

Updates on Developments of China's National ETS

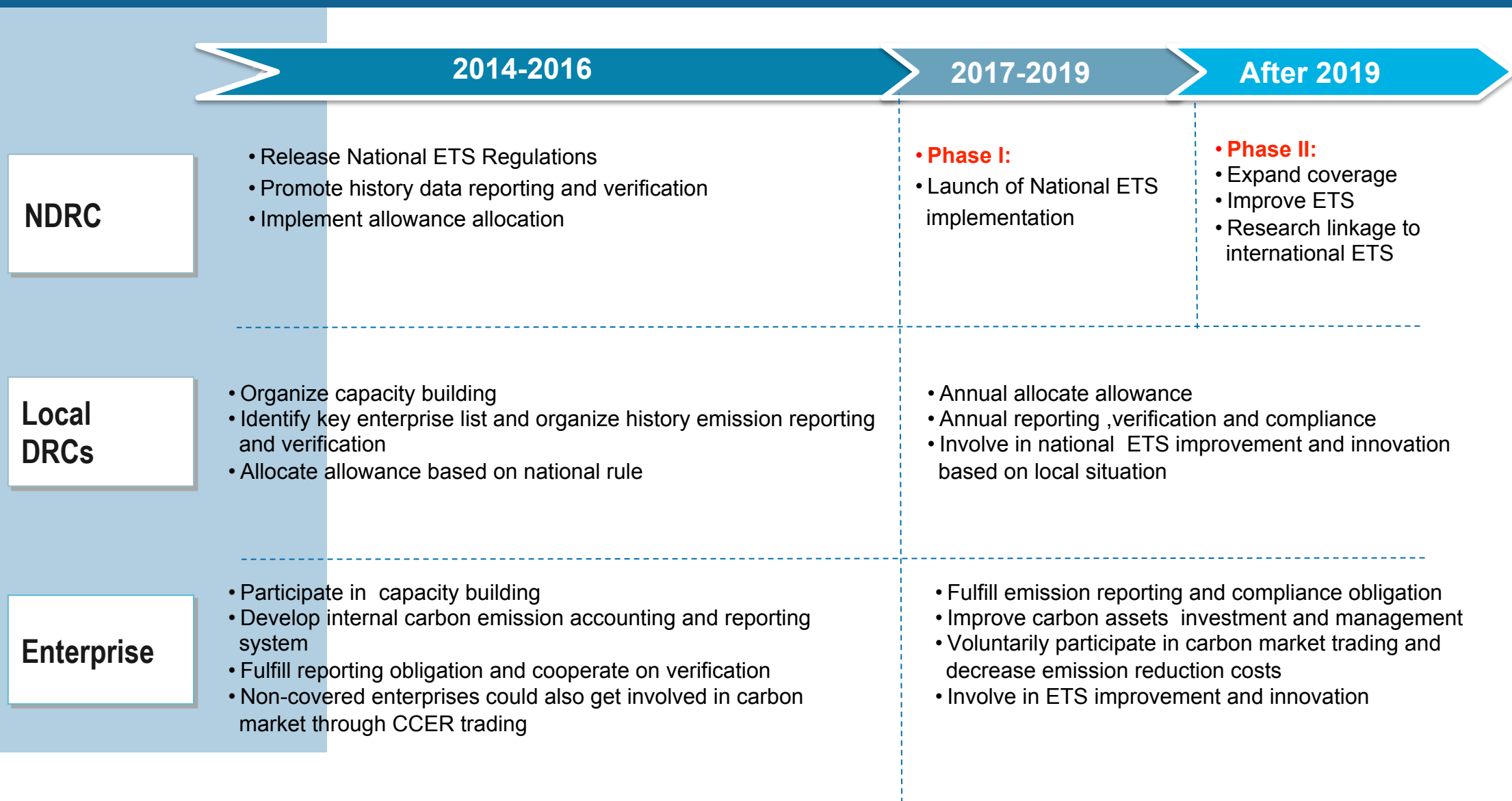
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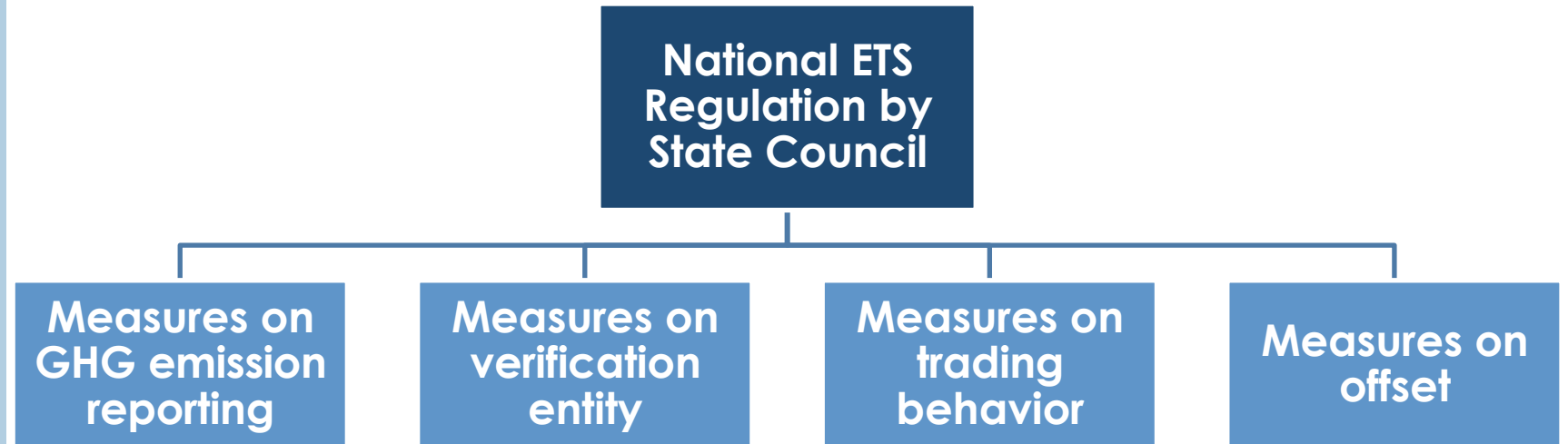
PART ONE

Overall Plan of China's National ETS

Roadmap of National ETS



Legislation and its Supporting Rules are the foundation of the National ETS



Priority is to pass the State Council ETS Regulation

- ✓ 2 Stakeholders meetings, 1 with over 20 ministries, 1 with representatives of over 18 industry sectors
- ✓ Legislative Affairs Offices of State Council listed ETS Regulation on their 2016 work plan

PART TWO

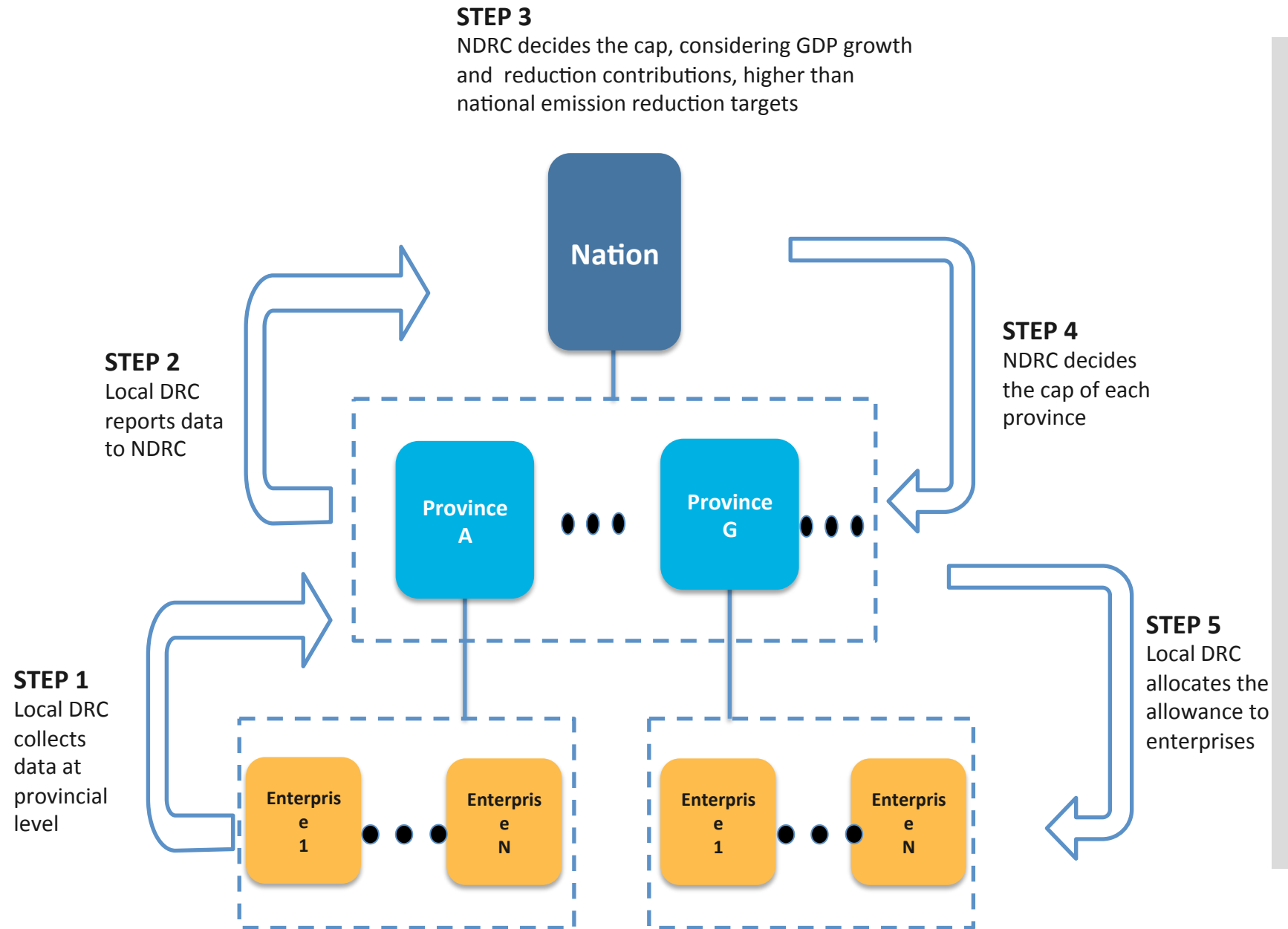
Framework of the National ETS

Coverage and Scope of the national ETS

Sectors	Sub-sectors
Petrochemical	Crude processing Ethylene production
Chemical	Chemical raw material /Fertilizer/ Pesticide Production / Synthetic material
Building Material	Cement clinker production Plate glass production
Iron and Steel	Crude steel production/Steel rolling
Nonferrous Metal	Electrolytic aluminum Copper smelting
Paper making	Pulp production Paper making
Power	Generation Cogeneration Grid
Aviation	Passenger air transport Air cargo transport Airports

◆ Threshold: Enterprises whose annual CO2 emissions exceeds 26,000 in any year from 2013 to 2015.

Emissions Cap of the National ETSC



Allocation plan of the National ETS

benchmark

- ✓ Production
- ✓ Benchmark



Historical Intensity

- ✓ Production
- ✓ historical emission
intensity
- ✓ Annual reduction
Rate

MRV system of the national ETS

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- 24 Guideline for Monitoring and Reporting Verification Guidelines
- Accreditation Rules for Third Party Verifiers

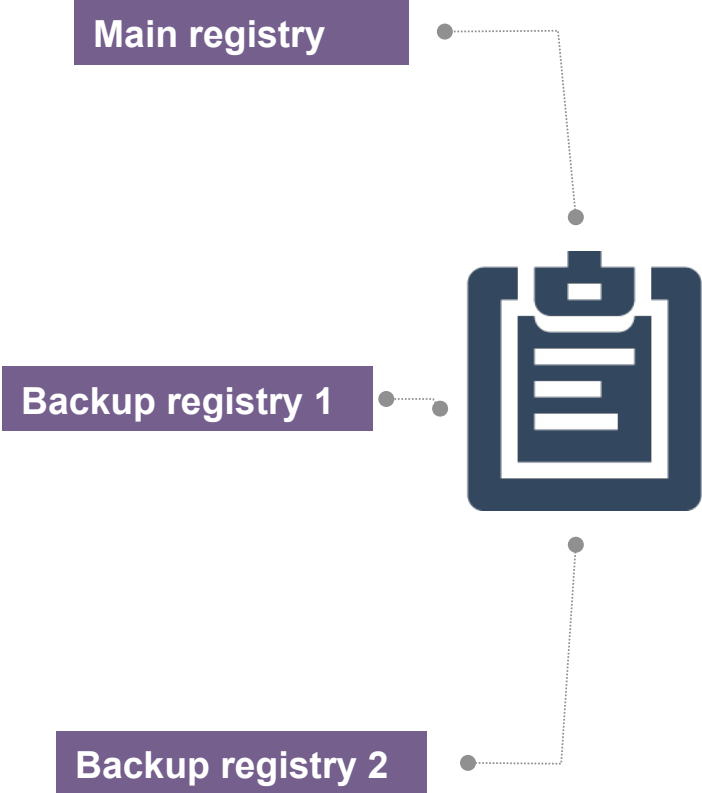
- Provincial DRCs select qualified verifiers
- Provincial DRCs organized reporting and verifications according to above rules

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NDRC to announce list of nationally accredited 3rd party verifiers in 2017

Registry System

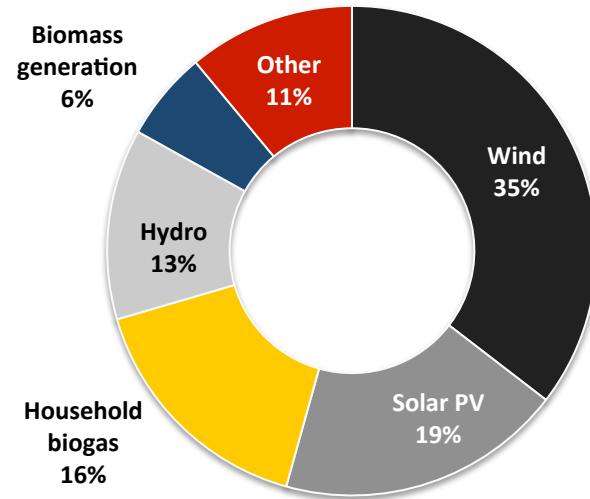


Regulatory Bodies of the National ETS

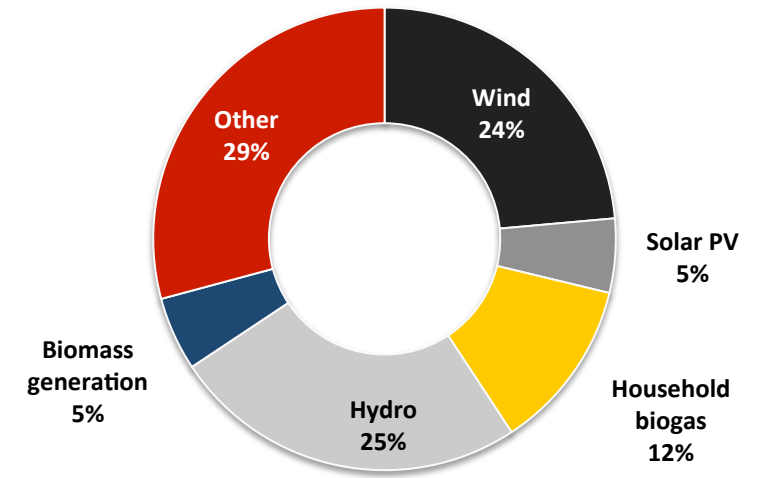
NDRC		Local DRCs
coverage scope and threshold	Coverage	Identify and produce list of covered enterprises
Decide the cap	The cap	-
Establish national allocation plan	Allocation	Implement allocation
Establish methodologies and standards	MRV	Organize reporting and verification
compliance rules , including punitive measures	Compliance	Compliance enforcement and management
Establish and manage the system	Registration System	Manage provincial-level Registries activities.
Establish trading rules, specify the trading institution	Trading	supervise the transactions within the region

Offsetting under the National ETS

Issued CCER by project numbers



Issued CCER by volume



- ◆ The national CCER system has been operating for over 3 years, supporting offset market of the pilots.
- ◆ Wind power, solar PV, hydropower and household biogas are the most popular project types

Trading Platforms of the national ETS

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- ◆ Market oversight at Central Level
 - ◆ Secondary Trading Market in Exchanges
 - ◆ 9 Exchanges already approved by NDRC
 - 7 in the pilot regions
 - 2 in non-pilot regions, 1 in Sichuan and 1 in Fujian
 - ◆ Exchanges will gradually develop specific business models, with some focus on CCER trading and others focus on financial derivatives
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PART Three

Progress of China's National ETS

Capacity Building

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- ◆ 7 national ETS training centers established
 - ◆ Unified national training materials prepared
 - ◆ More ETS technical centers are to be established
 - ◆ It is estimated Over 22,000 people have been trained in nearly 200 training sessions
 - ◆ Targeted groups include officials, enterprise representatives and third party verifiers
-

Software



Electronic Reporting System

Supports:

- Data reporting by enterprises
- Verification by DOE
- Government data management

NCSC

SinoCarbon

Market Oversight

◆ General Principle: Territorial Jurisdictions, to be regulated by local authority

◆ Special Occasions:

- ✓ The Aviation Sector
- ✓ Electric Vehicles

PART Four

From Pilots to Unified National ETS

Transitional Arrangements

◆ Unified National ETS

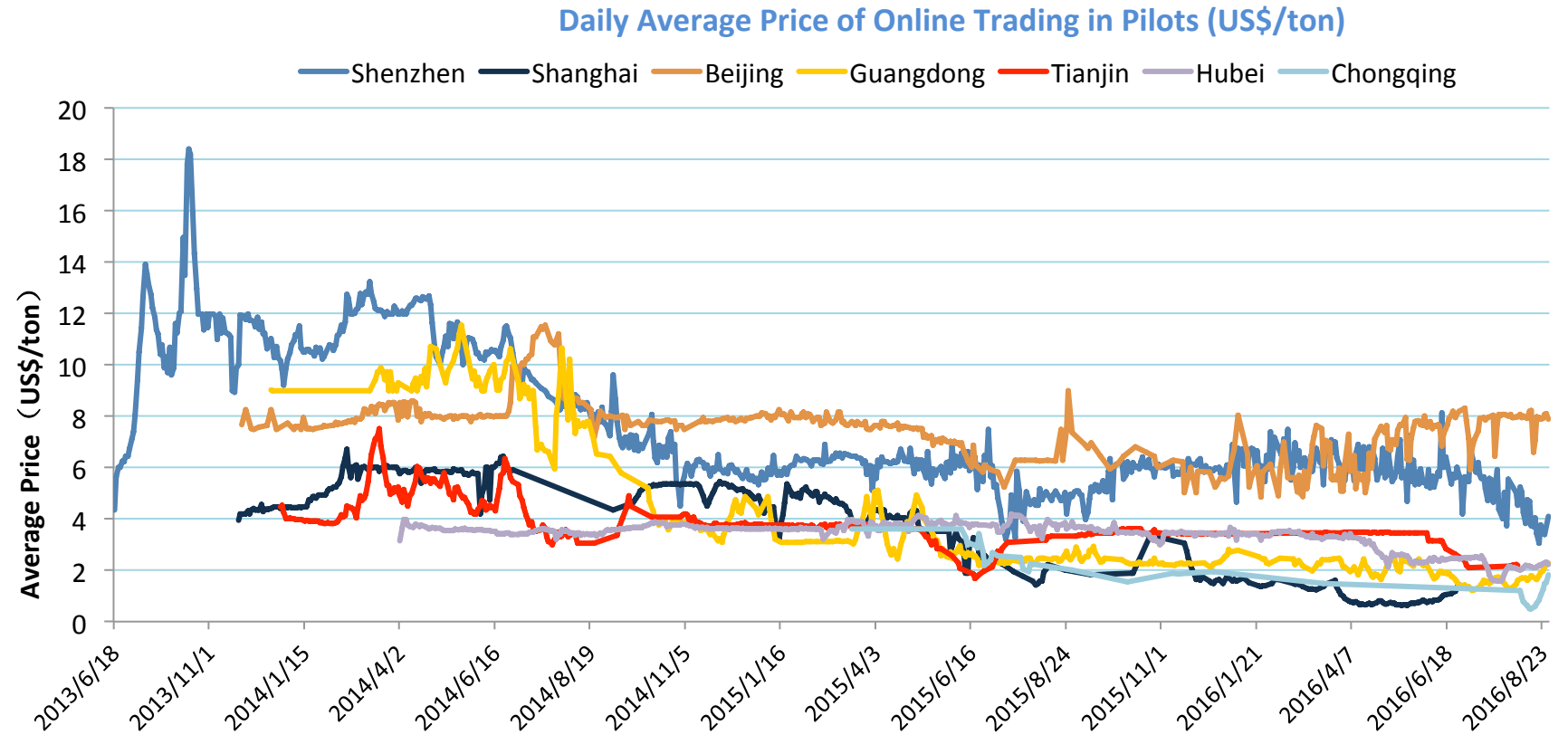
- ✓ Unified Rules on MRV
- ✓ Unified Rules on cap setting and allocation
- ✓ Unified Rules on Trading
- ✓ Unified Threshold for Coverage, enterprises covered under pilot programs may continue to be covered under national ETS

◆ Carryover of Pilots Allowances ?

PART Five

Outlooks and Expectations

Price of Carbon



◆ Pricing the carbon

- ✓ ETS for Key Industrial Sectors
- ✓ Carbon Tax for non-ETS sectors after 2020

◆ Carbon Price: 30 RMB and expecting to be as high as 300 RMB per ton

Trading Products

Allowances

CCERs

EV
Allowances

Spot
Trading

Derivatives
Trading

Pricing Signal

-
- ◆ Mainly Free Allocation in the beginning
 - ✓ Establishing the ETS and make it operational
 - ✓ Sending signal to enterprises that “CO2 emission has a cost”
 - ◆ Gradually increase auctioning
 - ◆ Carbon price playing as market signal for low carbon transition in China
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Thank You

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