

Administration of China's ETS

中国碳市场管理体系介绍

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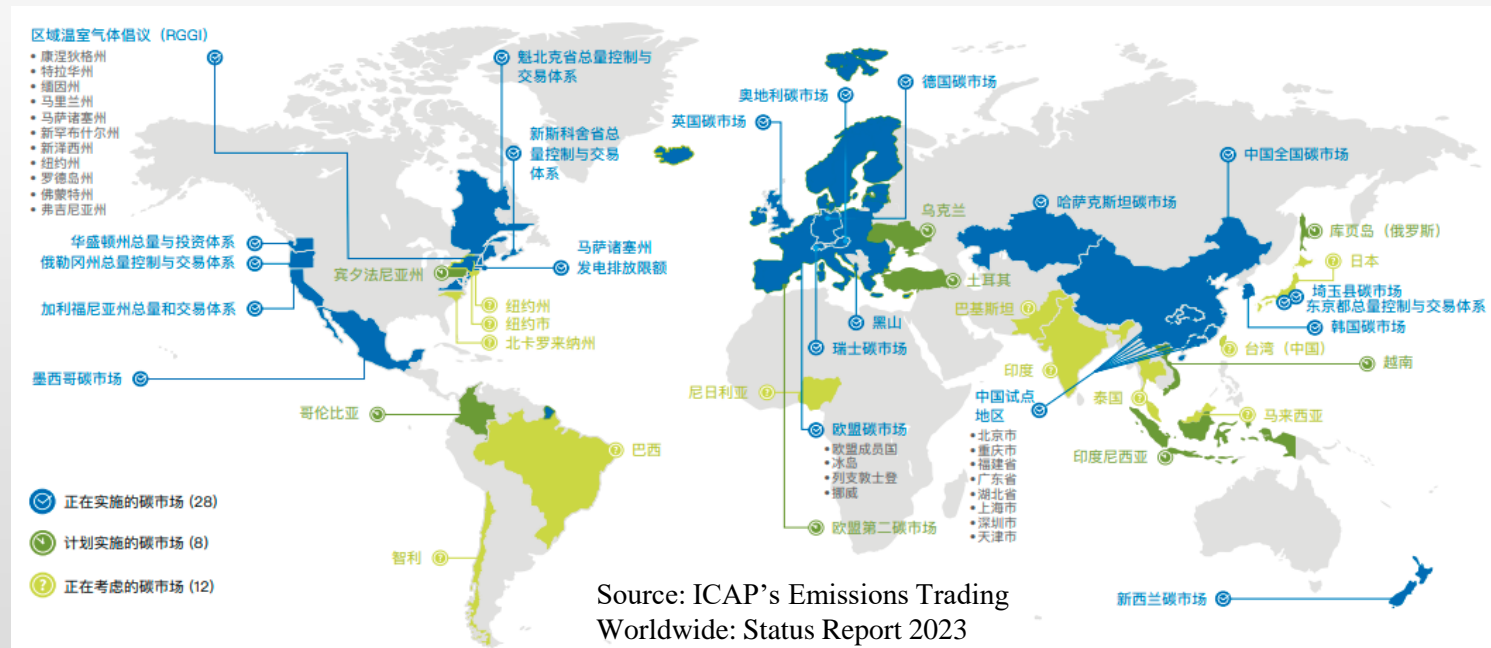
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Significance of Building A National Carbon Emissions Trading Market



Carbon trading is an important institutional arrangement to control greenhouse gas emissions

As of 2023, there are 28 carbon markets operating globally
Including 1 supranational market and 8 national markets; There are 8 carbon markets under construction



Source: ICAP's Emissions Trading Worldwide: Status Report 2023

All kinds of carbon markets cover 1-7 kinds of greenhouse gases, which are included in sectors such as industry, power generation, aviation, transportation, construction, waste and forestry. Their carbon emissions account for 18%-85% of the total carbon emissions in their regions, and the total carbon emissions account for about 22% of the current global carbon emissions. The annual allowance ceiling ranges from 5 million to 4.5 billion tCO₂e.

The Chinese government attaches great importance to the development of carbon emissions trading market



President Xi Jinping at the Leaders' Summit on Climate (April 2021)

President Xi Jinping and the US Former President Obama jointly issued the "Sino-US Joint Statement on Climate Change" (September 2015):

China also plans to launch a national carbon emissions trading system in 2017, which will cover key industrial sectors such as steel, electricity, chemicals, building materials, paper making and non-ferrous metals.

Speech by President Xi Jinping at the Opening Ceremony of the Paris Conference on Climate Change (November 2015):

"Establish a national carbon emissions trading market"

General Secretary Xi Jinping emphasized at the National Ecological Environmental Protection Conference (May 2018):

"We should make full use of market-oriented means to improve the price mechanism of resources and environment.

President Xi Jinping announced at the Leaders' Summit on Climate (April 2021):

"Online trading in the national carbon market will be launched."

The National Carbon Emissions Trading market is an important policy tool for carbon peaking and carbon neutralization

In the report of the 20th National Congress of the Communist Party of China, General Secretary Xi Jinping emphasized that the market trading system of carbon emissions rights should be improved.

The ninth meeting of the Central Committee of Finance and Economics (March 2021):

"Accelerate the carbon emission trading. "

The 36th Collective Study of the Political Bureau of the CPC Central Committee (January 2022):

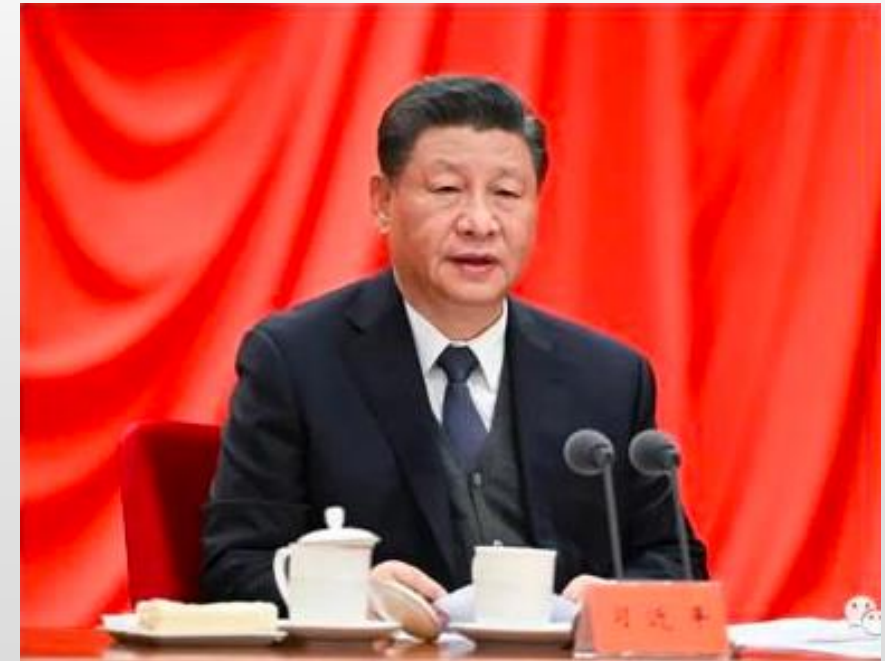
"We should give full play to the role of market mechanism, improve the carbon pricing mechanism, and strengthen the coordination of carbon emission trading, energy use trading and electricity trading. "

Opinions of the Central Committee of the Communist Party of China and the State Council on Completely, Accurately and Comprehensively Implementing the New Development Concept and Doing a Good Job in Carbon Peaking and Carbon Neutralization (September 2021):

"Accelerate the construction and improvement of the national carbon emissions trading market, incorporate carbon sink trading into the national carbon emissions trading market, and strengthen the overall connection of trading mechanisms. "

Work Plan of Carbon Peak Action Plan before 2030 (October 2021):

"Give full play to the role of the national carbon emissions trading market, further improve the supporting system, and gradually expand the scope of trading industries. Strengthen the connection and coordination among market mechanisms. "



General Secretary Xi Jinping presided over the thirty-sixth collective study of the Political Bureau of the CPC Central Committee and delivered an important speech



Significance of Building A National Carbon Emission Trading Market

Form a social consensus of "carbon emission for cost and carbon reduction for benefits", and build an incentive and restraint mechanism for enterprises to reduce carbon emissions

Price carbon emissions reasonably based on market-oriented mechanisms, reduce the cost of carbon emission reduction in the whole society, and guide social funds to flow to green and low-carbon fields

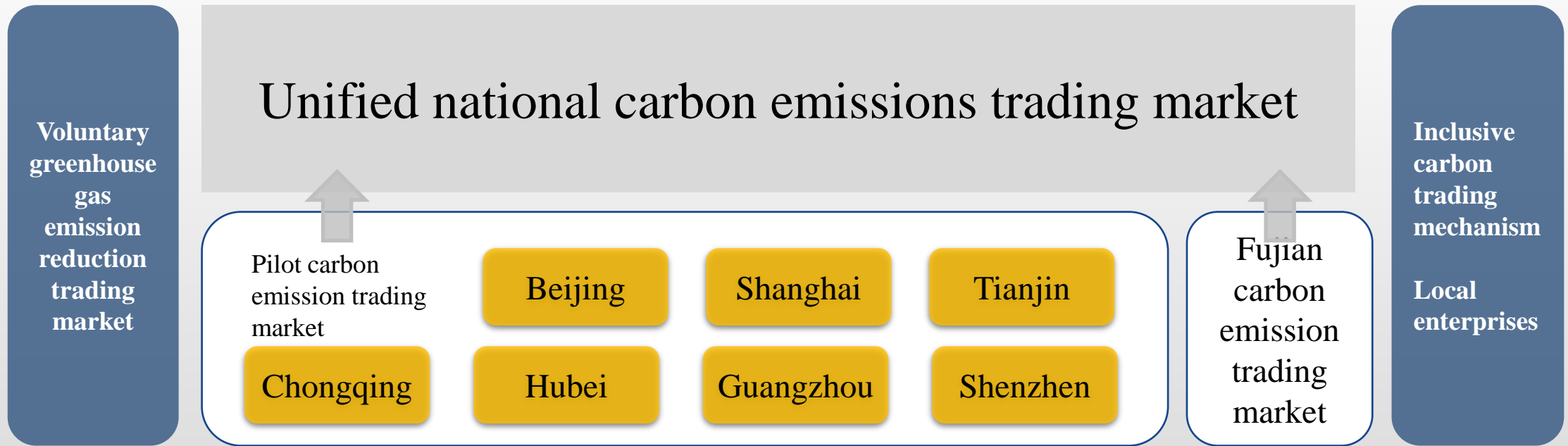
Form a mechanism for carbon emission budget management, initial allocation and paid use, optimize and adjust the energy consumption structure and industrial structure, and promote the innovation and popularization of green and low-carbon technologies

Enhance China's voice and global influence in the fields of carbon trading, carbon finance and carbon pricing, and highlight the image of a big country actively addressing climate change

2 Administration of China's ETS



China's ETS



Gradual and smooth transition to the national carbon emission trading market

Roadmap of National Carbon Market Construction

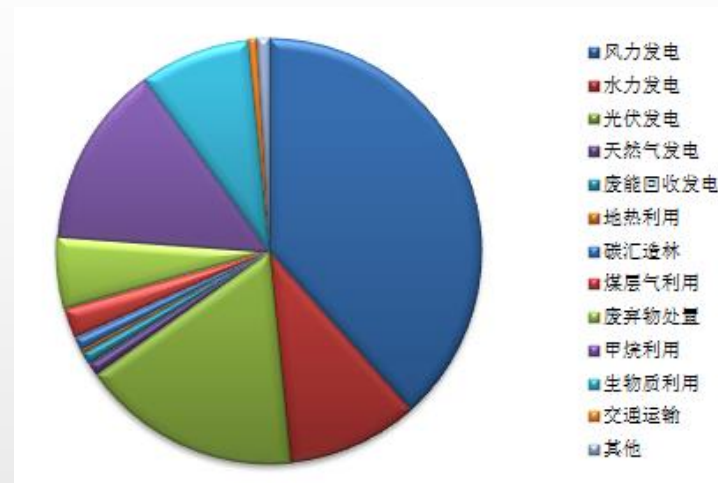


Construction of Voluntary Greenhouse Gas Emission Reduction Trading Market



As of March 2017, China has developed 200 voluntary greenhouse gas emission reduction methodologies.

12 institutions have obtained the qualification of voluntary greenhouse gas emission reduction project validation and emission reduction certification institutions



Technical classification of CCER projects publicized (as of March 2017)

- As of March 2017, a total of 2,871 projects for voluntary greenhouse gas emission reduction have been publicized, 1,315 projects have been filed, and 391 projects have been issued (if included in the multiple issuance of projects, a total of 454 projects), and CCER has been issued for about 78 million tons of CO₂e.
- As of March 31, 2023, the cumulative turnover of CCER in China was 451 million tons, with a turnover of about 6.227 billion yuan.
- About 64 million tons of CCER have been used in the national carbon market, and the pilot carbon market performance offset is 32 million tons per month, which effectively relieves the pressure brought by the trading mechanism to emission reduction of emission units and significantly reduces the performance cost of emission units.



Overall Thoughts for the Construction of National Carbon Emissions Trading Market

Adhere to the basic orientation of taking the carbon market as a policy tool to control greenhouse gas emissions, Deal with the relationship between carbon reduction and economic development.

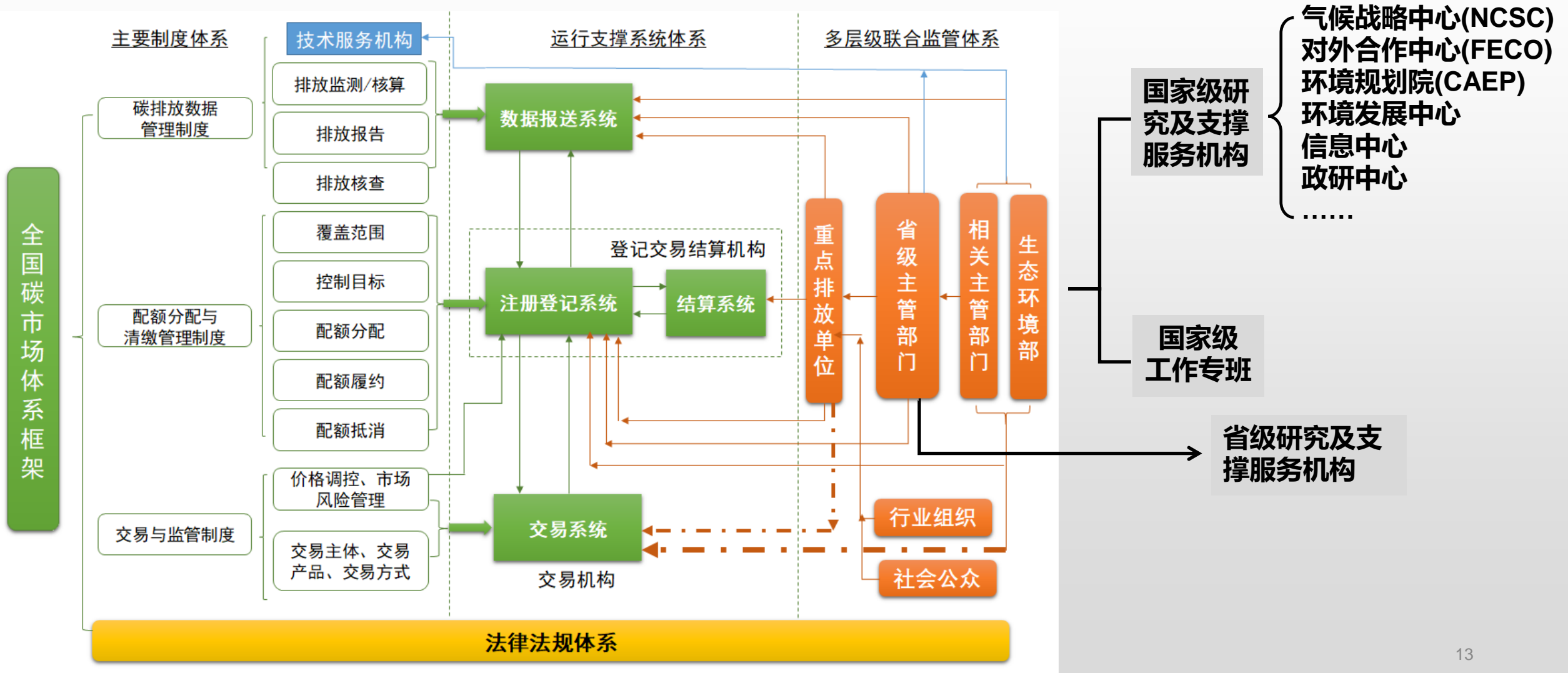
Carbon emission allowance management adapts to the national carbon emission control objectives, and gradually transforms from carbon emission intensity control to total carbon emission control

Gradually promote the construction of the national carbon market, gradually expand the market coverage, enrich the trading subjects, trading varieties and trading methods, effectively play the carbon pricing function, and give full play to the decisive role of the market in allocating resources.

Gradually establish and improve a multi-level and multi-sectoral joint supervision mechanism to give full play to the role of the government.

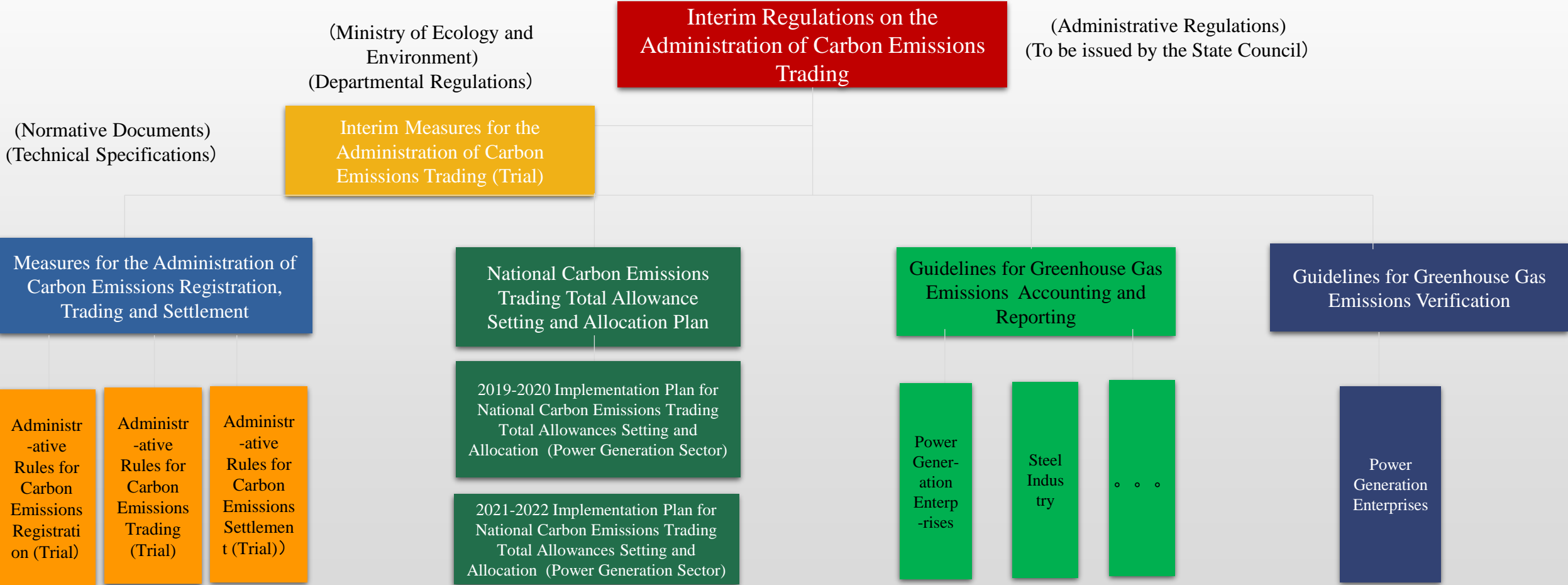
Gradually build the national carbon market into an international carbon trading center, a carbon financial center and a carbon pricing center.

Framework of China's National Carbon Market





Laws, Regulations and Policies System

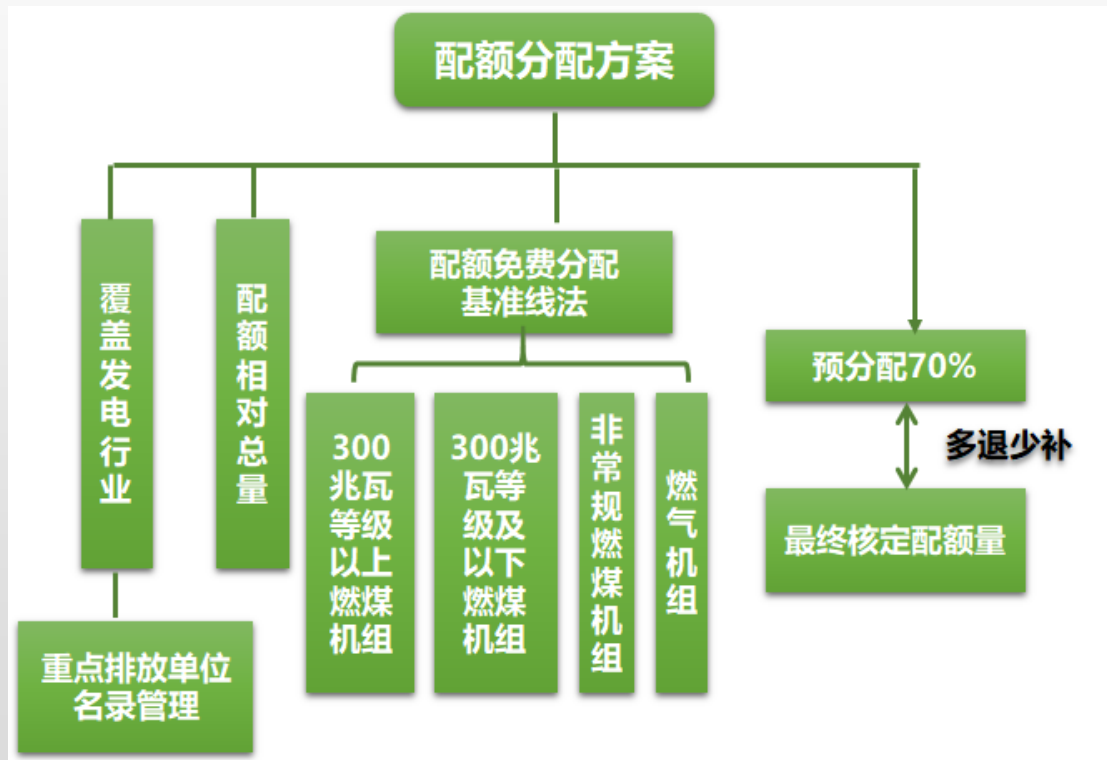


Continuously Strengthen Carbon Emission Data Management



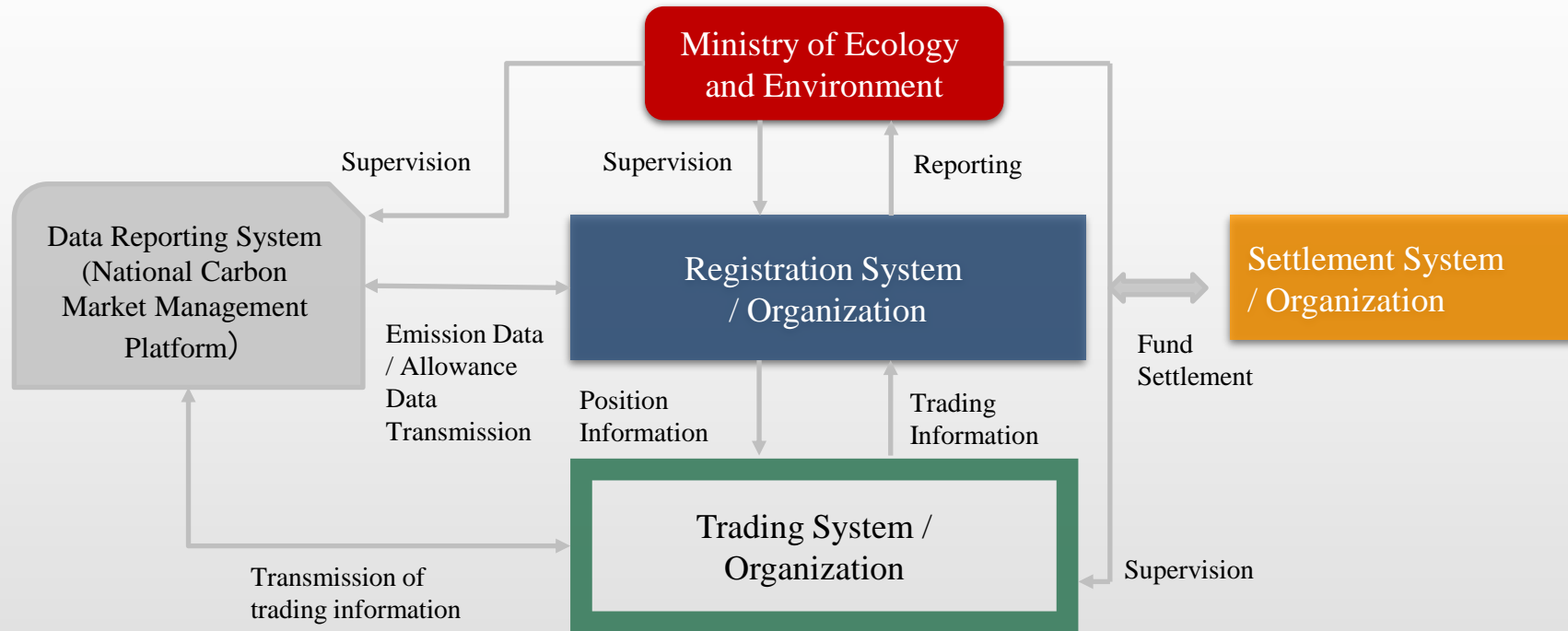
- Establish a system for accounting, reporting and verification of carbon emission data. Continuously establish and improve technical specifications for carbon emission accounting, reporting and verification.
- Build a carbon emission accounting database of about 7,000 enterprises in the electricity, iron and steel, nonferrous metals, building materials, petrochemical, chemical, paper-making and civil aviation industries from 2013 to 2020.
- Establish and improve multi-level joint management of data quality, achieve full-process, standardized, digital, integrated and coordinated management, and ensure the completeness, accuracy, and timeliness of data.

Reliable Formulation of an Allowance Allocation Plan Based on Carbon Emission Intensity Control



- The allowance allocation is based on carbon emission intensity and is in line with China's current carbon emission intensity control policies.
- Formulate a methodology for allocating allowances by fuel and unit type, and benchmarking against the advanced value of carbon emission intensity of the industry, allocate allowances free of charge based on the actual generating capacity of power generation units, not restrict the production of power generation enterprises, and better handle the relationship between economic development and carbon emissions reduction.
- Formulate the policies of " Allowance Surrender Compliance Cap" and " Gas-Fired Unit Compliance Preference ", allow the use of lower-priced CCERs for allowance surrender offset, and reduce the economic burden on enterprises.

Construction of Operation Support System



Establish a greenhouse gas emission data reporting system/national carbon market management platform (Ministry of Ecology and Environment)

The registration and settlement system (led by Hubei Province) and the trading system (led by Shanghai Municipality) were jointly constructed by the seven pilot provinces and municipalities of carbon emissions trading, as well as Fujian and Jiangsu Provinces, and have been successfully put into operation, effectively supporting the smooth operation of the National Carbon Emissions Trading Market.

2 Challenges and Difficulties



Challenge and Difficulties

Awareness and Concept

There is a lack of unified awareness of the role and positioning of the carbon market, an overemphasis on the financial attributes of the carbon market while ignoring its attributes as a policy tool for emission reduction, and an over-worry about the impact of the carbon market on the economic development of enterprises and industries while ignoring its incentive effect on enterprises.

Policies and Regulations

Carbon trading regulations have not yet been issued, and only departmental regulations and normative documents have been issued, with a low level of regulations and weak penalties, and a system of laws and regulations has not yet been established.

Administration

An effective joint inter-ministerial supervision and support mechanism has not yet been established, and there is a lack of specialized management bodies, sufficient manpower and financial support, as well as adequate supervisory capacity in many local authorities.

Market Function

The national carbon market covers only the power generation sector, with key emission units in the power generation sector as the main trading body and carbon trading for the purpose of compliance, and with a single trading product and trading method.



The Next step of China's ETS

Steadily Promote the Healthy Development of the National Carbon Emissions Trading Market

- **Consolidate the foundation of laws and regulations**
- **Strengthen the supervision of data quality**
- **Continuously intensify the construction of market functions**

Thank you!

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