

Update on China's Carbon Market

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I、 Policy Engagement on Development of China's ETS

1) enhancement of macro policy

Considering development of ETS as one of key tasks to push forward reforms of economy and establishment of new ecological cultural system.

- 12th five Year Plan on Social and Economics Development
- Working Program on GHG Emission Control During 12th five Year Plan
- Decision of the Third Plenary Session of the Eighteen Central Committee

2) related preparation works

- CDM cooperation
- Development of CCER trading scheme

II. Progress on CCER Trading

- 2009
 - start working on drafting CCER regulation
- June 2012
 - issued the CCER Provisional Measures
- Sept. 2012
 - provided CCER application formats
- Oct. 2012
 - issued the guideline on validation and verification of CCER
- From Jan. 2013
 - endorsed CCER exchanges (until now 7 exchanges)
- From March 2013
 - endorsed CCER methodologies (until now 178 methodologies)
- From June 2013
 - endorsed CCER DOEs (until now 3 DOEs)
- Oct. 2013
 - provide online platform for information sharing and publication of CCER
- From Dec.2013
 - endorsed CCER projects (until now 2 projects)

Until May 23, there are 185 validated CCER projects in total publicized in official CCER online platform, with the estimated GHG emission about 5.30 million tons of CO₂e per year.

III、 Progress on Pilot Program of ETS

7 pilot program initiated in 2011.

Purpose: to explore the best approach and obtain necessary experiences for development of national ETS in China.



regions	legislation		MRV guideline	GHG emission verification	Scope and coverage	cap set	Allowance allocation	Start trading
	Legislation level	Administrative level						
SZ	√	√	√	√	√	√	√	June 2013
SH		√	√	√	√	√	√	Nov. 2013
BJ		√	√	√	√	√	√	Nov. 2013
GD		√	√	√	√	√	√	Dec. 2013
TJ		√	√	√	√	√	√	Dec. 2013
HB		√		√	√	√	√	Apr. 2014
CQ		√		√				2014 (estimated)

Trading volume (until May 21, 2014) (in RMB, in tons CO2e)

region	Opening price	Closing price	Average price that day	Trading volume that day	Trading value that day	Accumulated Trading volume	Accumulated trading value	Average price in total
SZ	72	73	67	1,060	70,910	328,559	23,240,598	71
SH				0	0	342,955	13,097,987	38
BJ			53	2,300	122,730	86,983	4,660,401	54
GD			75	5	373.5	126,181	7,594,028	60
TJ	33	33	32	640	20,523	109,060	3,221,618	30
HB	24	24	24	49,062	1,168,394	2,819,876	68,005,497	24

region	Accumulated trading volume by OTC	Accumulated trading value by OTC	Average price by OTC
BJ	42,217	2,113,067	50
TJ	45,000	1,250,100	28

Scope and Coverage

	BJ	TJ	SZ	GD	CQ	HB	SH
Threshold for participants (ton per year)	≥10,000	≥20,000	For industrial enterprises: ≥5,000; For public building: ≥20,000m ²	≥20,000	≥20,000	For annual energy consumption ≥60,000	For industrial sector: ≥20,000 For non-industrial sector: ≥10,000
Baseline year	2009-2011	Since 2009	2009-2011	2011-2012	2008-2010	2010—2011	2010-2011
Sector scope	<ul style="list-style-type: none"> •heat supply •Fossil fuel •cement •petrochemical •service •Other industrial sector 	<ul style="list-style-type: none"> •steel •chemical •power •heat •petrochemical •Oil & gas 	<ul style="list-style-type: none"> •power •Water •manufacture •Public building 	<ul style="list-style-type: none"> •power •cement •steel •petrochemical 	<ul style="list-style-type: none"> •power •aluminum •ferroalloy •calcium carbide •alkali •cement •steel 	<ul style="list-style-type: none"> •steel •chemical •cement •automobile •power •Non-ferrous metal •classes •Paper making 	<ul style="list-style-type: none"> •Steel •petrochemical •Chemical •Non-ferrous •Power •cement •weave •Paper making •Rubber •Aviation •Port •Business
Number of participants	490	114	Enterprise: 635 Building: 197	242		153	191

Methodology of Allowance Allocation

	Grandfather	Emission intensity	Benchmark
SZ	N/A	√	√
SH	√	N/A	√
BJ	√	√	√
GD	√	N/A	√
TJ	√	N/A	√
HB	√	N/A	√



MRV

	BJ	TJ	SZ	GD	HB	SH
Submission of Annual monitoring plan		Before Nov.30				Before Dec. 31
Submission of emission report	Before Apri.30	Before Apri.30	Before March 31	Before March 15	Before Feb 28	Before March 31
Submission of verification report	Before Apri.30	Before Apri.30	Before Apri.30	Before May 15	Before Apri.30	Before Apri.30
Report review	Double check if necessary		Double check if necessary			Double check if necessary



GHG emission verification in Beijing in 2013

Compliance

	BJ	TJ	SZ	GD	CQ	HB	SH
Compliance date	Before June 15	Before May 31	Before June 30	Before June 30	Before May 20	Before end of June	Before June 30
evaluation	Before end of July	-	Before end of July	-	-		-
Storage & Borrow	Storage allowed No rules on borrow	Storage allowed Borrow not allowed	Storage allowed Borrow not allowed	Storage allowed No rules on borrow	Storage allowed Borrow not allowed	Storage allowed Borrow not allowed	Storage allowed No rules on borrow
Validate duration	Before June 30	-	Before June 30	-	-		Before June 30

Off-setting

	BJ	TJ	SZ	GD	CQ	HB	SH
Allowed percentage of off-setting	5%	10%	10%	10%	8%	10%	5%
Requirement on where CCER come from	At least 50% is from Beijing	-	-	At least 70% is from Guangdong	Only from Chongqing	Only from Hubei	-
Whether the participant can use their own CCER for off-setting	no	-	no	no	-	-	no

Trading Methods

Shenzhen, Tianjin and Hubei: the enterprises with compulsive responsibility, other approved organizations and individuals are all allowed for trading.

Beijing: the enterprises with compulsive responsibility, other approved organizations are both allowed for trading.

Guangdong and Shanghai: Only the enterprises with compulsive responsibility are allowed for trading now but is considering to include organizations and individuals

Beijing and Tianjin: OTC is allowed

Main Experiences and Challenges In This Stage

- **experiences**

- 1) powerful organization and leadership
- 2) elaborative verification on emission data of enterprises
- 3) capacity building activities on different level

- **challenges**

- 1) legislation is to be enhanced
- 2) basic statistics data is not as good as expected
- 3) market trading is not active enough
- 4) lack of professional staff
- 5) no available policies on tax, foreign exchange for ETS

IV. Consideration on Development of National ETS

- **support for pilot program**

- to improve ETS system and work out necessary policies

- to extend the market scale and make the market more active

- to follow up the progress of pilot regions and find out good experiences

- **study and preparation on national ETS**

- Based on the outcomes and experiences of 7 pilot regions, we will establish directly the national ETS to implement cap-and-trade scheme at national scale.

- to study on cap-setting for national ETS

- to issue guidelines on GHG emission accounting and reporting of enterprises

- to implement the system of GHG emission reporting of enterprises

- to study all key elements of national ETS, like scope, allowance allocation, registry, MRV, oversight of market, etc.

- to study the feasibility of trading of carbon future goods and development of carbon finance

- **enhance the propaganda of ETS**

- to propagandize the significance on development of ETS, especially with the background of promotion of reform

- to enhance information sharing and exchange

- **capacity building and training**

- to organize intensive training for pilot regions with the focus on operation and management of ETS

- to organize extensive training for non-pilot regions with the focus on development of ETS

- to establish professional training program for ETS

V. Related International Cooperation on ETS

- **PMR of World Bank**
to support for China to develop proposal on national ETS
- **EU-China Capacity Building Project**
to enhance capacity building on pilot and national ETS
- **China-UNDP Cooperation on ETS with support from Norway**
to support for development of national registry and guidelines of GHG accounting and reporting of enterprises
- **China-Germany Capacity Building Project**
to support for capacity building activities in ETS, GHG monitoring, etc.

VI . Update on China's PMR MRP Implementation

- **Grant Agreement**

Ministry of Finance and World Bank are preparing to sign a Grant Agreement on PMR.

- **TORs (Terms of Reference)**

NDRC is discussing with World Bank (Beijing Office) on the TORs. The first 2 have been approved by World Bank (Beijing Office), and 2 are still being reviewed, and 2 are being revised according to the comments of World Bank (Beijing Office).

- **Open Bidding**

China will initiate an open bidding on the PMR project soon. On the first 2 TORs, NDRC has prepared REOI (Request for Express of Interest) and received the NOL (No Objection Letter) from World Bank.

Thanks for you attention!

