Status of China’s regional trading programs

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Background

• Policy context, objectives and envisioned role for new market instruments
  – China set the target to reduce its CO2 emissions per unit of GDP by 40–45 per cent by 2020 compared with the 2005 level.
  – A binding target of reducing the CO2 emissions per unit of GDP by 17% during the 12th Five-Year Plan period was established.
  – China initiated low carbon pilot projects in five provinces and eight cities.
  – The National People’s Congress approved Outline of the 12th Five-Year Plan, which clearly mentions that China will establish statistical and verification systems for GHG emissions and gradually establish a carbon emissions trading system.
Background

• Overview of China’s GHG emission
  
  – According to China’s National Program on Climate Change, China’s total GHG emissions in 2004 were 6.1 billion tons of CO2 equivalents.
  
  – After removing the amount of carbon sink, the net emission of GHG in China in 2004 was 5.6 billion tons of CO2e.
  
  – China is still at a lower stage of development with a huge population.
Background

• Interest in carbon market
  - Emissions trading could help achieve the objective of controlling GHG emissions at lower costs.
  - The Government of China will, according to the requirements of the Outline of the 12th Five-Year Plan, gradually establish a market system for carbon emissions trading to promote the achievement of its carbon intensity reduction objective.
  - The National Development and Reform Commission (NDRC), is prompting with great efforts the establishment of a carbon market.
    - To promote trading of voluntary credits generated on a project-by-project basis
    - To organize relative provinces and municipalities to introduce emissions trading systems.
    - Try to establish a unified national system in 2015.
Background

• Key relevant initiatives
  – Strengthening local capacity to compile local greenhouse gas inventories
    • NDRC has published guidelines for compilation of provincial greenhouse gas inventories, and initiated the work on the compilation of local greenhouse gas inventories.
  – Plans to organize research on guidelines for emission accounting for key sectors
    • NDRC is now organizing research on the methodology for emission accounting for key sectors, and will publish guidelines for emissions calculation.
Pilot project at local level

Why these regions?
- Level of economic development
  - Relatively development
- Strong economic power
- Large carbon emission volume
- Potential market volume
  - Large cap
  - Many market players
  - Trading volume
## Pilot project at local level

### Key index of pilot project provinces

<table>
<thead>
<tr>
<th>Province</th>
<th>GDP per capita (RMB)</th>
<th>Rank</th>
<th>Energy intensity (tce/10,000 RMB)</th>
<th>Rank</th>
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</table>
Pilot project at local level

- Beijing—published “Proposal on the regulatory framework for the pilot emission trading scheme”
  - Trade subject: enterprises with stationary source emission
  - GHGs included: CO2
  - Trade system: under construction, prior to local exchange
Pilot project at local level

• Cap
  – Account CO2 emission cap according to the target of carbon per unit of GDP reduced by 18% during 2011 to 2015

• Allocation
  – Free allowance of 2013 will be allocated according to average annual emission of 2009-2011
  – Little allowance will be auctioned by government
  – Enterprises should submit allowance annually. Allowance can’t be borrowed and will be cleared by the end of 2015.
Pilot project at local level

- **MRV**
  - Reporting system for enterprises entered into mandatory carbon market.
  - To publish “GHG accounting guideline” for various sectors
  - Appointed public and private energy service companies (ENSCos) to take on the responsibilities for the monitoring and auditing of the energy consumption in the city
  - Report GHG inventory at enterprise level including accounting methodology and monitor method adopted.
    - The report should be verified by the 3rd party.
# Pilot project at local level

<table>
<thead>
<tr>
<th></th>
<th>2020 GHG emission</th>
<th>Industries covered</th>
<th>Allocation</th>
<th>Register system</th>
<th>MRV</th>
<th>Regulation</th>
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<td>GHG inventory, model forecast</td>
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<td>Energy consumption report</td>
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<td>Database of emission factors</td>
<td>Report system according to sectors</td>
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## Pilot project at local level

### Exchanges in China

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Challenges and Problems

• Lack of legislation

• Impact to industries, especially to power industries

• Allocation
  • Rule of fair and transparent to be achieved
  • Allocation to new entrance

• Cross-regional trade

• Unified emission trading system be established
Thanks for your attention