



**中华人民共和国生态环境部**

Ministry of Ecology and Environment of the People's Republic of China



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# **Construction of China's Carbon Emissions Trading System (ETS)**

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## contents

1

Workshop Theme and General Situation in China

2

Progress of China's Carbon ETS

3

Next Step Consideration

# Country Experiences on Using International Carbon Markets to Achieve NDC Targets



# • China Experiences



China is the largest developing country with a population of over 1.4 billion. To address climate change, China has actively formulated and implemented a series of strategies, regulations, policies, standards, and actions.

**Among them, international carbon market and domestic carbon pricing instruments have played important roles:**

- Since 2005, China has actively participated in the CDM established by the Kyoto Protocol
- Since 2011, Beijing, Tianjin, Shanghai, Chongqing, Hubei, Guangdong, and Shenzhen have carried out pilot carbon emissions trading market
- Since 2012, CCER has been established



In 2020, China's carbon emissions intensity decreased by 48.4% compared to 2005, exceeding the goal that China had promised, i.e. to reduce by 40% to 45%.

At the same time, China's poverty alleviation campaign has achieved great success, and solid steps have been taken in building a beautiful China.

**President Xi said, addressing climate change, is not something that others want us to do, but that we do it ourselves. It is an inherent requirement of sustainable development and a responsibility to promote the construction of a community with a shared future for mankind.**



On 22<sup>nd</sup>, Sep. 2020, at the general debate of the 75th United Nations General Assembly, President XI solemnly announced that China's carbon dioxide emissions will strive to peak before 2030 and achieve carbon neutrality before 2060.

In Dec. 2020, at the Climate Ambition Summit, President XI further announced that by 2030, China's carbon dioxide emissions intensity will decrease by more than 65% compared to 2005, and the proportion of non fossil fuels in primary energy consumption will reach about 25%.

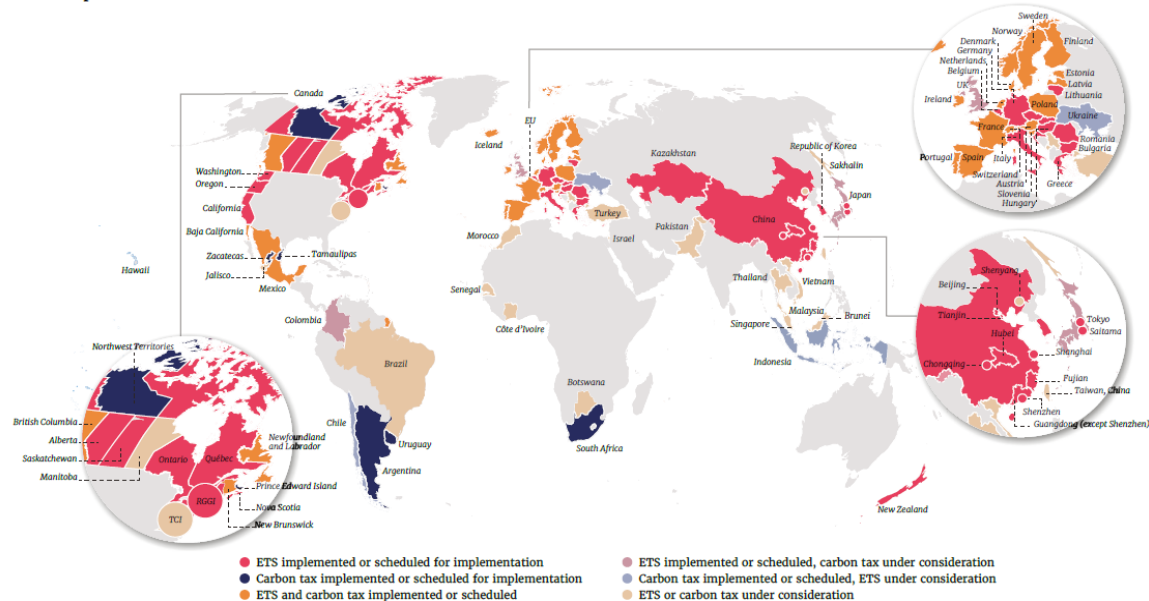
# Interaction of international carbon markets and carbon pricing instruments to meet NDC targets

# Global Carbon Market



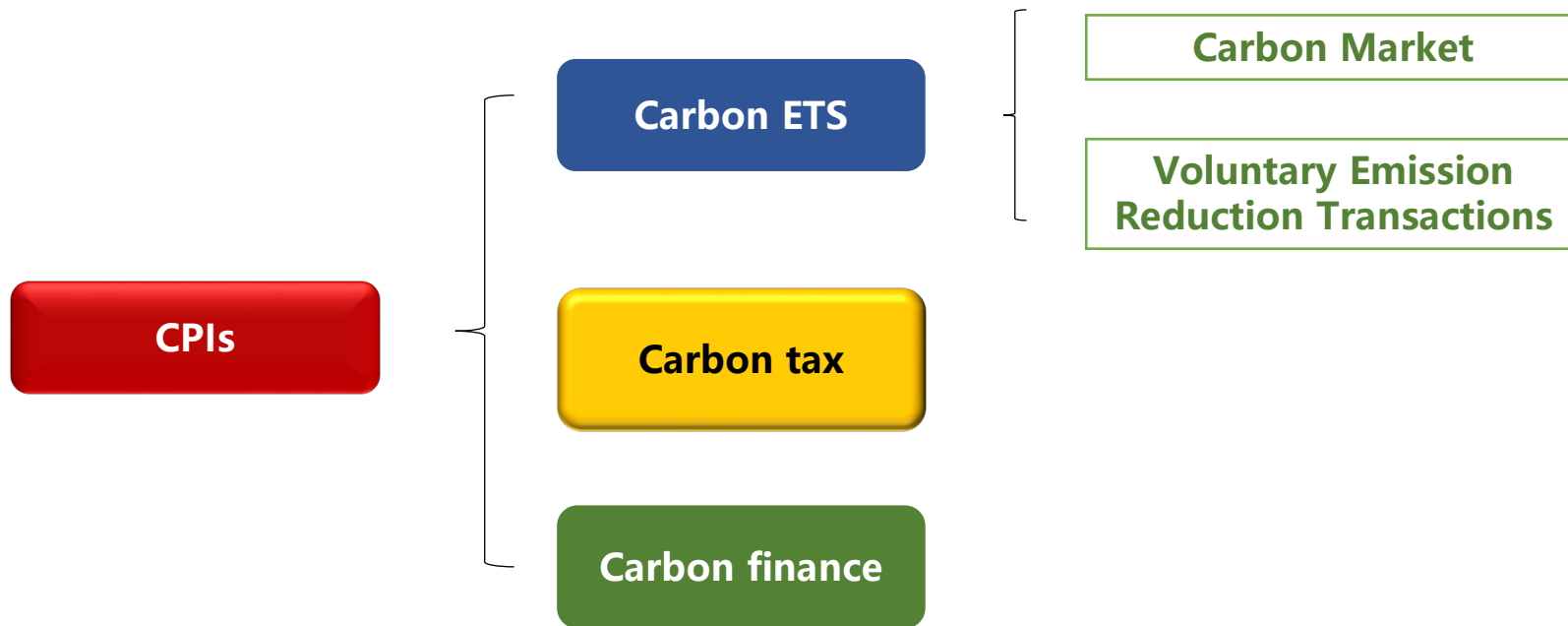
Practices have shown that to make good use of the carbon ETS, three conditions must be satisfied: clear property rights, low transaction costs, and reasonable initial allocation of property rights.

Map of carbon taxes and ETSs





# • Carbon Pricing Instruments





## contents

1

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2

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3

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## Overall Thinking

**Basic positioning:** policy tools for controlling greenhouse gas emissions

**General principles:**

- consistent with national greenhouse gas emission control objectives
- seeking progress while maintaining stability and gradually promote the construction of the national carbon market
- encourage energy efficient and low emission enterprises, and promote green and low-carbon transformation of the industry

**Industry Scope:** easy first, then difficult

**Supervision system:** gradually improve the multi-level and multisectoral supervision mechanism

**Indications:** clear property rights, strict protection, smooth operation, effective supervision, necessary transparency



# Launch of national carbon market



**On 16<sup>th</sup> Jul. 2021, the Ministry of Ecology and Environment held a launch ceremony for the online trading of the national carbon market.**

## Institutional systems

- ✓ carbon emission data MRV
- ✓ Allocation and payment
- ✓ trading and supervision

## Operation system

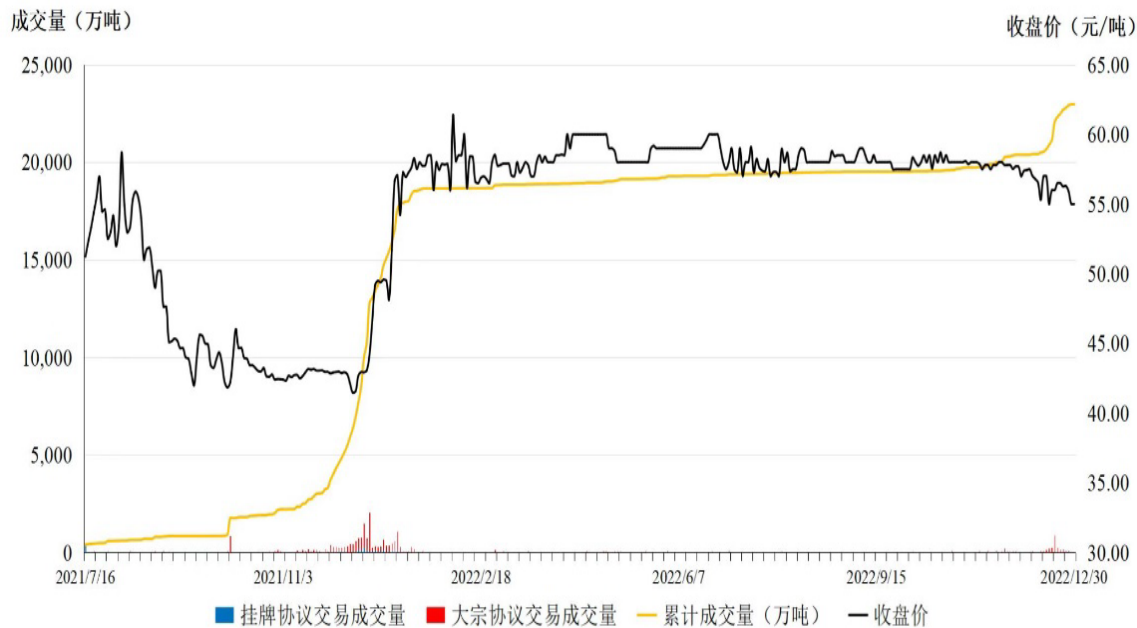
- management platform
- registration system
- trading system

## Supervision system

- key emission enterprises
- multi-level and trans-department governments
- technical service organizations
- industry associations
- the public

By the end of 2022, the national carbon market quota had a cumulative turnover of 230 million tons, with a cumulative turnover of 10.475 billion yuan.

The transaction price fluctuates between 40 and 60 yuan per ton, basically reflecting the cost of carbon reduction in the power industry.



**With ensuring of power supply, encourage efficient units, restrict inefficient units, and promote low-carbon green transformation.**

- ✓ **Strengthen the low-carbon development awareness of enterprises that "carbon emission has costs, carbon reduction has benefits "**
- ✓ **Promote green energy layout and low-carbon transformation of enterprises**
- ✓ **Promote the continuous reduction of carbon emission intensity in the power industry**

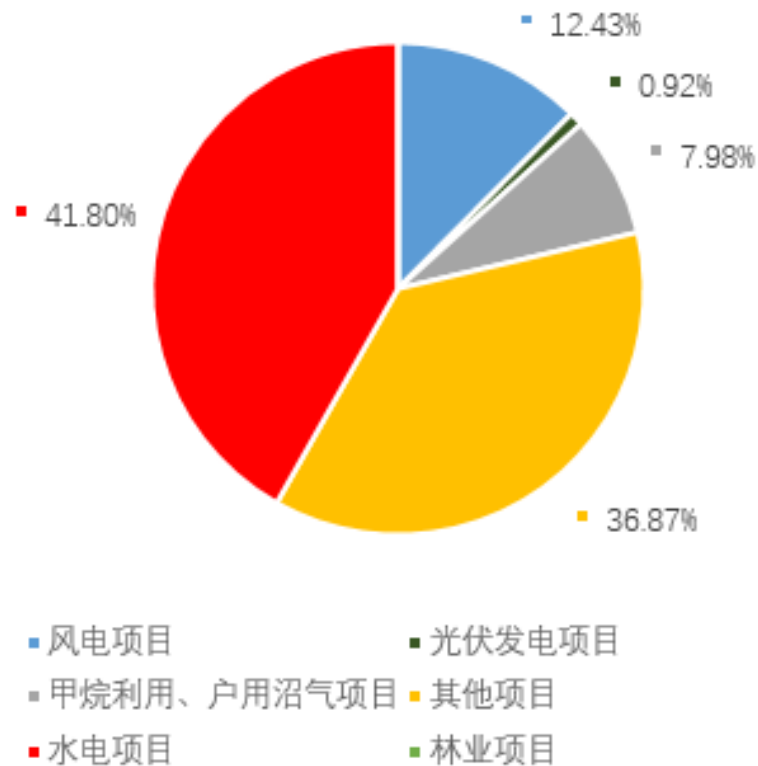
Since 2018, the Ministry of Ecology and Environment has actively promoted and improved CCER related work.

**Basic positioning:** the fundamental task is serving the carbon peak and carbon neutrality goals, and fully mobilize the "voluntary" enthusiasm of various market entities to participate in greenhouse gas emission reduction.

**Support areas:** development of renewable energy, forestry carbon sink, methane emission reduction..... then, promote the synergy of pollution and carbon reduction, and facilitate ecological protection compensation.



- In 2020, CCER was identified by CORSIA as one of the qualified emission reduction mechanisms.
- Since 2021, the national carbon market has determined to allow CCER as the offset mechanism for compliance.





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- ◆ Issue interim regulations on the management of carbon ETS, revise technical specifications, relevant rules, and consolidate the legal and regulatory foundation for data quality supervision.
- ◆ On the basis of improved industrial MRV technical specifications for greenhouse gas emissions, gradually extend industries, such as building materials, nonferrous metals, steel, petrochemical, chemical, paper, and civil aviation. By then, the total covered carbon dioxide emissions will account for over 70%.
- ◆ At proper time, let financial institutions or other non performing entities to participate in the national carbon market.

- 1. Formulate "Management Measures for Voluntary Greenhouse Gas Emission Reduction Transactions (Trial) ".**
- 2. Issue "Guidelines for the Development and Implementation of Voluntary Greenhouse Gas Emission Reduction Projects" and "Guidelines for the Approval and Verification of Voluntary Greenhouse Gas Emission Reduction Projects ".**
- 3. Establish nationwide unified systems for registration and trading, as well as related institutions.**



**Thanks and appreciate your listening**