

South-South Exchange: Developing Domestic Offset Schemes
the Hilton Hotel, Mexico City
March 2, 2014

CHINA'S DOMESTIC OFFSET SCHEME

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General Policy overview

Basic rule at national level: *Interim Measures for the Management of Voluntary GHG Emission Reduction Transactions* issued by National Development and Reform Commission (NDRC, CDM DNA) on 2012.6.13. CCER (China Certified Emission Reduction) to be issued under the framework of this Interim Measures.

- Related requirement at regional level:

The CCER is accepted by all seven ETS pilots in China as offset credits, and it is the only type of offset credits accepted by all five ETS pilots already in operation

- Differences on offset mechanism in pilot regions

	Beijing	Tianjin	Shenzhen	Guangdong	Chongqing	Hubei	Shanghai
Percentage of CCER for offset	5%	10%	10%	10%	8%	10%	5%
Geographical requirement	At least 50% from Beijing	-	-	At least 70% from Guangdong	Only from Chongqing	Only from Hubei	-
Whether it is allowed to use CCER generated in compulsive enterprises	NO	-	NO	NO	-	-	NO

General Policy Overview

the Interim Measures establish the basic framework of the offset mechanism + local requirement on offset:

- ✓ Eligible GHG types, projects and participants
- ✓ Governance structure
- ✓ Project cycle
- ✓ Methodological issues
- *MRV: Guidelines on the Validation and Verification of Voluntary GHG Emission Reduction Projects* establish relevant MRV system.
 - ✓ Requirements on verifiers
 - ✓ Principles, procedures and requirements for validation and verification

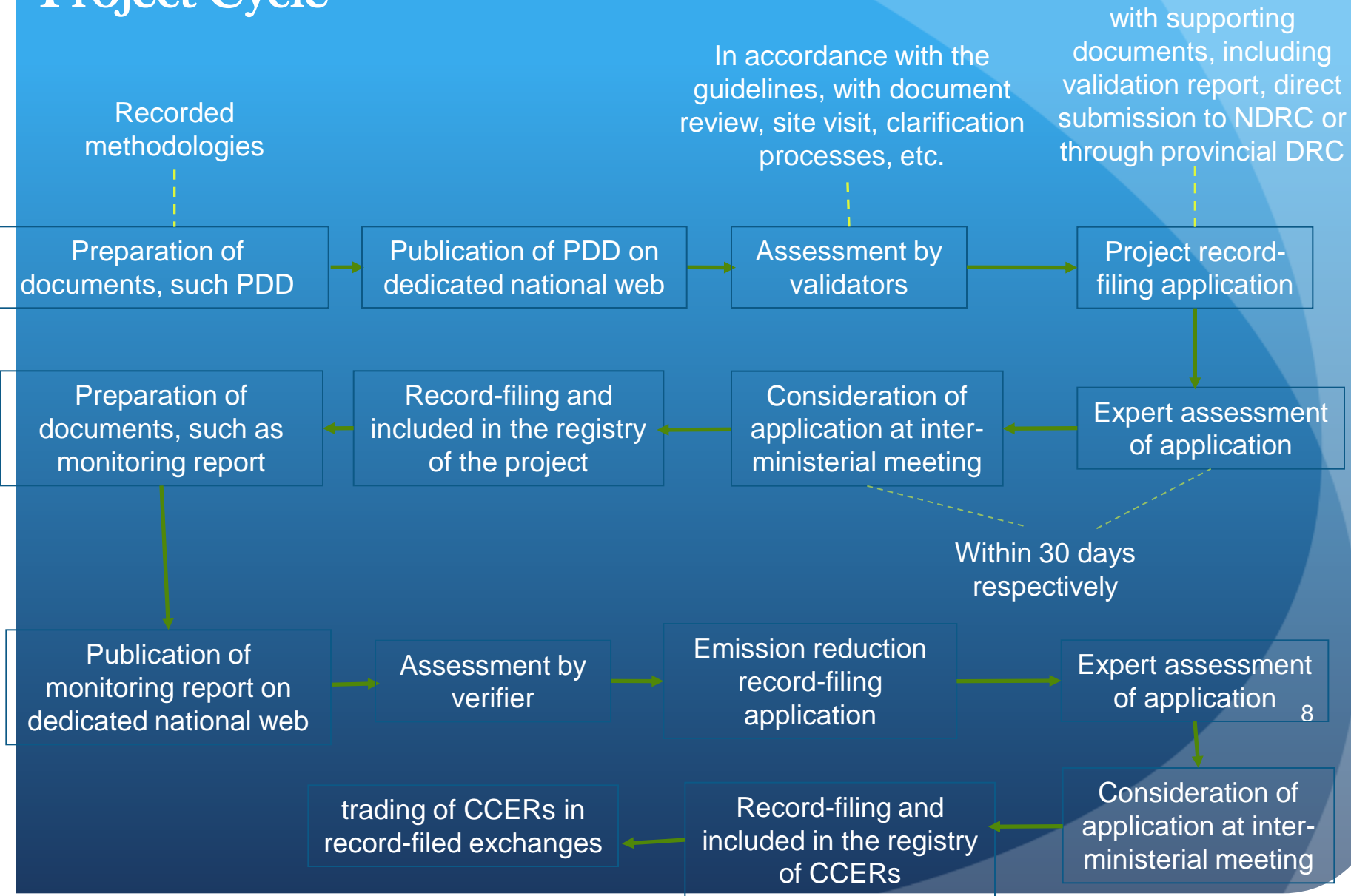
Structure of Governance

- National authority: NDRC
- Inter-ministerial meeting: NDRC, MOST, MOFA, ...
- Provincial DRCs: channels for application submission in their regions, except enterprises supervised by the central government
- Verifiers: validation and verification
- Experts: assessment of application of record-filing on project and emission reductions
- Trading platforms: designated place for trading

Methodological Approach

- Very similar to the CDM
- Record-filing of qualified methodologies
- 178 methodologies already recorded up to Feb. 2014, of which 173 originated from CDM methodologies and 5 LULUCF-related non-CDM methodologies
- Request for clarification, deviation or revision process

Project Cycle



Project assessment

- Project eligibility
 - ✓ Construction starts after Feb. 16, 2005 and
 - ✓ New project applying record-filed methodologies, or
 - ✓ Project approved by NDRC as CDM project but has not been registered under CDM or any other emission reduction schemes, or
 - ✓ Registered CDM project with operation before registration date, or
 - ✓ Registered CDM project with no CERs issued
- No double registration, or double issuance is allowed

Project assessment

Methodology application: request for clarification, deviation or change in case of need as determined by the validator

- Additionality assessment
 - ✓ Consideration of emission reduction benefits during investment decision process
 - ✓ Investment analysis
 - ✓ Barrier analysis
 - ✓ Common practice analysis mandatory for large-scale project

Cost effectiveness

China's voluntary emission reduction scheme is largely based on the CDM framework

- Major differences
 - ✓ No standing support structure
 - ✓ No request for review procedures
 - ✓ Requirements for validators/verifiers
 - ✓ Free of charge to project owners
- Main reason for the changes is to reduce the transaction costs for all participants in the project cycle while ensuring the quality of project and CCERs

Possible challenges

- Heavy workload compared with staff resources
- Huge supply potential and limited demand
- Risk of conflict of interests
- Coordination with CDM Executive Board on avoidance of double counting

THANKS for Your Attention!