade and Industry presented a proposal to launch the Asia CCUS Network at the energy ministers' meeting of the East Asia Summit (EAS) held in November 2020. Based on this proposal, at the First Asia CCUS Network Forum held in June 2021, the Asia CCUS Network was launched as the platform for the utilisation of CCUS across Asia. To date, the Asia CCUS Network Forum has been held four times.

In addition, as of January 2026, the cross-border transport of CO2 for the purpose of CCS has become legally permissible. At the 14th Meeting of the Contract Parties to the London Protocol in 2019, the provisional application of article 6, paragraph 2, which was newly established in the Protocol amended in 2009 (a provision that permits the export of CO2 for the purpose of CCS under certain conditions), was adopted. Japan accepted the provisional application and made the relevant declaration. Subsequently, in January 2026, the Export Trade Control Order under the Foreign Exchange and Foreign Trade Act was amended, making the export of CO2 for the purpose of CCS permissible under domestic laws as well.

Law stated - 3 September 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

Addressing climate change is one of the key elements of ESG and has become a critical factor in institutional investors' investment decisions and corporate valuation. As a result, companies' initiatives and disclosure regarding climate change are becoming increasingly important.

In addition, in March 2025, the Sustainability Standards Board of Japan (SSBJ) published the standards for sustainability disclosure in Japan (SSBJ Standards). The SSBJ Standards are the Japanese version of the sustainability disclosure standards (ISSB Standards) established by the International Sustainability Standards Board (ISSB). The SSBJ Standards are generally in line with the ISSB Standards, including the use of Scope 1, 2 and 3 emissionsmore, SSBJ has published the SSBJ Handbook that provides a simple summary of the points to be noted when using the SSBJ Standards. Furthermore, the Working Group on Sustainability Information Disclosure and Assurance of the Financial

System Council of the Financial Services Agency published the “Interim Summary of Issues by the Financial System Council’s Working Group on Sustainability Information Disclosure and Assurance” in July 2025. It set out a policy of requiring the companies listed on the TSE Prime Market with a market capitalisation above a certain threshold to apply sustainability disclosure standards in phases, starting with the company with the larger market capitalisation, beginning with the financial year ending in March 2027, and introducing a third-party assurance requirement starting in the financial year following the application of the disclosure standards. As such, disclosure of sustainability information is expected to become mandatory in Japan and is likely to become a key factor in evaluating corporate value in various transactions.

Furthermore, there are an increasing number of cases where ESG due diligence (ESGDD) is conducted in the deal process of M&A. Since an accurate understanding of such cases makes it possible to proceed with post-acquisition PMI and ESG Value Creation (ie, an increase in business value and shareholder value that are achieved by promoting breakthrough measures on ESG) at an early stage after the acquisition, not just with corporate valuation, ESGDD is an important factor to be taken into consideration.

Law stated - 3 September 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

The Seventh Strategic Energy Plan

In February 2025, the Seventh Strategic Energy Plan was announced, which sets the goal of reducing GHG emissions by 73% by 2040 compared to the financial year 2013 and also aims to achieve approximately 40% to 50% as the ratio of renewable energy in Japan’s power sources by the financial year 2040.

The Seventh Strategic Energy Plan sets a target of achieving the adoption of residential solar power generation in 60% of newly constructed single-family houses by 2030. To achieve this target, the Ministry of Economy, Trade and Industry introduced an initial investment support scheme in the second half of the financial year 2025, which is intended to facilitate early returns on investment.

Furthermore, regarding nuclear power, while the Sixth Strategic Energy Plan stated that "Japan will reduce the dependence on nuclear power as much as possible", the Seventh Strategic Energy Plan pointed out that "it is extremely important to maximize the use of both renewable energy and nuclear power", marking a policy shift. This change takes into consideration the fact that nuclear power is an important baseload power source for ensuring a stable electricity supply, and the anticipated increase in electricity demand due to the development of DX and GX.

As for offshore wind power generation, the goal is to form projects totalling 10GW by 2030 and 30GW to 45GW by 2040, including offshore floating wind power.

Considering this background, it is believed that promoting GX, expanding the adoption of renewable energy, utilising nuclear power, establishing a regulatory framework for Carbon capture and storage, and introducing carbon pricing will continue to be key policy priorities in Japan.

Others

Local governments are highly interested in carbon neutrality, and as at 31 May 2026, more than 1,215 local governments have announced that they "aim to achieve zero carbon by 2050".

In recent years, while the amount of renewable energy used in Japan has been increasing, there has been a rapid increase in the participation rate of various business operators with different scales and attributes, mainly in solar power generation. This has led to growing concerns in local communities about safety, disaster prevention, impact on the landscape and the environment, and future disposal. In this connection, the Renewable Energy Special Measures Act was amended and enforced on 1 April 2024. As a result of this amendment, electricity generation operators operating power generation facilities of a certain size or larger must hold a briefing session for local residents before applying for new or a change of the Feed-in Tariff (FIT) scheme and the Feed-in Premium (FIP) scheme certification. The purpose and objective of this provision is to promote understanding of the renewable energy power generation business, build trust in the business, and introduce renewable energy in harmony with the local community by having the operators provide appropriate information to local residents and respond to concerns of the surrounding local community about the possible impact on it caused by the implementation of the business. The most significant impact of this amendment is that approved business operators will be required to hold briefing sessions for residents even upon changing their "closely related party". A "closely related party" means (1) a member of the approved business operator (if the approved business operator is a membership company), (2) a shareholder holding a majority of voting rights in the approved business operator (if the approved business operator is a stock company), (3) a TK (*tokumei kumiai*) investor holding a majority of the TK investment in an approved business operator, or (4) the parent company of an entity specified in (1) through (3) above ("parent company" as defined in article 8, paragraph 3 of Regulation 11 on Terminology, Forms and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59, 1963)). Therefore, preparation for and response to a briefing session for residents are also required in the case of a secondary project of renewable energy power generation facilities. In 2025, based on feedback from practitioners, revisions were made to relax regulations regarding briefing sessions for residents. As a result, business operators that meet certain requirements (ie, they must (1) comply with the provisions of relevant laws and regulations, and (2) be listed on a financial instruments exchange or funded by a local government, and fulfil certain other requirements, and be categorised as "long-term stable qualified solar power generation operators") may take prior notification measures instead of holding briefing sessions for residents.

Furthermore, in December 2025, the Ministerial Meeting on Mega-Solar Power Business of the Cabinet Secretariat adopted the Policy Package on Large-Scale Solar Power Business

(Mega-Solar Projects). This policy package aims to advance multiple amendments to laws and operational revisions related to mega-solar projects from the perspectives of protecting the natural environment and landscapes, ensuring safety, and fostering coexistence with local communities. In particular, the policy package is likely to have a significant impact on the practical implementation of ground-mounted commercial solar power projects. According to an announcement by the Ministry of Economy, Trade and Industry in March 2026, in response to this, ground-mounted commercial solar power projects will no longer be eligible for new support under the FIT scheme and the FIP scheme starting in the financial year 2027. Furthermore, with the amendment of the Forest Act, the proposed amendments to the Electricity Business Act, the proposed revisions to the Landscape Act Operational Guidelines, and the review of the environmental impact assessment system, regulations on solar power generation business are expected to tighten. This is anticipated to have a broad impact on various aspects of future solar power projects, including project structuring and financing.

Law stated - 3 September 2026

AMT / ANDERSON MORI & TOMOTSUNE

Kenji Miyagawa	kenji.miyagawa@amt-law.com
Yuko Hashimoto	yuko.hashimoto@amt-law.com
Kei Takada	kei.takada@amt-law.com
Ryotaro Kagawa	ryotaro.kagawa@amt-law.com
Aya Shinjo	aya.shinjo@amt-law.com

Anderson Mori & Tomotsune

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Malaysia

Joyce Ong Kar Yee, **Seraphina Soh Li Ying**, **Kerryn Toh**
Lee Hishammuddin Allen & Gledhill

Summary

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International regulations and national regulatory policies
Main national regulatory policies
Main national legislation
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GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits
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DOMESTIC CLIMATE SECTOR

Domestic climate sector

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GHG emission permits or approvals
Oversight of GHG emissions

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime
Registration
Obtaining, possessing and using GHG emission allowances

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

Malaysia has demonstrated its commitment to combating climate change since the 1980s by ratifying the Montreal Protocol on Substances that Deplete the Ozone Layer on 29 August 1989. The nation has since ratified several key amendments to the Protocol, including the latest Kigali Amendment (2016), reflecting its proactive stance on climate protection.

On 13 June 1994, Malaysia ratified the United Nations Framework Convention on Climate Change (1994) (UNFCCC), aligning itself with international efforts to tackle climate issues. This was followed by the ratification of the Paris Agreement on 16 November 2016, where Malaysia pledged to reduce its carbon intensity by 45% by 2030 compared to 2005 levels.

These international agreements are not legally binding but demonstrate Malaysia's adaptation to global standards in addressing local climate challenges.

Law stated - 17 August 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

Malaysia is proposing to enact a legislation on climate change and has sought public feedback on the draft climate change bill. The proposed draft integrates mandates from both the Paris Agreement and the UNFCCC by including provisions such as reporting obligations on greenhouse gas emissions to ensure alignment with UNFCCC requirements.

Additionally, measures to achieve Malaysia's Nationally Determined Contribution (NDC) under the Paris Agreement have been embedded within the 12th Malaysia Plan and the National Energy Policy 2022–2040, reinforcing the nation's commitment to sustainable development and emissions reduction.

Law stated - 17 August 2026

Main national regulatory policies

3 Outline recent government policy on climate matters.

The National Policy on Climate Change 2.0, published by the Ministry of Natural Resources and Environmental Sustainability on 30 September 2024, outlines Malaysia's strategic approach to achieving its climate goals. Key objectives include:

- Attaining net-zero greenhouse gas emissions by 2050 and fulfilling current and future NDCs, alongside other international obligations.
- Mainstreaming climate action into decision-making processes to enhance socio-economic well-being and strengthen stakeholder accountability.
- Facilitating the implementation of climate action by integrating responses into national policies, plans and programmes.
- Promoting risk-based planning to build climate resilience, mitigate negative impacts, and capitalise on opportunities presented by climate change.

In addition, the Ministry of Economy released the National Energy Policy 2022–2040 a framework for transforming Malaysia's energy landscape through a structural shift toward cleaner energy sources, increased adoption of renewable energy, and a substantial reduction in carbon emissions.

Law stated - 17 August 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

Malaysia does not currently have specific legislation addressing climate change in force. However, existing climate-related legislation includes:

- Renewable Energy Act 2011 (Act 725) (last amended on 28 July 2023)
- Environmental Quality Act 1974 (Act 127) (last amended on 6 June 2024)
- Energy Efficiency and Conservation Act 2024 (Act 861)

Law stated - 17 August 2026

National regulatory authorities

5 | Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

Previously, the Natural Resources, Environment, and Climate Change Ministry (NRECC) oversaw matters related to natural resources, environmental management, and climate regulation. Following a Cabinet reshuffle on 12 December 2023, the NRECC underwent restructuring. The newly established Natural Resources and Environmental Sustainability Ministry now leads Malaysia's climate change agenda.

Complementing this effort is the Malaysian Green Technology and Climate Change Corporation (MGTC), an agency under the purview of NRECC. MGTC is tasked with advancing the nation's green growth, driving climate change mitigation efforts, and promoting green lifestyles.

Law stated - 17 August 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

According to Malaysia's First Biennial Transparency Report(BTR 1), submitted to the United Nations Framework Convention on Climate Change on 31 December 2024, the total greenhouse gas (GHG) emissions for 2021 – excluding Land Use, Land-use Change and Forestry (LULUCF) sector – amounted to 327,672.37 gigagram carbon dioxide equivalent (Gg CO2 eq). This total comprised of 259,666.83 Gg CO2 eq from the energy sector, 37,028.35 Gg CO2 eq from the IPPU sector, 23,667.15 Gg CO2 eq from the waste sector and 7,310.04 Gg CO2 eq from the agriculture sector. In comparison, the total GHG emissions for 2019, excluding LULUCF, were 327,363.79 Gg CO2 eq, as noted in BTR 1, with the energy sector remaining the largest contributor, accounting for 79.8% of total emissions.

Law stated - 17 August 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

There is a proposed carbon capture project in Malaysia tied to the Kasawari Gas Development Project, located at Block SK316, approximately 200km offshore from Bintulu, Sarawak. This project is being developed by PETRONAS Carigali Sdn Bhd, a wholly owned subsidiary of Malaysia's national oil and gas company, PETRONAS. The project is designed to capture up to 3.3 million tonnes per annum of CO2 and commenced operations in August 2024. Further, an estimated total of 71 to 76 million tonnes of CO2 from the Kasawari project is expected to be reinjected into the depleted M1 field for permanent storage.

PETRONAS is also collaborating with the Abu Dhabi National Oil Company (ADNOC) and UK-based Storegga, to evaluate CO storage capabilities in Malaysia. This partnership seeks to assess the potential for CO2 emissions storage of saline aquifers and to develop carbon capture and storage facilities in the Penyu Basin, offshore Peninsular Malaysia. The goal is to establish a CO2 capture and storage capacity of at least 5 million tonnes per annum by 2030.

Law stated - 17 August 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

In line with the target of achieving 70% renewable energy in the electricity generation capacity mix by 2050, the Green Technology Tax Incentive, first introduced in 2014, was revised on 24 April 2024. The updated incentive comprises three categories:

- Green Investment Tax Allowance (GITA) for business-related projects;
- GITA for assets acquired for self-consumption; and
- Green Income Tax Exemption (GITE) for solar leasing initiatives.

The GITA permits the deduction of 70% of qualifying capital expenditure incurred against 70% of statutory income, thereby reducing tax liability. Meanwhile, the GITE enables green service providers to exempt 70% of their statutory income from taxation.

Further, Malaysia produces renewable energy certificates (RECs) that satisfy international reporting criteria such as RE100, and Science Based Targets Initiative, and the Carbon Disclosure Project, ensuring credibility and traceability. Providers of RECs in Malaysia, such as the Sustainable Energy Development Authority Malaysia (SEDA) and Bursa Carbon Exchange (BCX) have achieved notable milestones.

SEDA is a Qualified Reporting Entity (QRE) for the Tradable Instrument for Global Renewables Registry and the first to be appointed by APX Inc in Malaysia. Additionally, BCX commenced continuous trading of RECs and expanded its product range to include the Global Nature-Based Plus Carbon Contract, Global Technology-Based Carbon Contract and Malaysia Nature-Based Plus Carbon Contract.

Law stated - 17 August 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

Malaysia does not currently impose mandatory obligations for greenhouse gas (GHG) emission limitation, reduction, or removal, other than certain general environmental obligations primarily aimed at pollution control and environment protection under the Environmental Quality Act, 1974 (the EQA 1974). However, the country's commitments primarily arise from its participation in global agreements. Malaysia has pledged to reduce GHG emissions per unit of GDP by 45% by 2030, relative to 2005 levels. This commitment includes an unconditional reduction of 45% and covers seven GHGs: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and

nitrogen trifluoride, as outlined in its revised Nationally Determined Contributions submitted to the United Nations Development Programme in July 2021.

Additionally, Malaysia is obligated to submit Biennial Update Reports and National Communications to the United Nations Framework Convention on Climate Change (UNFCCC), detailing national emissions, mitigation efforts and progress toward these commitments.

Further, the National Energy Transition Roadmap (NETR) also laid down flagship catalyst initiatives aimed at accelerating Malaysia's energy transition efforts, among which includes an aim to reduce GHG emissions by more than 10,000 Gg CO2 eq per year. It is expected that the NETR initiatives will deliver 32% reduction in GHG emissions for the energy sector compared to 2019 levels. The Low Carbon Mobility Blueprint 2021–2030 also focused on setting out a framework to reduce GHG emissions from the transportation sector by decarbonising land transportation.

Law stated - 17 August 2026

GHG emission permits or approvals

10 Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

There are specific standards and limitations that must be adhered to when it comes to GHG emissions, and a licence will be required to contravene the acceptable conditions of pollutants emission.

For example, under the Environment Quality (Clean Air) Regulations 2014 (the Clean Air Regulations), an owner of every new or existing premises shall comply with the specified limit value and technical standards for air pollutants for the operation of such premises. Further, the Clean Air Regulations also impose an obligation on the owner or occupier of a premises involved in specified industries to incorporate measures to reduce the emission of air pollutants to the atmosphere in accordance with the standards as specified under the Clean Air Regulations. No person will be allowed to emit or discharge pollutants in contravention with the acceptable conditions unless such person is licensed.

In the State of Sarawak, the recently enacted Forest (Forest Carbon Activities) Rules 2022 provides for the requirement to obtain a carbon study permit and carbon licence to conduct a proposed forest carbon activity, that is any activity, action, project or groups of activities that lead to the GHG emission reductions which are verified in accordance with the prescribed carbon standard. The state of Sabah, has also introduced requirements to obtain a licence to conduct any forest carbon activity and permits for feasibility studies in respect of the same through the amendment of its Forest Enactment 1968 effective on 15 May 2025.

Law stated - 17 August 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

Malaysia is a member of the Intergovernmental Panel on Climate Change (IPCC) and adheres to the IPCC's guidelines for reporting GHG emissions and climate change actions.

Further, the EQA 1974 also requires that the commencement of certain prescribed activities shall be subject to the obtainment of an environmental impact assessment approval. Any person who intends to carry out such prescribed activities shall carry out an environmental impact assessment which essentially assesses the potential environmental effects of the project, including GHG emissions.

Under the Environmental Quality (Scheduled Wastes) Regulations 2005, a waste generator shall also notify (in the prescribed form) the Director General of Environmental Quality of the new categories and quantities of scheduled wastes that are generated. An inventory (in the prescribed form) of the categories and quantities of scheduled wastes being generated, treated and disposed of shall also be prepared and kept for a period of three years from the date the scheduled wastes were generated. The Regulations also imposes certain responsibilities on the waste generator in relation to the storage, treatment, labelling, disposal, etc of scheduled wastes.

There is also a mandatory reporting requirement for public listed companies under the Listing Requirements of Bursa Malaysia Securities Berhad to include in their annual reports a sustainability reporting. Such reporting should include a narrative statement of the listed corporation's management of material economic, environmental and social risks and opportunities.

Separately, the state of Sarawak imposes mandatory reporting requirements on carbon emission levels for specific industries, such as for the oil and gas and energy sectors, through the Environment (Reduction of Greenhouse Gases Emission) Ordinance 2023.

Law stated - 17 August 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 | Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

Currently, Malaysia does not have a formal greenhouse gas GHG emission allowance regime. The Climate Change Bill introduces a prospective domestic Emissions Trading Scheme (ETS), designed as a cap-and-trade system that limits emissions by allocating credits to companies that emit below a specified baseline. The scheme will set an emissions threshold at the facility level, enabling facilities to manage and trade their greenhouse gas emissions allowances while ensuring compliance with the established emission limits. However, since the Climate Change Bill has not been gazetted, the ETS is not currently in force.

Nevertheless, businesses may still participate voluntarily in offset projects such as participating in carbon trading. There are voluntary carbon markets in Malaysia where

businesses can purchase carbon credits and renewable energy certificates to offset their own GHG emissions. The Bursa Carbon Exchange (BCX) established by Bursa Malaysia Berhad, is Malaysia's first voluntary carbon market and is also the world's first Shariah-compliant multi-environment product exchange.

Law stated - 17 August 2026

Registration

13 | Are there any GHG emission allowance registries in your country? How are they administered?

Currently, Malaysia does not have a formal GHG emission allowance regime. The Climate Change Bill introduces a prospective domestic ETS, designed as a cap-and-trade system that limits emissions by allocating credits to companies that emit below a specified baseline. The scheme will set an emissions threshold at the facility level, enabling facilities to manage and trade their greenhouse gas emissions allowances while ensuring compliance with the established emission limits. However, since the Climate Change Bill has not been gazetted, the ETS is not currently in force.

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Law stated - 17 August 2026

Obtaining, possessing and using GHG emission allowances

14 | What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

There are currently no mandatory requirements in place for obtaining GHG emission allowances in Malaysia.

Law stated - 17 August 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 | What GHG emission trading systems or schemes are applied in your country?

The Voluntary Carbon Market (VCM) is an initiative spearheaded by the Ministry of Finance, the Ministry of Environment and Water, and Bursa Malaysia Berhad. The VCM allows companies to purchase voluntary carbon credits from climate friendly projects and solutions to compensate for the emissions and at the same time to finance any carbon mitigation projects.

Law stated - 17 August 2026

Trading agreements

16 Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

Bursa Malaysia provides both Malaysian and global carbon credit contracts through its Bursa Carbon Exchange platform issued by Verra and the Gold Standard via a standardised contract guaranteeing their credibility and alignment with global best practices. These credits are generated from technology-based projects, such as renewable energy installations, energy efficiency improvements, and carbon capture and storage solutions and nature-based projects, such as reforestation, conservation efforts, and sustainable land management practices.

Law stated - 17 August 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

According to the Malaysia Energy Statistic Handbook 2023 published by the Energy Commission of Malaysia, the total primary energy production in 2021 was 107,281 ktoe (kilotonnes of oil equivalent), among which the non-renewables include 70.7% of natural gas, 23.7% of crude oil and 1.8% of coal and coke. The total energy consumption in 2020 was 57,250 ktoe, among which petroleum products consist of 41.8%, natural gas of 31.1%, electricity of 23.3% and coal and coke of 2.4%.

The Environmental Quality Act, 1974 (the EQA 1974) is the main governing legislation relating to the prevention, abatement, control of pollution and enhancement of the environment. It is also worth noting that Malaysia is a signatory to the Paris Agreement, which is an international treaty on climate change, and has committed to reduce greenhouse gas (GHG) emissions by 45% in 2030 compared to 2003 levels.

The main legislation governing energy consumption and energy efficiency is the Energy Efficiency and Conservation Act 2024, which was gazetted on 26 November 2024 and came into operation on 1 January 2025.

There is currently no scheme for the trade of accounting units or credits in relation to energy savings. However, in terms of GHG emissions, there are voluntary carbon markets where companies can purchase carbon credits to offset their own greenhouse gas emissions allowing them to meet their voluntary climate goals. Malaysia's first voluntary carbon market is the Bursa Carbon Exchange, which is also the first Shariah-compliant carbon exchange in the world.

More recently, Malaysia has launched its National Carbon Market Policy (NCMP) in April 2026. The NCMP establishes a national policy framework for the development of both voluntary and compliance carbon markets, including the development of a National Carbon Registry, and comprehensive measurement, reporting and verification mechanisms. It also provides a framework for Malaysia's participation in international carbon markets under Article 6 of the Paris Agreement, including cooperation involving internationally transferred mitigation outcomes and the Paris Agreement Crediting Mechanism.

Law stated - 17 August 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

The EQA 1974 is the main legislation governing the protection of the environment and which aims to regulate GHG emissions generally. For example, the EQA 1974 prescribes certain activities that may have a significant environmental impact. Any person intending to carry out any such prescribed activity shall appoint a qualified person to conduct an environmental impact assessment and to submit a report to the Director General of Environmental Quality for his approval before such activity can be conducted.

The Environmental Quality (Scheduled Wastes) Regulations 2005 also focuses on regulating the method of generation, disposal, treatment, labelling and storage of scheduled wastes. Further, the Environmental Quality (Control of Emission from Petrol Engines) Regulations 1996 and the Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996 provide that no engine system of any motor vehicle with a petrol engine or diesel engines (as applicable) which emits pollutants shall be installed in excess of the prescribed standard. There is also a similar regulation governing the emission from motorcycles, that is the Environmental Quality (Control of Emission from Motorcycles) Regulations 2003.

That said, in the State of Sarawak, the Forest (Forest Carbon Activities) Rules 2022 was enacted under the Forest Ordinance 2015, which provides for the requirement to obtain a carbon study permit and carbon licence to conduct a proposed forest carbon activity, that is any activity, action, project or groups of activities that lead to the GHG emission reductions that are verified in accordance with the prescribed carbon standard. Similarly, the state of Sabah has introduced requirements to obtain a licence to conduct any forest carbon activity and permits for feasibility studies in respect of the same through the amendment of the Forest Enactment 1968 effective on 15 May 2025.

Law stated - 17 August 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

According to the Malaysia Energy Statistic Handbook 2023 published by the Energy Commission of Malaysia, the total primary energy production (renewable energy) in 2021 consisted of 2.5% of hydropower, 0.9% of biodiesel, 0.1% of biomass, 0.2% of solar and 0.1% of biogas. In relation to energy consumption, electricity consists of 23.3% and biodiesel of 1.4%.

In the Twelfth Malaysia Plan, Malaysia has pledged to achieve net-zero emissions by 2050. Consequently, several policies have been issued by the Malaysian authorities to guide the energy transition, including the National Energy Policy 2022–2040 (NEP) and the National Energy Transition Roadmap, which serve to streamline the shift towards an energy system based on clean and renewable energy sources.

One of the first significant programmes to incentivise the generation of renewable energy is the feed-in-tariff scheme (FiT), which was established under the Renewable Energy Act 2011. The scheme allows for all electricity generated from a renewable source to be sold to a distribution licensee under a standardised renewable energy power purchase agreement upon approval of the Sustainable Energy Development Authority, and in turn the distribution licensee is then obliged to purchase electricity at a pre-determined price. "Renewable energy" includes biogas, biomass, small hydropower and solar photovoltaic.

The main licence to be obtained is the installation licence required under section 9 of the Electricity Supply Act 1990 (the ESA 1990) (also known as the S9 Licence). An S9 Licence is generally required for the use and operation of an electrical installation.

In relation to the trade of related accounting units, renewable energy producers may purchase or sell renewable energy certificates, a kind of environmental attribute that is a market-based instrument that represents the green attributes of renewable electricity generation. It is issued when 1 megawatt-hour of electricity is generated and delivered to the electricity grid from a renewable energy source.

Law stated - 17 August 2026

Wind energy

20 Describe, in general terms, any regulation of wind energy.

Windmill installations may require an S9 Licence if the requirements are met.

The FiT Scheme has yet to recognise wind as a renewable energy source, given that the definition of "renewable energy" does not cover wind energy. Nonetheless, the Malaysian

government recognises wind as a potential energy source and has laid down numerous action plans to develop more wind projects. One of the action plans set out in the NEP was to conduct studies and identify, among others, wind energy in specific targeted regions. Further, one of the key actions up to 2035 set out in the Malaysia Renewable Energy Roadmap was to explore offshore and onshore wind potential and feasibility of wind energy integration.

Law stated - 17 August 2026

Solar energy

21 | Describe, in general terms, any regulation of solar energy.

Similar to other electricity installations, a S9 Licence will be required for solar installations if the requirements are met. Given that Malaysia is a country blessed with a year-round of sunshine, solar energy is the most-promoted energy source. This can be seen through the several initiatives launched by the government to achieve such expansive use of solar power, including the Large Scale Solar Programme, the Net Energy Metering Programme and the FiT Scheme.

Law stated - 17 August 2026

Hydropower, geothermal, wave and tidal energy

22 | Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Similar to wind and solar power plants, the installation of hydropower, geothermal, wave and tidal energy plants may also be subject to the obtaining of an S9 Licence if such installation falls under the purview of the ESA 1990. Relevant legislation relating to the environment, such as the Environmental Quality Act 1974 (the EQA 1974) may also be subject to such power plants where applicable.

Small hydropower plants are covered under the FiT Scheme. As at 17 August 2026, there is no remaining FiT quota available for hydropower plants having an installed capacity of up to and including 30MM. Under the FiT framework, quotas are released in six-month windows over a rolling three-year period. This means that where the current quota has been fully allocated, a further quota may be made available at the commencement of the next six-month window.

Law stated - 17 August 2026

Waste-to-energy

23 | Describe, in general terms, any regulation of production of energy based on waste.

An environmental impact assessment approval from the Director of Environmental Quality under the EQA 1974 shall be obtained before the construction of specified waste treatment and disposal plants can commence, this would include scheduled waste, solid waste and sewage. Currently, there is no national regulatory framework governing waste-to-energy plants in Malaysia. However, waste-to-energy generation has been recognised as one of the initiatives in the Twelfth Malaysian Plan, wherein the government stressed its aim to encourage renewable energy industry players to venture into waste-to-energy projects.

Notwithstanding the absence of a regulatory framework for waste-to-energy projects, the relevant legislation relating to waste management, such as the EQA 1974, the Solid Waste and Public Cleansing Management Act 2007, shall be complied with where applicable. Further, it is also one of the key initiatives under the NEP to conduct feasibility studies to identify potential alternative supply sources such as waste-to-energy. In addition, the Green Technology Financing Scheme 4.0 is also available for waste-to-energy plants.

Law stated - 17 August 2026

Biofuels and biomass

24 Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

The governing legislation for biofuels in Malaysia is the Malaysian Biofuel Industry Act 2007 (MBIA 2007).

A valid licence issued under the MBIA 2007 by the Ministry of Plantation and Commodities (or any person authorised by the same) shall be obtained before, among others, the commencement of any construction of biofuel plants or biofuel blending plants, production of any biofuel, importation or exportation of any biofuel.

Law stated - 17 August 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

The construction of gas separation, processing, handling and storage facilities falls under one of the prescribed activities under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015, which requires an environmental impact assessment report to be conducted and submitted for approval from the Director General of Environmental Quality before such construction can be conducted. This is wide enough to cover carbon capture and storage projects.

The Carbon Capture, Utilisation and Storage Act 2025 (CCUS Act 2025), which came into operation on 1 October 2025 (except Part VII, concerning assessment and permanent storage in onshore areas), is the principal legislation governing CCUS projects in Malaysia. Its operation is complemented by other applicable legislation. For example, in Sarawak,

the Land (Carbon Storage) Rules 2022 (Sarawak Carbon Rules) apply to carbon storage activities. Depending on the nature and location of a project, the EQA 1974, the Petroleum Development Act 1974 and other relevant legislation may also apply.

The CCUS Act 2025 establishes a regulatory framework covering the capture, transportation, utilisation and permanent storage of carbon dioxide, and establishes the Carbon Capture, Utilisation and Storage Agency (CCUS Agency) to administer and oversee the framework. In particular, owners and operators of carbon capture installations must be registered with the CCUS Agency, while offshore geological assessments and permanent offshore storage require the relevant permits and licences.

Law stated - 17 August 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

Depending on the target's industry, environmental due diligence may be conducted to assess the target's compliance with environmental laws and to identify their existing environmental liabilities or past violations. Buyers will generally wish to evaluate the target's carbon footprint and how emissions are measured and reduced.

Further, for public listed companies, it is mandatory under the Listing Requirements of Bursa Malaysia Securities Berhad to include in their annual reports a sustainability reporting, which comprises a narrative statement of the listed corporation's management of material economic, environmental and social risks and opportunities.

Law stated - 17 August 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

In Budget 2026, the Malaysian government announced plans to introduce a carbon tax for selected industries such as the iron, steel and energy industries.

Malaysia's Climate Change Bill is also expected to be tabled in the third parliamentary session of 2026, scheduled from 5 October to 8 December 2026. The Bill aims to set out a comprehensive framework to regulate, implement and enforce initiatives relating to climate change governance at both international and domestic levels. In addition, following the Climate Change and Carbon Governance Enactment 2025 passed by the State Assembly of Sabah in 2025, Sabah is now in the process of setting up dedicated units for carbon governance and climate change. To date, the Climate Change and Carbon Governance

Enactment 2025 remains not in force as there have been no gazetted announcements on its date of operation.

Law stated - 17 August 2026

Joyce Ong Kar Yee oky@lh-ag.com
Seraphina Soh Li Ying lysoh@lh-ag.com
Kerryn Toh ryn@lh-ag.com

Lee Hishammuddin Allen & Gledhill

Read more from this firm on Lexology

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Ron Galea Cavallazzi, **Rya Gatt**
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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

Malta is a party (both directly and indirectly as a member of the European Union) to the United Nations Framework Convention on Climate Change (UNFCCC), which it ratified in March 1994. It became an Annex I party to the UNFCCC in 2010. Malta ratified the Kyoto Protocol in November 2001 and the Paris Agreement in October 2016. Additionally, Malta is subject to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), established by the International Civil Aviation Organization (ICAO) as a global market-based measure for addressing CO emissions from international aviation. CORSIA applies to qualifying international flights between participating states and operates alongside, and in coordination with, the EU Emissions Trading System (EU ETS). CORSIA is implemented in the EU through the EU ETS Directive.

As an EU member state, Malta is covered by the EU's Nationally Determined Contribution to the reduction of greenhouse gases under the Paris Agreement, which commits the EU to a 40% reduction in greenhouse gases by 2030 compared to 1990 levels. EU Regulations are also directly applicable in Malta without the need for transposition.

As a member of the European Union, Malta is obliged to abide by, and implement, the EU's climate-related legislative instruments, including those on renewable energy, energy efficiency and emission reduction.

Law stated - 4 August 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

As an EU member state, Malta's regulatory policy is primarily driven by EU climate regulation. EU Regulations, such as that regulating the Carbon Border Adjustment Mechanism, are directly applicable in Malta without the need for national transposition, meaning Malta is bound to comply with the obligations they impose. At European level, there is a clear drive towards climate neutrality by 2050. The European Commission acknowledges that although Europe is currently on track to meet its 2030 emission reduction targets and goals enshrined in the Paris Agreement, reaching climate neutrality by 2050 will require more ambitious contributions from all sectors. Malta's Energy and Climate Plan mirrors the EU's objectives and sets out its contributions for 2030 and beyond.

Law stated - 4 August 2026

Main national regulatory policies

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3 | Outline recent government policy on climate matters.

Malta's climate policy for the period up to 2030 is set out in its National Energy and Climate Plans of 2019 and 2024 (NECPs). The NECPs outline Malta's national policies and measures for the achievement of the EU's 2030 goals in the areas of decarbonisation, renewable energy and energy efficiency. The adoption of the EU's new climate framework in April 2021 led Malta to launch a public consultation for a Low Carbon Development Strategy, which, although aligned with the NECP, sets out a pathway for emission reduction up to 2050. The measures set out in the plans target the following sectors: energy, transport, buildings, industry, waste, water and agriculture. Some measures, both existing and committed/planned, include: shore-to ship infrastructure; development of offshore wind farms; issuance of green bonds for energy efficiency; and renewable installations, electrification of vehicles, incentives to increase energy efficiency in buildings.

Malta has also focused on adaptation strategies and implemented the National Change Adaptation Strategy, which identifies the principal strategic climate impacts likely to affect Malta and outlines actions to be taken. Some of the actions delineate measures to be taken on the design of buildings that should be improved, if necessary, through enforcement and economic disincentives or incentives; and to maximise passive cooling supported by the education of households.

Additionally, Malta has introduced a number of fiscal instruments, mainly environmental taxes, to discourage the use of environmentally damaging activities such as the burning of fossil fuels, while promoting other alternative and more efficient energy sources. Overall, these taxes can be grouped into three categories: energy, transportation, and pollution and resources. In terms of energy, the taxes comprise:

- carbon taxes and taxes on energy products for transportation, such as diesel and petrol;
- taxes on energy products for stationary use (coal, oil products, electricity, natural gas); and
- taxes on greenhouse gases.

With respect to transport, taxes comprise road usage tax, and taxes on the import, sale and registration of motor vehicles. Lastly, pollution and resource taxes comprise taxes on air and water pollution, taxes on waste management and on raw material extraction.

Law stated - 4 August 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

The Climate Action Act (Chapter 643 of the Laws of Malta) is the primary piece of legislation and sets out the guiding principles for the mitigation of greenhouse gas emissions. It sets out various obligations for Malta, including the periodical publication of national inventories on Malta's anthropogenic emissions, the regular update of climate policies, the

promotion of adequate technologies, sustainable land use management, the enhancement of research cooperation and education.

The reduction of emissions is also regulated by the EU Effort Sharing Regulation (Regulation (EU) 2018/842, which commits each member state to specific reduction targets for those sectors of the economy that fall outside the scope of the EU Emissions Trading System (ETS), such as transport, agriculture and waste. Additionally, the European Climate Law sets out the intermediate target of reducing net greenhouse gas (GHG) emissions by at least 55% by 2030, compared to 1990 levels. In March 2026, the European Climate Law was amended to introduce a further binding intermediate target: a reduction of net greenhouse gas emissions by 90% compared to 1990 levels by 2040.

Renewable energy matters are mainly governed by the Promotion of Energy from Renewable Sources Regulations (Subsidiary Legislation 545.43), which set out the legal framework for the development of renewable energy. The Regulations establish an EU-wide binding renewable energy target for 2030 of at least 42.5%. Malta's share of energy from renewable sources in the gross final consumption of energy shall be at least 10%.

Other main climate-related laws and regulations include:

- the Energy Efficiency Regulations (Subsidiary Legislation 545.33), which establish a framework for the promotion of energy efficiency to ensure the achievement of the Energy Union's 2020 headline targets of energy efficiency of 20% and its headline targets on energy efficiency of at least 32.5% for 2030. These regulations also lay down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy;
- the Industrial Emissions (Integrated Pollution Prevention and Control) Regulations (Subsidiary Legislation 549.77), which provide a framework for the prevention and control of pollution arising from industrial activities;
- the European Union Greenhouse Gas Emissions Trading Scheme for Stationary Installations Regulations (Subsidiary Legislation 643.02);
- the European Union Greenhouse Gas Emissions Trading Scheme for Aviation Regulations (Subsidiary Legislation 643.03);
- the European Union Greenhouse Gas Emissions Trading Scheme for Buildings, Road Transport and Additional Sectors Regulations (Subsidiary Legislation 643.05); and
- the European Union Greenhouse Gas Emissions Trading Scheme for Maritime Transport Regulations (Subsidiary Legislation 643.06).

Law stated - 4 August 2026

National regulatory authorities

5 Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

The Climate Action Authority, a body set up within the Ministry for the Environment, Energy and Enterprise, is the entity responsible for certain climate-related matters, namely climate change reporting, the operation of the ETS, and the CBAM.

The Energy and Water Agency, also set up within the Ministry for the Environment, Energy and Enterprise, is the entity tasked with formulating and implementing national policies in the energy and water sectors. With respect to climate action, the agency is responsible for the implementation of the legislation and the policy measures related to renewable energy and energy efficiency. The formulation and implementation of national support schemes promoting the use of renewable energy also fall within the Agency's competence.

Additionally, the Authority for Transport in Malta is responsible for implementing measures to reduce emissions in the transport sector. In 2016, the Authority adopted the Transport Master Plan, which has a horizon up to 2025 and sets out several measures aimed at achieving low-emission mobility, including the electrification of vehicles.

Law stated - 4 August 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

As reported in Malta's 2030 National Energy and Climate Plan, the main contributors to GHG emissions are the following.

- Energy and transport: the energy industry and the transport sectors are the two main contributors of CO2 emissions, together making up over 80% of total CO-2 emissions. These sectors also contribute to nitrous oxide emissions, with a combined share of approximately 11% of total emissions.
- Waste and agriculture: these two sectors are the main contribu tors of methane emissions, with the waste sector accounting for approximately 80% of the total share of methane emissions, and agriculture accounting for approximately 18%. The agri- culture sector is the largest contributor to nitrous oxide emissions, with a share of over 70%, while the waste sector accounts for just over 12%.

Malta has an obligation, under the Effort Sharing Decision, to reduce its GHG emissions by 19% compared with 2005.

Law stated - 4 August 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries

involving the participation of government authorities or private parties from your country.

Major GHG reduction projects in the energy sector include replacing inef ficient conventional electricity production infrastructure and introducing liquefied natural gas (LNG) as fuel for power generation. To this end, Malta closed its inefficient Marsa Power Station, completed and placed in opera tion the 200MW interconnector with the European grid, and commissioned a new 205MW gas-fired, high-efficiency combined cycle gas turbine power plant as well as an LNG facility for the provision of natural gas. In addition, the 149MW power plant, which comprises eight diesel engines, has been converted to run on natural gas instead of heavy fuel oil. A second interconnector between Malta and Sicily has also been commissioned, as well large-scale battery storage facilities.

In the waste sector, Malta has commissioned a waste-to-energy facility for the treatment of non-recyclable waste, which will be diverted away from landfills and converted into green energy.

Malta has identified an area within its Exclusive Economic Zone in which it intends to host an offshore wind farm to increase its share of renewable energy.

Additionally, Malta participates in the EU ETS, which applies to emissions from certain energy-intensive industrial sectors, aviation, and more recently, road and maritime transport and buildings.

Law stated - 4 August 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

Solar energy has attracted substantial investment in the past decade and continues to develop. This is mainly due to the national support schemes implemented by the government. The objective for the period up to 2030 is to fully exploit Malta's solar energy potential by making use of all available space for the installation of photovoltaic (PV) systems, enabling it to reach its renewable energy targets. Policy measures to achieve this goal are already in place, the main one being the financial support for PV installations. Unlike other EU member states, Malta has continued to apply feed-in tariff schemes for small PV installations. Additionally, competitive processes are launched on a regular basis for the allocation of support for renewable energy systems of at least 40kW.

Malta is now exploring the potential for offshore wind and intends to develop offshore wind farms in its exclusive economic zone.

The introduction of the EU Carbon Border Adjustment Mechanism (CBAM) has potential commercial implications for Maltese importers of covered goods, particularly cement, iron and steel, aluminium, fertilisers, electricity and hydrogen originating from outside the EU. Since the definitive CBAM regime commenced on 1 January 2026, importers exceeding the

applicable thresholds may be required to obtain authorised CBAM declarant status, report the embedded emissions of imported goods and acquire and surrender CBAM certificates. The mechanism is therefore expected to increase the administrative and, where applicable, carbon-related costs associated with imports of covered products. These costs may have a consequential effect on procurement and supply-chain decisions and on the pricing of construction and other projects in Malta where covered materials are imported from outside the EU.

Law stated - 4 August 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

Obligations to reduce GHG emissions mainly arise out of the Emis sions Trading System (ETS) regulations, the Industrial Emissions (Integrated Pollution Prevention and Control) Regulations (the IPPC Regulations), and the Effort Sharing Regulations, which commit Malta to a 19% reduction In GHG emissions compared to 2005.

The ETS works by putting a limit on overall emissions from certain installations and aircraft, which limit is reduced each year. Within this limit, companies can buy and sell emission allowances as needed. This 'cap-and-trade' approach gives companies flexibility to cut their emissions in the most cost-effective way. The ETS covers certain stationary installations and aircraft operating with a valid licence granted by the civil aviation authorities of Malta, or aircraft that, although not licensed by the civil aviation authorities of Malta, have Malta identified as the state with the greatest attributed emis sions from flights performed by that aircraft in the base year. In recent years, two new emissions trading schemes have been set up, one covering buildings and road transport, and another for maritime transport.

The IPPC Regulations are the main instrument regulating pollutant emissions from "high-risk" industrial installations, such as energy plants and certain waste management activities. In terms of these regulations, installation operators are required to operate within the emission limit values set out in the permit for the particular activities carried out by the installation. They are also required to operate the installation in accordance with the best available techniques. Installation operators must monitor, record and report annual emissions to the competent authority in accordance with the conditions laid down in the permit.

Law stated - 4 August 2026

GHG emission permits or approvals

10 Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

Operators of certain installations must obtain a permit, prior to commencement of operations, under both the emissions trading regulations and the IPPC Regulations. The operator must submit an application containing information about the operator and the instal lation activities, the raw materials to be used that are likely to lead to emissions of GHG gases, the sources of the emissions and any other information that the competent authority may require. To be granted a permit under the former regulations, the competent authority must be satisfied that the operator is capable of complying with the require ments of the regulations and the conditions of the permit.

The requirements for obtaining a permit under the IPPC Regulations are similar to those under the ETS. The operator must provide the competent authority with information on the operator, the installation and its activities, raw and auxiliary materials to be used, sources of emissions, and the proposed technology and techniques for preventing or, where not possible, reducing emissions. The operator may also be required to place a financial guarantee in favour of the competent authority to secure its obligations under the permit. The competent authority shall take into account the applicant's suitability to undertake the proposed activity, having regard to the operator's qualifi cations, experience and technical competence, and its financial capacity to comply with its obligations under the permit.

Law stated - 4 August 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

Under the ETS, operators of installations and aircraft must submit a moni toring plan describing the measures by which annual emissions from the installation will be monitored and reported. The monitoring plan must be approved by the competent authority and will serve as the accepted methodology for monitoring in that installation. On an annual basis, the operator of the installation must submit verified emissions reports to the competent authority. The reports must first be verified by a competent, independent accredited verifier before being submitted to the competent authority. A verification report issued by the verifier must accompany the emissions report when this is submitted to the authority. With the introduction of the ETS for both maritime and road transport, shipping companies are now legally obligated to acquire and surrender carbon allowances for their greenhouse gas emissions. Such companies are required to have an approved monitoring plan for monitoring and reporting annual emissions. Every year, companies must submit an emissions report for each of the ships under their responsibility, as well an emissions report at company level. The data for a given year must be verified by an accredited verifier.

In terms of the regulations governing industrial emissions, opera tors must include in the permit application measures for monitoring emissions. The competent authority shall ensure that the permit conditions contain detailed monitoring requirements, including the methodology, frequency and evaluation procedure for monitoring emissions. At least once annually, the operator must provide the competent authority with information and results obtained from emis sion monitoring.

Law stated - 4 August 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

As a member of the EU, Malta has implemented the emission trading system (ETS), which regulates GHG emissions for certain stationary installations and aircraft. The ETS works by putting a limit on overall emissions from certain installations, which is reduced each year. Within this limit, companies can buy and sell emission allowances as needed.

To achieve the 2030 goals and the commitments undertaken in the Paris Agreement, the sectors covered by the ETS must reduce their emissions by 43% compared to 2005 levels. This will require an annual decrease in emission allowances of 2.2% for the period between 2021 and 2030.

A separate emissions trading system (also known as ETS-2) has been established for buildings, road transport and additional sectors, and is due to start in 2027. Regulated entities are required to, from 1 January 2025, hold a greenhouse gas emissions permit issued by the Malta Resources Authority.

Additionally, under the Industrial Emissions (Integrated Pollution Prevention and Control) Regulations (the IPPC Regulations) regime, installation operators are required to operate within the emission limit values set out in the permit for the particular activities carried out by the installation.

Law stated - 4 August 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

Directive 2003/87/EC, which establishes the scheme for greenhouse gas emission allowance trading within the EU, requires that all allowances be held in the Union registry. The registry system provides for the electronic recording of issuance of allowances and of all transactions involving allowances or units derived from Kyoto Protocol project-based mechanisms performed by operators participating in the EU ETS. The registry system records the following elements:

- allowances and units that are issued to and held in installation or aircraft operator accounts;
- annual verified reported emissions for installations or aircraft operators;
- transfers of allowances and units into or out of accounts and surrendering, cancellation and replacement of allowances; and
- annual compliance statements of emissions.

In Malta, the role of national registry administrator is held by the Malta Resources Authority. Accounts of aircraft and operators of installations in Malta are opened and administered by the national registry administrator.

Law stated - 4 August 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

Operators of installations and aircraft subject to the compliance requirements of the EU ETS must have a holding account opened in the Union registry and are required to purchase allowances. To increase the pace of emissions cuts, the overall number of emission allowances in the current ETS phase will decline at an annual rate of 2.2%, compared to the previous 1.74%.

Operators must account for reported emissions by surrendering an amount of allowances equivalent to the quantity of actual emissions reported in the previous year's annual emission report. This function is carried out through the registry account.

An operator holding in their account a quantity of allowances that is less than the actual emissions to be covered by surrendered allowances must acquire additional allowances or use units derived from Kyoto Protocol project-based mechanisms. An operator with a quantity of allowances greater than the amount of emissions to be covered by surrendered allowances can either hold on to excess allowances or sell them. An operator may also borrow allowances from the subsequent year to cover any shortfall in allowances during a particular year; however, no borrowing of allowances can take place between trading periods.

The administrator shall cancel allowances at any time at the request of an operator of an installation holding those allowances.

Law stated - 4 August 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 What GHG emission trading systems or schemes are applied in your country?

In Malta, the EU emission trading system (ETS) is applied and covers stationary installations and aircraft, and more recently, road transport and buildings and maritime transport.

Law stated - 4 August 2026

Trading agreements

16 Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

No standard agreements on GHG emissions trading are used in Malta.

Law stated - 4 August 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

As reported in the National Energy and Climate Plan of 2019, the provisional average final energy consumption for the period 2016–2018 amounted to 622.7ktoe. The National Statistics Office recently reported that during 2020, the electricity supply in Malta comprised net generation from power plants (73.6 %), supply from net imports (16.7%) and renewable sources (9.7%). In 2020, the gross production consisting of the electricity supplied from power plants and from renewables amounted to 2,143.1GWh, with the remaining 419.8GWh imported through the interconnector.

The main pieces of legislation governing GHG emissions are the Emission Trading System (ETS) Regulations, the Industrial Emissions (Integrated Pollution Prevention and Control) Regulations and the EU's Effort Sharing Regulation, all of which contain measures to limit and reduce GHG emissions. In addition, the Energy Efficiency Regulations provide a framework for the promotion of energy efficiency and lay down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy. In terms of energy efficiency, national policy emphasises the importance of energy efficiency in buildings, which is regulated by the Energy Performance of Buildings Regulations (Subsidiary Legislation 623.01). These Regulations promote the improvement of the energy performance of buildings within the territory of Malta, taking into account outdoor climatic and local conditions, as well as indoor climate requirements and cost-effectiveness.

EU energy efficiency legislation requires member states to achieve cumulative end-use energy savings for the period 2021 to 2030, equivalent to new annual savings of at least 0.8% of final energy consumption. However, in view of its specific characteristics and small size of the energy markets, Malta is required to achieve cumulative end-use energy savings equivalent to new savings of 0.24% of final energy consumption for the period 2021 to 2030.

Law stated - 4 August 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

The EU Carbon Border Adjustment Mechanism (CBAM), which applies in Malta as an EU Member State, imposes requirements in respect of certain carbon-intensive goods imported from non-EU countries. The definitive CBAM regime commenced on 1 January 2026 and currently covers specified goods in the cement, iron and steel, aluminium, fertiliser, hydrogen and electricity sectors.

Law stated - 4 August 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

The production of renewable energy in Malta, as a share of electricity supply, has increased significantly over recent years. While it stood at 4.4% in 2015, it rose to 12.2% in 2021, and increased further to 17.2% in 2024. This increase results from the adoption of solar energy, which accounted for more than 97% of total renewable energy production in Malta in 2019. Solar energy has, so far, been the predominant viable renewable energy source in Malta and is likely to continue to be for the next decade. Other renewable technologies, such as offshore wind, are, however, being explored as potential sources of electricity in the period between 2030 and 2050.

The objective for the period up to 2030 is to fully exploit Malta's solar energy potential by making use of all available space for the installation of photovoltaic (PV) systems. This will enable Malta to maintain, and even exceed, its 11.5% renewable energy share target in gross final energy consumption by 2030. Policy measures to achieve this goal are already in place, the main one being the financial support for PV installations. Unlike other EU member states, Malta has continued to apply feed-in tariff schemes for small PV installations. Additionally, competitive processes are launched on a regular basis for the allocation of support for PV systems of at least 1MW peak. These ongoing schemes have ensured that Malta remained on track towards the achievement of its RES target for 2030.

Generation of electricity from renewable sources is primarily governed by the Promotion of Energy from Renewable Sources Regulations. The regulations aim to stimulate investment in renewable energy and drive cost reductions in technologies. They also govern the uptake of renewables in the transport sector as well as in heating and cooling and set out common principles and rules for renewable energy support schemes, the rights of consumers to produce and consume renewable energy and to establish renewable energy communities.

Law stated - 4 August 2026

Wind energy

20 | Describe, in general terms, any regulation of wind energy.

Malta has no specific regulation on wind energy. However, to construct and operate a wind energy plant, a development permit from the Planning Authority is required. An EIA or AA may also be required, depending on the location of the plant. The operator must also obtain a generation licence from the Regulator for Energy and Water Services.

Law stated - 4 August 2026

Solar energy

21 | Describe, in general terms, any regulation of solar energy.

Solar energy is regulated through the Promotion of Energy from Renewable Sources Regulations (SL545.35), which require support schemes to be put in place to incentivise renewable energy generators. The success of PV deployment in Malta has largely been due to the incentives offered through various schemes, such as feed-in tariff schemes for small PV installations, and financial grants for solar water heaters. Additionally, competitive processes are launched on a regular basis for the allocation of support for PV systems of at least 1MW peak.

The application of feed-in-tariffs is regulated by the Feed-In Tariff Scheme (Electricity Generated from Solar Photovoltaic Installations Regulations (SL545.27), while the competitive processes for the allocation of support for PV systems are regulated by the Competitive Bidding Rules for Renewable Sources of Energy Installations Regulations (SL545.39).

The installation of a PV system may require both a development planning permit from the Planning Authority and a generating licence from the Regulator for Energy and Water Services.

Law stated - 4 August 2026

Hydropower, geothermal, wave and tidal energy

22 | Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Malta does not specifically regulate hydropower, geothermal, wave and tidal energy.

Law stated - 4 August 2026

Waste-to-energy

23 Describe, in general terms, any regulation of production of energy based on waste.

At present, there is no specific regulation on the production of energy based on waste; however, the government is currently commissioning a waste-to-energy plant to enable increased diversion of residual waste from landfill.

Law stated - 4 August 2026

Biofuels and biomass

24 Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

Biofuel for transport is regulated through both the Promotion of Energy from Renewable Sources Regulations (SL545.43), and Biofuels, Bioliquids and Biomass Fuels (Sustainability Criteria) Regulations (SL545.45).

Malta's previous national framework provided for a target of a 14% share of renewable energy in final energy consumption in the road transport sector by 2030, implemented principally through a fuel-supplier obligation requiring the blending of renewable fuels. Following the adoption of Directive (EU) 2023/2413 (RED III), Malta is required to comply with the revised 2030 transport target, under which member states must achieve either a 29% share of renewable energy in final energy consumption in transport or a 14.5% reduction in the greenhouse-gas intensity of transport fuels attributable to renewable energy

Law stated - 4 August 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

Malta has no specific regulation on carbon capture and storage. However, studies on carbon capture are contemplated in the Low Carbon Development Strategy.

Law stated - 4 August 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

Climate matters are not typically considered in M&A transactions.

Law stated - 4 August 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

As an EU member state, Malta is committed to becoming climate-neutral by 2050. To this end, in June 2021, Malta launched for public consultation its Low Carbon Development Strategy (LCDS), which identifies the most cost-effective pathways to mitigating emissions and increasing renewable energy generation.

Malta's objective for the period up to 2030 is to fully exploit Malta's solar energy potential by making use of all available space for the installation of photovoltaic systems. It is, further, seeking to join with other Mediterranean countries to create a green energy hub, to accelerate the EU's drive for a decarbonised, energy-independent future. The aim is to create within the Mediterranean a centre of renewable energy investment, with a focus on offshore renewables and new energy interconnections between EU and non-EU Mediterranean countries, to facilitate European investment in green energy.

In the transport sector, the LCDS explores a number of measures to encourage a shift away from private car use in Malta and to support a quick transition to electric vehicles. To this end, the LCDS considers various measures, including the enhancement of the financial grant scheme currently in place to incentivise the purchase of electric vehicles and the electrification of scheduled public transport buses.

Law stated - 4 August 2026



Ron Galea Cavallazzi rgc@camilleripreziosi.com
Rya Gatt rya.gatt@camilleripreziosi.com

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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

Singapore ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1997 and periodically reports to the UNFCCC secretariat on greenhouse gas (GHG) emissions and removals and on the implementation status of its climate change policies and measures.

Singapore acceded to the Kyoto Protocol in 2006. As a non-Annex I party, Singapore is not subject to legally binding emission reduction targets but voluntarily participated in the Clean Development Mechanism established under it. Singapore also signed and ratified the Paris Agreement in 2016, pledging to reduce its emissions to 60MtCO e by 2030 and to achieve net zero by 2050.

Law stated - 24 August 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

Singapore has implemented a carbon tax regime under the Carbon Pricing Act 2018 (CPA) and regulates greenhouse gas emissions based on the UNFCCC.

Singapore's regulatory framework for International Carbon Credits (ICCs) is shaped by article 6 of the Paris Agreement, under which carbon credits from bilateral Implementation Agreements with other countries are assessed to ensure that they comply with relevant requirements.

Law stated - 24 August 2026

Main national regulatory policies

3 Outline recent government policy on climate matters.

The ICC Framework permits carbon tax-liable companies to offset up to 5% of taxable emissions using ICCs from 2024.

The Singapore Green Plan 2030, launched in 2021, is a whole-of-nation roadmap targeting expanded solar deployment, cleaner transport, green buildings and waste reduction across five ministerial pillars. The Plan charts ambitious targets over the next decade, including quadrupling solar energy deployment by 2025, requiring all new car and taxi registrations to be cleaner-energy models from 2030, and achieving a 30% reduction in waste sent to landfills by 2030.

In addition, the S$5 billion Future Energy Fund, announced in Budget 2024, was set up to support Singapore's transition to cleaner fuels.

Law stated - 24 August 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

The CPA imposes a carbon tax on facilities emitting at least 25,000 tCO e annually, covering six greenhouse gases reported under the UNFCCC. It also establishes a framework allowing ICCs to be used to offset a portion of taxable emissions.

The Energy Conservation Act 2012 (ECA) mandates monitoring and reporting of energy usage and GHG emissions for large energy users, and requires submission of energy efficiency improvement plans.

The Environmental Protection and Management Act 1999 provides the overarching framework for pollution control and GHG-related regulation.

The Resource Sustainability Act 2019 establishes extended producer responsibility for e-waste, mandatory packaging waste reporting and food waste segregation requirements.

The Building Control Act 1989 sets mandatory energy efficiency and environmental sustainability standards for buildings.

Finally, the SGX Listing Rules require all listed issuers to provide International Sustainability Standards Board (ISSB)-aligned mandatory climate-related disclosures from FY2025 onwards.

Law stated - 24 August 2026

National regulatory authorities

5 | Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

The main national regulatory authorities are the Ministry of Sustainability and the Environment (MSE) and the National Environment Agency (NEA). The MSE is the parent ministry overseeing the NEA, and is responsible for sustainability and climate policies. The NEA is the principal administering authority for the CPA, overseeing registration, measurement, reporting, verification and carbon tax collection, as well as the energy management obligations under the ECA.

The Energy Market Authority regulates the electricity and gas markets, including power sector decarbonisation and energy efficiency grant schemes for generation companies. The Building and Construction Authority administers the Building Control Act 1989, including the Green Building Masterplan.

The National Climate Change Secretariat, which forms part of the Prime Minister's Office, coordinates Singapore's domestic and international climate policy and strategy.

Law stated - 24 August 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

Singapore's principal sources of GHG emissions are the industry, power and transport sectors. In 2023, GHG emissions amounted to 55.5 MtCO2e, down from the 58.6 MtCO2e reported in the previous year. The industry sector accounted for 47.3% of total emissions for 2023, followed by the power sector (38.7%), and the transport sector (11.7%), with the remaining sectors accounting for 2.4%.

Singapore's principal emissions reduction commitments are expressed through its Nationally Determined Contribution and its long-term net-zero strategy. Singapore has committed to reduce emissions to around 60 MtCO2e in 2030, and to achieve net zero emissions by 2050. These commitments are supported by a range of domestic measures, including carbon pricing, energy efficiency requirements and sector-specific decarbonisation initiatives.

Singapore does not generally impose economy-wide emissions caps on private parties. However, under the CPA, facilities that emit 25,000 tonnes or more of greenhouse gases annually are required to register as taxable facilities, monitor and report their emissions, and pay carbon tax.

Singapore submits biennial transparency reports to the United Nations Framework Convention on Climate Change pursuant to the Paris Agreement's Enhanced Transparency Framework, and maintains an annual national GHG inventory to monitor progress against its international climate commitments.

Law stated - 24 August 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

Due to its limited land area and natural resource constraints, Singapore does not currently host significant domestic projects aimed primarily at generating tradeable emissions instruments. Instead, Singapore's major emission-reduction efforts have been largely

focused on decarbonising its domestic power and industrial sectors. Some significant emission-reduction projects include:

- Cross-border carbon capture and storage. In December 2023, the Economic Development Board (EDB) appointed a consortium comprising ExxonMobil Asia Pacific Pte Ltd and Shell Singapore Pte Ltd – known as "S-Hub" – as lead developers of a cross-border carbon capture and storage project. The project is intended to capture and permanently store at least 2.5 million tonnes of carbon dioxide per year by 2030, aggregating CO2 emissions from hard-to-abate industries on Jurong Island. As Singapore lacks suitable domestic storage sites, the project necessarily contemplates cross-border cooperation between local government authorities and private entities, and potential regional host jurisdictions.
- Import of low-carbon electricity. In October 2025, the EMA granted conditional approval to a consortium comprising Sembcorp Utilities Pte Ltd and Sarawak Energy Berhad to import an estimated 1GW of low-carbon electricity generated predominantly from hydropower in Sarawak, Malaysia, and transmitted to Singapore via subsea cables spanning over 700 kilometres. This was Singapore's first large-scale 24/7 power-import initiative. Construction is expected to commence in 2026, with operations targeted around 2035.
- Article 6 Cooperation. Pursuant to article 6 of the Paris Agreement, Singapore has entered into a number of bilateral implementation agreements to facilitate cooperation on carbon credit projects in overseas jurisdictions. As part of its efforts to develop as a carbon services and trading hub, Singapore participates in international initiatives aimed at strengthening carbon market frameworks and implementation. As at June 2026, Singapore has signed Implementation Agreements with 11 countries: Papua New Guinea, Ghana, Bhutan, Chile, Peru, Rwanda, Paraguay, Thailand, Vietnam, Mongolia and the Philippines. Singapore-based private entities may also participate as project developers, financiers and other carbon-market service providers. For example, Singapore-based investor GenZero and project developer AJA Climate Solutions are involved in the Kwahu Landscape Restoration Project in Ghana, which seeks to generate carbon credits with corresponding adjustments under the Singapore-Ghana Implementation Agreement.

Law stated - 24 August 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

Singapore seeks to establish itself as a leading carbon services and trading hub in Asia. With over 160 carbon services and trading companies, Singapore's carbon services and trading sector is projected to contribute up to US$5.6 billion in gross value-add to its economy. Commercially, Singapore's position as an international aviation and shipping hub

makes it an attractive destination for carbon credits trading under sectoral schemes such as the Carbon Offsetting and Reduction Scheme for International Aviation.

Singapore also aims to be a leading centre for green finance in Asia, mobilising capital to support renewable energy, battery technology, smart grids, and other green initiatives. In 2024, the volume of green, social, sustainability and sustainability-linked bonds issued in Singapore reached S$13.3 billion, approximately an 80% increase from 2023. The public sector has also committed to issuing up to S$35 billion of green bonds by 2030 to fund public sector green infrastructure and serve as a benchmark for corporate green bond issuance. Additionally, the Monetary Authority of Singapore provides a Sustainable Bond Grant Scheme to defray the cost of external reviews for private sector green bond issuance.

Law stated - 24 August 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

Singapore does not generally impose direct GHG emission limitation, reduction or removal obligations on private parties through quantitative emissions caps (eg, under a cap-and-trade system). Instead, Singapore levies a carbon tax under the Carbon Pricing Act 2018 (CPA). The carbon tax was introduced in January 2019 at S$5 per tonne of carbon dioxide emissions (tCO2e) on facilities that directly emit at least 25,000 tCO2e of GHG emissions annually, and has been progressively increased, most recently to S$45 per tCO2e with effect from January 2026. Singapore intends to increase the carbon tax to S$50-80 per tCO2e by 2030. Taxable facilities may use eligible ICCs to offset up to 5% of their taxable emissions, subject to Singapore's prescribed eligibility criteria.

Separately, facilities emitting at least 2,000 tCO2e annually are subject to mandatory measurement and annual emissions-reporting obligations under the CPA, even if they fall below the 25,000 tCO2e taxable threshold.

Law stated - 24 August 2026

GHG emission permits or approvals

10 Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

Singapore does not require permits or approvals based on GHG emissions quantities. Instead, GHG emissions are principally regulated through the carbon pricing framework established under the CPA.

Law stated - 24 August 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

Singapore's monitoring, reporting and verification framework under the CPA applies different obligations depending on a facility's annual emissions.

A facility that emits at least 2,000 tCO2e of GHG annually is a “reportable facility”. Operators must submit an annual emissions report to the National Environment Agency (NEA), setting out the facility’s activity data, the computation of emissions from each emissions stream, and total emissions. The report must be endorsed by the operator's chief executive, but need not be supported by a monitoring plan or independent verification.

A facility that emits at least 25,000 tCO2e of GHG annually is a "taxable facility". In addition to the emissions report above, operators must prepare and submit a monitoring plan for NEA's approval. The monitoring plan must identify all emissions streams, the primary and alternative computation methodologies, and provide a quality-management framework to ensure the integrity of the emissions data, and the emissions report must be prepared in accordance with the approved monitoring plan. Taxable facilities must also obtain independent third-party verification of their emissions report by an NEA-accredited external auditor before submission. Verification is conducted to a "reasonable level of assurance", and is subject to prescribed materiality limits.

Law stated - 24 August 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 | Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

Singapore does not operate a greenhouse gas emission allowance regime or emissions trading system. In particular, Singapore does not allocate, issue or auction emission allowances, nor does it impose an overall cap on greenhouse gas emissions that is implemented through tradable allowances.

Instead, greenhouse gas emissions are principally regulated through the carbon pricing framework established under the CPA. Under the CPA, facilities that directly emit at least 25,000 tCO2e of greenhouse gases annually are subject to carbon tax and associated monitoring, reporting and verification obligations. The carbon tax in Singapore is enforced through a fixed-price carbon credit (FPCC) system. The FPCC is a statutory, non-tradeable credit that can be purchased from the government and surrendered to satisfy the person’s tax liability.

Law stated - 24 August 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

Singapore does not maintain a greenhouse gas emission allowance registry, as Singapore does not operate an emissions allowance or emissions trading regime.

However, the FPCC system is administered through an FPCC registry. Presently, this registry serves a purely administrative purpose of allowing registered persons to purchase and surrender FPCCs for the discharge of carbon tax liabilities, and to effect limited transfers of FPCCs between FPCC registry accounts of taxable facilities belonging to the same registered person.

Law stated - 24 August 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

Singapore does not operate a greenhouse gas emission allowance regime. Accordingly, there are no requirements relating to the allocation, holding, cancellation, surrender or transfer of emission allowances. FPCCs issued under Singapore's carbon tax framework are not tradeable instruments and may only be transferred between FPCC registry accounts belonging to the same registered person. The legislation does not contemplate the creation of third-party rights, including security interests or pledges, over FPCCs.

Law stated - 24 August 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 What GHG emission trading systems or schemes are applied in your country?

Singapore does not operate a greenhouse gas emissions trading system or emissions allowance regime. However, Singapore hosts a number of voluntary carbon market platforms and seeks to position itself as a regional carbon trading and services hub.

One principal platform is Climate Impact X (CIX), a carbon exchange established as a joint venture between DBS Bank, Singapore Exchange, Standard Chartered and Temasek (through GenZero). CIX launched its spot trading platform, CIX Exchange, in June 2023, enabling the trading of standardised contracts backed by carbon credits and supported by a daily on-exchange "liquidity window" to facilitate price discovery.

Law stated - 24 August 2026

Trading agreements

16 Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

In the voluntary carbon market, platforms such as CIX offer standardised contracts, including CIX Nature X (CNX), a standardised spot contract bundling a basket of REDD+ nature-based projects, and spot contracts for Carbon Offsetting and Reduction Scheme for International Aviation-eligible credits.

Law stated - 24 August 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

Ninety-five per cent of Singapore's electricity is generated from imported natural gas. Industry is the largest energy consumer, accounting for about two-thirds of final energy consumption, and was also the largest GHG emitter on a primary-emissions basis in 2023, accounting for 47.3% of total emissions. This was followed by the power and transport sectors, which accounted for 38.7% and 11.7%, of emissions respectively.

The Energy Conservation Act 2012 (ECA) requires large industrial energy users to monitor and report energy use and emissions, implement energy-efficiency measures and conduct periodic assessments. The ECA also supports mandatory energy labelling and minimum energy performance standards for regulated goods. Energy conservation is further encouraged through grants and incentives. While Singapore does not operate tradable energy-savings certificates, eligible facilities may use international carbon credits to offset a portion of taxable emissions.

Law stated - 24 August 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

GHG emissions across key sectors are regulated through a combination of carbon pricing, energy-efficiency requirements and sector-specific decarbonisation measures. Industrial emissions are principally regulated under the Carbon Pricing Act 2018 (CPA) and ECA,

with carbon tax applying to facilities emitting at least 25,000 tCO2e annually and mandatory energy-management obligations imposed on large energy users.

Waste-sector emissions are addressed through carbon pricing and the Resource Sustainability Act 2019's e-waste, food-waste and packaging regimes. Road-transport emissions are managed through vehicle-emissions standards, electric vehicle incentives and charging infrastructure expansion. In the maritime and aviation sectors, decarbonisation is guided by industry-specific blueprints promoting low-carbon fuels, electrification and sustainable aviation fuels.

Law stated - 24 August 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

Singapore's "four switches" energy transition strategy consists of natural gas, solar energy, regional power grids and low-carbon alternatives.

Renewable energy generation is standardised through Renewable Energy Certificates (RECs), each representing 1MWh of renewable electricity generated. RECs may be traded to support renewable energy claims and match electricity consumption with renewable energy generation. The issuance and use of RECs is guided by theSS 673 framework to ensure accounting, traceability and transparency.

Law stated - 24 August 2026

Wind energy

20 Describe, in general terms, any regulation of wind energy.

Singapore has no dedicated wind-energy legislation or incentive schemes. Utility-scale deployment is constrained by low wind speeds and limited land availability.

Law stated - 24 August 2026

Solar energy

21 Describe, in general terms, any regulation of solar energy.

Government support for solar deployment is provided primarily through public-sector procurement initiatives such as the SolarNova Programme, which aggregates demand for

solar installations across public housing and government facilities. As at 2025, solar panels have been installed on around 5,300 blocks by the Housing Development Board (HDB).

Electricity generated is first used to meet on-site consumption requirements, and the surplus is exported to the national grid, subject to applicable regulatory, market and technical requirements.

Currently, Singapore has achieved its 2025 target of deploying 1.5GWp of solar energy and is targeting at least 2GWp by 2030, equivalent to the annual electricity needs of around 350,000 households. In the longer term, solar energy will allow Singapore to meet about 10% of its projected electricity demand in 2050.

Law stated - 24 August 2026

Hydropower, geothermal, wave and tidal energy

22 | Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Singapore has no dedicated regulatory regime governing hydropower, geothermal, wave or tidal generation given its lack of significant river systems, powerful waves and land availability. These energy resources therefore remain at a research and developmental stage.

Law stated - 24 August 2026

Waste-to-energy

23 | Describe, in general terms, any regulation of production of energy based on waste.

Singapore is expanding its waste management infrastructure as part of the Singapore Green Plan 2030, including the Integrated Waste Management Facility, which is expected to be completed by 2028 and will utilise new technologies to maximise both energy and resource recovery from solid waste.

Electricity generated from WTE facilities can then subsequently be sold in Singapore's liberalised electricity market at prevailing market prices.

Law stated - 24 August 2026

Biofuels and biomass

24 | Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

In the aviation sector, Singapore is progressively implementing a sustainable aviation fuel framework. The Civil Aviation Authority of Singapore announced a Sustainable Aviation

Fuel uplift target of 1% for flights departing Singapore from 2027, which increases to between 3 and 5% by 2030, subject to global supply conditions and technological developments.

Singapore does not currently maintain a dedicated regulatory regime governing biomass-based power generation. Nevertheless, biomass is expected to play an increasing role in the country's energy transition, including the planned conversion of the Tembusu Multi Utilities Complex to operate on renewable biomass by 2028, which is projected to reduce carbon emissions by about one million tonnes annually and accelerate the phase-out of unabated coal generation in Singapore 22 years ahead of the original national target.

Law stated - 24 August 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

Singapore does not currently have a comprehensive standalone statute for carbon capture and storage (CCS) value chain due to limited geological storage formations. However, the government has recognised CCS as one of the pathways in achieving its goal of net-zero emissions by 2050 and actively funds CCS' research and feasibility studies.

More recently, the Energy Market Authority selected three power generation companies, namely Keppel Infrastructure, PacificLight Power and YTL PowerSeraya, to undertake feasibility studies on the deployment of carbon capture technologies within Singapore's power sector. These studies are intended to evaluate both post-combustion and pre-combustion carbon capture pathways and to assess the potential role of CCS in decarbonising Singapore's gas-fired electricity generation fleet.

Law stated - 24 August 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

Key areas of climate-related considerations during due diligence commonly include climate-related disclosure obligations under the Singapore Exchange sustainability reporting requirements and ISSB-based reporting standards for listed issuers and larger non-listed firms. SGX Listing rule 711A and rule 711B require every issuer to prepare an annual Sustainability Report, and Practice Note 7.6 outlines the recommended structure and content for ESG disclosures. Climate-related contractual obligations, such as environmental warranties, and ESG performance covenants, may also be negotiated in the course of transactions.

Law stated - 24 August 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

The Singapore government announced in Budget 2025 that it will study nuclear power deployment and look into the technical feasibility of advanced nuclear energy technologies. This includes exploring the integration of small modular reactors into Singapore's energy mix. The National Environment Agency will also commission three studies on nuclear safety standards, regulatory frameworks for nuclear facilities and environmental considerations for potential deployment.

Law stated - 24 August 2026

DREW & NAPIER

Benjamin Gaw benjamin.gaw@drewnapier.com
Grace Chong grace.chong@drewnapier.com
Meryl Koh meryl.koh@drewnapier.com
Renu Menon renu.menon@drewnapier.com

Drew & Napier LLC

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South Korea

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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

South Korea has been a member of the 1992 Framework Convention on Climate Change (UNFCCC) since 1993. Although South Korea is not an obligated contributor under the UNFCCC as a non-Annex Party, it is still required to carry out the general responsibilities that apply to all parties, such as to develop, periodically update, publish and make available to the conference of the parties its national inventories of anthropogenic emissions.

In 2002, South Korea ratified the Kyoto Protocol, the first internationally binding climate protection agreement under the UNFCCC. Although South Korea did not bear any obligation to reduce GHG emissions during the first two commitment periods (2008–2020) as a non-Annex Party, the government has been working on measures to reduce GHG emissions following the Kyoto Protocol, mainly through legislation.

In 2010, the Framework Act on Low Carbon, Green Growth (Green Growth Act) was enacted, which contained provisions for the government to introduce a cap-and-trade system for GHG emissions. Following this legislation, the Act on the Allocation and Trading of Greenhouse-gas Emission Permits (Emissions Trading Act) and the Framework Act on Carbon Neutrality and Green Growth for Coping with Climate Crisis (Carbon Neutrality Framework Act) were enacted in 2012 and 2021, respectively, with the latter replacing the Green Growth Act.

In 2015, the Paris Agreement was adopted by 195 parties at the UN Climate Change Conference, and this included South Korea. The Paris Agreement requires each member to submit its national climate action plan, which is now commonly known as the Nationally Determined Contribution (NDC). A few months before its ratification, South Korea submitted its Intended Nationally Determined Contributions to the UNFCCC Secretariat, aiming for a 37% reduction below business-as-usual by 2030, which was eventually registered as South Korea's NDC after ratification in November 2016. In 2021, the government updated its NDC, aiming for a 40% reduction from 2018 total national GHG emissions by 2030. In November 2025, the government finalised the 2035 NDC, which targets a 53% to 61% reduction from 2018 net emissions by 2035. The 2035 NDC was announced at the 30th Conference of the Parties (COP30) to the UNFCCC on 18 November 2025 and is expected to be submitted to the United Nations.

Law stated - 12 August 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

Under the Constitution, treaties that are duly concluded and promulgated, in addition to generally recognised rules of international law, have the same effect as domestic law. It

means that treaties can apply on a national level without further legislation, but measures for implementation such as enactments may take place according to the relevant need.

For instance, the Paris Agreement requires that each party set up an NDC for the GHG emissions that it pledges to pursue. Following this spirit, the Carbon Neutrality Framework Act was legislated, specifying that the government shall set a national mid-to long-term reduction target to reduce national GHG emissions to a specific extent.

Law stated - 12 August 2026

Main national regulatory policies

3 | Outline recent government policy on climate matters.

On 1 October 2025, the Ministry of Environment was officially reformed into the Ministry of Climate, Energy and Environment (MCEE). The idea was to manage the policies on the climate change response, carbon neutrality and energy under one government authority to promote cohesiveness among the policies. The present government is also focused on expanding the supply of renewable energy in order to accomplish decarbonisation.

In January 2026, the MCEE announced its 2026 work plan. Under the plan, the MCEE will prepare annual sectoral roadmaps for achieving the 2035 NDC, formulate the Second Basic Plan for Carbon Neutrality and Green Growth (2026-2045), and establish the Korea Green Transformation (K-GX) strategy. To prepare the K-GX strategy, the government launched a public-private task force on 28 January 2026, and the strategy is expected to be announced in the first half of 2026. The MCEE also plans to legislate the Act on Carbon-Neutral Industries, which would introduce a Carbon Contract for Difference (CCfD) mechanism and a production tax credit to support investment in low-carbon facilities and technologies.

For the moment, there is no direct tax policy or system that levies taxes on GHG emissions in South Korea. However, discussions on whether to implement a so-called carbon tax system have been ongoing for years. Recently, the Budget Office of the National Assembly reported that the current emissions trading system (ETS) is not sufficient for accomplishing the NDC, suggesting that a carbon tax system is needed to accomplish this goal. More specifically, a report published on 14 May 2025 by the Budget Office of the National Assembly recommended a combination of an ETS and carbon tax, implying the possibility that a carbon tax system will be introduced in South Korea in the foreseeable future. However, regardless of ongoing discussions, this has not been institutionalised as legislation or through any official governmental policy.

Law stated - 12 August 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

The Carbon Neutrality Framework Act is the main national law that has the purpose of strengthening policy measures to reduce GHG emissions. It declares a transition to a carbon neutral society and green growth as its basic principle, requires that the state and local governments reflect this basic principle in all sectors and stipulates that the government shall set a national mid-to long-term reduction target to reduce national GHG emissions. It is not so much an imposition on private entities as it is a program carried out on national level.

In terms of a direct regulation on private entities, the Emissions Trading Act has been in effect since 2012. It provides ETS to trade GHG emission permits, mainly through market mechanisms. To elaborate, entities emitting a certain amount of GHG are granted GHG emission permits that they are obliged to surrender according to the amount of their emissions. Entities whose allocated permits fall short of their need must purchase additional permits through the ETS. Thus, the principle of supply and demand is in operation, through which entities are dissuaded from emitting GHG.

Apart from the two Acts above, the Act on Monitoring and Prediction of Climate and Climate Change, which has been in effect since 2024, provides the scientific basis for climate policy. Its purpose is to protect ecosystems and the climate system from climate change and to promote public welfare by prescribing matters necessary for the scientific monitoring and prediction of climate and climate change. Under the Act, the Administrator of the Korea Meteorological Administration establishes a master plan every five years together with annual implementation plans, builds and operates climate change observation networks, and produces climate prediction information as well as the national standard climate change scenario. Such information is to be made available to the public in an accessible manner and shared among the relevant government agencies, so that climate policy may be formulated on a scientific footing.

Law stated - 12 August 2026

National regulatory authorities

5 Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

Since 1 October 2025, MCEE (formerly the Ministry of Environment) is in charge of matters such as energy and climate change regulation. In terms of climate change regulation, the Emissions Trading Act specifies the MCEE as the main competent authority in charge of the emissions trading system. The MCEE is endowed with decision-making authority down to the details, such as the method to calculate the number of emission permits. After organisational reform, the MCEE now covers general climate and energy policy, including the energy transition and renewable energy, which was formerly handled by the Ministry of Trade, Industry and Energy.

Apart from central administrative agencies, there are also committees working on policies regarding climate change. The 2050 Carbon Neutrality and Green Growth Committee was set up in 2023 according to the Carbon Neutrality Framework Act. It is a public-private joint deliberative body under the President that discusses key government policies with the ultimate goal of promoting carbon neutrality and green growth. It also takes on the

role of establishing the national goal for GHG emissions reductions that is NDC in line with domestic law and international trends. On 1 January 2026, the committee was reorganised into the National Climate Crisis Response Commission pursuant to an amendment to the Carbon Neutrality Framework Act. Its mandate now extends beyond carbon neutrality to climate change prediction and climate disaster response.

Law stated - 12 August 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

The GHG Inventory and Research Centre under the Ministry of Climate, Energy and Environment (MCEE) runs a National Greenhouse Management System and annually reports estimated national greenhouse emissions prior to reporting the final figures. The latest estimation is for 2024, with an estimated gross amount of 691.58 million tons of GHG emitted.

Regarding the specific sources of emission and their quantity, industry takes up the largest amount by 285.9 million tons, followed by transition (218.3), transportation (97.5), construction (43.6) and agro-livestock-fisheries (25.6) under the calculation method provided in the 2006 IPCC guideline for National GHG Inventories.

South Korea's GHG emissions have been declining for four consecutive years (from 2021 to 2024). However, to achieve its 2030 Nationally Determined Contribution (NDC), which aims for a 40% reduction from 2018 total national GHG emissions by 2030, South Korea must still achieve a reduction of more than 200 million tons of emissions.

Under the Emissions Trading Act, the government establishes a basic plan for the emissions trading system and the national emission permit allocation plan for each period, determining the matters concerning the sectors and industries subject to the allocation of emission permits, as well as the allocation criteria and permit quantities by sector/industry. Business entities with annual average total GHG emissions of 50,000 tons of carbon dioxide equivalent (tCO2eq) or more over the past three years, or business entities operating one or more facilities with average annual GHG emissions of 15,000 tCO2eq or more, are designated as business entities subject to allocation. These designated entities are obligated to limit their GHG emissions within the scope of their allocation by receiving total emission permits and annual emissions permits for each compliance year during the relevant planning period.

Moreover, the Carbon Neutrality Framework Act contains provisions for the GHG Target Control of Controlled Emitters as well. Entities that emit GHG in excess of the standard amount are required to achieve GHG reduction targets, in addition to submitting a detailed statement of GHG emissions to the government.

Law stated - 12 August 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

South Korea has a system for allocation and trading of emission permits (emissions trading system, ETS). Entities emitting a large amount of GHG are designated as an entity subject to allocation, and are allocated total emission permits and annual emissions permits for each compliance year during the relevant planning period. Entities designated as an entity subject to allocation must submit emission permits equivalent to their GHG emissions before the end of each compliance year. If the company emits GHG in excess of their allocated emission permits, then they must acquire emission permits equivalent to this excess through the ETS and submit them. If the company has GHG emissions that are less than their allocated emission permits, then the remainder after submission may be rolled over to the next period or traded through the ETS for profit.

The government operates an incentive system for companies that reduce their GHG emissions. Companies that are recognised as having reduced their emissions before being allocated emission permits may be allocated additional emission permits. In addition, when a business entity that is subject to allocation holds or acquires GHG reductions generated from an external project that is in compliance with international standards, it may request that the competent authority convert such GHG emission reductions into emission permits. These additional emission permits obtained through acknowledged reductions in GHG emissions can be traded through the ETS, thereby allowing the company to profit.

Beyond the ETS, emission reductions are also pursued at the policy level. Under the 11th Basic Plan for Electricity Supply and Demand, the share of carbon-free sources (nuclear, renewables, and clean hydrogen and ammonia) in power generation is planned to rise from 39.1% in 2023 to 70.7% in 2038. Consistently, the 2035 NDC sets a target of reducing national GHG emissions by 53 to 61% from 2018 levels by 2035, and, for the power sector, of reducing emissions from 283.0 million tonnes of CO2 equivalent in 2018 to between 88.3 and 70 million tonnes in 2035. The principal means of reduction identified are the expansion of renewable energy and the reduction of coal- and LNG-fired generation, and the additional means of reduction identified are the development of distributed grid systems, enabling the further deployment of renewables. The 2035 NDC also allocates a reduction of between 29.8 and 34 million tonnes of CO2 equivalent to international mitigation. As regards such projects, under which emission reductions achieved abroad are transferred to Korea pursuant to the Paris Agreement, the relevant ministries have selected and supported projects through open calls since 2023.

Law stated - 12 August 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

As South Korea's climate policy operates primarily through the emissions trading system for carbon reduction, the emission permit trading market can be regarded as the commercial aspect of the climate sector. South Korea's emissions trading exchange is operated by Korea Exchange (KRX), which possesses specialised expertise in operating securities and derivatives markets. Emission permit prices fluctuate in real time according to supply and demand. Given that the government has recently announced policies to raise carbon reduction targets and expand the proportion of paid allocations, emission permit prices are expected to increase sharply in the future, thereby imposing a higher burden on industries with high carbon emissions.

In terms of climate-related industries, energy-linked industries predominate and are expected to continue expanding in accordance with the government's recent policies to expand renewable energy.

In the industrial sector, the 2035 Nationally Determined Contribution sets a target of reducing emissions from 276.3 million tonnes of CO2 equivalent in 2018 to between 209.1 and 190.6 million tonnes in 2035. The principal means of reduction are the conversion to low-carbon fuels and raw materials, the improvement of process efficiency, and the use of recycled resources such as scrap metal and waste plastics. To further support this transition, the government plans to pursue a range of tasks, including the introduction of incentives for the production of low-carbon products together with public procurement obligations, the enactment of a carbon neutral industry act, the formulation of a strategy for fostering the climate tech industry (that is, technologies for reducing greenhouse gas emissions and responding to climate change), and the strengthening of support for emission reduction facilities at high-emitting companies.

Law stated - 12 August 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

Following the spirit of the Paris Agreement, which requires parties to the agreement to reduce GHG emissions and reach carbon neutrality by 2050, South Korea legislated the Carbon Neutrality Framework Act in 2021.

Article 8.1. of the Carbon Neutrality Framework Act obliges the government to set mid-to long-term reduction targets to reduce national GHG emissions by a ratio prescribed by Presidential Decree that is no less than 35 percent from 2018 levels by 2030.

However, on 29 August 2024, the Constitutional Court decided that article 8.1. violates the principle of prohibiting insufficient protection, as it lacks the minimum characteristics required of such a protective measure that is commensurate with the dangerous situation

that is the climate crisis. The National Assembly was required to improve this article by 28 February 2026, and amendment bills to legislate mid- to long-term reduction targets covering the period after 2031 have been introduced and are pending. The degree of this obligation is likely to be enhanced due to the resulting improvements to the legislation.

Along with this improvement, the national goal from 2031 to 2049 is expected to be enhanced, meaning that industries emitting a large amount of GHG that are subject to the Emissions Trading Act are likely to experience an increase in their burden starting from the 5th planned period (2031-2035).

For private parties, entities that emit GHG in excess of the standard amount are subject to the GHG Target Control of Controlled Emitter provisions under the Carbon Neutrality Framework Act, with the relevant criteria. Currently, business entities with annual average total GHG emissions over the past three years that are not less than 50,000 tCO2eq, or that have at least one place of business with annual average GHG emissions of not less than 15,000 tCO2eq, are subject to the target control system.

Law stated - 12 August 2026

GHG emission permits or approvals

10 | Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

In South Korea, apart from the allocation and market-based permit system as provided in Emissions Trading Act, there is no direct approval or authorisation procedure to gain GHG permits ahead of emission.

Law stated - 12 August 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

A business entity subject to allocation prepares a report on the amount of GHG emissions that are actually produced during a compliance year and submit it to the competent authority.

The competent authority then evaluates the validity of the details in the report and certifies the actual amount of GHG emissions that were produced.

The business entity then surrenders emission permits equivalent to the amount of GHG emissions as certified by the competent authority. Failure to do so may result in the imposition of a penalty surcharge.

Law stated - 12 August 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

The Emissions Trading Act sets forth an allowance system for GHG emissions. The competent authority allocates to each business entity subject to allocation total emission permits for a commitment period and emission permits for each compliance year. Specific criteria for allocation are prescribed that consider many factors, including each company's demand for emission permits.

The business entity must surrender emission permits equivalent to the amount of GHG emissions certified by the competent authority, and failure to do so may result in the imposition of a penalty surcharge.

Law stated - 12 August 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

There is a GHG emission allowance registry in South Korea (emission permits register) run by the Ministry of Climate, Energy and Environment (MCEE). This is a registry for allocating and trading emission permits.

The following matters are registered on the registry:

- total number of emission permits by commitment period and compliance year;
- the emission permits account under the name of each business entity subject to allocation and other private persons or corporations, and the number of emission permits they each hold;
- the account for the management of emission permits in reserve and the number of such emission permits in inventory;
- GHG emissions certified by the competent authority; and
- matters deemed necessary for the effective and stable allocation and trading of emission permits.

For more information, please refer to the registry's website.

Law stated - 12 August 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

A business entity that emits GHG beyond a certain amount is designated and managed as a business entity subject to allocation. Total amount of GHG emissions is a crucial factor in designating such a business entity's eligibility for allocation; the average total amount of GHG emissions produced during the preceding three years should not be less than 125,000 tons of comparable CO2 equivalents (CO2-eq), or the entity should have at least one place of business that has produced 25,000 tons of comparable CO2 equivalents (CO2-eq) during the preceding three years.

Entities that fall short of the emission amounts mentioned above can still file an application and be designated as an entity eligible for allowance, provided that the entity meets certain requirements: the entity should first be designated as a "controlled emitter" under the Carbon Neutrality Framework Act, and should meet the emission standards under the Emissions Trading Act.

The competent authority then allocates emission permits to each business entity subject to allocation, and the business entity must surrender emission permits equivalent to the amount of their GHG emissions as certified by the competent authority. Entities whose allocated permits fall short of their need will have to make up for the shortage by purchasing additional permits through the emissions trading system or borrowing emission permits allocated for another compliance year. Likewise, entities whose emissions turned out to be less than their allocation may carry over the remaining emission permits to another compliance year.

The competent authority may revoke the designation under some circumstances, for example, when the total emission allowances decrease following a revision to an allocation plan.

The Emissions Trading Act does not provide for a legal basis upon which a third party can exercise a right over allowances.

Law stated - 12 August 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 | What GHG emission trading systems or schemes are applied in your country?

According to Emissions Trading Act, the competent authority may designate, establish and operate an emission permits exchange, and KRX currently operates as the platform for the emission permits exchange.

Means of trading can be largely divided into market trading and over-the-counter trading. Market trading is divided into single price trading and real time trading. The former consists of an opening price and closing price so that every single trader may transact under same single price, while the latter applies the principle of priority, with price and time being the priority factors.

Law stated - 12 August 2026

Trading agreements

16 Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

Most emission permit trading occurs through the online system that is operated by KRX, and there is no separate standard agreement form. While transactions can take place outside of this online market, no standard agreement is found for GHG emissions trading in South Korea currently.

Law stated - 12 August 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

The Korea Energy Statistics Information System publishes an annual Energy Statistics Yearbook. Based on the most recent data from 2025, primary energy supply and primary energy consumption follow the order of petroleum, coal, and natural gas, while final consumption by energy source follows the order of petroleum products, electricity, coal, and gas. This demonstrates that energy supply and consumption remain predominantly dependent on fossil fuels. To address this, the government has announced plans to expand renewable energy capacity to 100GW by 2030 and to phase out coal-fired power generation by 2040 with a detailed phase-out roadmap to be prepared through public consultation.

The Greenhouse Gas Inventory and Research Centre under the Ministry of Climate, Energy and Environment operates the National GHG Inventory Management System and compiles annual GHG emissions data. According to its preliminary estimate, Korea's GHG emissions in 2024 amounted to 691.58 million tons. The regulations designed to control GHG emissions include the Emissions Trading Act and the Framework Act on Carbon Neutrality.

Energy-related legislation includes the Framework Act on Energy, which was enacted in 2006 and subsequently amended into the current Energy Act following the enactment of the Green Growth Act in 2010. The Energy Act sets forth the major principles regarding energy policy, which consist of the responsibility of the national and local governments to establish and implement energy plans, while specific energy matters, including renewable energy, are governed by individual statutes.

Law stated - 12 August 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

On 10 November 2025, the Presidential Carbon Neutrality and Green Growth Commission (CNGG) deliberated and adopted a plan to reduce South Korea's GHG emissions under its Nationally Determined Contribution (NDC) by 53–61% of 2018 levels by 2035; the industrial sector is to reduce emissions by 24.3–31.0% of 2018 levels, the building sector 53.6–56.2% of 2018 levels, and the transport sector by 60.2–62.8% of 2018 levels.

The CNGG announced the national emissions permit allocation plan for the fourth planning period (2026–2030) alongside the 2035 NDC. Most export-intensive industries (comprising 95% of the industrial sector), including the steel, petrochemical, cement, refining, semiconductor and display industries, will maintain 100% free allocation in consideration of international competitiveness.

As such, the sectors identified by the CNGG as priority reduction targets, as well as the industrial sectors subject to reduced free allocation ratios during the fourth planning period, are expected to face an increased regulatory burden with respect to GHG emissions.

Law stated - 12 August 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

As a signatory to the Statute of the International Renewable Energy Agency (2009), South Korea is pursuing the expanded utilisation of renewable energy. The current Energy Act, which serves as an overarching framework, sets forth the comprehensive objectives of energy-related policies while defining key terminology for the energy sector, such as new and renewable energy. As the significance of renewable energy continues to grow, efforts to restructure the existing legal framework for energy have emerged.

In terms of renewable energy-related legislation, the Act on the Promotion of the Development, Use and Diffusion of New and Renewable Energy (New and Renewable Energy Act) has been enacted and is currently in force. Under the New and Renewable Energy Act, a Renewable Portfolio Standard (RPS) policy is in force; which requires power generation companies with power generation facilities of 500MW or more to supply a certain percentage of their total power generation from renewable energy. Currently, 29 companies, including both public and private companies, are designated as such mandatory suppliers.

By an amendment promulgated on 17 March 2026 and taking effect on 18 September 2026, the New and Renewable Energy Act is renamed the Act on the Promotion of the Development, Use and Diffusion of Renewable Energy (Renewable Energy Act). As

the conflation of new energy with renewable energy under the existing Act had given rise to difficulties in the issue of supply certificates and the compilation of statistics, the amendment transfers new energy sources, namely hydrogen, fuel cells and integrated gasification combined cycle, from the New and Renewable Energy Act to the Hydrogen Economy Promotion and Hydrogen Safety Management Act. The amendment also prescribes the standards governing setback distances for renewable energy generation facilities and the exceptions thereto at national level, since such standards had previously been left to local government ordinances.

Law stated - 12 August 2026

Wind energy

20 | Describe, in general terms, any regulation of wind energy.

To obtain a permit for a wind power plant, an electric utility licence under the Electric Utility Act must be obtained first, and for offshore wind power plants, an offshore wind power generation permit is required. Additionally, various procedures are involved such as development activity permits under the National Land Planning Act and environmental impact assessments.

South Korea has also recently enacted three new energy statutes, which include the Special Act on the Promotion of Offshore Wind Power Deployment and Industrial Development (Offshore Wind Power Act). This legislation, given South Korea's geopolitical characteristics as a peninsula surrounded by sea on three sides and the potential and necessity of offshore wind power generation, is designed to promote the deployment of offshore wind power plants by having the government proactively identify potential sites and streamline the various consultations and permits for development districts where acceptance by the local community and fishermen has been secured. Further, it allows the heads of public enterprises or quasi-governmental organisations to apply for exemptions to preliminary feasibility studies, which is expected to ensure procedural efficiency. The Act also includes provisions for government promotion of offshore wind power technology development, professional workforce training and support for offshore wind power supply chains. The Offshore Wind Power Act is scheduled to take effect on 26 March 2026.

Law stated - 12 August 2026

Solar energy

21 | Describe, in general terms, any regulation of solar energy.

To obtain a permit for a solar power plant, an electricity utility licence must be obtained under the Electric Utility Act, and depending on the size of the power plant, various procedures may be required such as development activity permits under the National Land Planning Act and environmental impact assessments. In particular, with regard to development activity permits under the National Land Planning Act, it should be noted that local government ordinances often impose setback distance regulations in practice, and

it has been confirmed that issues frequently arise where administrative agencies exercise their discretion, such as cases involving damage to surrounding landscapes or resident complaints. Furthermore, when installing power plants on agricultural land or forest land, additional issues may arise in relation to the Farmland Act regarding farmland preservation charges, in addition to the Mountainous Districts Management Act regarding mountainous land conversions.

In terms of facilities at a scale smaller than buildings (power plants), the Regulations on Support for New and Renewable Energy Facilities, which is a notice issued by the Ministry of Trade, Industry and Resources, provides the legal basis for the "solar leasing business". The solar leasing business refers to a business where a leasing business entity directly installs solar power generation facilities at residences and other buildings and collects lease fees from such residences on the condition of performing maintenance and repair for the facilities for a specified period. The government must announce REP unit prices annually, and the head of the Korea New and Renewable Energy Centre, the public institution responsible for new and renewable energy, may grant REPs (Renewable Energy Points for solar power generation) for electricity generated through a solar leasing business.

Law stated - 12 August 2026

Hydropower, geothermal, wave and tidal energy

22 Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Like wind and solar energy, the establishment of power plants utilising hydroelectric, geothermal, and marine energy sources requires electricity utility licences under the Electric Utility Act, development activity permits under the National Land Planning Act, and environmental impact assessments.

Additional permitting procedures may be required for each type of energy source for power generation. For instance, depending on the circumstances, hydroelectric power generation may require river occupancy permits under the River Act or additional compliance with procedures set forth in the River Act for the installation of a dam. For tidal power generation, large-scale development activities such as public water reclamation or seawall construction are prohibited in areas designated as marine protected areas, requiring careful consideration during site selection. In terms of geothermal power generation, while Korea does not have active volcanic activity, at the local government level, the current Mayor of Seoul emphasises a geothermal energy policy as a key initiative.

Hydrogen energy is also drawing increasing attention in connection with the national energy mix. The Hydrogen Economy Promotion and Hydrogen Safety Management Act was enacted to establish the foundation for the transition to a hydrogen economy, to foster the hydrogen industry, and to ensure the safety management of hydrogen. It provides for a basic plan for the implementation of the hydrogen economy, support for hydrogen-specialised enterprises, the designation of hydrogen-specialised complexes, and safety controls such as permission for the manufacture of hydrogen appliances and inspections of hydrogen fuel-use facilities. The Act also establishes a graded certification scheme for clean hydrogen, and certain electricity business operators may be required to

purchase or supply a prescribed volume of hydrogen-generated power through a hydrogen power bidding market.

Law stated - 12 August 2026

Waste-to-energy

23 | Describe, in general terms, any regulation of production of energy based on waste.

Much like solar energy, establishing a waste-to-energy power plant requires an electricity utility licence under the Electric Utility Act, a development activity permit under the National Land Planning Act, and an environmental impact assessment. Since waste energy is classified as renewable energy under the New and Renewable Energy Act, if a business entity is recognised as being engaged in the renewable energy power generation business, incentives may be received, such as preferential support for electricity trading price differentials.

A representative example of utilising waste as an energy source is a resource recovery facility. While incineration facilities for municipal solid waste were shunned by society in the past, local governments now operate resource recovery facilities that not only incinerate waste but also harness it as an energy source. Resource recovery facilities generate electricity using waste heat (exceeding 400°C) produced during the combustion of waste at high temperatures ranging from 850°C to 1,100°C, and subsequently supply high-pressure steam that is cooled to approximately 120°C for district heating to the surrounding areas. Such resource recovery facilities are classified as waste treatment facilities under the Waste Management Act, and their installation and operation are also subject to regulation under the Waste Management Act.

Law stated - 12 August 2026

Biofuels and biomass

24 | Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

The procedure for establishing a biofuel power plant follows the same regulatory framework as solar energy, requiring an electricity utility licence under the Electric Utility Act, a development activity permit under the National Land Planning Act, and an environmental impact assessment.

Law stated - 12 August 2026

Carbon capture and storage

25 | Describe, in general terms, any policy on and regulation of carbon capture and storage.

Since 7 February 2025, the Carbon Dioxide Capture, Transport, Storage, and Utilization Act (Carbon Capture and Utilization Act) has been in force. The purpose of this Act is to prevent serious impacts from the climate crisis and contribute to the sustainable development of the national economy by determining the matters that are necessary for efficiently capturing and storing underground the carbon dioxide emitted from industrial activities, or supporting the development of technology and industrialisation that is necessary for its use in industry and daily life.

The Act defines the capture, transport, storage and utilisation of carbon dioxide in addition to carbon dioxide transport pipelines. Any entity intending to install and operate carbon dioxide capture facilities must file a notification with the Minister of Trade and Industry, while those intending to engage in the business of transporting carbon dioxide must obtain approval from the Minister.

The Act also establishes various support mechanisms as incentives, including special provisions for carbon dioxide supply, certification of carbon dioxide utilisation technologies and products, designation of specialised carbon dioxide utilisation enterprises, implementation of demonstration projects, and related special provisions.

Law stated - 12 August 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

In M&A transactions, the extent to which the target company has secured emission permits under the emissions trading system may become a material issue. If emission permits have been reduced in advance, this may be evaluated as having the potential for increased earnings before interest, taxes, depreciation, and amortisation (EBITDA), which will factor into the determination of the company's sale valuation. As the emissions permit trading market becomes more active, the market price of such emission permits will be fully reflected in the valuations at the M&A stage.

From an ESG perspective, mandatory disclosure requirements and deficient disclosure may become problematic. In February 2026, the Korea Sustainability Standards Board (KSSB) finalised the Korean sustainability disclosure standards based on the standards of the International Sustainability Standards Board (ISSB).

Also in February 2026, the Financial Services Commission unveiled a draft roadmap for mandatory disclosures. On 8 July 2026, the government and the ruling party announced the final roadmap, KOSPI-listed companies with consolidated assets of 10 trillion won or more will be required to make sustainability disclosures from fiscal year 2027, to be disclosed in 2028, and the threshold will be lowered to 5 trillion won in 2029, with a further expansion to 2 trillion won to be reviewed for 2030. The disclosures will take the form of statutory disclosures in business reports under the Capital Markets Act from the outset, and the government plans to prepare an amendment bill to the Capital Markets

Act within 2026. For the first three years, companies will be comprehensively exempted from liability under the Capital Markets Act in relation to the disclosures, except in cases of intentional greenwashing, and third-party assurance of the disclosed information will become mandatory from 2030. The disclosure of Scope 3 emissions will be deferred for three years for each group of covered companies.

Once disclosure becomes mandatory, a corporation's capabilities in ESG areas, including carbon reduction, are expected to impact valuations in M&A transactions.

Law stated - 12 August 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

On 14 October 2025, the Climate, Energy, Environment, and Labor Committee of the National Assembly conducted a government audit of the Ministry of Climate, Energy and Environment (MCEE). During the government audit, it was noted that the 2035 greenhouse gas (GHG) reduction targets should be raised, and decarbonisation policies through an energy mix were emphasised. Energy mix refers to promoting decarbonisation by expanding renewable energy while utilising nuclear power as a supplementary energy source.

On 29 September 2025, the National Assembly plenary session passed a partial amendment to the Emissions Trading Act. The amendment introduces the concept of a total free allocation ratio by planning period, which means the ratio of emission permits that are allocated free of charge out of the total allowable GHG emissions for each planning period that were established to achieve national GHG reduction targets. This amendment is understood as being intended to induce active reductions of GHG by the business entities subject to allocation, thereby achieving national reduction targets by pre-determining the free allocation ratio by planning period and ensuring that emission permits are actually allocated in compliance with said ratio. The amendment was promulgated on 28 October 2025, and took effect from 29 April 2026. It also introduces grounds to cancel the designation of a company subject to allocation if its emissions decrease significantly, removes the cap on penalty surcharges (100,000 won per ton) for failing to surrender emission permits, and prohibits unfair profit-making, such as price-fixing, in the emission permit market.

On 31 December 2025, the MCEE announced the revised Korean Green Taxonomy (K-Taxonomy), the first regular triennial revision since its establishment in December 2021. The revision reflects the 2035 Nationally Determined Contribution and the allocation plan for the fourth planning period, adds new economic activities such as semiconductor and display manufacturing, and is expected to operate in tandem with the transition finance framework that is being prepared to channel funding into low-carbon transition investments.

On 27 February 2025, the so-called Three Energy Acts were passed during the plenary session of the National Assembly, which consist of the Special Act on the Expansion of

the National Power Grid, the Special Act on High-Level Radioactive Waste Management, and the Special Act on the Promotion of Offshore Wind Power Deployment and Industrial Development. The Three Energy Acts are intended to prepare policy responses that consider energy transition, supply security and environmental sustainability.

Law stated - 12 August 2026

Jin & Lee

Yoon Ah Ko yako@jinlee.co.kr
Sil Jin sjin@jinlee.co.kr

Jin & Lee

Read more from this firm on Lexology

Switzerland

Isabelle Romy, **Christoph Jäger**, **Julien Rouvinez**, **Sophie Ribaut**, **Andreas Hoesli**, **Tom Pleiner**
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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

Switzerland ratified the United Nations Framework Convention on Climate Change on 10 December 1993, the Kyoto Protocol on 9 July 2003 and the Paris Agreement on 6 October 2017. It is also a party to the Vienna Convention for the Protection of the Ozone Layer, ratified on 17 December 1987, and ratified all following protocols, including the Montreal Protocol on Substances that Deplete the Ozone Layer, on 28 December 1988.

Switzerland has implemented its climate policy and international commitments primarily through the following statutes:

- the Federal Act on the Reduction of CO Emissions (CO Act) of 2011;
- the Federal Act on Climate Protection Goals, Innovation and Strengthening Energy Security (Climate Act) of 2022
- Federal Act on a Secure Power Supply with Renewable Energies of 2023;
- the Federal Energy Act of 2016; and
- the Federal Environmental Protection Act (EPA) of 1983.

European Union (EU) environmental regulations do not directly apply to Switzerland, as Switzerland is not a member of the EU. However, Switzerland maintains extensive cooperative relations with the EU, including with regard to the harmonisation of environmental legislation. On 23 November 2017, Switzerland and the EU concluded a bilateral agreement that links the Emissions Trading Systems (ETS) of the two legal orders.

Law stated - 31 August 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

Switzerland is a monist system, which means that once approved by the Federal Parliament, an international legal norm becomes an integral part of Swiss law and must be applied by and complied with by all state organs. Furthermore, in principle, international law takes precedence over national law.

In addition to federal legislation adopted by the Federal Parliament, the Federal Council (Switzerland's chief executive organ) has adopted numerous action plans that define the national strategy based on Switzerland’s international obligations and provide political and legal instruments and measures to implement them. As an example, the Federal Council has adopted several action plans to determine and implement the objectives of the Agenda 2030, the latest ones being the 2030 Sustainable Development Strategy of

2022, the corresponding action plan 2024–2027, as well as several action plans on the adaptation to climate change in Switzerland. More specifically, in response to article 4.19 of the Paris Agreement, which requires all parties to formulate and communicate long-term low greenhouse gas emission development strategies, the Swiss government adopted Switzerland's Long-Term Climate Strategy to 2050 and approved its submission to the UN Climate Change Secretariat in January 2021. Switzerland's Long-Term Climate Strategy outlines how the net-zero target can be achieved. It sets out 10 overarching strategic principles aiming to provide guidance for climate and other related policies.

Switzerland's first nationally determined contribution (NDC) under the Paris Agreement covered the 2021–2030 period. The goal was to reduce its net greenhouse gas emissions by at least 505 by 2030 compared with 1990 levels and reach net zero by 2025. This target lays the foundations for the aforementioned Switzerland's Long-Term Climate Strategy to 2050. On 29 January 2025, Switzerland submitted its second NDC, covering the years 2031 to 2035, with the aim to reduce its greenhouse gas emissions by at least 65% by 2035 compared to 1990 levels. Further, on the same date, the Federal Council approved Switzerland's new greenhouse gas reduction target under the Paris Agreement for the period from 2031 to 2035. These targets align with the reduction pathway set out in the Climate Act. At the same time, the Federal Council approved a supplement to Switzerland's Long-Term Climate Strategy.

Several measures foreseen in the action plans and international regulations are set to be implemented through legislation adopted by the Federal Parliament. For instance, the Climate Act enshrines the net-zero greenhouse gas emissions target by 2050 into law. In addition, the Climate Act establishes strategic objectives and emission pathways up to 2050 for the building, industry, transport sectors, financial market, waste and synthetic gases, and international aviation sectors (however, no specific targets have been adopted for the agriculture sector).

Law stated - 31 August 2026

Main national regulatory policies

3 | Outline recent government policy on climate matters.

With the ratification of the Paris Agreement and its first Nationally Determined Contribution (NDC) under the Paris Agreement for 2025–2030, Switzerland has committed to reducing its greenhouse gas emissions by at least 50% by 2030 compared with the 1990 level, corresponding to an average reduction of greenhouse gas emissions by at least 35% over the period 2021–2030. In the longer term, Switzerland aims to reduce its greenhouse gas emissions to net zero by 2050. Switzerland's second NDC is to reduce its greenhouse gas emissions by at least 65% by 2035 compared to 1990 levels, to be implemented as an emission budget covering 2031–2035.

The main legal instruments to reach these goals are the CO Act, which has been amended several times, most recently to include, in particular, greenhouse gas emission targets for the period 2025–2030 and the nmore recent Climate Act, which came into force on 1 January 2025 (together with an implementingd ordinance). Article 3 of the Climate Act adopts the Swiss Confederation's net zero by 2050 target in federal statutory law.

Further, the Act specifies the objectives for reducing greenhouse gas emissions and using negative-emission technologies (removals), through which Switzerland must make an appropriate contribution to limiting global warming to well below 2°C, or even 1.5°C. In principle, the Act is generally limited to setting the direction for a strategic orientation towards climate neutrality and focus on the decarbonisation of the economy. Concrete measures needed to achieve the targets will be defined, in particular, in the CO Act. However, in article 5.1, the Climate Act states an unconditional requirement for all Swiss companies to achieve net zero emissions (encompassing at least Scope 1 and Scope 2 emissions) by 2050. In that sense, the Climate Act specifically targets the private sector as well.

In addition, as part of the latest revision of the CO Act, the Federal Parliament adopted an amendment to the Federal Act on Unfair Competition (UCA), according to which climate change-related claims such as "net zero" or "climate friendly" must be substantiated with objective and verifiable criteria (article 3.1.x UCA). This amendment took effect on 1 January 2025. In 2026, the Federal Office for the Environment published an Enforcement Aid that provides useful guidance on applying the newly introduced provision.

The Swiss Energy Strategy for 2050 aims to reduce the country's dependency on fossil fuels, among other things, by enhancing renewable energy supply. On 26 September 2023, the Swiss parliament passed the Federal Act on a Secure Power Supply with Renewable Energies. This Act was approved by the population in June 2024 and came into force on 1 January 2025. It aims to create the conditions for a rapid increase in the production of electricity from renewable energy sources in Switzerland. It includes the revision of the Energy Act and the Electricity Supply Act, among other acts.

In May 2025, the Federal Council presented its new 2050 Climate Strategy for Agriculture and Food, which aims at reducing greenhouse gas emissions from agriculture and helping agriculture adapt to climate change. Swiss agriculture must produce in a way that is "adapted to the climate and local conditions". One of the aims of the strategy is to achieve a self-sufficiency rate of at least 50% by 2050. In addition, the greenhouse gas footprint of food per capita must be reduced by two-thirds compared to 2020. Greenhouse gas emissions from domestic agricultural production must be reduced by at least 40% compared to 1990 levels.

Law stated - 31 August 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

The main Swiss domestic legislation on climate matters is the Climate Act, the CO Act, the Federal Energy Act, the EPA and the UCA.

Climate Act

The Climate Act was adopted by the Swiss population on 18 June 2023 and came into force on 1 January 2025, together with the associated ordinance. Mirroring the three main goals of the Paris Agreement, the Climate Act has three main objectives:

- reduction of greenhouse gas emissions and the use of negative emission technologies (removals);
- adaptation to and protection from the impacts of climate change; and
- directing financial resources towards low-emission development that is resilient to climate change.

The Confederation must ensure that Switzerland achieves its net-zero greenhouse gas emissions target by 2050 by reducing emissions and using negative emission technologies in Switzerland as well as abroad, and to offset any remaining emissions. In other words, after 2050, the amount of CO removed and stored must exceed the remaining emissions (negative emissions). The Climate Act sets forth the first post-2030 targets for greenhouse gas emissions reduction as follows:

- over the years 2031–2040: by at least 64% on average;
- by 2040: by at least 75%; and
- over the years 2041–2050: by at least 89% on average.

The Climate Act provides for reduction benchmarks for the building, transport and industry sectors, and allows the Federal Council to set specific reduction benchmarks for other sectors, for greenhouse gases and for emissions from fossil energy sources. It further stipulates that all companies must achieve net-zero emissions by 2050, considering at least direct and indirect emissions (here meaning Scope 1 and Scope 2 emissions). Finally, the Confederation must ensure that the Swiss financial centre makes an effective contribution to low-emission, climate-resilient development.

Further, article 10.1 provided that the Confederation and the Cantons (states) act as role models with regard to achieving the goal of net-zero emissions and adapting to the effects of climate change. In particular, the central Federal Administration must have reached net-zero emissions already by 2040 (including Scope 3 emissions!).

CO Act

The first CO Act, enacted in 1999, was revised in 2011 (the second CO Act) to implement Switzerland's emission reduction commitments under the Kyoto Protocol for the first and second commitment periods (2008–2012 and 2013–2020). Article 3 provides for a reduction target of 20% by 2020 compared to 1990 levels. Thereafter, greenhouse gas emissions must be reduced by a further 1.5% per year by 2024 compared to 1990 levels. At least 75% of the reduction in greenhouse gas must be achieved through domestic measures.

The CO Act contains, in particular, provisions covering the following topics:

- technical measures to reduce CO emissions of cars and buildings;
- emissions trading scheme (ETS);
- measures regarding certain fossil fuels (compensation obligations for importers of certain fossil fuels; obligations to make available and blend low-emission, renewable and synthetic renewable fuels);

- CO levy on thermal fossil fuels; and
- target values for CO emissions from vehicles such as passenger cars and lorries.

On 16 September 2022, the Swiss government adopted the dispatch for the third CO- Act to implement Switzerland's commitments under the Paris Agreement (NDC) for 2025–2030. Switzerland's first NDC under the Paris Agreement is to reduce its greenhouse gas emissions by at least 50% by 2030 compared to 1990 levels. Switzerland's second NDC sets the goal of reducing its greenhouse gas emissions by at least 65% by 2035 compared to 1990 levels, to be implemented as an emissions budget covering 2031–2035. Further, the federal government is obliged to ensure that greenhouse gas emissions are reduced by at least 35% on average between 2021 and 2030 compared to 1990. To avoid regulatory gaps until the requirement becomes effective, the Swiss parliament extended the validity of certain measures from the second CO Act.

The third revision of the CO Act was passed by the Swiss parliament in March 2024 and came into force on 1 January 2025. This amended CO Act aims to implement the above-mentioned climate-related objectives and targets.

The Federal Council expressed its intention to implement recent reforms of the EU ETS into Switzerland's ETS (which is linked to the EU ETS). However, with regard to the EU's CO Border Adjustment Mechanism (CBAM), the Federal Council decided, in June 2023, not to introduce such a mechanism for the time being due to foreign trade risks and the uncertain cost-benefit ratios. Instead, the Federal Council intends to closely monitor the introduction and implementation of the EU CBAM and to reassess the situation in mid-2026. In the meantime, certain alignments with the EU ETS have been deemed necessary. A partial amendment to the CO Ordinance is under way and is scheduled to enter into force on 1 January 2026. The aim of this revision is to ensure that the Swiss ETS keeps pace with the EU ETS.

Energy Act

The purpose of the Energy Act is to ensure the economic and environmentally sound supply and distribution of energy, the economic and efficient use of energy, and the transition to an energy supply based more on the use of renewable energies, in particular domestic renewable energies.

The strategy to decarbonise the energy supply, which was initiated more than a decade ago, is making slow progress in Switzerland. The main challenge is the medium- to long-term phasing out of nuclear energy, which currently still accounts for a good third of Switzerland's domestic electricity production. The increase in new capacities – in the form of photovoltaics, wind power and hydropower – required to replace nuclear energy is not happening at the required pace. This is also due to the excessively long approval procedures.

All of this results in a hectic legislative pace. On 26 September 2023, the Federal Parliament passed the Federal Act on a Secure Power Supply with Renewable Energies, which, among other things, provides for new subsidies, but is also intended to favour the expansion of photovoltaics outside the building zone and the rapid implementation of selected large-scale hydropower projects. This law was approved by the population in June 2024. The first package entered into force on 1 January 2025, and the second on 1 January 2026.

The aim of the Federal Act on a Secure Power Supply with Renewable Energies is to create the conditions for a rapid increase in the production of electricity from renewable energy sources in Switzerland, notably to guarantee security of supply by reducing dependence on foreign sources. To meet this need, a large number of legislative amendments were required, affecting different acts in many areas of energy law as well as spatial planning, grouped together under a single amending act (the "Mantelerlass").

Political discussions have recently centred on the possibility of building new ("modular") nuclear power plants to ensure security of electricity supply and meet the growing demand for power driven by the decarbonisation of the economy, although the Swiss electorate has recently voted in favour of phasing out the remaining nuclear power plants in Switzerland.

The Energy Committee of the Council of States recently supported a counter-proposal that would legally allow the construction of new nuclear power plants. Any final decision would, however, remain subject to democratic debate and potentially a public vote.

Despite the political support, the implementation of a new nuclear project continues to face significant political, technological, economic and societal uncertainties. As a result, commissioning a new plant before 2050 appears unlikely.

EPA

The EPA of 7 October 1983 aims to protect people, animals and plants, their biological communities and habitats, against harmful effects or nuisances, and to preserve the natural foundations of life sustainably, especially biological diversity and the fertility of the soil. Air pollution, noise, vibrations and radiation are limited by measures taken at their source (limitation of emissions as much as technology and operating conditions allow, if this is economically acceptable).

The issue as to whether greenhouse gas emissions also qualify as harmful effects or nuisances within the meaning of the EPA, and are hence subject to reduction obligations, is being debated among legal scholars and has not yet been adjudicated by the courts.

The EPA also provides for incentive taxes on volatile organic compounds, the sulphur content of extra-light heating oil, and the sulphur content of diesel and petrol. The revenue from these taxes is distributed to the population through reduction of health insurance premiums.

UCA

Article 3.1.x UCA , which took effect on 1 January 2025, provides that claims about climate impact that cannot be objectively and verifiably substantiated are unfair. This provision applies to any claim relating to the climate footprint of an organisation as well as its products and services. Such claims may be made, in particular, in a company's advertising, or in its non-financial report pursuant to articles 964a and seq of the Code of Obligations, as well as in voluntarily published sustainability reports. Violation of article 3.1.x may trigger civil and criminal liability.

Law stated - 31 August 2026

National regulatory authorities

5 Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

Federal climate legislation is based primarily on article 74 of the Swiss Federal Constitution (SFC) (protection of the environment), and article 89.2 and 3 SFC (energy policy). Article 74.1 of the SFC authorises and obliges the Confederation to legislate on the protection of the population and its natural environment against damage or nuisance. This competence is comprehensive but not exclusive, meaning that as long as the Confederation has not made exhaustive use of its powers, the Cantons (states) have authority to legislate.

The CO Act imposes obligations on the Cantons, various federal authorities (such as the Federal Office for the Environment, the Swiss Federal Office of Energy, and the Swiss Federal Office for Customs and Border Security) and private parties such as operators of facilities or aircraft. The Federal Council is responsible for the application of the law and issues the implementing provisions.

Law stated - 31 August 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

Switzerland's total greenhouse gas emissions can be broken down as follows:

- 34% by transport (excluding air transport);
- 22% by buildings;
- 22% by industry; and
- 22% by agriculture, waste management and emissions of synthetic gases.

According to the Federal Office for the Environment (FOEN), greenhouse gas emissions in Switzerland have decreased by 26% since 1990. In 2023, greenhouse gases emitted into the atmosphere corresponded to 40.8 million metric tons (2022: 41.6 million metric tons) of CO equivalents (excluding international aviation and shipping), or five metric tons of CO equivalents per capita. However, when emissions generated abroad are included, the total annual per capita emissions are much higher, at about 13 tons of CO equivalents per capita in 2022.

Concerning private parties, the Climate Act provides that all Swiss companies must achieve net zero by 2050 at the latest (at least covering Scope 1 and 2 emissions). Further, large companies subject to non-financial reporting obligations must adopt a transition

plan aligned with the Swiss climate targets, as provided by the Swiss Climate Reporting Ordinance.

Law stated - 31 August 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

According to its own inventory, Switzerland has reduced its greenhouse gas emissions by an average of about 11% between 2013 and 2020 compared to 1990. However, it will only be able to meet its international target under the second commitment period of the Kyoto Protocol by making additional contributions in the form of accountable carbon sinks (CO storage in Swiss forests and in Swiss wood products) and emission reductions through projects abroad.

The FOEN maintains a list of registered projects and programmes in Switzerland by technology area, including the areas of energy efficiency (supply and demand side), renewable energies, fuel switching, transport, methane CH4 avoidance, F-gas reduction, N2O reduction and biological sequestration.

Importers of petrol, diesel, natural gas and kerosene exceeding 1,000 tons of CO must compensate for part of their CO emissions, in particular through climate protection compensation projects in Switzerland or abroad (article 28b et seq of the Federal Act on the Reduction of CO Emissions (CO Act)). The compensation rate in Switzerland will be at least 15% from 2022 onwards, while the total compensation rate will be as follows: for the year 2025: 25%; for 2026: 30%; for 2027: 35%; for 2028: 40%; for 2029: 45%; for 2030: 50% (article 89 CO Ordinance). The compensation office will be run jointly by the FOEN and the Swiss Federal Office of Energy.

The recently amended CO Act requires producers and importers of fossil fuels to offset part of the CO emissions resulting from their release. The FOEN has published an implementation notice in May 2025, explaining its practices regarding the issuance of attestations for offsetting projects or programmes conducted in Switzerland or abroad.

The general legal framework for offset projects abroad is provided by article 6 of the Paris Agreement. Since 2020, Switzerland has concluded various bilateral treaties with countries that allow the implementation of the compensation scheme under article 6.2 of the Paris Agreement. Several compensation projects abroad have been registered. They include: the promotion of climate-smart agriculture practices for sustainable rice cultivation in Ghana; the operation of e-buses on privately owned, scheduled public bus routes in the Bangkok Metropolitan area by Energy Absolute, and a solar power electrification programme in Vanuatu.

Law stated - 31 August 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

Not all greenhouse gas emissions can be completely avoided. Therefore, there is a need for technologies that can capture and permanently store CO . These technologies fall into two categories: those that capture and store fossil and process-related CO at facilities, thereby further reducing emissions (CCS), and negative emission technologies (NET/removals), which shall remove CO from the atmosphere permanently. Currently, both types of technologies are only partially available. In addition, there are major project underway to explore the construction of a Swiss CO pipeline to create the infrastructure for the emerging CCS industry.

The Fukushima nuclear catastrophe in March 2011 prompted Switzerland to initiate its own nuclear phase-out. On 25 May 2011, the Swiss Federal Council announced its decision to phase out nuclear energy in the long term. The existing nuclear power plants would continue to operate until the end of their service life but would not be replaced. Assuming a 50-year operational lifespan, the relatively new nuclear power plant in Leibstadt would be shut down in 2034. On 21 May 2017, 58.2% of the Swiss population voted in favour of the Energy Strategy 2050. As a result, the construction of new nuclear power plants is now prohibited, and the focus has shifted to promoting renewable energy sources and improving energy efficiency. This shift opens up significant potential for renewable energy development in Switzerland.

For years, the renewable energy sector in Switzerland has been supported by both national and cantonal governments. Hydropower is especially important, playing a key role in the Swiss energy landscape, particularly in the Alps, where most of the country's water reservoirs are located. The hydropower market is valued at around 2 billion Swiss francs, making it a crucial part of Switzerland's energy industry. In line with the 2050 Energy Strategy, the federal government is encouraging the future use of hydropower by renovating and expanding existing plants to boost the average annual electricity production from this source. While solar power is not as dominant, it holds substantial potential; by 2050, photovoltaic systems could supply approximately 20% of Switzerland's current electricity demand. Additionally, there remains significant untapped potential for wind energy in the country.

Law stated - 31 August 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

Key domestic legislation implementing international climate change obligations and commitments includes certain emission limitation and reduction commitments.

The CO Act provides for various measures to achieve the reduction targets, including technical measures to reduce CO emissions from buildings and vehicles, sinks, emissions trading and compensation, measures regarding fossil fuels (compensation obligations and obligations to make available and blend low-emission, renewable and synthetic renewable fuels), target values for CO emissions from vehicles such as passenger cars and lorries and the imposition of a CO levy. For example, the cantons must ensure that the CO- emissions of buildings heated with fossil fuels are reduced in accordance with the targets, and must therefore issue building standards for new and older buildings based on the current state of the art and submit an annual report to the federal government on the measures taken (article 9 of the CO Act). The building standards ultimately also apply to private parties. In addition, importers or manufacturers of certain types of vehicles (passenger cars, vans and light articulated vehicles) must reduce the average CO emissions of vehicles imported into or manufactured in Switzerland that are registered for the first time in accordance with an individual target calculated according to a method determined by the Federal Council (article 10 et seq of the CO Act). In addition, certain emitters of greenhouse gases are required to participate in the Swiss Emissions Trading System (ETS) (article 15 et seq of the CO Act). Producers and importers of fossil fuels must offset a part of the CO emissions that are attributable to the use of the motor fuels as an energy source (article 28b seq of the CO Act). Finally, a CO tax is levied on the production, extraction and import of thermal fuels (heating oil, natural gas, etc). The current rate is 120 Swiss francs per ton of CO (article 29 of the CO Act). The CO tax may be refunded if operators of installations in certain sectors of the economy commit to the federal government to reduce greenhouse gas emissions by a certain amount by a certain year (reduction commitment) and submit an annual report on their efforts (article 31 of the CO Act). Such a commitment now depends on total combustion heat output (the additional requirement that the installation must belong to specific categories now being abolished). The extent to which greenhouse gas emissions are to be reduced is determined by an emissions target or a target for measures (article 66 et seq of the CO Ordinance). The Federal Office for the Environment (FOEN) issues a decision on the reduction obligations (article 44 of the CO Ordinance). Operators who fail to meet their reduction obligations must pay the Confederation 125 Swiss francs for each excess tonne of CO eq emitted (article 32 of the CO Act).

Other measures to reduce greenhouse gases can be found in the context of energy law, for example in building regulations motivated by energy law – although this is cantonal law – or in vehicle registration regulations.

The Climate Act provides that all Swiss companies must achieve net zero by 2050 at the latest (encompassing at least Scope 1 and 2 emissions). Further, companies in the scope of non-financial reporting obligations under article 964a CO must adopt a transition plan aligned with the Swiss climate targets.

Law stated - 31 August 2026

GHG emission permits or approvals

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10 | Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

In Switzerland, there is generally no requirement to obtain a permit in advance for greenhouse gas emissions. However, various activities that may result in GHG emissions are regulated by law, and non-compliance with these regulations can lead to legal penalties. For example, operators of facilities subject to the CO Act are required to submit a monitoring plan to the relevant authority for approval. Operators of aircraft within the Swiss Emissions Trading System (ETS) must also submit a monitoring plan to the relevant authority for approval.

Special rules apply to fossil-fuel powered thermal power plants, which can only be approved for construction and operation if the operators commit in advance to fully offset the CO emissions they produce and ensure that the plant operates according to the latest technological standards.

Law stated - 31 August 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

For the emissions reported by Switzerland as a country, the Federal Office for the Environment handles the respective greenhouse gas inventory.

Installation operators and aircraft operators participating in the Swiss ETS must submit annual greenhouse gas emission reports to the Confederation (article 20 of the CO Act). For ETS participants the report is based on the previously approved monitoring plan (article 51 of the CO Ordinance). The monitoring report is to be submitted for each year by 31 March of the following year to the competent authority (see Annex 14 of the CO Ordinance, usually the SFOE), and with the information pursuant to Annex 17 of the CO Ordinance. Installation operators must include, inter alia, information on greenhouse gas emissions and energy consumption and their development; information on data required to review and adjust the quantity of emission allowances to be allocated free of charge; information on any changes in production capacities; and quantities (primary data) and parameters used to calculate greenhouse gas emissions and energy consumption.

Similarly, installation operators with an individual reduction obligation must submit an annual report on their efforts (article 31 of the CO Act). The report must be submitted annually by 31 May of the following year to the competent authority (private organisation commissioned by the FOEN or SFOE), which will forward it to the FOEN. The report must contain information about the progression of greenhouse gas emissions; information about the progression of production volumes; an accounting of thermal fuels; a description of implemented greenhouse-gas-effective measures; information about possible deviations from the reduction course or measures targeted, with a justification and planned corrective measures (article 72 of the CO Ordinance).

Law stated - 31 August 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

Emissions allowances are issued to the participants of the Swiss Emissions Trading Systems (ETS) (see article 15 et seq of CO Act), a quantity control instrument functioning pursuant to the "cap-and-trade" principle. Emissions allowances are tradeable rights to emit greenhouse gases allocated or auctioned by the Confederation or by states or communities of states with ETS recognised by the Federal Council (article 2(3) of the CO Act). Whereas operators of certain installations causing high greenhouse gas emissions and operators of aircraft that take off or land on Swiss territory pursuant to international agreements must participate in the Swiss ETS, operators of certain installations causing high or moderate greenhouse gas emissions may apply to participate in the ETS (opt-in) (see article 15-16a of the CO Act). The emission allowances for installations and aircrafts are issued annually. Some of them are allocated free of charge; the other allowances are auctioned. Installation operators that participate in the ETS may apply to have the CO levy on thermal fuels refunded (article 17 of the CO Act). One emission allowance permits the emission of the equivalent of one tonne of CO . Since 1 January 2020, the Swiss ETS has been linked with the EU ETS.

Law stated - 31 August 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

The Confederation maintains the Swiss Emissions Trading Registry (ETR). It is used to keep records of and to conduct transactions in emission allowances, attestations and emission reduction certificates (article 28a of the CO Act). All ETS participants must have an operator account in the ETR; certain aircraft operators are exempted. All emission allowances must be recorded in the ETR. Changes in the holding of emission allowances are only valid if they are recorded in the ETR. The FOEN manages the ETR electronically and records all transactions and auction bids (see article 57 et seq of the CO Ordinance).

Law stated - 31 August 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

The emissions allowances are either distributed free of charge or auctioned. The allowances are traded via the Swiss ETR.

Law stated - 31 August 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 | What GHG emission trading systems or schemes are applied in your country?

The CO Act (article 15 et seq) and the corresponding CO Ordinance institute the Swiss Emissions Trading Systems (ETS). It was introduced in 2013, following the model of the EU ETS. Hence, the Swiss ETS operates according to the "cap-and-trade" principle: the total amount of existing emissions allowances is limited and defined in advance (cap). The cap is reduced gradually each year. Each ETS participant is allocated a certain number of emission allowances, which it can then sell in case it produces fewer emissions than allowed. Conversely, participants that produce more emissions than allowed can buy additional emission allowances. This should promote the most efficient emission reduction. In Switzerland, the cap has been reduced annually by 1.74% of the 2010 baseline since 2013, and 2.2% of the 2010 baseline since 2021.

The Federal Council determines in advance the quantity of emissions allowances for installations and aircraft to be made available each year. The emission allowances for installations and aircraft are issued annually. Some of them are allocated free of charge; the other allowances are auctioned. One emission allowance permits the emission of the equivalent of one tonne of CO . The allocation of emissions allowances for the ETS participants is calculated by the FOEN, generally based on a benchmark approach. Installation operators that participate in the Swiss ETS may apply to be refunded the CO levy on thermal fuels (article 17 of the CO Act). Since 1 January 2020, the Swiss ETS has been linked with the EU ETS.

Law stated - 31 August 2026

Trading agreements

16 | Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

On 23 November 2017, the Agreement between the Swiss Confederation and the European Union to link their respective greenhouse gas emissions trading systems was concluded (ETS Agreement). The agreement, which was the first of its kind worldwide, came into force on 1 January 2020. It links the Swiss ETS and the EU ETS (see article 1 of the ETS Agreement). The agreement governs the mutual recognition of emission allowances from the two ETS. Operators that must participate in one of the two ETS can use emission allowances of the other ETS to fulfil their respective ETS commitments (article 4 of the ETS Agreement). They can also apply for authorisation to bid for allowances in

auctions in the respective other ETS (article 5 of the ETS Agreement). In the area of air transport, there is a legal obligation to develop the Swiss ETS in line with EU principles. Moreover, the ETS Agreement enshrines the equivalence principle, according to which the framework conditions shall be designed equally. Against this background, the Federal Council intends to incorporate recent reforms of the EU ETS (Fit for 55) (such as tightening the ETS cap and abolishing free allocation of allowances) into the Swiss ETS in the current revision of the CO Act.

Law stated - 31 August 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

As Switzerland does not have the corresponding natural resources in terms of non-renewable primary energy sources, there is also no CO -emitting energy production so far. Nevertheless, fossil and non-renewable energy sources such as gas or waste are sometimes used to produce electricity. According to the latest overall energy statistics, petroleum products account for approximately 40% of total energy consumption, while gas accounts for around 12%. The central law for curbing greenhouse gas emissions is the Federal Act on the Reduction of CO Emissions, a revised version of which was adopted by the Swiss Parliament in March 2024 and entered into force in 2025. Energy law primarily regulates this via building and authorisation regulations (eg, for devices and vehicles) or electricity tariffs by creating incentives to reduce consumption.

Law stated - 31 August 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

Operators of installations causing high greenhouse gas emissions, and operators of aircraft that take off or land on Swiss territory pursuant to international agreements, are obliged to participate in the Swiss Emissions Trading Systems (ETS). The activities that lead to participation are listed in Annex 6 of the CO Ordinance. They include, inter alia, the production or processing of ferrous metals including ferroalloys when operating combustion units with a total rated thermal input of more than 20MW, the production of cement clinker in rotary kilns with a production capacity of more than 500 tonnes per day or in other kilns with a production capacity of more than 50 tonnes per day, and the production of paper and cardboard with a production capacity of more than 20 tonnes per day. Under certain conditions, exceptions from the ETS may be requested (opt-out). Operators of certain

installations causing high or moderate greenhouse gas emissions may apply to participate in the ETS (opt-in).

Law stated - 31 August 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

The production and consumption of renewable energy largely relates to electricity production (apart from biogas). Electricity accounts for around a quarter of Switzerland's total energy consumption. Within the electricity sector, a good third of energy is generated from nuclear power, while the rest is renewable, mostly (around 50%) hydropower. The policy promotes the expansion of new renewable energies (solar and wind) through subsidies. Hydropower is also to be expanded, particularly regarding production in winter. The ecological added value of green electricity can be marketed via guarantees of origin.

Law stated - 31 August 2026

Wind energy

20 Describe, in general terms, any regulation of wind energy.

There is currently no specific regulation for wind energy. Wind turbines are subject to the usual planning and construction procedures and generally must undergo an environmental impact assessment, among other conditions.

That being said, certain simplifications to the planning procedure have been recently implemented, such as the amendment to the Energy Ordinance, which came into force on 1 February 2024 and is designed to implement the amendments to the Energy Act passed by the Swiss parliament in June 2023. The aim is to speed up and simplify the authorisation procedures for wind power plants of national interest.

Wind energy plants are eligible for state subsidies.

Law stated - 31 August 2026

Solar energy

21 Describe, in general terms, any regulation of solar energy.

The building permit procedure for solar installations has been steadily simplified in recent years. Smaller rooftop systems now generally do not require a building permit. The construction of freestanding solar installations outside the building zone (eg, agri-photovoltaics – referring to solar power plants erected on top of crops) is now also permissible under certain conditions. There is also a temporary special regime for large solar installations in alpine terrain. Solar installations are also subsidised.

The Federal Act on a Secure Power Supply with Renewable Energies has led to the amendment of several laws and ordinances affecting solar energy. Among other things, the law gives priority, in certain cases, to wind and solar power plants located in suitable areas, and solar installations that are sufficiently adapted to facades no longer require planning permission in building zones and agricultural areas.

Solar power plants of national interest are also covered by the June 2023 amendment aimed at simplifying and speeding up procedures. The energy regulations now include a revised scheme of subsidisation for solar power plants, which has been in effect since 2025.

Law stated - 31 August 2026

Hydropower, geothermal, wave and tidal energy

22 Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Hydropower is governed by several regulations in Switzerland – on the one hand, environmental, nature and heritage protection law, including water protection law, and on the other, spatial planning and water law, which, among other things, imposes a water rate for the use of public waters. The law on dams may also be affected. There are also subsidies for electricity generated from hydropower.

With its 2050 Energy Strategy, the Swiss government is seeking to increase the average annual production of electricity from hydroelectric power and promote the use of hydroelectric power in several ways, such as investment contributions, simplification of the authorisation procedure or giving certain hydroelectric projects precedence over other national interests.

Law stated - 31 August 2026

Waste-to-energy

23 Describe, in general terms, any regulation of production of energy based on waste.

There is no special regulation for waste-to-energy plants in Switzerland. The corresponding plants are subject to the usual authorisation procedures. Biomass plants can benefit from subsidies.

Law stated - 31 August 2026

Biofuels and biomass

24 Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

Biogenic fuels (biofuels) benefit from certain tax concessions in Switzerland. Otherwise, there are no special regulations.

Biomass plants are subject to the usual planning and building regulations; however, under the amendments introduced by the the Federal Act on a Secure Power Supply with Renewable Energies, biomass plants located on farms outside building zones will be considered as conforming to the zone under certain conditions.

The use of power plants can be financially subsidised (eg, in the context of thermal networks).

Law stated - 31 August 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

Switzerland aims to achieve climate neutrality by 2050. However, its long-term climate strategy of 2021 assumes that it will not be possible to reduce all greenhouse gas emissions to zero by 2050 and that there will be remaining emissions of about 12 million tons CO eq per year, mainly from cement production, waste incineration, other industrial sectors and agriculture. Switzerland's strategy therefore includes the use of additional technologies to achieve the net-zero target and fully offset the remaining emissions. According to calculations by the Swiss Federal Council, carbon capture and storage (CCS) could prevent 5 million tons of CO eq from being emitted by installations, and negative emissions technologies (NET) could offset the remaining 7 million tons of CO eq. On 18 May 2022, the Federal Council adopted its latest report in this matter entitled "Carbon capture and storage (CCS) and negative emission technologies (NETs): How they can gradually contribute to the long-term climate target". In it, the Federal Council outlines the steps currently considered advisable to achieve the expansion of CCS and NETs required by 2050. The expansion is divided into two phases: a pioneering phase from 2022 to 2030 and a targeted scaling phase from 2031 to 2050. According to the Federal Council, the pioneering phase is feasible given current conditions and developments, but the scaling phase will probably require more extensive preparations, possibly even at the constitutional level. The Federal Council's report also includes an action plan that addresses the priorities for strengthening investment security for stakeholders and the responsibilities of the public sector, research, industry and society in creating a favourable environment for the expansion of CCS and NETs.

The revised CO Act, which came into force on 1 January 2025, sets out the measures needed to achieve the objective of halving greenhouse gas emissions in relation to 1990 levels by 2030, including the continuation of existing measures (such as the Emissions

Trading Scheme or new vehicle emissions requirements) and the introduction of a range of new measures to reduce greenhouse gas emissions.

On 2 April 2025, the Swiss government adopted the revised CO Ordinance, partly with retroactive effect from 1 January 2025. The ordinance sets targets for reducing greenhouse gas emissions from the various sectors up to 2030 and implements the measures decided on in the revision of the CO Act. Among other provisions, it establishes new federal support for climate change adaptation measures and specifies the conditions for promoting businesses that adopt climate-friendly technologies.

Law stated - 31 August 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

In M&A transactions, climate change is increasingly an integral part of legal due diligence. The transactional due diligence scope must be drafted individually for each target. This comprises the permits due diligence that must be performed in an M&A transaction in the climate sector as in any other transaction. Specific regulatory challenges in the climate sector are posed by compliance with ETS requirements with a present, past and future focus. Targets engaged in CO -intensive activities that cannot prove to have surrendered all CO certificates required under CO laws create significant monetary risks which need to be addressed in a purchase contract. In this regard, the CO account statements need to be reviewed. The amount of existing CO certificates, and whether unused CO certificates have been lawfully transferred to future years, must also be verified.

Law stated - 31 August 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

The biggest trend is the development and regulation of carbon capture and storage (CCS) and negative emissions technologies (NET). On 22 November 2023, the Federal Council decided to ratify the 2009 amendment to the 1969 Protocol to the 1972 Convention to the Prevention of Marine Pollution by Dumping of Wastes and Other Matters (the London Protocol). The 2009 amendment exempts CO intended for storage in sub-seabed geological formations from the prohibition of export of waste enshrined in the London Protocol. From 2024 on, export of CO for sub-seabed storage will therefore be possible. The decision to ratify the 2009 amendment constitutes one of the measures contained in the CCS/NET Report's action plan.

In April 2024, the European Court of Human Rights (ECHR) issued a judgment in the *Klimaseniorinnen v Switzerland* case that received worldwide attention since this was the first time that the ECHR ruled on climate change as a human rights issue. The ECHR found that Switzerland failed to take adequate measures to combat climate change, violating the rights to respect for private and family life (article 8 of the ECHR) and access to justice (article 6, § 1 of the ECHR). Further, the ECHR dismissed the individual applicants for lack of victim status according to article 34 of the ECHR but recognised that an association (such as the applicant) has standing to represent individuals due to the unique characteristics of climate change and the importance of inter-generational burden-sharing. The ruling sparked intense debate in Switzerland and the Council of Europe's Committee of Ministers is monitoring its implementation.

In line with Switzerland's national net-zero target for 2050 and ambitious cantonal climate plans, several Swiss city utilities are now mapping a complete phase-out of natural gas. The City of Winterthur aims to cut its gas network by half by 2033 and down to just 20% of today's size by 2040, replacing it with district heating and other renewable systems, while offering compensation for prematurely replaced boilers. In Zurich, Energie360 is progressively decommissioning gas infrastructure in areas served by thermal grids, with full withdrawal planned by 2040. These strategies mark a pivotal shift in urban energy supply toward climate-neutral heating.

In support of Switzerland's 2050 net-zero ambitions and its energy transition agenda, the Federal Council adopted the country's inaugural national hydrogen strategy on 13 December 2024. Complementing this, the 2023 Electricity Act (umbrella decree), effective since 1 January 2025, inserts a new article 24 ter into the Spatial Planning Act – enabling electrolysers and Power-to-X facilities to be licensed even outside traditional building zones, thereby removing a major permitting hurdle. Further planned reforms aim to harmonise key hydrogen definitions (such as "renewable", '"CO -neutral" and "low-carbon"), foster hydrogen clusters and establish supportive subsidy and state-aid schemes aligned with evolving EU guidelines – setting a clear legal course for a future hydrogen economy.

Further, the current climate reporting obligations, encapsulated in the non-financial reporting obligations for large Swiss companies (article 964a et seq. CO), are set to be revised in the course of the implementation of relevant amendments to EU laws (in particular, the adoption of the EU Corporate Sustainability Reporting Directive). This will generally increase the quality and comparability of Swiss companies' climate disclosures.

Law stated - 31 August 2026



Isabelle Romy	isabelle.romy@kellerhals-carrard.ch
Christoph Jäger	christoph.jaeger@kellerhals.ch
Julien Rouvinez	julien.rouvinez@kellerhals-carrard.ch
Sophie Ribaut	sophie.ribaut@kellerhals-carrard.ch
Andreas Hoesli	andreas.hoesli@kellerhals-carrard.ch
Tom Pleiner	tom.pleiner@kellerhals-carrard.ch

Kellerhals Carrard

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United Kingdom

Rachel MacLeod
Addleshaw Goddard LLP

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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

Yes. The UK is party to a wide range of international climate agreements and is actively engaged in global climate governance.

The UK is a longstanding member of the United Nations Framework Convention on Climate Change (UNFCCC), the foundational international treaty for climate cooperation adopted in 1992. It participates in the annual Conferences of the Parties (COP), where international climate commitments are negotiated. In 2002 the UK ratified the Kyoto Protocol and undertook legally binding greenhouse gas (GHG) reduction targets during both the first (2008–2012) and second (2013–2020) commitment periods. It is also party to the Paris Agreement, which covers climate change mitigations, adaptation and financing. Under the Paris Agreement, the UK's 2030 Nationally Determined Contribution (NDC) commits it to reducing economy wide GHG emissions by at least 68% compared with 1990 levels. In January 2025, the UK submitted its 2035 NDC committing to reducing GHG emissions by at least 81% by 2035 excluding international aviation and shipping emissions.

In 2021, the UK hosted COP26 in Glasgow, which resulted in the Glasgow Climate Pact. The agreement advanced global efforts on phasing down coal, scaling up climate finance and finalising rules under article 6 of the Paris Agreement concerning international carbon markets. The UK subsequently participated in COP29 in Baku 2024 where it announced its 2035 NDC target and COP30 in Belem, Brazil, in 2025.

The UK is a party to the Vienna Convention for the Protection of the Ozone Layer and a protocol to that treaty, the Montreal Protocol on Substances that Deplete the Ozone Layer. It has also ratified the Kigali Amendment to the Montreal Protocol, under which it is required to phase down the production and consumption of hydro-fluorocarbons (HFCs) by 85% by 2036. It is also a party to the Convention on Biological Diversity, recognising the overlap between biodiversity and climate through nature-based solutions. In the transport sector, the UK supports the International Maritime Organization's 2023 Strategy on Reduction of GHG Emissions from Ships, which aims for international shipping to reach net zero GHG emissions by or around 2050, with indicative checkpoints of reducing total annual GHG emissions by at least 20%, striving for 30%, by 2030 and at least at 70%, striving for 80% by 2040, compared with 2008 levels. It also participates in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) under the International Civil Aviation Organisation, aimed at offsetting international aviation emissions above 2020 levels, which requires relevant aircraft operators to offset emissions above the applicable CORSIA baseline. For the period from 2024 to 2035, that baseline is 85% of 2019 emissions levels.

Although no longer an EU member, the UK's Trade and Cooperation Agreement (TCA) with the EU includes non-regression clauses on climate and environmental protection, requiring both parties to maintain high standards. The UK has also joined the Global Methane Pledge, which targets a collective global reduction of 30% in methane emissions by 2030 relative to 2020 levels. In October 2025, the government published the UK Methane Action

Plan, setting out domestic and international action being taken in support of methane emissions reductions and the Global Methane Pledge.

As a G7 and G20 member, the UK continues to endorse collective commitments on climate mitigation, fossil fuel subsidy reform and the alignment of finance flows with the goals of the Paris Agreement.

Law stated - 1 September 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

The UK's regulatory climate policy is heavily shaped by its international obligations, with domestic legislation often designed to reflect and implement multilateral commitments.

The UK's principal legal framework is the Climate Change Act 2008, as amended in 2019 by The Climate Change Act 2008 (2050 Target Amendment) Order 2019, which enshrines a legally binding target to achieve net zero greenhouse gas emissions by 2050. This long-term commitment directly reflects the objectives of the Paris Agreement and has shaped successive carbon budgets, national climate adaptation plans and sector-specific decarbonisation strategies. The UK's international commitments continue to influence its domestic emissions trajectory. In particular, its 2035 Nationally Determined Contribution under the Paris Agreement commits the UK to reduce GHG emissions by at least 81% by 2035 compared with 1990 levels, excluding international shipping and aviation emissions. Policy tools used to implement these include the UK Emissions Trading Scheme (UK ETS), clean energy subsidies, energy efficiency standards and regulatory frameworks for key emitting sectors.

As a party to the UNFCCC and the Paris Agreement, the UK is subject to enhanced transparency and reporting requirements, including the submission of National Communications, Biennial Transparency Reports and detailed greenhouse gas inventories. These obligations influence domestic policy planning and necessitate robust monitoring systems, coordinated primarily by the Office for National Statistics (ONS) and the Department for Energy Security and Net Zero (DESNZ, formerly BEIS).

Although the UK is no longer a member of the EU, it continues to uphold many EU-derived climate regulations. These include vehicle CO2 emission standards, product energy labelling rules and green finance disclosure frameworks, retained to ensure regulatory equivalence and support access to international markets. While the UK was previously integrated into the EU Emissions Trading System (EU ETS), it launched its own UK ETS in 2021 following Brexit. This scheme maintains a similar market-based approach and aligns with global carbon pricing trends. In May 2025, the UK and EU agreed to work towards linking their respective emissions trading systems. Formal negotiations subsequently commenced following approval of the EU's negotiating mandate in November 2025 and the UK and EU have stated their aim of concluding the negotiations by the time of the next UK–EU Summit.

The UK hosted COP26 in Glasgow, which resulted in the Glasgow Climate Pact and a separate UK commitment to spend £11.6 billion in international climate finance between 2021 and 2026. International climate obligations continue to influence domestic budgeting and overseas development policy. In June 2026, the government published a new International Climate Finance Strategy, setting priorities including mobilising public and private climate finance, supporting the global clean energy transition.

Participation in multilateral forums such as the G7 and G20 continues to place external pressure on the UK to accelerate climate action. This includes following through on joint pledges such as the Global Methane Pledge and the Powering Past Coal Alliance, both of which have influenced the UK's domestic action on fossil fuel phase-out, methane regulation and clean energy deployment.

Law stated - 1 September 2026

Main national regulatory policies

3 | Outline recent government policy on climate matters.

Recent UK government climate policy has focused on accelerating decarbonisation through investment support, regulatory reform and long-term strategic planning.

The Contracts for Difference (CfD) scheme is the UK's flagship mechanism for supporting low-carbon electricity generation. CfDs incentivise investment in renewable energy by providing developers with protection from volatile wholesale electricity prices. For Allocation Round 7 (AR7) which opened in August 2025, the government extended CfD contract lengths from 15 to 20 years for fixed bottom offshore wind, floating offshore wind, onshore wind and solar projects, alongside other reforms intended to reduce investment risk and accelerate deployment. Ar7 and AR7a results were published in early 2026, with contracts offered across a range of renewable technologies.

In 2025, the government enacted the Great British Energy Act, which established a state-owned energy company – Great British Energy. The new entity is designed to accelerate clean energy investment and reinvest profits into the UK economy. The legislation also includes provisions to ensure that Great British Energy's supply chains, including in respect of solar panels, meet ethical sourcing standards, including compliance with anti-modern slavery requirements. In September 2025, the government published Great British Energy's Statement of Strategic Priorities, directing it to accelerate clean energy deployment, develop resilient supply chains and jobs and support local and community energy.

In 2023, to support decarbonisation in carbon-intensive industries, the Treasury and Financial Conduct Authority (FCA) launched a Transition Finance Market Review and pilot programme. This initiative looked at what the UK financial and professional services ecosystem needs to do to become a leading hub for and provider of transition financial services, by facilitating UK and international companies and investors to invest to align with credible net zero pathways. The government has subsequently taken forward recommendations from the Transition Finance Market Review, including co-launching the Transition Finance Council with the City of London Corporation. The Council is tasked

with supporting the development of high integrity UK transition finance market and strengthening the UK's position as a global transition finance hub.

The UK government has also committed to scaling up investment in industrial decarbonisation and carbon capture, usage and storage (CCUS), recognising the pivotal role of CCUS in securing growth, achieving its climate goals and transitioning to a low-carbon economy. The government has committed to supporting the development and deployment of CCUS technologies through structured programmes and substantial investments. In October 2024, the government announced it had committed up to £21.7 billion over 25 years to support the UK's first CCUS clusters. The East Coast Cluster transport and storage network and net zero Teesside Power subsequently reached financial close in December 2024, followed by the HyNet transport and storage network in April 2025, moving the UK's first government-backed CCUS clusters into delivery. The CCUS strategy is tied closely to the government's aim to create jobs and drive regional economic growth in industrial clusters.

In the transport sector, the UK is implementing a Zero Emission Vehicle (ZEV) mandate that requires an increasing proportion of new cars sold to be fully electric, with sales of new petrol and diesel cars to cease by 2030. This forms part of a broader strategy to decarbonise the transport system, supported by investment in electric vehicle charging infrastructure and grant schemes for fleet electrification. In April 2025, the government confirmed amendments to the ZEV mandate, including allowing hybrid cars to be sold until 2035 to help ease the transition. The government has also introduced an Electric Car Grant to support consumer update of eligible electric vehicles, with funding subsequently increased to £2bn and the scheme extended to 2029 / 2030.

These policies are underpinned by a legally binding net zero target established under the Climate Change Act 2008 and the UK's international commitments to reduce emissions by at least 68% by 2030 and by 81% by 2035. In October 2025, the government published its Carbon Budget and Growth Delivery Plan, setting out policies and proposals for meeting the UK's statutory carbon budgets while seeking to capture the economic benefits of the transition. The Plan was further updated in June 2026, including measures concerning heat and buildings.

In addition, the UK government plans to introduce a domestic Carbon Border Adjustment Mechanism (CBAM) from 2027 with the primary legislative framework enacted through the Finance Act 2026 and implementing secondary legislation being introduced during 2026. The mechanism will apply a carbon price to the embodied emissions of specified imported goods in the aluminium, cement, fertiliser, hydrogen and iron and steel sectors. It is intended to mitigate carbon leakage by ensuring that relevant imported goods face a carbon price comparable to that borne by UK producers.

Law stated - 1 September 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

The United Kingdom's climate framework is built around several key legislative instruments that collectively provide the legal foundation for decarbonisation and environmental governance.

The Climate Change Act 2008 (as amended in 2019 by The Climate Change Act 2008 (2050 Target Amendment) Order 2019) is the central piece of UK climate legislation. It sets a legally binding target to achieve net zero greenhouse gas emissions by 2050 and introduced the system of carbon budgets – five-yearly caps on national emissions. These budgets are legislated through periodic Carbon Budgets Orders and are monitored by the independent Climate Change Committee (CCC). In 2026, the government set the Seventh Carbon Budget for the period 2038 to 2042 at 535 MtCO2e, representing an approximately 87% reduction in emissions compared with 1990 levels and including the UK's share of international aviation and shipping emissions.

The Energy Act 2023 represents a major update to the UK's legal framework on clean energy and energy security. It establishes new powers to support low-carbon technologies such as carbon capture, usage and storage (CCUS), hydrogen production, and offshore wind. The Act also provides a legal basis for the regulation of CO2 transport and storage infrastructure, as well as the development of low-carbon heat networks.

The Environment Act 2021 complements the Climate Change Act 2008 by establishing long-term environmental targets, including in areas that intersect with climate policy, such as air quality, water, waste and biodiversity. The Act also created the Office for Environmental Protection (OEP), an independent body tasked with monitoring and enforcing environmental law, including in relation to climate mitigation and adaptation.

Following the UK's withdrawal from the European Union, the UK Emissions Trading Scheme (UK ETS) was introduced via the Greenhouse Gas Emissions Trading Scheme Order 2020. The UK ETS replaces the UK's participation in the EU ETS and applies to energy-intensive industries, electricity generators and aviation operators. It establishes a cap on emissions and allows for the trading of allowances, forming a market-based mechanism to support emissions reductions. The UK ETS has subsequently been amended as the scheme develops, including reforms to free allocation and other aspects of its operation, while the UK and EU are negotiating the proposed linkage of the UK ETS and EU ETS.

There are various regimes which require companies to report on GHG emissions and climate-related financial risks and opportunities. For example, the Companies (Directors' Report) and Limited Liability Partnerships (Amendment) Regulations 2022 require large UK companies and LLPs to disclose climate-related financial risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Streamlined Energy and Carbon Reporting (SECR) regime requires in-scope companies to report on greenhouse gas emissions. In February 2026, the government also published UK Sustainability Reporting Standards (SRS) S1 and S2, based on the IFRS Sustainability Disclosure Standards. UK SRS S2 specifically addresses climate related risks and opportunities. The standards are currently available for voluntary use, while the government and FCA consider their application to mandatory corporate reporting requirements.

Law stated - 1 September 2026

National regulatory authorities

5 Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

The UK's climate governance is implemented and overseen by a combination of national and devolved authorities, each with defined responsibilities across policy development, enforcement and regulation.

The Department for Energy Security and Net Zero (DESNZ) is the lead government department responsible for climate and energy policy. It oversees the UK's net zero strategy, clean energy deployment, carbon capture, usage and storage (CCUS), energy efficiency measures, and transition planning for high-emission sectors. DESNZ plays a central role in developing policies that align with carbon budgets and legally binding emissions targets. The Department for Environment and Rural Affairs (Defra) is responsible for improving and protecting the environment and also aims to grow a green economy and sustain thriving rural communities.

The Environment Agency (EA) is responsible for enforcing various environmental and climate-related regulations. This includes issuing and monitoring permits for industrial emissions, overseeing compliance with emissions standards, and environmental permitting and compliance oversight for CCUS and other renewable projects onshore. In the devolved administrations, Natural Resources Wales, the Scottish Environment Protection Agency (SEPA), and the Northern Ireland Environment Agency (NIEA) carry out equivalent enforcement and regulatory functions. These bodies also act as the principal regulators for the UK ETS within their respective jurisdictions. The EA additionally acts as the UK wide administrator of the Climate Change Agreements scheme, including the new scheme commencing in 2026 with responsibility for eligibility, targets, certification, compliance and enforcement.

The UK ETS authority, comprising of the UK government, Scottish government, Welsh government and Northern Ireland Department of Agriculture, Environment and Rural Affairs, is responsible for overarching operation and development of the UK ETS. It sets scheme policy and oversees matters such as the emissions cap, allocation of allowances and expansion of the scheme.

In the financial sector, the Financial Conduct Authority (FCA) is leading the development of the UK's Sustainability Disclosure Requirements and investment-label regime, while the Prudential Regulation Authority (PRA) continues to develop supervisory expectations relating to climate-related financial risks within banks and insurers. These requirements aim to standardise climate-related disclosures among regulated firms, enhance market transparency and support the UK's green finance agenda.

The Office for Environmental Protection (OEP) is an independent statutory body established under the Environment Act 2021. It monitors public authorities' compliance with environmental and climate obligations and can investigate suspected breaches of law. The OEP has enforcement powers and may initiate legal proceedings in cases of non-compliance with environmental duties, including those relating to climate change mitigation and adaptation.

Law stated - 1 September 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

The principal sources of greenhouse gas emissions in the United Kingdom, as classified by territorial emissions reporting, are: domestic transport; buildings and product use; industry; electricity supply; fuel supply; and land use, agriculture, waste and forestry. According to final UK GHG emissions statistics for 2024, net territorial emissions were approximately 371 MtCO2e, around 3% lower than 2023 and 53% below 1990 levels. Provisional data for 2025 estimates a further reduction to around 367 MtCO2e, representing a 54% reduction since 1990.

- In 2024, transport was the largest emitting sector, accounting for 30% of territorial emissions. Road vehicles accounted for approximately 90% of emissions within this sector.
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- Agriculture accounted for circa 12% of emissions and waste for 6%, while land use and change and forestry accounted for 0.1% of net emissions.

Emission limits and reduction obligations in the UK are enshrined in law under the Climate Change Act 2008 (as amended). The Act mandates a legally binding net zero target by 2050 and requires the government to establish five yearly carbon budgets, which set legally binding limits on the UK's net GHG emissions over each budgetary period.

Further regulation is provided through the UK Emissions Trading Scheme (UK ETS), which applies to power generation, heavy industry and aviation and from 1 July 2026, domestic maritime transport within the applicable scope. In scope private operators are subject to monitoring and reporting requirements and must surrender allowances corresponding to their regulated emissions, subject to the applicable scheme rules.

Additionally, households and businesses must comply with regulatory standards relevant to emissions governing building energy efficiency, heating systems, vehicle emissions, waste management and planning conditions.

Law stated - 1 September 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

The UK has launched a number of large-scale emission reduction projects in line with its net zero objectives and carbon budget obligations. These initiatives span the energy, transport and industrial sectors and involve both public and private sector actors. They are supported by a policy and regulatory environment shaped by the Climate Change Act 2008 (as amended), the Energy Act 2023 and associated government strategies.

Carbon capture, usage and storage (CCUS) has emerged as a growing element of the UK's industrial decarbonisation strategy. The UK is home to seven major industrial clusters, or geographic areas, that produce 50% of all UK industry emissions. The government is supporting CCUS development in these clusters to achieve high-impact emissions reductions. The HyNet Cluster in the North West of England and the East Coast Cluster, which covers Teesside and the Humber, are the UK's two Track-1 clusters selected for priority development and government support. The Acorn Cluster in Scotland and the Viking Cluster in Humber were identified in July 2023 by the previous government as falling in Track-2. In October 2024, the government announced it had committed £21.7 billion in funding for the first CCUS projects in the UK. The East Coast Cluster transport and storage network and Net Zero Teesside Power reached financial close in December 2024, followed by the HyNet transport and storage network in April 2025, moving the UK's first government-backed CCUS clusters into delivery. The government continues to support the development of the Track 1 clusters, with the wider programme intended to establish operational CCUS clusters during the remainder of the decade.

Hydrogen is another major focus area. The Hydrogen Allocation Rounds (HARs) provide government revenue support for low-carbon hydrogen production across the UK. The first Hydrogen Allocation Round (HAR1) awarded support to 11 electrolytic hydrogen projects, backed by more than £2 billion of revenue support through the Hydrogen Production Business Model. The second HAR2 has subsequently progressed, with 27 electrolytic hydrogen production projects across England, Scotland and Wales shortlisted for further assessment. The government is also developing wider hydrogen transport, storage and power infrastructure to support the development of a commercial hydrogen market.

Renewable energy development continues to play a critical role in the UK's decarbonisation pathway. A notable recent example is the East Anglia THREE offshore wind farm; a 1.4GW project developed jointly by Masdar and Iberdrola. Various other wind, solar and battery storage projects are progressing under the Contracts for Difference regime.

Internationally, the UK government and its financial institutions continue to participate in clean energy and emission reduction projects in other jurisdictions. UK Export Finance has supported offshore wind and solar projects in Asia, Africa and Latin America, while UK-based banks are active in green bond issuances and climate-aligned lending in overseas markets. The UK has also committed to ending government support for new fossil fuel projects abroad, in line with its international climate finance commitments under the Glasgow Climate Pact.

Law stated - 1 September 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

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8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

The UK's commitment to reach net zero by 2050 has resulted in a suite of policies relating to decarbonisation. The Climate Change Committee's 2026 progress report identifies the UK as remaining among a leading group of countries demonstrating sustained emissions reduction, while emphasising the need to accelerate electrification across transport, buildings and industry.

The UK climate sector to date has been primarily driven by decarbonisation of the electricity system, with renewables replacing both coal and, increasingly, gas. Future progress to UK emission reduction targets will require a broader change, especially using low-carbon electricity to replace oil and gas in surface transport, heat in buildings, and industry, alongside nature-based solutions such as tree planting, and engineered removals.

Over recent years there have been clear signs that a broader change is starting to occur in respect of surface transport, with UK transport emissions decreasing as new, lower-cost EVs are brought to the market.

The UK has also seen significant increases in roll-out rates in other areas relating to decarbonisation, such as heat pumps, tree planting and peatland restoration.

Law stated - 1 September 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

Yes, there are various regimes in the UK that seek to regulate, limit, reduce or remove GHG emissions. These include the following.

- The aspects of the Environmental Permitting regime adopted to implement the EU Industrial Emissions Directive. These require operators of industrial installations, such as industrial facilities, manufacturing plants, combustion activities and businesses that produce harmful substances, to hold an environmental permit in respect of certain emissions to air (as well as water and land). Environmental permits may set limits on emissions to air (eg, limits on the emissions of exhaust gas from a boiler stack) and larger industrial facilities will need to apply best available techniques in operating their installations to achieve a high level of environmental protection.
- Vehicle emissions legislation that sets emission standards for individual vehicles as part of the vehicle type approval regime, as well as targets for manufacturers in respect of the sale of zero emission vehicles (ZEV) with the aim of supporting the transition to ZEVs , including through annual manufacturer sales targets and ending sales of new cars powered solely by internal combustion engines by 2030, while permitting certain hybrid vehicles to be sold until 2035.

- The UK Emissions Trading Scheme (UK ETS) is a cap and trade scheme that seeks to reduce GHG emissions by requiring operators of in-scope activities to monitor and report their emissions and surrender corresponding emissions allowances. It applies principally to energy-intensive industries, power generation and aviation and from 1 July 2026, also applies to qualifying domestic maritime activities by ships. The UK ETS was introduced to replace the UK's participation in the EU ETS following the end of the Brexit transition period and was established through the Greenhouse Gas Emission Trading Scheme Order 2020. The UK and EU are currently negotiating the proposed linkage of their respective emissions trading systems.
- The Climate Change Levy (CCL) and Climate Change Agreements (CCAs). The CCL is an environmental tax that is charged on the supply of energy to non-domestic customers. Its purpose is to encourage energy efficiency and thereby reduce carbon emissions. CCAs are voluntary agreements under which eligible energy-intensive businesses commit to agreed energy efficiency or carbon reduction targets in return for reduced rates of CCL on their energy supplies. A new CCA scheme commenced on 1 January 2026, with target periods running through 2030. Participating operators must comply with their agreement requirements to retain entitlement to the CCL discount and may be subject to buy-out payments, penalties or loss of certification for non-compliance.
- The Carbon Border Adjustment Mechanism (CBAM) is intended to take effect from 1 January 2027. CBAM will operate as a tax on specified carbon-intensive imported goods, including aluminium, cement, fertiliser, hydrogen and iron and steel, with rates determined by reference to the carbon price that would have applied had the goods been produced in the UK. Importers meeting the applicable £50,000 registration threshold will be required to register for CBAM and comply with the associated reporting and payment obligations.

Law stated - 1 September 2026

GHG emission permits or approvals

10 Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

Installation operators subject to the UK ETS must obtain a GHG emissions permit before commencing their regulated activities. The GHG emissions permit should be applied for online via the Manage your UK Emissions Trading Scheme reporting (METS) portal. The GHG emissions permit provides for:

- monitoring and reporting obligations for GHG emissions, including the submission of a verified annual emissions report by 31 March each year;
- a requirement to surrender, on or before 30 April, GHG emission allowances to cover GHG emissions from the previous year; and
- specific reporting requirements for installations benefiting from free allocations of emission allowances.

Note, while aircraft operators are subject to the UK ETS, they do not need to obtain a GHG emissions permit. The position is similar for domestic maritime activities which became subject to the UK ETS from 1 July 2026.

Hospitals and small-emitters (HSEs) that meet certain conditions are able to opt-out of the main UK ETS scheme and instead obtain an HSE permit. They are also subject to less onerous reporting requirements and do not need to surrender GHG emissions allowances.

There is also an opt-out for ultra-small emitters (USE) which, broadly, applies to installations that emit less than 2,500 tonnes of CO2 (or equivalent) per year). USE have relatively light emissions monitoring obligations and are not required to obtain a permit or surrender GHG emissions allowances.

Law stated - 1 September 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

Operators subject to the UK ETS are required to monitor their emissions each year in accordance with their approved monitoring plan and the requirements of the UK ETS regime. They must submit details of their reportable emissions by 31 March in respect of the previous year using the Manage your UK Emissions Trading Scheme reporting service (METS).

Operators are required to appoint a suitably accredited verifier that has been accredited by the United Kingdom Accreditation Service (UKAS) to ISO 14065. The verifier must confirm that the GHG emissions report is satisfactory, and a copy of the verification report needs to be submitted alongside the emissions report. The verification process will often require a site visit to the installation, subject to the circumstances in which a site visit may be waived.

There are simplified, less onerous, reporting requirements for low emitting operators (ie, HSEs and USEs).

There are various other regimes in the UK which require companies to monitor and report on their GHG emissions. For example, under the Streamlined Energy and Carbon Reporting (SECR) regime, quoted companies and unquoted companies and LLPs that meet certain thresholds are required to include information on their annual GHG emissions (roughly equating to scope 1 and scope 2 emissions), intensity metrics and energy efficiency measures adopted in the Directors' Report that is submitted to Companies House as part of the annual accounts. There is no requirement under SECR for the GHG emission data to be independently assured. However, if the information in the SECR disclosures is material inconsistent with the financial statements or the auditor's knowledge, or otherwise appears to be materially misstated, then the auditor will need to consider whether to issue a qualified auditor's report in respect of the annual accounts.

Law stated - 1 September 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

Yes, the UK ETS was introduced to replace the UK's membership of the EU ETS following the end of the Brexit transition period after the UK's withdrawal from the EU market. It operates as a cap-and-trade scheme under which one UK Allowance (UKA) represents an entitlement to emit one tonne of carbon dioxide equivalent. Participation is mandatory for certain regulated installations, including energy intensive industries and the power generation sector, and for qualifying aviation activities. From 1 July 2026, the UK ETS also applies to qualifying domestic maritime activities involving ships of 5,000 gross tonnage and above.

The UK ETS commenced in 2021 and its current legislated cap runs to 2030. For free allocation purposes, the first allocation period has been extended to cover 2021 to 2026, while the second allocation period will run from 2027 to 2030. The start of the second allocation period was moved from 2026 to 2027 to align changes to free allocation with the introduction of the UK CBAM.

As is the case with the EU ETS, most emission allowances issued under the UK ETS are sold by way of an auction. However, to avoid carbon leakage, whereby industries impacted by the price of allowances relocate operations to outside of the UK to avoid the costs, there is a system of free allocation of allowances for eligible installations exposed to carbon leakage, with revised free allocation rules applying during the 2027 to 2030 allocation period.

Auctions of UK ETS allowances take place on set dates throughout the year. Operators can also purchase UK ETS allowances from traders with a trading account in the UK ETS registry, as well as other UK ETS participants who have excess allowances.

Law stated - 1 September 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

Yes, the Environment Agency administers the UK ETS registry in connection with the UK ETS. The UK registry is made up of:

- the UK ETS registry, which holds UK ETS emissions allowances; and
- the UK Kyoto Protocol (KP) registry that can hold international units (these cannot be used for UK ETS compliance).

The UK ETS registry is used by operators subject to the UK ETS to record:

- free allowance allocations;
- annual verified emissions;

- allowance transfers; and
- allowance surrenders and surrender balance.

The Registry includes Operator Holding Accounts for installations, Aircraft Operator Holding Accounts for aircraft operators and, following the extension of the UK ETS to domestic maritime activities from 1 July 2026, Maritime Operator Holding Accounts for maritime operators.

Entities trading in allowances can open a specific "trading account" for the hold and trade in allowances. Entities can also open a 'person account' in the national registry (UK KP registry) that can be used to hold and trade in international allowances (eg, if receiving allowances directly from the Clean Development Mechanism (CDM)).

Law stated - 1 September 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

As is the case with the EU ETS, most emission allowances issued under the UK ETS are sold by way of an auction with auctions taking place on set dates throughout the year. The Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021 set out the rules for the auctioning of allowances, including specifying the procedure for submitting bids and eligibility criteria for participating in auctions. ICE Futures Europe currently provides the auction platform and secondary market services under the UK ETS, and participants needs to be registered with ICE Futures Europe to take part in auctions. At present the UK ETS has an Auction Reserve Price of £28, which establishes a minimum price for which allowances can be sold at auctions. From 2027, the Auction Reserve Price will be adjusted annually in line with inflation.

In addition to the auction process, the UK ETS also provides for free allocation of allowances to avoid carbon leakage which results from industries impacted by the price of allowances relocating operations to outside of the UK to avoid the costs. The process for determining eligibility for free allocation under the UK ETS and for industry benchmarking is largely the same as under Phase IV of the EU ETS and the relevant legislation is contained in The Greenhouse Gas Emissions Trading Scheme (Amendment) Order 2020, which came into force on 31 December 2020. Details of the free allocations for the 2021 to 2025 allocation period are provided in the UK ETS Allocation Table for operators of installations. Note, the start of the second free allocation period has been moved from 2026 to 2027 to align with the introduction of the UK Carbon Border Adjustment Mechanism (UK CBAM). This means that free allocations for 2026 will be calculated on a standalone basis.

UK ETS allowances that have either been sold by auction or released through free allocation can be traded on the UK ETS secondary market. This means that participants can source allowances outside of the auction and free allocation processes and can plan ahead through hedging future carbon costs.

Operators of activities in scope of the UK ETS have to surrender on an annual basis a quantity of allowances that is equal to the total specified emissions that they have reported. Allowances have to be surrendered by 30 April in respect of the previous scheme year and so participants have to ensure that they have sufficient allowances in their UK ETS registry account by that date. If insufficient allowances are surrendered, participants will receive a mandatory penalty of £100 per tonne of CO2 (indexed for inflation) that has not been accounted for.

Law stated - 1 September 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 | What GHG emission trading systems or schemes are applied in your country?

The principal GHG emissions trading system in the UK is the UK ETS, which currently covers power generation, energy-intensive sectors, aviation and, from 1 July 2026, domestic maritime transport. UK ETS allowances that have either been sold by auction or released through free allocation can be traded on the UK ETS secondary market. This means that participants can source allowances outside of the auction and free allocation processes can and can plan ahead through hedging future carbon costs.

Businesses that only trade in UK ETS allowances will need to have a specific trader account in the UK ETS registry.

Note, there is no consolidated registry or trading system for voluntary carbon credits in the UK.

In May 2025, the UK and EU agreed to link the UK and EU ETS. Formal negotiations on the proposed linkage are ongoing and, pending the conclusion and implementation of the agreement, the two schemes continue to operate separately.

Law stated - 1 September 2026

Trading agreements

16 | Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

Yes, there are standard agreements used for trading UK ETS allowances. For example, the International Swaps and Derivatives Association (ISDA) has a set of Transaction Documents intended for use in documenting transactions in UK ETS allowances. These are intended to be UK equivalents to the ISDA documents developed for trading in EU ETS allowances. The European Federation of Energy Traders (EFET) has also produced Standard Contracts for trading in various types of certificates/carbon.

Law stated - 1 September 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

According to the latest energy statistics published by DESNZ, total UK energy production fell by 1% in 2025 to 94 million tonnes of oil equivalent. Natural gas production fell by 3.3% while oil production increased by 2.6%. Total inland energy consumption was 164.5 million tonnes of oil equivalent, down 1.8% compared with 2024.

Coal-fired electricity generation ceased in Great Britain following the closure of UK's last coal-fired power station, Ratcliffe-on-Soar, in September 2024. The electricity mix continues to shift towards low-carbon generation. In 2025, renewable technologies accounted for over 50% of Great Britain's electricity generation, while low-carbon technologies as a whole accounted for 64.8% of generation. Fossil fuels nevertheless remain significant in the wider energy system, accounting for around three-quarters of UK energy consumption in 2024.

These changes to energy production in the UK have largely been driven by the UK's legally binding net zero commitment adopted under the Climate Change Act 2008 (as amended) and associated policies introduced to help achieve this target.

Obligations applicable to private persons relating to minimising energy consumption and improving energy efficiency include the following.

- The Energy Savings Opportunity Scheme (ESOS), which imposes mandatory energy audits on large companies every four years for the purpose of identifying energy savings opportunities. From the third compliance period, in scope organisations are also required to produce an ESOS action plan and submit annual progress updates on its implementation. Phase 4, covering the compliance period ending 5 December 2027, introduces additional reporting requirements, including requirements concerning energy-saving measures and the implementation of recommendations.
- The Energy Performance of Buildings (EPB) regime, which aims to improve the energy efficiency of buildings, reduce their carbon emissions and lessen the impact of climate change. According to government statistics, buildings account for 20% of the UK's total greenhouse gas emissions and so will play a crucial part in meeting the government's net zero commitments. Under the EPB regime, energy performance certificates (EPCs) are required for certain domestic and non-domestic dwellings, display energy certificates (DECs) are required for public buildings, and air conditioning inspection reports are required for systems above a certain size. The government is also reforming the EPB regime in England and Wales, including changes to the metrics used in EPCs and the circumstances in which certificates are required, with implementing regulations intended to support the introduction of a new style for domestic EPCs.

No national scheme exists in the UK for registering energy savings or trading energy-efficiency credits; ESOS does not generate tradable accounting units as it identifies energy saving opportunities only.

Law stated - 1 September 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

The main regulations relevant to GHG emissions are the following.

- Aspects of the Environmental Permitting regime which were adopted to implement the EU Industrial Emissions Directive. These require operators of industrial installations, such as industrial facilities, manufacturing plants, combustion activities and businesses that produce harmful substances, to hold an environmental permit in respect of types of emissions to air (as well as water and land). Environmental permits may set limits on emissions to air (eg, limits on the emissions of exhaust gas from a boiler stack) and larger industrial facilities will need to apply best available techniques in operating their installations to achieve a high level of environmental protection.
- Vehicle emissions legislation which sets emission standards for individual vehicles as part of the vehicle type approval regime, as well as targets for manufacturers in respect of the sale of zero emission vehicles (ZEV) with the aim of supporting the transition to ZEVs and phasing out sales of new petrol and diesel cars by 2030.
- UK Emissions Trading Scheme (UK ETS), which is a cap-and-trade scheme that seeks to reduce GHG emissions by requiring operators of certain types of in-scope installations to surrender GHG emission allowances to cover their GHG emissions. GHG emissions from energy-intensive industries and the power generation sector are generally in scope of the UK ETS, as well as aviation emissions arising from flights within the UK, and flights from the UK to Gibraltar and the EEA (and vice versa). The UK ETS was introduced to replace the UK's membership of the EU ETS following the end of the Brexit transition period.
- The Carbon Border Adjustment Mechanism (CBAM) will be introduced in the UK from 1 January 2027. CBAM will operate as a tax and is intended to ensure that carbon-intensive products (eg aluminium, cement, fertiliser, hydrogen, iron and steel) produced outside of the UK are subject to a comparable carbon price to that which would have been payable had the goods been produced in the UK. The UK CBAM rate will be applicable per tonne of embodied GHG emissions attributed to imported in-scope goods.
- The Streamlined Energy and Carbon Reporting regime requires quoted companies, and unquoted companies and LLPs that meet certain thresholds, to include information on their annual GHG emissions (roughly equating to scope 1 and scope 2 emissions) in the Directors' Report that is submitted to Companies House as part of the annual accounts.

Law stated - 1 September 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

Renewable energy continues to account for a substantial and growing proportion of UK electricity generation. According to the Q1 2026 Energy Trends data published by DESNZ, renewables accounted for 53.1% of electricity generated by major power producers in the three months from January to March 2026, with renewable generation increasing by 18% compared with the corresponding period in 2025.

The UK sees itself as a world leader in offshore wind in particular, with a mature supply chain and several established projects. There is clear government policy support for renewable energy in the UK and the energy markets are very open, enabling global and financial investors to play a very active role alongside traditional and visible energy players. There has been a raft of energy and renewables-related plans and strategies published by the government over the last few years, including the Energy White Paper (2020), Ten Point Plan for a Green Industrial Revolution (2020), Net Zero Strategy (2021), British Energy Security Strategy (2022), Energy Security Plan (2023), Net Zero Growth Plan (2023) and Transmission Acceleration Action Plan (2023). In May 2024, the government published its Strategy and Policy Statement for Energy Policy in Great Britain. Following the general election in July 2024, the new Labour government implemented new initiatives including the establishment of Great British Energy, lifting the de facto ban on onshore wind in England, and committing to transitioning the UK to clean power by 2030 in the Clean Power 2030 Action Plan. This latter commitment means that by 2030 clean sources should produce at least as much power as Great Britain consumes in total over the whole year, and at least 95% of generation.

In terms of the main schemes for encouraging renewable energy production:

- In Great Britain, the Renewables Obligation (RO) scheme places an obligation on electricity suppliers to source an increasing proportion of electricity from renewable sources. Renewable energy generators are awarded RO certificates and can earn money by selling those certificates to suppliers to fulfil this obligation. This scheme closed to new entrants in 2017, but the support lasts for 20 years and so a lot of live projects still sit under this regime. Note, In Northern Ireland, the Northern Ireland Renewables Obligation operates on a similar basis and closed to new entrants in 2017.
- The Energy Act 2013 introduced Electricity Market Reform (EMR), which created the Contract for Difference (CfD) regime to replace the RO. The CfD regime does not generate tradable renewables certificates, and instead generators are offered a set "strike price" for their electricity so that they are guaranteed a fixed price

regardless of market fluctuations. Normally, generators bid for a contract in an annual auction round. Most types of renewable projects can bid for a CfD and they are grouped into different "pots", each with their own budget, so that more expensive, less-established technologies are not competing with cheaper, more-established technologies. The seventh allocation round (AR7) concluded in early 2026, with the government publishing the results for AR7 in January 2026 and AR7a in February 2026.

- Northern Ireland plans to introduce an equivalent to the CfD scheme that applies in Great Britain to support larger renewables in 2026. The Department for the Economy has said that the options for smaller-scale support in this area will continue to be evaluated.
- For smaller generators, the Feed-in Tariff (FiT) subsidy scheme applied to smaller projects, but this closed to new entrants in 2019. It has been replaced by the Smart Energy Guarantee, where energy suppliers pay small generators for the electricity they generate. This mainly affects domestic installations and smaller on-site solar PV installations such as panels on warehouse roofs.
- The Renewable Transport Fuel Obligation (RTFO) applies to renewable fuels such as biofuels and hydrogen. It operates in a similar way to the RO, where suppliers of liquid fossil fuel for transport use have to supply a certain proportion of renewable fuel, which they prove by buying RTFO certificates or paying a buy-out price. A similar regime has been implemented in 2025 in respect of aviation fuel pursuant to the Renewable Transport Fuel Obligations (Sustainable Aviation Fuel) Order 2024.

Law stated - 1 September 2026

Wind energy

20 | Describe, in general terms, any regulation of wind energy.

In general, for the development of offshore wind projects, a licence is needed from the Crown Estate or Crown Estate Scotland, which owns rights to the seabed out to 12 nautical miles. These are normally granted by auction. A marine licence from the Marine Management Organisation may be needed for various activities including construction, dredging and seabed clearance. Marine licensing is governed by the Marine and Coastal Access Act 2009 (England, Wales) and the Marine (Scotland) Act 2010. The Offshore Transmission Owner regime governs the grid connection infrastructure for offshore wind farms and allows for the operation of offshore wind farms and the transmission of generated electricity via connections to the grid. Offshore transmission licences are issued by Ofgem.

For onshore projects, planning permission or a Development Consent Order is needed, depending on the size of the project. In England, projects over 100MW require a Development Consent Order under the Planning Act 2008. Projects under 100MW require local authority planning permission, with policy support reintroduced in 2023 after a long de facto ban. A generation licence from Ofgem is usually needed unless the project falls within a class exemption (eg, onsite generation) and a grid connection will be required from the Distribution Network Operator (DNO).

Both offshore and onshore projects will typically need to undergo rigorous environmental assessments.

Law stated - 1 September 2026

Solar energy

21 | Describe, in general terms, any regulation of solar energy.

The development of solar energy projects in the UK is regulated under the Electricity Act 1989, the Planning Act 2008, and local planning frameworks. In England, solar PV projects with a generating capacity exceeding 100MW are treated as nationally significant infrastructure projects and require development consent under the Planning Act 2008. Projects below this threshold are generally determined through the local planning system. Planning is a devolved matter and different consenting regimes and thresholds apply in Wales, Scotland and Northern Ireland.

In England, rooftop solar installations on domestic and some commercial buildings are generally considered permitted development (no planning permission) if below certain size thresholds and installed below the highest point of the roof, under the Town and Country Planning (General Permitted Development) (England) Order 2015. Solar panel installations will also need to comply with Building Regulations 2010, which apply structural safety and electrical standards.

As with wind energy, a generation licence from Ofgem is usually needed unless the project falls within a class exemption (eg, onsite generation, smaller-scale operations) and a grid connection will be required from the DNO.

Law stated - 1 September 2026

Hydropower, geothermal, wave and tidal energy

22 | Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

Similar to other renewable technologies, planning permission or Development Consent Orders will generally be required with different thresholds applicable across the devolved nations.

Additionally, hydropower projects will typically require environmental permits from the Environment Agency (or SEPA in Scotland) in respect of water abstraction, impoundment, fish protection and flood risk activity.

Wave and tidal energy projects are subject to the applicable marine licensing regime. In England, marine licensing is principally governed by the Marine and Coastal Access Act 2009, while separate devolved regimes apply in Scotland, Wales and Northern Ireland, including under the Marine (Scotland) Act 2010 and Northern Ireland legislation. Projects

will typically require a marine licence and may also require seabed rights from The Crown Estate or Crown Estate Scotland.

These types of projects will typically also need generation licences, grid connections and be subject to rigorous environmental assessments.

In respect of geothermal projects, there is no regulatory regime for the licensing, ownership and management of geothermal heat (ie, no equivalent to the licensing regime for the generation of electricity).

Law stated - 1 September 2026

Waste-to-energy

23 | Describe, in general terms, any regulation of production of energy based on waste.

In addition to requiring planning permission or Development Consent Orders, energy-from-waste (EfW) projects will typically be regulated under the Environmental Permitting (England and Wales) Regulations 2016 and equivalent devolved legislation in Scotland and Northern Ireland. Operators must obtain an environmental permit from the Environment Agency (or SEPA/NIEA), which sets limits on emissions, waste input, and energy efficiency. Operators may be required to use "best available techniques" for preventing or minimising emissions and impacts on the environment. Permits impose requirements relating to matters including emissions and waste inputs and operators may be required to apply best available techniques (BAT) to prevent or minimise emissions and environmental impacts.

The Waste Hierarchy under the Waste (England and Wales) Regulations 2011 (and equivalent legislation in Scotland and Northern Ireland) prioritises waste prevention, reuse, and recycling over energy recovery. Therefore EfW is principally intended for residual waste that cannot practicably be prevented, reused or recycled with a lower environmental impact. In England, current government policy emphasises that a clear need for additional residual waste treatment capacity should be demonstrated. Applicants for new EfW facilities may be expected to demonstrate that the proposed capacity is required, for example, to divert non-recyclable waste from landfill or to replace older and less efficient waste combustion facilities. Operators must also comply with applicable waste duty of care and waste management requirements.

Emissions from EfW plants were set to be included in the UK Emissions Trading Scheme (UK ETS) from 2028 but it was announced in August 2026 that this would be delayed, and a new timetable is yet to be confirmed. Nonetheless, a voluntary monitoring, reporting and verification scheme began on 1 January 2026 as a precursor to full inclusion.

Law stated - 1 September 2026

Biofuels and biomass

24 | Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

In respect of biofuels for use in road vehicles and non-road transport, the Renewable Transport Fuel Obligations (RTFO) Order 2007 (as amended), requires suppliers of liquid fossil fuels supplying more than 450,000 litres/year, to ensure a proportion of their fuel comes from sustainable biofuel sources. By 2030, 19.474% of all fuel supplied by fossil fuel companies is required to be approved eligible low-carbon fuel. Biofuels must meet sustainability and GHG emission savings criteria, including land-use and life cycle emissions, to be eligible for Renewable Transport Fuel Certificates (RTFCs). Suppliers receive RTFCs for compliant fuels and these can be traded or used to meet obligations. Failure to surrender sufficient RTFCs triggers a buy-out payment.

The RTFO previously applied to aviation fuel, but as of 1 January 2025, a separate scheme has been implemented pursuant to the Renewable Transport Fuel Obligations (Sustainable Aviation Fuel) Order 2024. This introduces the Sustainable Aviation Fuel (SAF) Mandate, which secures demand for SAF by:

- obligating the supply of an increasing amount of SAF in the overall UK aviation fuel mix; and
- incentivising SAF supply through the award of tradable certificates with a cash value

The SAF Mandate commenced in 2025 at 2% of total UK jet fuel demand, increasing linearly to 10% in 2030 and then to 22% in 2040. From 2040, the obligation will remain at 22% of total UK jet fuel demand until there is greater certainty regarding SAF supply. For 2026, the main obligation is 3.6% of total jet fuel supplied. It increases annually to 10% in 2030 and 22% in 2040. A separate power-to-liquid obligation will apply from 2028, initially at 0.2% and increasing to 3.5% by 2040.

The use of biomass installations for the generation of heat and power is subject to similar approval requirements as renewable energy projects. Planning permission or Development Consent Orders will typically be required, and depending on the nature and scale of the operation, environmental permits may also be needed. To qualify for subsidies under, for example, the Renewable Obligation or the Renewable Heat Incentive (both now closed to new applicants) or the Contracts for Difference regime, the biomass used in installations needs to meet strict sustainability criteria and operators are required to report against these criteria.

Law stated - 1 September 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

Carbon capture, usage and storage (CCUS) is a key element of the UK's industrial decarbonisation strategy. The UK government supports carbon capture, usage and storage (CCUS) as a critical part of its Net Zero Strategy, originally aiming to capture 20–30 MtCO2 per year by 2030. The UK government offers significant financial and regulatory support for CCUS and is developing business models to support the economic viability of CCUS projects with grants, revenue support and capital funding. The UK government

is developing support schemes for CCUS that will operate in a broadly similar way to the CfD regime for renewables, but with extra capital support in recognition of the high upfront costs of these new technologies.

The UK is home to seven major industrial clusters, or geographic areas, that produce 50% of all UK industry emissions. The Cluster Sequencing programme, led by the DESNZ, supports CCUS deployment in industrial clusters like the East Coast Cluster and HyNet. In October 2024, the government announced it had made available £21.7 billion in funding for the first CCUS projects in the UK.

The regulatory framework for CCUS includes the Energy Act 2008, which provides for the licensing of geological CO2 storage and the Energy Act 2023, which established the economic regulation and licensing framework for CO2 transport and storage. The North Sea Transition Authority regulates and licenses offshore CO2 storage and associated site characterisation and monitoring activities, while Ofgem is the economic regulator for CO2 transport and storage infrastructure. Transport and storage projects may also require seabed rights from The Crown Estate Scotland, together with applicable planning, environmental and other approvals.

Law stated - 1 September 2026

CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

Businesses will need to consider a range of climate change matters when undertaking M&A transactions and other transactions. These can broadly be categorised into climate-related risks and opportunities that might impact the target business and regulatory climate change matters.

In respect of the former, it will be important to review the climate governance frameworks that the target has put in place as well as assess climate-related risks and opportunities that could affect the viability and success of the target business going forwards. Information on this may be available through the target's financial reporting, including through any climate-related financial disclosures that it is required to make, and any future mandatory reporting against the UK Sustainability Disclosure Standards. It will also be important to understand the extent to which the target has set a net zero target and any transition planning steps that it has undertaken. Related to this point, in May 2025 the Law Society published a practice note on climate change and property to provide solicitors with practical guidance on advising on climate risk in the context of property transactions.

Businesses also need to consider the target's compliance with any climate-related legislation, including emissions reporting regimes, energy auditing regimes and the UK ETS (if applicable). Note, some of these regulatory regimes provide for significant civil penalty regimes that allow regulators to impose financial penalties directly without seeking prosecution through the courts.

Law stated - 1 September 2026

UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

While the UK already has an established framework of climate-related regulation, there is a continuing trend towards increased disclosure and accountability requirements in respect of GHG emissions, energy efficiency and climate-related financial risks. The UK Sustainability Reporting Standards (SRS) (S1 and S2) were issued by the government in February 2026 and are currently for voluntary use. The Financial Conduct Authority has consulted on replacing its existing Task Force on Climate Related Financial Disclosures aligned disclosure rules for listed companies with requirements aligned with the UK SRS and intends to publish final rules in autumn 2026, with the proposed new regime taking effect from 1 January 2027. The government is also developing its policy on climate-related transition plans following its consultation on requirements for UK regulated financial institutions and economically significant companies, including FTSE 100 companies. Further regulatory developments in sustainability reporting and transition planning are therefore expected.

Law stated - 1 September 2026

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Rachel MacLeod rachel.macleod@addleshawgoddard.com

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MAIN CLIMATE REGULATIONS, POLICIES AND AUTHORITIES

International agreements

1 Do any international agreements or regulations on climate matters apply in your country?

The US signed the Paris Agreement in April 2016 and later ratified it, committing, alongside nearly 200 other countries, to limit global warming to 1.5°C above pre-industrial levels. Then, the first Trump administration withdrew from the Paris Agreement, while the subsequent Biden administration rejoined. On 20 January 2025, newly inaugurated President Trump issued Executive Order (EO) 14162, which directed the US Ambassador to the UN to withdraw the US from the Paris Agreement for a second time. The EO states the withdrawal would be "effective immediately upon this provision of notification". Because article 28 of the Paris Agreement states that withdrawal takes effect one year after notification of withdrawal, the withdrawal took effect on 27 January 2026. On 7 January 2026, President Trump issued a Memorandum directing all executive departments and agencies to withdraw the US from dozens of international organisations, including the United Nations Framework Convention on Climate Change (UNFCCC), the foundational convention to the Paris Agreement. Formal notice was received by the UN Secretary-General on 27 February 2026, and the withdrawal will become effective on 27 February 2027. The policy whipsaw over the past decade has made the US an unreliable negotiating partner with respect to international climate agreements and has undermined US efforts to influence global climate policy.

The US is also a party to the Vienna Convention for the Protection of the Ozone Layer and a protocol to that treaty, the Montreal Protocol on Substances that Deplete the Ozone Layer, since its finalisation in 1987. Under the Montreal Protocol and Title VI of the Clean Air Act (CAA), some ozone-depleting substances (ODS), such as chlorofluorocarbons, have now been phased out except for a small quantity for uses agreed upon as "essential". Hydrochlorofluorocarbons (HCFCs) are currently being phased down through incremental decreases in consumption and production, with a complete phase-out planned by 2030. On 15 October 2016, at the 28th Meeting of the Parties in Kigali, the parties agreed to amend the Montreal Protocol, expanding its scope to include certain HCFCs. The US adopted the agreement. With a strong bipartisan alliance and support from both environmental groups and industry, the US Senate voted 69–24 to ratify the Kigali Amendment on 21 September 2022.

The US Environmental Protection Agency (EPA) and the Federal Aviation Administration (FAA) traditionally have worked with the International Civil Aviation Organization (ICAO) to establish aircraft emissions standards. The US participates in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), to which the US is committed under Annex 16, Volume IV of the Convention on International Civil Aviation, more commonly known as the Chicago Convention. Under CORSIA, all ICAO member states whose aircraft operators undertake international flights must develop a monitoring, reporting and verification system for CO2 emissions from international flights subject to CORSIA. CORSIA requires offsetting new emissions (above the baseline year of 2019) from covered international flights beginning in 2024, with the first compliance period running from 2024–2026. In January 2021, EPA finalised GHG emission standards

under the CAA, with domestic emissions limits that mirror the ICAO's standards (86 Fed Reg 2,136 (11 January 2021)). EPA explained that aligning domestic standards with international standards would bring "substantial benefits for future international cooperation" on aircraft emissions, which the agency deemed "key for achieving worldwide emission reductions" (86 Fed Reg 2,144–45). Following the promulgation of these standards in 2021, the FAA finalised its Airplane Fuel Efficiency Certification Rule in February 2024 (89 Fed Reg 12,634). At the same time, the US lacks an implementation framework for CORSIA; Congress has not enacted legislation to enable the FAA to launch a monitoring, reporting and verification system that would enable reporting and compliance tracking under the CORSIA framework. While this gap remains, US carriers face uncertainty with respect to compliance, and CORSIA itself is weakened by the lack of a firm US commitment and mechanism to enforce CORSIA obligations. This enforcement gap has placed additional pressure on the EU to address aircraft emissions through the EU ETS, with plans now in place to cover certain international flights, setting up a potential showdown between the EU, US, China and other nations on the regulation of GHG emissions from international flights.

The Trump administration's 12 August 2025 joint statement (issued by the Secretaries of State, Commerce, Energy, and Transportation) expressing strong opposition to the UN-led International Maritime Organization's proposed Net-Zero Framework for reducing greenhouse gas emissions from international shipping also raises questions about continued US support for CORSIA.

The US previously struck a bilateral agreement with China, under which both nations seek to significantly reduce GHG emissions. The US and China issued the Sunnylands Statement on Enhancing Cooperation to Address the Climate Crisis in November 2023. The US-China relationship, however, is in a constant state of flux and this agreement is subject to ongoing review.

In June 2016, the US, Mexico and Canada announced a joint goal of achieving 50% "clean power" generation across all three countries and reducing methane emissions from the oil and gas sector by 40% to 45% by 2025. That said, the US is engaged in tense trade disputes with Canada, has not further coordinated these actions with Mexico, and is taking actions to loosen methane and GHG emission requirements for the oil and gas sector, rendering this agreement essentially meaningless.

Law stated - 16 September 2026

International regulations and national regulatory policies

2 How are the regulatory policies of your country affected by international regulations on climate matters?

In general, US law is not impacted by international climate regulations. The US lacks a binding, comprehensive policy to regulate GHG emissions at the national level, and recent administrations have taken differing views with respect to the Paris Agreement and other international agreements. Although the US previously committed to both achieving a 50–52% reduction in GHG emissions by 2030 and reaching net-zero emissions by 2050, the Trump administration has again withdrawn from the Paris Agreement as of early 2026.

In certain instances, such as with respect to HCFCs or airline emissions, the US has taken legislative or regulatory action to align domestic standards with international agreements.

One important exception is climate-related trade measures, which can influence US trade policy even though they do not directly bind US regulators. The European Union's Carbon Border Adjustment Mechanism (CBAM), which began imposing carbon-pricing obligations on certain EU imports in January 2026, requires importers to account for the embedded GHG emissions of covered goods and surrender corresponding CBAM certificates. CBAM has been a source of US-EU trade tension and has become part of broader tariff negotiations. In the 2025 US-EU Framework on Reciprocal, Fair, and Balanced Trade, for example, the US agreed to modify certain tariffs imposed under section 232 of the Trade Expansion Act, while the EU agreed to address US concerns regarding CBAM, including by providing additional flexibility for US businesses. These negotiations occurred alongside the Trump administration's broader tariff programme, which has relied on authorities including sections 232 and 301. Thus, although foreign climate regulations generally do not directly govern US environmental policy, climate-related trade measures can affect US tariffs, trade negotiations and related domestic policy.

Law stated - 16 September 2026

Main national regulatory policies

3 | Outline recent government policy on climate matters.

The US does not have national legislation specifically regulating GHG emissions. Federal agencies have implemented climate policy under other regulatory authority, primarily by promulgating regulations and implementing sector-based actions under the CAA. For example, EPA has promulgated regulations aimed at GHG reductions from various larger sources of GHG emissions, including: motor vehicles and other mobile sources, such as heavy-duty vehicles, aircraft and locomotives; large stationary sources under the Prevention of Significant Deterioration (PSD) and Title 8 operating permit programmes; methane emissions from the oil and gas sector and certain solid waste landfills; high-potency GHGs; and other sectors or emissions sources. These efforts vary by administration, and federal regulations targeting GHG emissions are the subject of frequent challenge, repeal and amendment.

The current Trump administration has taken a deregulatory approach to GHG emissions and is gradually working to eliminate both GHG-focused emission rules and GHG reporting and data collection efforts. These efforts may provide short-term cost savings to certain industries but will hamper long-term efforts to combat climate change and may disadvantage some US industries that compete globally.

On 20 January 2025, President Trump issued EO 14156, declaring a "national energy emergency" and announcing his intention to increase energy production of certain domestic energy resources – namely, fossil fuels, hydro, geothermal, uranium, biofuels and critical minerals (notably, wind, solar and battery storage are omitted) in the US. Trump further directed agency heads to reduce regulatory barriers to expeditious energy production. Several agencies followed suit. EO 14156 directs agencies to use emergency authorities to expedite permitting processes and waive certain regulatory processes under

existing laws. This approach potentially opens up room to advance infrastructure projects more quickly.

Also on 20 January 2025, President Trump issued EO 14154, "Unleashing American Energy", which directed agencies to prioritise energy exploration on federal lands (except for wind leases, which a separate presidential memorandum directed agencies to pause) and to pause several Biden-era policy measures, including revoking two EOs related to environmental justice and the climate crisis.

The Trump administration also has announced its intention to revisit many climate change regulations as part of the administration's broader deregulatory agenda. The intended actions include reconsidering or revoking many existing GHG regulations, such as emissions standards for power plants and motor vehicles, revising the Greenhouse Gas Reporting Program, and rolling back industrial emissions regulations. These deregulatory processes will play out through formal rulemaking processes, which will take months or years for each action. Court challenges to these actions are a near certainty, which will take further time to resolve in each instance. In some cases, deregulatory efforts will be hampered by the body of existing science on climate change and related GHG emissions sources, together with prior action by EPA and other agencies to regulate GHG emissions, including existing regulations and related supporting materials.

On 12 February 2026, EPA rescinded the 2009 GHG Endangerment Finding that determined that emissions of GHGs from certain sources cause or contribute to air pollution that endangers public health and welfare and, as such, are subject to regulation under the CAA. Multiple groups have filed lawsuits seeking to reverse the rescission, and litigation is pending.

Law stated - 16 September 2026

Main national legislation

4 | Identify the main national laws and regulations on climate matters.

In the absence of national legislation specifically regulating GHG emissions, climate regulation in the US has largely been driven by federal agency actions under existing statutory authority – primarily the CAA – and by state-level initiatives. EPA historically has promulgated regulations aimed at GHG reductions from various larger sources of GHG emissions, including: motor vehicles and other mobile sources, such as heavy-duty vehicles, aircraft and locomotives; large stationary sources under the CAA PSD and Title V operating permit programmes (which began applying to GHGs in 2011); methane emissions from the oil and gas sector and certain solid waste landfills; high-potency GHGs; and other sectors or emissions sources.

The Trump administration has announced plans and taken action to reconsider and rescind GHG emissions rules pertaining to power plants, transportation, the oil and gas sector, and other sources.

The Trump administration has made several efforts to pause and/or reverse the implementation of two major Biden-era laws with important climate change provisions. In November 2021, Congress passed the Infrastructure Investment and Jobs Act (IIJA),

a trillion-dollar infrastructure bill that includes numerous provisions aimed at climate change, including additional funding for electric vehicles (EVs) and EV infrastructure, improvements to electricity grids, and other infrastructure improvements aimed at reducing GHG emissions.

In addition, a US$340 billion climate and tax package, the Inflation Reduction Act (IRA), was enacted on 16 August 2022 and contains numerous climate change provisions. Among other things, the IRA phased out the existing system of renewable electricity tax credits in favour of a new technology-neutral system for energy project developers. Under this system, the tax credits phase out either at the end of 2032 or when national electricity GHG emissions fall below 20% of the 2022 level, whichever occurs later. Federal tax credits have played an important role in incentivising renewable energy development in the US.

This tax credit framework was significantly altered by the One Big Beautiful Bill Act (OBBBA), which was signed into law on 4 July 2025. The OBBBA accelerates the phaseout for incentives for wind and solar facilities, requiring projects to begin construction by 4 July 2026 and be placed in service by the end of 2027 to remain eligible. Following the passage of OBBBA, President Trump released EO 14315 "Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources", directing the US Treasury to strengthen the repeal of green energy tax credits to appease legislators unhappy with the fact that the wind and solar incentives survived at all. Despite these rollbacks for wind and solar, the OBBBA preserved tax credits for other sources, and also retained (with some modification) the section 45Q tax credit for carbon capture and storage projects, maintaining incentives for both point-source and direct air capture technologies. On the consumer side, OBBBA eliminated incentives for electric vehicles on 30 September 2025 and residential solar by the end of 2025.

Another feature of the IRA was the creation of the Greenhouse Gas Reduction Fund, a US$27 billion programme. The OBBBA repealed funding for the Greenhouse Gas Reduction Fund. President Trump's EO 14154 "Unleashing American Energy" further directed agencies to pause the distribution of certain IIJA and IRA funds pending review. These and other actions have significantly impacted certain sectors of the US economy and may slow investment and innovation in GHG-reducing technologies – at least for the duration of the Trump administration, and possibly longer – creating some risk of global competitive disadvantage for the US clean tech sector.

Law stated - 16 September 2026

National regulatory authorities

5 Identify the national regulatory authorities responsible for climate regulation and its implementation and administration. Outline their areas of competence.

In the US, regulatory authority is typically delegated to agencies, which are government entities responsible for implementing laws, developing related regulations and providing public services. Many agencies exist within the federal executive branch and, consequently, the president appoints agency heads and other key officials. Executive branch agencies are often charged with carrying out presidential directives, subject to the limits of what Congress has authorised through the applicable federal laws governing the agency.

EPA is the primary national regulatory authority with responsibility for the regulation of GHG emissions. EPA's authority includes the promulgation and enforcement of CAA standards for GHG emissions for both mobile and stationary sources (although the extent of mobile source regulation is in flux – see discussion below), GHG reporting programmes, adaptation to a changing climate and protection of drinking water aquifers under the federal Safe Drinking Water Act with respect to underground injection of carbon dioxide and other materials.

EPA's authority to regulate GHGs was affirmed in the 2007 Supreme Court decision in *Massachusetts v EPA*, which held that GHGs are "air pollutants" under the CAA, giving EPA the authority to regulate GHGs through the CAA. Following this decision, EPA issued its 2009 GHG Endangerment Finding, which determined that (1) six key GHGs endanger public health and welfare and are therefore subject to regulation under the CAA, and (2) the combined emissions of these "well-mixed" GHGs from new motor vehicles and new motor vehicle engines cause and contribute GHG pollution.

Following this rule, EPA finalised GHG emissions standards for motor vehicles and then issued additional GHG regulations for other GHG emissions sources. For over a decade since, EPA has made additional GHG endangerment findings for other emissions sources and issued new GHG emissions standards.

Under the Trump administration, EPA has announced a major deregulatory agenda, including plans to reconsider many of the emissions rules pertaining to power plants, transportation and the oil and gas sectors. On 12 February 2026, EPA rescinded the 2009 Endangerment Finding and subsequently repealed its GHG regulations for light-, medium-, and heavy-duty vehicles and engines due to the resulting lack of statutory authority under the CAA. In addition to impacting the regulation of motor vehicles, these actions may impact EPA's authority to regulate stationary sources, as well as the authority of states to regulate GHG emissions. Multiple coalitions of states, local governments, and health and environmental groups have challenged the rescission in court, and litigation is ongoing.

The Council on Environmental Quality (CEQ) is a division of the Executive Office of the President charged with ensuring federal agencies comply with the National Environmental Policy Act (NEPA) in assessing the potential environmental impacts of major federal actions. Consideration of climate change impacts in NEPA analyses continues to be primarily guided by court decisions on agency rulemaking processes, land use planning documents, leasing decisions and individual project permitting decisions, most often in the energy or transportation contexts. On 29 May 2025, the US Supreme Court issued a decision in *Seven County Infrastructure Coalition et al. v Eagle County,* clarifying that NEPA does not require consideration of environmental impacts outside of the immediate scope. This ruling narrows the scope of GHG analysis under NEPA to the specific project at issue. The Biden administration had previously issued interim guidance expanding the scope of GHG analysis under NEPA. On 28 May 2025, the CEQ withdrew this prior interim guidance, stating that it is inconsistent with EO 14154 "Unleashing American Energy", which set forth a deregulatory policy and critiqued social cost of carbon metrics. Also pursuant to EO 14154, CEQ issued a final rule rescinding its NEPA implementing regulations in their entirety on 11 April 2025.

Together, these actions will constrain climate considerations in NEPA reviews, while eliminating government-wide procedural rules for NEPA reviews, leaving each federal

agency to rely on NEPA's statutory text and to develop or reform its own agency-specific NEPA procedures and approach to GHG emissions, consistent with *Seven County Infrastructure Coalition et al. v Eagle County*.

The CEQ also developed the Climate and Economic Justice Screening Tool (CEJST), which identified communities in the US as disadvantaged because they live in areas that experience significant burdens, including ones related to climate change. Several Biden-era programmes relied on CEJST to ensure that federal funding and programmes were reaching these communities. As of 22 January 2025, CEJST is no longer available on the White House website. This rollback prompted legal challenges from environmental and science advocacy groups, but the lawsuit was dismissed for lack of standing. Independent organisations have recreated the tool, though it is no longer affiliated with the federal government.

Additional federal agencies are also responsible for programmes and regulations related to climate change, such as: the Department of Energy (DOE); Department of Agriculture; Department of the Interior; Department of State; Department of Commerce; and National Aeronautics and Space Administration (NASA). On 5 February 2025, DOE issued a Secretarial Order in response to President Trump's EOs on energy to reinforce the department's goal of expanding energy production and reducing energy costs rather than achieving a net-zero carbon future.

Additionally, the Department of the Treasury and the Internal Revenue Service play an increasingly important role due to the proliferation of GHG tax incentives, such as 45Q for carbon sequestration. The Securities and Exchange Commission (SEC) attempted to implement a rule standardising GHG disclosures for investors in March 2024 as part of its emphasis on ESG disclosure and reporting. The rule would have required public companies to provide GHG disclosures, including both risk and emissions disclosures, in their annual reports and registration statements. The rule was challenged and on 27 March 2025, the SEC voted to stop defending the climate disclosure rule in court. This decision reflects a larger policy shift, and the SEC's Acting Chairman explained the purpose was "to cease the Commission's involvement in the defense of the costly and unnecessarily intrusive climate change disclosure rules".

Law stated - 16 September 2026

GENERAL NATIONAL CLIMATE MATTERS

National emissions and limits

6 What are the main sources of emissions of greenhouse gases (GHG) (or other regulated emissions) in your country and the quantities of emissions from those sources? Describe any limitation or reduction obligations. Do they apply to private parties in your country?

The US does not currently have any national GHG emissions limits, although various programmes impose source-specific or sector-specific limits. The Environmental Protection Agency (EPA) has historically regulated emissions from specific sectors, such as power plants. GHG emissions standards apply to private commercial entities to the extent that the entity is subject to regulation by the relevant national or state authority. However, EPA has

proposed repealing several landmark power plant emissions rules. On 19 February 2026, EPA repealed the Mercury and Air Toxics Standards of 2024, returning to the less-stringent 2012 standards; this repeal also has a secondary impact on power plant GHG emissions.

The repeal is subject to pending litigation in the DC Circuit, with challengers arguing that EPA failed to adequately justify its reversal of the 2024 standards only two years after their adoption.

On 14 September 2009, the Trump administration finalised its repeal of GHG standards for existing fossil fuel-fired steam generating units (reaching coal-fired and some gas-fired power plants) while proposing, in parallel, to eliminate all GHG emission requirements for all fossil fuel-fired Electric Generating Units, nationwide.

Law stated - 16 September 2026

National GHG emission projects

7 Describe any major GHG emission reduction projects implemented or to be implemented in your country. Describe any similar projects in other countries involving the participation of government authorities or private parties from your country.

At the federal level, GHG emission reductions are primarily driven by US Clean Air Act regulation, which does not currently contemplate GHG emissions reduction projects or carbon offsets as compliance mechanisms. Certain other programmes provide incentives for carbon sequestration and other GHG removals. EPA has also implemented strategies to help organisations reduce their GHG emissions, including the ENERGY STAR programme and Green Power Partnership. The future of these – like other GHG-focused programmes – is uncertain under the Trump administration, which indicated that it may privatise or eliminate the ENERGY STAR programme. However, the administration shelved these ideas in response to industry support for the programme and a funding allocation from Congress. At the state level, GHG emissions reductions are driven by a range of policies, including state and regional cap and trade programmes, renewable power requirements, low carbon fuel programmes, energy efficiency programmes and a range of other sector-specific measures adopted under state law.

Section 45Q of the Tax Code provides tax credits for capturing and sequestering or utilising certain GHGs that would otherwise be emitted to the atmosphere. In 2022, Congress expanded section 45Q by reducing requirements for eligible projects and increasing the value of the tax credits. In 2025, the One Big Beautiful Bill Act further amended section 45Q by eliminating the lower credit rates that previously applied when captured GHGs were used for enhanced oil recovery or other qualifying uses rather than dedicated geological storage. The change applies to facilities or equipment placed in service after 4 July 2025, and applies to both industrial-source capture and direct air capture activities. The current base credit is US$17/ton for industrial-source capture and US$36/ton for direct air capture, regardless of whether the captured GHG is sequestered in geological storage, used in enhanced oil recovery, or put to a qualifying use. Projects satisfying applicable prevailing-wage and apprenticeship requirements receive five times those amounts: US$85/ton and US$180/ton, respectively.

Voluntary carbon offset markets also have spurred development of a wide array of carbon sequestration projects and programmes in the forestry and agriculture sectors, among others. This sector is expanding rapidly to meet demand for voluntary corporate carbon reductions and removals, and to meet demand driven by international offsetting schemes such as CORSIA.

Law stated - 16 September 2026

DOMESTIC CLIMATE SECTOR

Domestic climate sector

8 Describe the main commercial aspects of the climate sector in your country, including any related government policies.

The commercial climate business in the US is fragmented, largely owing to the lack of comprehensive national climate change regulation and the lack of a single registry or exchange for the trading of GHG allowances, offsets and other instruments. Voluntary projects to offset or inset GHG emissions are accelerating, and the generation of GHG offset or reduction credits has increased as entities seek to comply with California's cap-and-trade programme and to fulfil voluntary GHG reduction commitments. A range of voluntary efforts are presently aimed at increasing transparency and quality in the global carbon markets, such as the Integrity Council for the Voluntary Carbon Market. US carbon projects and carbon buyers are reacting with a trend towards higher-quality carbon reduction projects, increased due diligence, and procurement of high-quality carbon reduction assets.

In October 2023, California enacted the Voluntary Carbon Market Disclosures Act (AB 1305), which imposed disclosure requirements for voluntary carbon transactions and claims based on the use of carbon offsets beginning 1 January 2025. AB 1305 imposed new disclosure requirements on businesses that market, buy or sell voluntary carbon offsets within California, or those that make specified climate-related claims within California (eg, net zero or carbon neutral). Businesses failing to meet these requirements may be subject to substantial civil penalties.

Law stated - 16 September 2026

GENERAL GHG EMISSIONS REGULATION

Regulation of emissions

9 Do any obligations for GHG emission limitation, reduction or removal apply to your country and private parties in your country? If so, describe the main obligations.

Historically, California has obtained multiple waivers from the Environmental Protection Agency (EPA) to establish stricter air quality standards than those established by federal regulations for motor vehicles under the Clean Air Act (CAA) section 209, which other states were then able to adopt. However, the Trump administration has pushed back on

California's stricter standards. In June 2025, the administration disapproved three waivers previously granted by the Biden administration, and in July 2026, EPA transferred two additional waivers to Congress for review.

The Biden administration set a goal of net-zero GHG emissions for the US by 2050, but the Trump administration's policies, including increased fossil fuel investments, are incompatible with this goal. Nonetheless, individual states continue to pursue net-zero goals. At present, 21 states have binding net-zero GHG emissions targets (typically by 2045 or 2050) and another three have similar non-binding targets. Several other states have binding GHG emissions reduction requirements in the 80–95% range. Collectively, these state and federal policy pronouncements are creating significant changes in both voluntary and mandatory GHG reduction and regulation programmes around the country across numerous sectors.

Law stated - 16 September 2026

GHG emission permits or approvals

10 Are there any requirements for obtaining GHG emission permits or approvals? If so, describe the main requirements.

Certain stationary sources are required to obtain CAA Title V operating permits and prevention of significant deterioration (PSD) permits for GHG emissions. Under the CAA's "cooperative federalism" approach, most states manage GHG permitting in conjunction with any applicable state laws or programmes. When obtaining permits under the PSD programme, sources must evaluate available emissions reduction options to determine the "best available control technology" for that facility, which are made on a case-by-case basis considering energy, environmental and economic impacts, and other costs. Over time, technological advancements increase the degree of attainable emissions reductions. The CAA also contains provisions governing New Source Performance Standards (NSPS) for various sectors, and EPA has adopted NSPS rules targeting GHG emissions from the electricity and oil and gas sectors. Typically, under the CAA, any applicable PSD or NSPS GHG emissions limits will be incorporated into a facility's Title V operating permit.

GHG considerations also become relevant in certain permitting actions, including those under the National Environmental Policy Act (NEPA) and analogous state laws, which may require permit applicants to consider GHG emissions related to a specific project. A 2025 Supreme Court decision*, Seven County Infrastructure Coalition v Eagle County*, clarified the boundaries of this review in a case involving, among other environmental impacts, GHG emissions associated with increased upstream oil production and downstream refining associated with an oil-and-gas-focused railroad project. The Court held that NEPA generally does not require agencies to assess the environmental impacts of separate upstream or downstream projects outside their regulatory authority and emphasised that courts should give substantial deference to reasonable agency decisions defining the scope of their environmental review.

Several market-based permit systems also exist: California and Washington now have state-level cap-and-trade programmes (also known as "cap-and-invest") requiring major emitters to obtain permits to release GHGs, and 11 states participating in the RGGI

have a cap-and-trade programme covering the electricity sector. New York and Oregon are also developing cap-and-trade programmes. New York is developing a cap-and-invest programme, but has slowed progress amidst high energy prices and affordability concerns.

Law stated - 16 September 2026

Oversight of GHG emissions

11 | How are GHG emissions monitored, reported and verified?

EPA's mandatory GHG Reporting Rule requires reporting of GHG data and other relevant information for facilities and suppliers in 41 source categories. The reported data is an important input for EPA's annual GHG inventory for the US. Compliance for covered sources is mandatory and administrative. Civil or criminal penalties may apply for violations. Several states have also implemented GHG reporting rules, and the reporting thresholds differ by state. Entities must comply with both federal and state GHG reporting requirements, if applicable. According to EPA, the GHG Reporting Rule covers over 8,000 US facilities and suppliers. In September 2025, however, EPA proposed to eliminate reporting obligations for most source categories and suspend most remaining petroleum and natural gas reporting requirements until 2034, effectively gutting the GHG Reporting Rule. That proposal remains pending, and EPA has extended the reporting-year 2025 deadline to 30 October 2026 while the rulemaking proceeds.

Environmental groups, investors and shareholders are also increasingly driving changes to climate risk reporting by companies in the US. Companies may now face dozens or even hundreds of requests for data and information on how they assess and disclose climate-related risks, and there has been increased adoption of third-party disclosure standards, including those published by the Task Force on Climate Related Financial Disclosures and the Sustainability Accounting Standards Board. Public companies also report material climate-related risks through the Securities and Exchange Commission, which issued interpretive guidance in 2010 regarding the scope of such disclosures. Subsequent attempts to update this guidance have been unsuccessful.

The US Federal Trade Commission (FTC) last revised its guidelines for the Use of Environmental Marketing Claims (Green Guides) in 2012. In December 2022, the FTC initiated a periodic review of the Green Guides and sought public comment on potential updates, including additional guidance concerning carbon offsets and climate change claims. As at September 2026, the FTC has not issued revised Green Guides, and the 2012 Guides remain in place. The Green Guides generally reflect the global trend toward more scrutiny of corporate green claims, including greater specificity and substantiation by corporates.

At the state level, California has adopted two GHG disclosure laws, requiring companies to disclose climate-related financial risks and GHG emissions from 2026 onwards. Under the first law, SB 253, or the Climate Corporate Data Accountability Act, US-based companies doing business in California with total global annual revenues over US$1 billion must disclose Scope 1 and Scope 2 GHG emissions for the entity's prior fiscal year. CARB is currently targeting 10 November 2026, for the first Scope 1 and Scope 2 reports. Beginning in 2027, and annually thereafter, companies must publicly disclose Scope 3

GHG emissions no later than 180 days after it discloses its Scope 1 and Scope 2 emissions for the prior fiscal year; CARB recently proposed to limit Scope 3 reporting to five categories (categories 1, 3, 5, 6, and 7) and to defer Scope 3 assurance requirements until 2030.

Under the second law, SB 261, focused on "Greenhouse gases: climate-related financial risk", US-based companies doing business in California with a total global annual revenue of over US$500 million must disclose (1) the business' climate-related financial risk, in accordance with the recommended framework and disclosures contained in the Final Report of Recommendations of the Task Force on Climate-Related Financial Disclosures (June 2017) or any subsequent publication, and (2) the measures taken to reduce and adapt to the disclosed climate-related financial risks. These laws are not restricted to publicly traded companies and will impact many US and international companies doing business in California. However, the Ninth Circuit has enjoined enforcement of SB 261 pending appeal in *Chamber of Commerce v Sanchez*; the injunction does not apply to SB 253, which remains in effect.

Law stated - 16 September 2026

GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Regime

12 Is there a GHG emission allowance regime (or similar regime) in your country? How does it operate?

There is no mandatory GHG allowance regime at the federal level, although Several market-based permit systems exist at the state level.

The Regional Greenhouse Gas Initiative (RGGI), the first market-based GHG reduction scheme in the US, currently encompasses the eastern states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont and Virginia.

RGGI is a cooperative framework between states rather than an independent regulatory authority. Each member state commits to implementing its own state regulations to set GHG emissions caps for power plants based on model rules developed by RGGI (RGGI Model Rules). RGGI's emissions allowance trading program became operative on 1 January 2009 and has been updated at regular intervals.

On 3 July 2025, RGGI set new emissions reduction goals through 2037, with a more aggressive goal of reducing emissions by approximately 8.5 million short tons annually (about 10.5% of the 2025 emissions cap) from 2027 to 2033, with a more gradual decline from 2033 through 2037. Participating states are expected to amend their respective regulations to implement the 2025 RGGI Model Rules by 1 January 2027.

Participation in RGGI remains a matter of state law and has changed over time. Pennsylvania adopted regulations intended to join RGGI in 2022, but litigation prevented the Commonwealth from participating in allowance auctions or enforcing compliance obligations. Pennsylvania formally withdrew from RGGI in 2025. Virginia participated in RGGI from 2021 through 2023, withdrew from the program, and resumed participation on

1 July 2026. Virginia is required to align its domestic implementation with the 2025 RGGI Model Rules by the 1 January 2027 deadline.

RGGI is limited to the power sector and uses an allowance system for compliance; electric power generators subject to RGGI are required to hold carbon dioxide allowances equal to the amount of carbon dioxide they emit in a given compliance year. Each RGGI state issues allowances in an amount defined by each state's applicable law or regulation implementing RGGI. Collectively, these allowances comprise the annual RGGI cap and are distributed through quarterly auctions.

RGGI has several market stabilising features. RGGI utilises a cost containment reserve system to allocate and auction additional allowances when needed to limit price volatility that, combined with periodic over-supply, has helped to keep allowance prices low. In addition, an Emissions Containment Reserve, which allows states to withhold allowances from auction if reduction costs are lower than projected, may have the effect of stabilising or raising the cost of RGGI allowances slightly if triggered. RGGI also allows for the use of a relatively small percentage of offset allowances for emissions compliance in place of RGGI allowances, although the 2025 RGGI Model Rule eliminates the issuance of new offset allowances beginning in 2027, effectively phasing out their use for emissions compliance purposes.

California's Global Warming Solutions Act (AB 32), signed into law on 24 September 2006, established a mandate to reduce GHG emissions to 1990 levels by 2020 and granted broad authority to the California Air Resources Board (CARB) to develop and implement a broad strategy to achieve that goal. The California cap-and-trade programme sets a declining cap on GHG emissions from major polluters and distributes compliance instruments via free allocation and quarterly auctions.

In September 2025, California passed legislation that extended the programme through 2045 and required certain rebates of credit auction revenue, converting the programme to a hybrid "cap-and-invest" model. Previously, the programme had a GHG reduction target of 40% below 1990 levels by 2030. In 2022, California revised that target to achieve net-zero GHG emissions as soon as possible and no later than 2045, and to reduce statewide anthropogenic GHG emissions to at least 85% below 1990 levels by 2045.

The 2025 programme update and corresponding May 2026 CARB implementing amendments introduce changes to the distribution of free allowances, mandate a review of carbon offset rules, and commit billions annually to climate-related investments – including high-speed rail, affordable housing and community air protection. The programme updates also limit the use of offset credits from 2026 through 2045 to 6% of total compliance obligations, with no more than half coming from "projects that do not provide direct environmental benefits" to California.

California's programme has been linked with Québec's emissions-trading system since January 2014, permitting joint auctions and reciprocal recognition of eligible compliance instruments. On 25 June 2026, California, Québec and Washington signed an agreement providing a framework for linking Washington's Cap-and-Invest Program with the existing California-Québec market. The agreement does not itself make the linkage operational. Each jurisdiction must complete additional regulatory and other legal steps, and the three jurisdictions anticipate that a shared market may begin operating in 2027.

California Air Resources Board (CARB)'s strategy to achieve emission reduction goals of the California programme is set forth in its Scoping Plan and includes programmes in nearly every sector of the economy. CARB's most recent Scoping Plan, updated in 2022, outlines a concrete plan for the state to achieve carbon neutrality by 2045. The Plan builds on the 2014 update and identifies the emissions reductions needed in the electricity, transportation, industrial and building sectors. The 2022 update went beyond the 2014 plan to detail strategies for reductions in short-lived climate pollutants and to promote carbon dioxide removal. CARB is required under AB 32 to update the Scoping Plan at least every five years, with the next update deadline in 2027.

Under the California cap-and-trade programme, CARB sets an annual cap on GHGs and issues a limited number of emission allowances, each of which authorises its holder to emit one MtCO2e. The number of available allowances is limited by the cap and declines by approximately 3% each year. Entities that emit 25,000 MtCO2e annually are obliged to surrender compliance instruments to CARB equal to their reported emissions. Compliance instruments consist primarily of allowances, which CARB provides free allowances to covered entities in proportion to efficiency and other benchmarks set by CARB. Allowances can also be purchased from CARB at quarterly auctions. Both allowances and offsets may also be bought and sold on the secondary market, subject to certain restrictions.

Washington’s cap-and-invest programme launched in 2023 under the Climate Commitment Act, creating a declining state-wide cap on GHG emissions and a limited trading system for compliance instruments. Washington’s cap-and-invest programme, modelled after California’s, shares a similar structure but differs in maturity and market conditions. The programme aims to reduce statewide emissions to 45% below 1990 levels by 2030, 70% below 1990 levels by 2040, and 95% below 1990 levels by 2050, with a declining cap and corresponding emissions allowance market.

As of January 2023, all sources covered under the programme and emitting more than 25,000 MtCO2e annually are subject to the cap and are required to surrender allowances sufficient to meet their covered emissions. Each allowance authorises its holder to emit one MtCO2. The programme covers approximately 70% of Washington's statewide GHG emissions, including emissions from industrial facilities, electricity generation, transportation fuels and natural gas. Allowances decline over time to support achievement of a 95% reduction in GHGs below 1990 emissions levels by 2050.

The Washington Department of Ecology holds quarterly allowance auctions, with revenues dedicated to programmes for the reduction of carbon emissions, climate resiliency, support of renewable energy and reduction of GHGs in agriculture. In 2024, Washington passed Senate Bill 6058, which introduced key changes to facilitate linkage with California and Quebec’s carbon market and took effect in January 2025. In June 2026, Washington, California and Quebec signed a linkage agreement establishing a framework for integrating their carbon markets. Each jurisdiction must now complete steps to operationalise the agreement.

In May 2026, New York amended its climate law to require the New York State Department of Environmental Conservation to promulgate statewide GHG regulations by 31 December 2028. Those regulations must be designed to achieve a 60% reduction in statewide GHG emissions below 1990 levels by 2040, while the statutory target of an 85% reduction by 2050 remains in place. The Department must consider the feasibility of an economy-wide cap-and-invest programme, but is not required to ultimately adopt that mechanism to

achieve the GHG reductions. New York Governor Kathy Hochul recently proposed to develop the cap-and-invest programme by 2028, and that proposal remains pending.

Oregon's cap-and-trade programme under the Climate Protection Program (CPP), was originally implemented in 2022 and reinstated in November 2024. In December 2023, the Oregon Court of Appeals invalidated the previous version of the CPP, finding that Oregon's Environmental Quality Commission's (EQC) rulemaking process had not complied with disclosure requirements under state law.

The CPP establishes a declining cap on GHG emissions, aiming to reduce GHG emissions by at least 90% below 2017–2019 levels by 2050. The CPP applies to covered fuel importers, in-state fuel producers, and local distribution companies; direct natural gas (DNG) sources that emit 15,000MT CO2e or more annually; and emission-intensive, trade-exposed stationary sources (EITE)that meet or exceed the same emissions threshold.

EITE and DNG sources are exempt from the first CPP compliance period, which runs from 2025 through 2025. The current and revised CPP no longer implements the "best available emission reduction" approach that applied to certain large stationary sources. Instead, all emissions subject to the CPP are now regulated under the programme's declining emissions cap.

In April 2025, President Trump issued Executive Order 14260, "Protecting American Energy from State Overreach", directing the Attorney General to identify all state and local laws and policies that burden the energy sector that may be unconstitutional, preempted by federal law, or otherwise unenforceable, and to take "all appropriate action" to stop their enforcement. The Executive Order specifically mentions California's cap and trade programme and the climate Superfund laws of New York and Vermont as examples of policies that "should not stand". To date, the US Department of Justice has challenged both the New York and Vermont climate laws and is likely to bring further challenges to state climate change laws and programmes. This could lead to prolonged legal battles that take years to resolve, creating some degree of uncertainty for state programmes. On 31 August 2026, a federal district court invalidated New York's Climate Change Superfund Act, holding that the law was pre-empted by the CAA and the federal foreign-affairs power. The ruling will be appealed and reviewed.

Law stated - 16 September 2026

Registration

13 Are there any GHG emission allowance registries in your country? How are they administered?

There is currently no GHG allowance regime at the federal level. The registry for RGGI allowances is called the CO2 Allowance Tracking System (COATS). Each RGGI allowance has a unique serial number, which then tracks initial ownership, transfer and retirement of allowances. California and other linked jurisdictions including Washington and Quebec utilise the Compliance Instrument Tracking System Service (CITSS), which tracks the issuance, initial ownership, transfer and retirement of allowances and offsets within

the Western Climate Initiative (WCI). WCI conducts financial audit reports and RGGI periodically assesses the presence of any anticompetitive effects. Oregon's compliance instrument tracking system is administered by the Oregon Department of Environmental Quality and does not utilise a third-party registry.

Law stated - 16 September 2026

Obtaining, possessing and using GHG emission allowances

14 What are the requirements for obtaining GHG emission allowances? How are allowances held, cancelled, surrendered and transferred? Can rights in favour of third parties (eg, a pledge) be created on allowances?

Under RGGI, allowances are primarily obtained through quarterly regional auctions or secondary market transfers. A person wishing to hold allowances must establish an account in RGGI's COATS registry. California allowances under the state's cap-and-invest programme are distributed through direct allocation to eligible entities, joint auctions with linked jurisdictions, secondary-market sales and sales from the state's allowance reserve. Washington allowances are similarly obtained. Oregon does not auction compliance instruments or permit participation by secondary-market participants like brokers and traders. The Oregon Department of Environmental Quality distributes compliance units to covered entities without cost, which may then transact with other covered entities to buy or sell units as necessary to achieve their emissions compliance obligations.

RGGI allowances are held and transferred through COATS. Covered entities have compliance accounts, while other market participants hold allowances in general accounts. Allowances held in a compliance account are available to satisfy the covered entity's compliance obligation. When used for compliance, allowances are permanently removed from circulation through retirement or, in RGGI terminology, a "deduction". California, Washington and Quebec allowances are held and transferred through CITSS, although Washington's credits are currently segregated as the until market linkages are finalised. Under the CITSS mechanics, market participants use holding accounts for ordinary holdings and transfers, while covered entities also have compliance accounts into which they transfer units intended for compliance. Instruments placed in a compliance account are retired by the regulator when applied to a compliance obligation. Oregon does not use separate registry accounts to track compliance instruments. Covered entities may hold and bank compliance instruments, transfer instruments to other covered entities following the programme rules, and apply instruments toward their compliance obligations; instruments used for compliance are made ineligible for transfer or future use.

Law stated - 16 September 2026

TRADING OF GHG EMISSION ALLOWANCES (OR SIMILAR EMISSION INSTRUMENTS)

Emission allowances trading

15 What GHG emission trading systems or schemes are applied in your country?

There is no national GHG allowance regime or national-level emissions trading system. Although the US does not have a federal GHG trading program, EPA has long used emissions trading for other air pollutants, including SO under the national Acid Rain Program and NOx under regional programs addressing interstate ozone pollution. EPA also sought to facilitate GHG emissions trading under the 2015 Clean Power Plan, which allowed states to use allowance trading to meet power-sector GHG limits, but the rule was stayed by the Supreme Court in 2016 and repealed in 2019 before taking effect.

Concerning voluntary markets, there is no consolidated registry or trading system. Each allowance issuer or registry maintains its own trading platform and, as a result, the market is fragmented. Most transactions occur as over-the-counter bilateral transactions or through brokers. Each registry or issuer has its own rules concerning trading, banking and retirement; but, in general, voluntary carbon offsets may be freely transacted, pledged or securitised. The Commodity Futures Trading Commission (CFTC) regulates intangible environmental commodities, including carbon credits, offsets and similar instruments. Certain transactions may be subject to CFTC rules, including financially settled derivative transactions, swaps, certain options contracts and others. Market participants also may be subject to CFTC registration and reporting requirements, including Commodity Trading Advisors, Introducing Brokers (IBs) and others. In 2024, the CFTC issued guidance directing CFTC-regulated derivatives exchanges listing voluntary carbon credit contracts to consider the integrity of the underlying credits – including additionality, permanence, quantification, transparency and protections against double counting – when designing and listing those contracts. The guidance effectively required those exchanges to scrutinise the quality and integrity of the underlying credits and to maintain monitoring and compliance procedures intended to reduce fraud, manipulation and other market-integrity risks. Under the Trump administration, the CFTC withdrew its VCM guidance for exchanges on 15 September 2025. A future administration could reinstate this guidance.

Law stated - 16 September 2026

Trading agreements

16 Are any standard agreements on GHG emissions trading used in your country? If so, describe their main features and provisions.

There are no standard agreements on GHG emissions trading in the US, although a variety of common terms are found in most emissions reduction purchase agreements and similar agreements used to facilitate such transactions. These provisions generally mirror global standards and cover instrument type and vintage, pricing and delivery requirements, reversal risk, ownership of environmental attributes, applicable standards, liquidated damages and other provisions.

Increasingly, large companies or those building portfolios of GHG instruments are developing their own procurement criteria and contracts for carbon assets. These criteria may specify compliance with certain independent registries or standard-setting bodies, such as the Integrity Council for the Voluntary Carbon Market; contracting criteria also may specify replacement requirements for reversals or failure to deliver, with insurance products increasingly an option for certain types of transactions.

Law stated - 16 September 2026

SECTORAL REGULATION

Energy sector

17 Give details of (non-renewable) energy production and consumption in your country. Describe any regulations on GHG emissions. Describe any obligations on the state and private persons for minimising energy consumption and improving energy efficiency. Describe the main features of any scheme for registration of energy savings and for trade of related accounting units or credits.

The US is the world's largest producer of oil and natural gas and is likely to remain so given the Trump administration's stance. Due primarily to productivity and efficiency improvements, US crude oil production grew to a record average of 13.6 million barrels per day in 2025, with substantial growth coming from the Permian Basin in west Texas and southeastern New Mexico. The US Energy Information Administration predicts that US crude oil production will average 13.7 million barrels per day (b/d) in 2026 and 14.2 million b/d in 2027, with growth driven by higher oil prices and continued production efficiencies.

In 2025, there were 47.73 trillion cubic feet of gross withdrawals of natural gas in the US, and the country consumed a record 92 billion cubic feet per day of natural gas, up 2 percent compared to 2024. In 2025, the US produced 533 million short tons of coal and consumed 453 million short tons. In 2025, the US produced 2.1 million pounds of uranium concentrate (a significant increase from 657,000 pounds in 2024), and nuclear power plants generated 783.5 million megawatt hours of electricity.

According to EPA's 2024 report (which is the most recent EPA emissions inventory available and covers data through 2022), total US GHG emissions in 2022 were 6,343 MMtCO2e, representing an increase of 1% from 2021 levels. Although EPA has not issued its annual emissions report since 2024, the completed draft EPA 2025 report (covering data through 2023) was obtained from EPA through public records requests and published by a non-governmental organisation. The draft 2025 report documented that total US GHG emissions in 2023 were 6,197.3 MMtCO2e, a 2.3% decrease from 2022 emissions. It is not likely that the emissions inventory (published annually by EPA since 1993 and covering data from 1990) will be published in the remainder of the Trump administration's tenure.

When GHGs became a "regulated pollutant" under the CAA in 2009, EPA undertook various rulemaking processes to incorporate GHG emissions into programmes applicable to stationary sources, which include the Title V operating permit programme and the Prevention of Significant Deterioration programme, as well as New Source Performance Standards (NSPS) for both existing and new electric generating units.

In an early effort to regulate GHG emissions from power plants, in 2015 EPA released two rules: new source performance standards for new power plants and emission guidelines for existing power plants (known as the Clean Power Plan (CPP)). That rule and its first Trump administration replacement, the Affordable Clean Energy Rule (ACE Rule), were the subject of fierce litigation and were eventually scrapped. In April 2024, EPA adopted new final regulations that impose sweeping measures to govern power plant GHG emissions

under section 111 of the CAA, and which relied on carbon capture and sequestration to establish GHG emissions limits. In June 2025, the Trump administration proposed to repeal these standards or, in the alternative, to partially repeal them. As such, future GHG emissions regulations for the power sector remain uncertain, at best, and are unlikely within the next several years.

In a significant escalation of its rollback of climate regulations, in July 2025, EPA proposed to rescind the 2009 Endangerment Finding, which is the scientific and legal determination that GHGs pose a threat to public health and welfare and are therefore subject to regulation under the CAA. EPA finalised this rule in February 2026, formally rescinding the Endangerment Finding and eliminating the statutory basis for federal vehicle emission standards under section 202(a) of the Clean Air Act (CAA), but it could also have implications for other CAA regulations or programmes that regulate GHGs. The 2022 Inflation Reduction Act amended the CAA to define carbon dioxide and other GHGs as CAA "air pollutants", but EPA has argued that the rescission of the Endangerment Finding means it no longer has the authority to regulate GHGs in the context of certain CAA programmes. The broader impact of EPA's rescission of the Endangerment Finding remains to be seen, as multiple lawsuits have been filed (including by nearly half of the US states) challenging EPA's action.

In 2016, EPA issued new standards specific to methane emissions from new and modified oil and gas wells and related facilities. In late 2021, the Biden administration took several new actions on methane emissions, including proposing a rule that would reduce methane and other emissions from both new and existing sources in the oil and natural gas industry, as well as releasing a US Methane Emissions Reduction Action Plan. Separately, the 2022 Inflation Reduction Act (IRA) imposes a system of fees aimed at reducing certain methane emissions from pipelines, orphaned wells and other fossil fuel infrastructure. The IRA also required EPA to assess a waste emissions charge for methane from facilities reporting more than 25,000 metric tonnes of carbon per year. However, on 14 March 2025, President Trump approved the rescission of EPA's final rule on methane waste emissions charges after the legislature passed a joint resolution of disapproval; the Trump administration also has paused other methane emissions requirements for the oil and gas sector. On 9 April 2026, EPA issued a final rule relaxing two discrete technical standards for the oil and natural gas sector related to temporary flaring and monitoring of certain gases at well sites. EPA has indicated it is continuing to develop additional proposed amendments to the rule to address issues raised by industry and other stakeholders.

In December 2023, EPA issued a final rule under the CAA that adopts NSPS standards for the oil and gas sector, covering methane and certain other emissions from upstream, midstream and downstream operations. These rules target emissions from new and modified sources, and also include emissions guidelines to assist states in developing rules to govern existing sources. On 28 July 2025, the US EPA issued an interim final rule to extend several compliance deadlines in the 2024 New Source Performance Standards and Emissions Guidelines for oil and natural gas operations. The rule remains in effect throughout pending legal challenges.

The Department of Energy runs the Federal Energy Management Program, which focuses on reducing energy consumption and increasing the proportion of renewable energy utilised at federal agencies. The DOE also runs a "Better Buildings" programme, intending to increase building energy efficiency by 20% over the next decade across the commercial,

public, industrial and residential sectors. Through these and other programmes, the federal government has historically created incentives and supported energy efficiency and related technologies to reach net-zero emissions by 2050.

California, Oregon, Washington, New Mexico and Hawaii have all enacted Low-Carbon Fuel Standards requiring significant reductions in the carbon intensity of transportation fuels. California, Oregon and Washington, together with British Columbia, now create a market for low-carbon fuels covering the entire West Coast. California's programme requires a 30% reduction in the carbon intensity of motor fuels by 2030 and a 90% reduction by 2045, which refiners can achieve either by blending biofuels with gasoline or diesel, or by purchasing credits, which can be generated by, for example, selling low-carbon fuels, including electricity used to charge vehicles. The other states have adopted similar mandates. Clean fuel standards have been considered by at least eight other state legislatures, without success as of the time of writing.

Law stated - 16 September 2026

Other sectors

18 Describe, in general terms, any regulation on GHG emissions in connection with other sectors.

In 2009, EPA determined that the six primary GHGs recognised by the UN reasonably may endanger public health and welfare. Concurrently, EPA determined that GHG emissions from motor vehicles contribute to pollution that endangers public health and welfare. Since then, EPA has worked to implement GHG reductions from on-road vehicles through fuel efficiency and certain vehicle efficiency requirements. However, in February 2026, the Trump administration's EPA issued a final rule rescinding the Endangerment Finding and eliminating the statutory basis for federal vehicle emission standards under section 202(a) of the CAA. The 2022 Inflation Reduction Act amended the CAA to define carbon dioxide and other GHGs as CAA "air pollutants", but EPA has argued that the rescission of the Endangerment Finding means it no longer has the authority to regulate GHGs in the context of certain CAA programmes. The broader impact of EPA's rescission of the Endangerment Finding remains to be seen, as multiple lawsuits have been filed (including by nearly half of the US states) challenging EPA's action.

California has traditionally enjoyed a waiver from EPA which allows it to avoid CAA pre-emption that otherwise prohibits states from enacting their own emission standards for new motor vehicles. Under the Trump administration, EPA has submitted these waivers to Congress pursuant to the Congressional Review Act (CRA), asking Congress to disapprove (invalidate) the waivers. Congress disapproved three such waivers in 2025, and at the time of this writing in 2026, EPA has submitted four additional waivers to Congress for review under the CRA. California and other states have filed lawsuits challenging the legality of the process used to invalidate the waivers under the CRA, which remain pending as of this writing.

In September 2011, in coordination with the National Highway Traffic Safety Administration (NHTSA), EPA established fuel economy standards for light-duty cars and trucks and the first phase for medium and heavy-duty trucks. Under the Obama administration,

NHTSA proposed aggressive Corporate Average Fuel Economy (CAFE) standards for cars and light trucks for model years 2022–2025. These were rolled back by the first Trump administration but were re-established by the Biden administration in March 2022. The CAFE standards for model years 2024–2026 require fuel economy of 49mpg by model year 2026. Under appending proposal released by the NHTSA in July 2023, the CAFE standard would increase to 58mpg in 2032; the proposal also would require a 10% annual fuel economy improvement for certain commercial vehicles (those between 8,500 and 14,001 pounds) for model years 2030–2035. Under the second Trump administration, the NHTSA developed and finalised in 2025 a new interpretive rule aimed at reversing the prior Administration's CAFE standards. The final rule prohibits consideration of electric vehicles and other factors when setting maximum feasible fuel economy standards, but does not change the existing CAFE standards. As at the time of writing, however, NHTSA has proposed reduced CAFE standards, from certain previous Biden-era targets of 50 mpg by 2031 to a target of about 34.5mgp by model year 2031.

As noted above, while EPA generally has nationwide authority to set emission standards for motor vehicles, the CAA grants California the special ability to set its standards, which may be followed by other states, so long as California receives a waiver from EPA. California Governor Gavin Newsom declared in a September 2020 Executive Order that all new consumer car sales in California must be zero-emission vehicles by 2035, and all new medium-duty and heavy-duty trucks and buses must be zero-emission by 2045. Many other states have adopted CAA emissions requirements for vehicles, and a few have also announced similar zero-emissions policies. However, recent California waivers have experienced pushback: on 12 June 2025, President Trump signed three Congressional resolutions rescinding EPA's approval of Advanced Clean Cars II, Advanced Clean Trucks and Omnibus Low NOx programmes pursuant to the Congressional Review Act. In 2026, EPA submitted four additional California waivers to Congress pursuant to the CRA. As noted above, California and other states have filed suit challenging these actions by the federal government.

On 15 August 2016, EPA promulgated an endangerment finding under section 231(a)(2)(A) of the CAA for aircraft, which determined that GHG emissions from certain classes of aircraft engines, including those used by most large commercial aircraft, contribute to the air pollution that causes climate change and endangers public health and welfare. According to EPA, GHG emissions from aircraft represent 12% of transport-related GHG emissions in the US, and 3% of total US GHG emissions. In March 2019, the Federal Aviation Administration (FA) announced its Monitoring, Reporting, and Verification Program for CORSIA. Applying to US air carriers and commercial and general aviation operators, the FAA's programme consists of voluntary carbon emissions reporting to establish standardised practices to implement CORSIA. On 11 January 2021, EPA finalised the first domestic GHG emission standards for aircraft. See *Final Rule, Control of Air Pollution from Airplanes and Airplane Engines: GHG Emission Standards and Test Procedures*, 86 Fed Reg 2136.

These CAA standards would apply to manufacturers of new aircraft and new aircraft engines, with compliance determined as part of the FAA's airworthiness certification process. The standards rely largely on fuel efficiency and draw heavily from the 2017 Airplane CO2 Emission Standards established by the International Civil Aviation Organisation (ICAO). EPA explained that aligning domestic standards with international standards would bring "substantial benefits for future international cooperation" on aircraft

emissions, which the agency deemed "key for achieving worldwide emission reductions" (id at 2,144–45).

In November 2021, the FAA also published the US Aviation Climate Action Plan, which outlines strategies for moving the domestic aviation industry towards net-zero emissions by 2050, and released an updated 2024 Aviation Climate Action Plan in December 2024. The plan relies on more efficient aircraft and engine technologies, production and use of sustainable aviation fuels, advancements in airport operations, international cooperation and support for climate science research. At the same time, the plan notes that "the decarbonisation of the aviation sector is extremely challenging". The Trump administration has shifted away from government net-zero goals and has reduced certain preferential tax incentives for the production of sustainable aviation fuel (SAF), although it remains eligible for certain tax credits. The FAA remains supportive of research and development of SAF, describing SAF as supporting industry (not government) net-zero goals, but also important to national energy security and industry efficiency.

The US has no national GHG regulations for maritime shipping, and the Trump administration currently is opposing efforts by the International Maritime Organisation (IMO) to establish such standards under MARPOL. The IMO approved in April 2025 draft regulations that would establish a net-zero framework for global shipping. The adoption vote was scheduled for October 2025, but countries faced intense pressure from the Trump administration, threatening trade and other sanctions for countries that voted for the regulations. Member states ultimately voted to postpone the vote on the adoption of the regulations to October 2026. Meanwhile, the US is continuing to advocate against the adoption of the IMO's Net Zero Framework.

Law stated - 16 September 2026

RENEWABLE ENERGY AND CARBON CAPTURE

Renewable energy consumption, policy and general regulation

19 Give details of the production and consumption of renewable energy in your country. What is the policy on renewable energy? Describe any obligations on the state and private parties for renewable energy production or use. Describe the main provisions of any scheme for registration of renewable energy production and use and for trade of related accounting units or credits.

The Energy Policy Act of 1992 was enacted to address many aspects of energy supply and demand, including alternative fuels, renewable energy and energy efficiency. Significant amendments in 2005 further created or bolstered federal incentives for energy efficiency, biofuels and numerous types of renewable energy. Historically, the US Congress has regularly extended tax credits for wind and solar energy production, while adopting new tax incentives for carbon sequestration. The Biden-era Inflation Reduction Act (IRA) provided new tax credits that were intended to phase out either at the end of 2032 or when national electricity GHG emissions fall below 20% of the 2022 level, whichever occurs later; however, legislation passed on 4 July 2025 (the One Big Beautiful Bill Act, or OBBBA) accelerated the phaseout for these incentives for solar and wind projects, requiring construction to have begun by July 2026 and the facility to be in service by the

end of 2027 to be eligible for the credit. On the consumer side, OBBBA rolled back major IRA clean-energy tax credits and accelerated phase-outs, including eliminating incentives for electric vehicles after 30 September 2025 and the residential clean energy tax credit after 31 December 2025.

After OBBBA passed, President Trump released Executive Order (EO) 14315, "Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources", directing the US Treasury to strengthen the repeal of green energy tax credits for wind and solar and directing the Interior Department to review and impose new layers of oversight on wind and solar projects. Any action related to these projects must now pass through multiple internal reviews – including the Executive Secretariat and the Deputy Secretary's office – before receiving the Secretary's personal sign-off. The Interior Department also issued directives to eliminate any "preferential treatment" for wind and solar in its policies (Secretarial Order 3437) and to evaluate projects based on "capacity density", emphasising that wind and solar use far more land than other energy sources such as nuclear, gas and coal (Secretarial Order 3438).

The Federal Energy Regulatory Commission (FERC) has focused on expanding transmission and other infrastructure to support renewable energy development across the US. In 2023, FERC issued a landmark final rule, Order No. 2023, to reform procedures and agreements that electric transmission providers use to integrate new generating facilities into the electric grid. In 2024, FERC released Order 1920, which required each of the transmission planning regions in the US to undertake long-term transmission planning that accounts for shifting demand, extreme weather events, and state clean energy laws, among other factors. FERC subsequently issued two orders (Orders 1920-A and 1920-B) largely affirming the original rule. These orders are the subject of ongoing consolidated lawsuits brought by a number of parties, including utility companies, environmental groups, and clean energy advocates.

Additionally, the Department of Energy (DOE) loan guarantee programme backs investment in renewable power, energy efficiency and commercial climate technologies. Loans backed by the DOE have supported investment in solar, wind, geothermal, nuclear and energy storage technologies, among others. In 2013, the DOE announced the availability of US$8 billion in loan guarantees for advanced energy projects that substantially reduce GHGs and other air pollution. In 2014, the DOE announced the availability of US$4.5 billion in loan guarantees available for innovative renewable energy and energy-efficiency projects in the US that reduce GHG emissions. In 2021, DOE announced it had more than US$40 billion in loan guarantee capacity available to support clean energy projects. In 2022, it announced its first loan guarantee of US$504 million for advanced Clean Energy Storage in nearly a decade.

The IRA also expanded DOE's Title 17 Clean Energy Financing Program to include facility decarbonisation and energy infrastructure reinvestment projects. The DOE runs parallel loan programmes for nuclear energy projects and "advanced fossil energy" projects, each with its own solicitations and funding caps. As at 2023, DOE's Loan Programs Office had US$412 billion in estimated remaining loan capacity due to the IIJA and IRA. However, the OBBBA repealed or reduced several IRA-created or expanded loan authorities and unobligated funds, including for the Title 17 loan guarantee programme as well as programmes focused on transmission deployment and siting. It also revised statutory eligibility criteria by eliminating greenhouse gas reduction as a qualifying objective

and instead prioritising projects that increase capacity or output, enhance grid reliability or address other system adequacy needs. The Trump administration has signalled substantial support for nuclear power generation, and in June 2026 DOE's Office of Energy Dominance Financing announced $17.5 billion in loan commitments for certain nuclear projects.

A number of states have binding requirements to shift to 100% renewable or non-emitting sources in the electricity sector by mid-century. These include California, Connecticut, Delaware, Illinois, Hawaii, Oregon, Washington, Colorado, Nevada, New Mexico, North Carolina, Maine, Massachusetts, Maryland, Michigan, Minnesota, Rhode Island, Virginia, Vermont and New York, as well as the District of Columbia and Puerto Rico. Several other states have regulatory or executive orders in place requiring the same goal, including Wisconsin, Louisiana, New Jersey and Arizona.

Approximately 36 states, plus the District of Columbia, have enacted binding renewable portfolio standards (RPS). Several other states have non-binding RPS programmes or renewable energy goals. State RPS programmes operate by setting renewable energy targets for each year and requiring electric utility companies to achieve that level of renewable power. As a result, RPS programmes are the primary drivers for renewable energy investment in the US and are spurring significant investment in renewable energy infrastructure in many states. RPS compliance is usually managed through a system of tradeable renewable energy credits (RECs), with one REC representing one MWh of renewable power. In general, RECs are registered by state agencies and are tradeable instruments.

In addition to mandatory RPS programmes, "green power" programmes allow US energy consumers (including residential, commercial and industrial users) to purchase renewable or "green" power from their utility company or independent power supplier. Both energy suppliers and businesses looking to offset energy consumption purchase RECs on the voluntary market to meet green power targets and demand.

Voluntary REC supply is dominated by wind, though solar is increasing its market share. At least 50% of retail customers in the US now have an option to purchase "green" or low-carbon power from their utility. Net metering programmes, available in some states, allow grid-connected customers with renewable energy systems installed on their property to offset their electrical usage and sell excess electricity to their utility. Several states have also implemented feed-in-tariff programmes that provide a higher price to consumers generating certain types of renewable energy. These programmes have aided the expansion of residential and commercial solar projects in the US, but net metering programmes are not universal across the US. Net metering programmes have also recently come under attack for shifting the costs of maintaining the grid onto customers without the resources to invest in their own renewable energy resources, leading states like California to reduce the value of solar energy net metering credits.

Law stated - 16 September 2026

Wind energy

20 | Describe, in general terms, any regulation of wind energy.

Wind energy projects are subject to a range of federal, state and local environmental, land use, and natural resources laws and regulations. A project may require multiple permits, along with consultation and coordination between multiple agencies. Access to transmission also remains a constraint for many wind projects since wind energy resources in the US are not always located near demand. Developing new or expanded transmission lines can increase the complexity of the regulatory requirements. For projects located on federal land and tribal, federal land management agencies act as the primary permitting authority. For projects on private or state land, permitting authority is vested in one or more state agencies in some states. In others, the primary permitting authority for a wind facility is the local planning commission, zoning board, city council or county board.

The federal government also has a programme for leasing federal lands on the outer continental shelf for offshore wind development, as well as onshore leasing of federal lands for wind, solar and other energy development. On 20 January 2025, the Trump administration issued a presidential memorandum, "Temporary Withdrawal of All Areas on the Outer Continental Shelf from Offshore Wind Leasing and Review of the Federal Government's Leasing and Permitting Practices for Wind Projects", withdrawing the outer continental shelf from new wind leasing and directing federal agencies to pause new or renewed approvals for wind projects while conducting a review of federal wind leasing and permitting practices. A federal district court vacated the agency-wide permitting pause in December 2025, and the government dismissed its appeal in June 2026. The separate withdrawal of the outer continental shelf from new wind leasing, which was not at issue in that ruling, remains in effect. DOI also subjects wind and solar project decisions to elevated departmental review.

Federal incentives for wind energy have also been reduced. The OBBBA, enacted on 4 July 2025, accelerated termination of the clean electricity production and investment tax credits under sections 45Y and 48E of the IRS for wind and solar projects. Executive Order 14315, "Ending Market Distorting Subsidies for Unreliable, Foreign Controlled Energy Sources", subsequently directed DOT to strictly enforce these termination provisions, including by revising guidance governing when project construction begins for the purpose of beginning-of-construction rules. Treasury and the IRS subsequently issued Notice 2025-42, which tightened those beginning-of-construction rules.

Trump's Executive Order 14315 also raised concerns that green energy subsidies could pose a national security risk by increasing US dependence on supply chains controlled by foreign adversaries. In August 2025, the US Department of Commerce also initiated an investigation under section 232 of the Trade Expansion Act into the national security effects of imports of wind turbines and their components. Separately, Commerce added wind turbines and certain components to the derivative products covered by existing section 232 tariffs on steel and aluminium products. The wind-specific section 232 investigation remains pending, but no separate wind-specific trade action has been publicly announced.

Wind energy projects have seen litigation over environmental impacts and other issues. Litigation may involve local issues, such as noise, siting and site-specific impacts, or may implicate broader state or national policies. Impacts on birds are a frequent focus of litigation. The Migratory Bird Treaty Act (MBTA), the Endangered Species Act and the Bald and Golden Eagle Protection Act all protect certain species of birds with civil and criminal penalties. Under the first Trump administration, the Department of the Interior (DOI) determined in 2017 that the MBTA is inapplicable to incidental injuries or killings

of birds, including those caused by wind projects. The Biden administration then withdrew this determination: the Fish and Wildlife Service (FWS) published its final rule revising the MBTA interpretation on 4 October 2021, reinstating its position that "incidental takes" are prohibited under the MBTA. However, in April 2025, DOI reversed course again under the second Trump administration. Acting Solicitor issued a memorandum withdrawing the Biden-era legal opinion and reinstating the 2017 interpretation that the MBTA does not apply to incidental take, except within the jurisdiction of the US District Court for the Southern District of New York, where that interpretation had been vacated. FWS also withdrew its earlier proposal to establish regulations authorising incidental take under the MBTA.

Law stated - 16 September 2026

Solar energy

21 | Describe, in general terms, any regulation of solar energy.

The US added approximately 43 gigawatts of solar capacity in 2025, a decrease of 14% from the record-breaking 2024. Solar represented approximately 54% of additions to the electric generating capacity and supplied nearly 9% of total electricity in the US. Utility-scale solar remains among the lowest-cost forms of new electricity generation on an unsubsidised basis

Many of the policy changes initiated by the Trump administration have lowered federal support for the solar industry. The OBBBA eliminates the 30% federal tax credit under IRS section 25D for residential solar expenditures at the end of 2025, and accelerates clean electricity production and investment tax credits under sections 45Y and 48E by the end of 2027. This will especially impact smaller solar installations (homes, businesses) and will alter the economics of all solar projects. Trump's Executive Order 14315 subsequently directed DOT to strictly enforce these termination provisions

Trade measures also affect imported solar equipment. In August 2026, following an investigation under section 232 of the Trade Expansion Act, President Trump issued a proclamation establishing minimum import prices for certain products, including solar cells and modules, and an additional 15% tariff on covered derivative products, with the measures scheduled to take effect on 4 December 2026.

Many states and the District of Columbia continue to offer incentives, such as upfront rebates, tax credits (including exemptions from property and sales taxes), production-based incentives and solar renewable energy credits. An anticipated increase in the need for end-of-life management of photovoltaic (PV) solar panel waste is driving states such as California to take measures in support of streamlined solutions, including through a 2020 regulation designating PV waste as "universal waste", alongside electronics, batteries and other low-risk hazardous waste. A few states are experiencing some pushback as solar expands, due to both transmission issues and high costs to ratepayers. These issues continue to affect state policy debates.

Traditional regulatory approvals and permits are required for solar projects, regardless of scale. Residential solar installations, such as rooftop solar projects, generally do not

require major regulatory approvals but are required to meet local and state building, zoning, land use and development regulations – including the acquisition of necessary permits. Larger commercial and utility-level solar energy projects implicate a much larger array of federal, state and local laws – including those concerning land access, siting, water rights, transmission and environmental review – all of which may be subject to litigation in the process of seeking regulatory approvals.

Law stated - 16 September 2026

Hydropower, geothermal, wave and tidal energy

22 Describe, in general terms, any regulation of hydropower, geothermal, wave or tidal energy.

FERC issues licences for the construction of new hydropower projects. During the permitting process, FERC and the applicant must ensure compliance with NEPA and must obtain a water quality certification from the appropriate state agency under the Clean Water Act (CWA). In recent years, with an eye toward encouraging this emissions-free resource, both Congress and FERC have enacted laws intended to reduce regulatory barriers for small hydropower projects, projects on existing dams and projects in man-made conduits such as irrigation canals. In many cases, permittees also must obtain authorisations under various federal laws, including those protecting wildlife, such as the ESA. In some states, additional authorisation may be required for hydropower resources to qualify for RPS or net metering programmes. With climate change as an increasing concern, some states have increased focus on hydropower as a source of energy; in particular, states in the north-east are exploring ways to import more hydropower from Canada and increase capacity and production at existing hydropower facilities. In 2020, EPA finalised a rule revising its regulations for the CWA water quality certification process intended to promote hydropower projects. In November 2023, EPA finalised a new rule aimed at modifying the CWA section 401 Certification Process in response to the Trump administration's changes in 2020. We can expect that the second Trump administration may initiate a rulemaking to revert back to the 2020 changes. In July 2025, EPA announced a notice initiating a series of stakeholder listening sessions and a request for public comment on regulatory uncertainty or implementation challenges associated with the CWA section 401 certification process as defined in the 2023 Rule.

Geothermal projects are regulated by a mix of federal and state agencies, with requirements varying by state and whether the project is located on state, tribal, federal or private land. The Geothermal Steam Act of 1970 requires DOI to establish rules and regulations for the leasing of geothermal resources on lands managed by federal agencies. These regulations are issued by the Bureau of Land Management. Existing EPA Underground Injection Control Regulations under the federal Safe Drinking Water Act define Class V injection wells to include injection wells associated with the recovery of geothermal energy.

In response to President Trump's executive order declaring a "National Energy Emergency", DOI announced in April 2025 that it will implement emergency permitting procedures to accelerate the development of domestic energy resources, including

geothermal energy and kinetic hydropower. On tax credit incentives, following the passage of the OBBBA, wind and solar now face a tighter schedule to qualify for existing credits; technologies like geothermal, battery storage and hydropower keep full credits through 2033, with a gradual phase-out by 2036.

Law stated - 16 September 2026

Waste-to-energy

23 | Describe, in general terms, any regulation of production of energy based on waste.

Waste-to-energy is defined as a renewable energy source in many states and plants are therefore eligible to sell RECs. At present, the US has approximately 60 waste-to-energy facilities that combust municipal solid waste. There has been little development of new waste-to-energy plants since the 1980s and the 1990s; the first new waste-to-energy plant since 1995 was built in 2015. As combustion units, waste-to-energy systems are subject to regulatory requirements similar to those regulating fossil fuel-fired power plants, but often significantly more stringent. The CAA imposes numerous requirements on waste-to-energy facilities, which also must comply with the CWA, the Resource Conservation and Recovery Act and other federal, state and local laws. Waste-to-energy facilities and related ash landfills have come under increased legal and regulatory scrutiny in recent years and are at times the subject of lawsuits brought under environmental laws.

Law stated - 16 September 2026

Biofuels and biomass

24 | Describe, in general terms, any regulation of biofuel for transport uses and any regulation of biomass for generation of heat and power.

The Renewable Fuel Standard (RFS) programme was created under the Energy Policy Act of 2005 and expanded by the Energy Independence and Security Act of 2007. The programme requires specified volumes of renewable fuel to replace or reduce fossil fuel used in transportation fuel and establishes annual standards, compliance obligations and a credit-trading system. Obligated refiners and importers comply through Renewable Identification Numbers (RINs), tradable credits generated through the production of qualifying renewable fuels and ultimately retired to meet each party's Renewable Volume Obligation.

Recent administrations have continued to use the RFS to increase biofuel use, although with different priorities. The Biden administration increased renewable fuel requirements for 2023 through 2025. The second Trump administration has continued that approach for liquid biofuels: EPA's 2026 Set 2 rule further increased overall requirements for 2026 and 2027, particularly for biomass-based diesel, while placing greater emphasis on domestically produced fuels and feedstocks. The rule also eliminates the proposed eRIN pathway for renewable electricity and, beginning in 2028, generally provides only half RFS credit for fuels produced outside the US or from foreign feedstocks. Cellulosic biofuel

production, however, has continued to fall short of EPA projections, requiring reductions in certain requirements.

EPA has also taken steps to facilitate sales of gasoline containing 15% ethanol (E15), including temporary summer fuel waivers after a 2019 rule allowing year-round E15 sales was partially vacated by the DC Circuit.

Federal policy toward biomass used for electricity generation is less supportive. EPA stated in 2018 that it intended to treat CO2 emissions from managed forest biomass used for energy at stationary sources as carbon neutral in future regulatory actions. More recently, however, the Trump administration's EPA has moved to eliminate federal GHG standards for fossil-fuel-fired power plants, including by repealing most of the standards in September 2026 and proposing to repeal the remaining standards. Those actions may reduce the regulatory advantage of lower-carbon generation from biomass as compared with fossil fuels.

Law stated - 16 September 2026

Carbon capture and storage

25 Describe, in general terms, any policy on and regulation of carbon capture and storage.

Carbon capture and storage (CCS) has substantial potential to reduce GHG emissions from industrial sources but has not been widely demonstrated on a commercial scale. On 1 December 2010, EPA published its final rule concerning an expansion of its GHG reporting rule to include facilities that inject and store carbon dioxide for geologic sequestration or enhanced oil and gas recovery.

In January 2014, EPA issued a final rule excluding carbon dioxide streams in CCS projects from classification as a hazardous substance under the Resource Conservation and Recovery Act, provided that the streams are injected into Class VI wells and not mixed or co-injected with any hazardous wastes. CCS projects are potentially affected by several other regulatory programmes. For instance, NEPA and state equivalents may present regulatory hurdles by requiring environmental review of project impacts. State and local agencies may also impose permitting requirements on CCS projects. CCS development is subject to regulation under the Safe Drinking Water Act, and projects must obtain a Class VI injection well permit before commencing; these permits come with various rules, designed to prevent the subsurface migration of CO2 or other fluids or materials into drinking water. Several states have received approval to administer Class VI injection well permitting: North Dakota, Wyoming, Louisiana, and West Virginia. Arizona and Texas have primacy applications pending. Increasing state-level interest may help to streamline permitting and foster CCS development.

On 13 January 2021, the Treasury Department finalised rules to implement section 45Q of the Tax Code. The 45Q programme provides tax credits for capturing and sequestering carbon oxides that would otherwise escape to the atmosphere. In 2025, the OBBBA made several changes to 45Q, including setting a standard credit value to remove the distinction between geological sequestration and other commercial uses like enhanced oil recovery.

Overall, the 45Q programme and its strong tax credit subsidies should continue to spur interest in US CCS projects.

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CLIMATE MATTERS IN TRANSACTIONS

Climate matters in M&A transactions

26 What are the main climate matters and regulations to consider in M&A transactions and other transactions?

Entities must consider a range of climate issues when undertaking M&A transactions. Risks generally fall into several categories: regulatory, litigation, reputation, market risks and operational risk related to climate change impacts. Some matters also present M&A opportunities, such as incentives related to renewable energy. Increasingly, GHG disclosure and risk reporting requirements are also a factor when considering M&A activities. Matters to consider include the following.

Regulatory risks

- GHG permitting obligations, including NEPA review and state equivalents, if applicable;
- Direct GHG costs related to EPA and state regulation of emissions under market-based or command-and-control programmes;
- disclosure and compliance obligations under Securities and Exchange Commission rules and state laws, including state-level disclosure requirements concerning GHG emissions and climate-related risks;
- regulatory uncertainty given the rapid development of climate change law in the US, particularly with repeated shifts between administrations and the current lack of alignment with certain major trading partners, such as the EU; and
- adherence to the Equator Principles, if applicable, which include requirements relating to climate impacts.

Litigation risks

- Litigation exposure from claims concerning the alleged climate impacts of corporate operations or the impacts of climate change on corporate operations.

Reputational risks

- Voluntary GHG reduction goals, progress toward those goals, any rollback of or failure to attain them, and related public disclosures and messaging, including compliance with consumer protection laws and the FTC Green Guides.

Market risks and opportunities

- Trade costs or disruptions related to climate-focused tariff schemes;
- global economic and security risks related to potentially destabilising impacts of climate change in certain regions; and
- market opportunities related to renewable power, renewable energy credits, GHG mitigation, supply-chain GHG reductions, carbon offset development or trading, and energy efficiency.

Operational risks

- Operational or financial risks related to physical climate change impacts on infrastructure, facilities, supply chains and other business assets; and
- impacts of climate change on natural resources and commodities, such as water supplies, fisheries, forestry products and crops.

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UPDATE AND TRENDS

Emerging trends

27 Are there any emerging trends or hot topics that may affect climate regulation in your country in the foreseeable future?

Climate change regulation

The US is facing rapid and dramatic shifts. While the Biden administration made major, historic investments in clean energy and carbon sequestration, the Trump administration is working swiftly and diligently to undo regulations, rescind tax credits and cancel other funding and permits. Although court challenges may hamper some of these efforts, some may succeed, and uncertainty persists in the meantime for certain sectors (such as wind and solar), projects and federal programmes, including federal GHG regulations and reporting requirements. At the same time, several executive orders have signalled the Trump administration's interest in increasing fossil fuel energy extraction and domestic biofuel production, marking a significant shift in policy that could harm the competitiveness of some US industries seeking to compete globally.

The extent of the second Trump administration's impact on climate change policy – and overall US GHG emissions – may be constrained due to legal challenges, state-level action, market forces and international and voluntary standards. In the US, deregulatory actions must go through the same procedures as stricter regulatory standards, so there are opportunities for legal challenges prior to the rescission of existing regulations. However, the second Trump administration is moving rapidly even when its intended changes have significant legal vulnerabilities. A new policy that is ultimately overturned in court can still have a significant chilling effect while the challenge is pending.

Many states continue to increase their climate regulation, with California leading the charge. However, the Trump administration has signalled its interest in challenging state autonomy, most notably California's cap-and-trade programme and its more stringent vehicle emissions standards. Congress has already rescinded recently granted waivers for California's proposed vehicle emissions standards. At present, it is unclear what additional actions the Trump administration will take to challenge these state-level policies.

As US regulations and incentives change rapidly through 2025 and 2026, businesses will need to watch carefully for both direct and indirect impacts, including on supply chains. And as the US pushes back on global norms with respect to climate regulation – including withdrawing from the Paris Agreement – the full impact remains to be seen as litigation and state policymaking play out in the coming years.

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Beveridge & Diamond

Ryan L Andrée randree@bdlaw.com
Leah A Dundon ldundon@bdlaw.com
Brook J Detterman bdetterman@bdlaw.com

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