



Bachelor Thesis

Global carbon markets: a systematic review of sectoral scope and compensation mechanisms

Emissions Trading Systems (ETS) are a cornerstone of market-based climate policy worldwide. While the EU ETS is the largest ETS, many other jurisdictions, including China, California, South Korea, the United Kingdom, and New Zealand, have implemented or are developing their own systems (ICAP, 2025; World Bank, 2025). A critical design feature is the sectoral scope, i.e., which parts of the economy are covered. Another important aspect is the compensation mechanisms used to protect energy-intensive, trade-exposed (EITE) industries from competitive losses. These mechanisms range from the direct free allocation of allowances (as in the EU) to electricity subsidies or other forms of indirect support.

The aim of this thesis is to conduct a systematic review of all major ETS globally with a focus on the sectoral scope. An example for such a review in the past is the publication by Narassimhan et al. (2018). In addition to the ETS, the direct and indirect compensation mechanisms that are employed by the respective governments in parallel to the ETS, should be integrated into the systemic review. Based on the systemic review of the ETS and compensation mechanisms, the incentives for abatement for profit-maximizing firms in each ETS and sector should be assessed with quantitative or qualitative methods.

Your profile

- Bachelor student of economics or a related field, ideally with a focus on energy or environmental economics.
- Strong analytical skills and the ability to conduct independent scientific work.
- Interest in international climate policy and market-based instruments.

Literature

- International Carbon Action Partnership (ICAP). (2025). Emissions Trading Worldwide: Status Report 2025.
- World Bank. 2025. State and Trends of Carbon Pricing 2025.
- Narassimhan, E., Gallagher, K. S., Koester, S., & Alejo, J. R. (2018). Carbon pricing in practice: A review of existing emissions trading systems. *Climate Policy*, 18(8), 967-991.

Contact



Contact

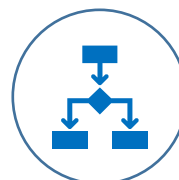
E-Mail:
walde_maximilian@wiso.uni-koeln.de

Topics



- Emissions trading systems
- International climate policy
- Compensation mechanisms

Methods



- Literature Review
- Comparative Analysis