

# Design of China's National Emissions Trading Scheme

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# National context: Policy & Target

## Policy:

- China has incorporated climate change as a major strategy into its planning for economic and social development.
- Controlling GHG emission is an important policy in economic restructuring and transformation of growth pattern

## Target:

- By 2020 , reducing CO2 emissions per unit of GDP by 40~45% percent as compared with that in 2005;
  - ❑ By 2015, CO2 emission per unit GDP should be reduced by 17%;
  - ❑ By 2015, the total energy consumption should be no more than 4 billion tce.

# Objectives of ETS

- GHG emission reductions with lower cost
- Catalyzing transformation to green growth and low carbon economy
- Stimulating involvement of enterprises
- Development of new business
- Motivating R&D of low carbon technologies
- Improvement of public awareness on climate change
- Linkage with international carbon markets

# ETS Pilots in China and Design of National ETS

- Pilot ETS in seven provinces and municipalities (Beijing, Tianjin, Shanghai, Chongqing, Hubei, Guangdong, and Shenzhen) now under way
- Preparation for the national ETS is already under way
  - MRV guidelines for selected sectors
  - National registry
- PMR supports the design and implementation of a nation-wide ETS

# PMR support for China's ETS (1)

- Geographical vs. Sectoral Coverage
- Data
- Management system
- Legal framework
- Scope
  - gases
  - installations vs. enterprises
  - coverage criteria
- Cap setting
  - top-down vs. bottom-up
  - absolute vs. intensity
  - coordination with other policies
  - new-entrants

## PMR support for China's ETS (2)

- Allowance allocation
  - National level allocation vs. provincial level allocation
  - Grandfathering, updating, benchmarking, vs. auctioning
- MRV: sector-specific guidelines
- Registry: one central registry vs. provincial registries
- Compliance rules: options and enforceability
- Price containment mechanisms
- Offset mechanism and linking
- Market oversight: scope and authorities
- Participants and Trading Products
- Special Issues Related to the Participation of Central Government Managed State-Owned Enterprises in China ETS

## PMR support for China's ETS (3)

- Participation of the Power Sector in China ETS
- Enhance coordination among relevant ministries at the Central Government Level
- Strengthen dialogue with Local Governments and Key Stakeholders
- Outreach to experts as well as the general public



## Challenges

- Data: availability, quality and sharing
- Compliance regime
- Institutional capacity
- Institutional coordination
- Technical expertise



Thanks for your attention