



Stronger EU climate diplomacy: expanding carbon pricing worldwide

October 2025

Carbon pricing is becoming a mainstream tool to cut emissions and drive clean growth. The EU's own Emissions Trading System (EU ETS) has reduced covered emissions by 50% in 20 years while raising over €230 billion euros to support the transition – a success that inspires others. Today more than half of global power sector emissions are covered by a carbon price.

To strengthen this global movement, the European Commission launched a Task Force on international carbon pricing and market diplomacy. By working with over 40 partner countries, the Commission is helping to scale up carbon markets and pricing and support them to deliver real climate and development benefits.

In February 2024, the European Commission announced the creation of a new Task Force on International Carbon Pricing and Markets Diplomacy as part of its [Communication on the 2040 Climate Target](#). The Task Force is designed to advance carbon pricing and high-integrity carbon markets globally.

Building on the EU's successful experience with its own Emissions Trading System, as well as its longstanding international engagement, the Task Force shares the EU's lessons learned and encourages more partner countries to introduce carbon pricing tools tailored to their needs. It also engages actively in international carbon markets to strengthen climate ambition and contribute to sustainable development.

Key developments in carbon pricing and markets over the past year

Encouraged by international collaboration, carbon pricing and markets have continued to gain traction as more countries integrate them into their strategies to meet Paris Agreement commitments. The EU Carbon Border Adjustment Mechanism (CBAM) has further incentivised governments to use pricing measures to reduce GHG emissions. Today, 28% of global GHG emissions are subject to a carbon price¹, with around 80 jurisdictions now having a carbon pricing policy in place or under development.

¹ World Bank Carbon Pricing Dashboard (2025)

<https://carbonpricingdashboard.worldbank.org/compliance/coverage>

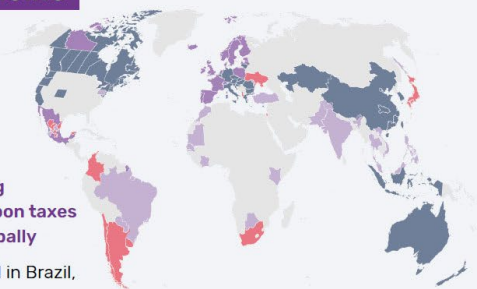
State and Trends of Carbon Pricing 2025

CARBON PRICING

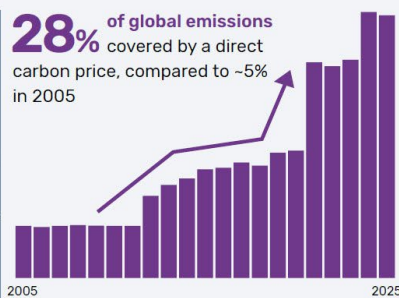
80

emissions trading systems and carbon taxes implemented globally

Plus ETSs planned in Brazil, India, and Türkiye



28% of global emissions covered by a direct carbon price, compared to ~5% in 2005



USD 100+ billion in revenues raised for second consecutive year

Over 50% of revenue was used to support environmental, infrastructure, and development projects

Source: [State and Trends of Carbon Pricing 2025](#)

The EU's outreach and diplomacy has led to tangible progress. Some of the most prominent developments over the past months include:

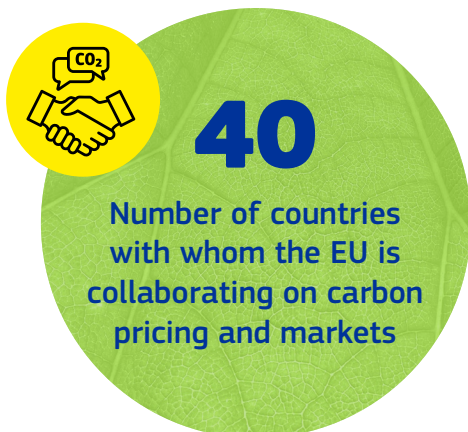
- In December 2024, **Brazil** passed a law to create a national Emissions Trading System, and countries finalised the rules of the Paris Agreement carbon market mechanisms (Article 6) at COP29, paving the way for a new generation of international carbon credit markets.
- In March 2025, **China** confirmed the extension of its ETS from the power sector to also cover the steel, cement and aluminium sectors, representing a 60% increase in terms of the volume of GHG emissions covered.
- Between April and June 2025, **India's** Ministry of Environment, Forest and Climate Change (MoEFCC) published sectoral intensity targets for its compliance Carbon Credit Trading Scheme (CCTS) in 8 industrial sectors that should start trading from October 2026 onwards.
- In May 2025, **Japan** passed a law to transition its voluntary carbon market scheme into a compliance emissions trading system which will start in 2026.
- In July 2025, **Türkiye's** parliament passed a law providing for the creation of a national Emissions Trading System.

Building on this wave of new carbon pricing initiatives worldwide and the finalisation of the Article 6 rulebook, the Task Force has intensified the European Commission's engagement to help partner countries design, implement and strengthen carbon pricing systems and markets.



Wopke Hoekstra, European Commissioner for Climate, Net Zero and Clean Growth at the 18th ASEAN Ministerial Meeting on the Environment (AMME) in Langkawi, Malaysia

The Task Force's role in advancing carbon pricing and market development



The European Commission has actively supported this global movement by engaging with more than 40 countries around the world to support the identification, development and implementation of carbon pricing and markets policies, as well as continuing efforts to deliver robust rules for global carbon markets under the Paris Agreement.

The European Commission works closely with **China, South Korea, Türkiye and others** on carbon pricing. Collaboration also extends to candidate countries and other non-EU European countries. Since 2016, the European Commission has convened the Florence Process on an annual basis, providing a unique forum that brings together the main jurisdictions implementing emissions trading systems. The European Commission also plays a central role in advancing carbon pricing initiatives in international fora, including the UNFCCC, the Global Carbon Pricing Challenge (GCPC), the International Carbon Action Partnership (ICAP), the World Bank's Partnership for Market Implementation (PMI) and the OECD's Carbon Markets Platform, as well as for international aviation and maritime transport through ICAO and IMO.

The establishment of the Task Force has enabled the European Commission to take international carbon pricing and market diplomacy to the next level. Over the past year, the Task Force has expanded and intensified the European Commission's engagement across all continents to advance carbon pricing and carbon market development through a range of activities.

The immediate priority of the Task Force has been to identify and engage with a broad set of partner countries working towards enhanced carbon pricing policies and high integrity carbon markets. For each of those, the Task Force sought to identify specific policy needs and how these could be fulfilled through enhanced technical cooperation.

The Task Force undertook targeted technical engagements with countries such as **India, Indonesia, Malaysia, Thailand, Viet Nam, Mexico, Morocco, Egypt, South Africa, and the UAE**. These engagements offered tailored support to help countries develop or enhance domestic carbon pricing instruments and robust approaches to access international carbon markets in line with the goals of the Paris Agreement.

Complementing these efforts, the Task Force organised study tours that brought officials from partner countries including **Brazil, Chile, Colombia, Japan, and Kazakhstan** to meet experts in Europe. These visits provided first-hand exchanges with representatives from the European Commission, Member States, industry, as well as other actors involved in implementing the EU Emissions Trading System. Participants engaged in detailed discussions on carbon pricing policy design, market implementation, and complementary climate measures, benefiting from technical exchanges and peer learning. These study tours have been instrumental in developing mutual understanding, building technical capacity and fostering practical cooperation to help partner countries to accelerate policy development and enhance the effectiveness and integrity of their own carbon pricing mechanisms. Bilateral cooperation continues with those countries to support policy development further.

The Task Force convened a series of high-level events on carbon pricing, including the **EU-ASEAN** joint side event on carbon pricing and markets, held alongside the first ASEAN-EU Ministerial Dialogue on Environment and Climate Change. This gathering brought together senior representatives from ASEAN Member States, the ASEAN Secretariat, the European Commission, and key climate partners to deepen cooperation on carbon pricing as a central instrument for climate action.

Similarly, a dedicated event co-organised with the **African Union and Kenya** at the Second Africa Climate Summit in Addis Ababa explored how carbon markets and pricing can advance climate cooperation and support sustainable growth across Africa.

The European Commission organised a roundtable with Indonesian Senior Officials to exchange perspectives on carbon pricing and markets, while a focused dialogue with Japanese industry executives addressed the nexus between carbon pricing, competitiveness, and the transition to net zero. Collectively, these forums provided essential platforms for political, technical, and industry leaders to share best practices, forge partnerships, and strengthen international collaboration.

The European Commission has also contributed to building capacity for the development of high-integrity carbon credit markets in specific countries. For example, the [Integrated Assessment for Article 6 \(IAA6\)](#) project, which the European Commission supports technically and financially, seeks to enable evidence-based policy making and implementation of Article 6 carbon markets in **Peru, Sri Lanka and Tanzania**.

In addition, the Task Force has also supported the development of targeted studies, educational materials and training programmes to build capacity, enhance knowledge, and facilitate effective carbon pricing and market implementation globally.

What does the future hold?

In line with the EU's unwavering commitment to climate action and the Paris Agreement, the Task Force plans to expand its dialogues and cooperation with partners on carbon pricing and markets over the coming year. Whether through continued direct cooperation or softer forms of engagement to support mutual learning, promoting the development and strengthening of carbon pricing policies globally will remain a central pillar of the European Commission's climate diplomacy.

There is much to look forward to, including the start of trading in domestic compliance markets in India and Japan, the transformation of existing mechanisms in Colombia and Mexico, and the implementation of brand-new policies in Brazil, Türkiye and Thailand, to name a few.

Beyond supporting the development of carbon pricing policies, the Task Force will also deepen its engagement on international carbon markets with countries willing to embed the potential of the recent agreement on Article 6 of the Paris Agreement into their climate and development strategies. The European Commission's recent proposal to reduce net greenhouse gas emissions by 90% by 2040 compared to 1990 levels, which includes the potential use from 2036 onwards of a limited amount of high-integrity international carbon credits, makes such engagement even more relevant.

To support and amplify these engagement activities, the Task Force can draw on a range of tools, such as the EU Climate Dialogues, which provide additional platforms for collaboration and exchange with partner countries.

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