

UPDATE ON DEVELOPMENT OF CHINESE ETS

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November 2, 2014, Chile

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- Progress on development of national-wide ETS
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I. Progress on regional ETS pilot program

- Overview of pilot progress
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Overview of 7 pilot regions

regions	Local congress	Administrative regulation	MRV guidelines	Verifiers regulation	Publication of participants	Allowance allocation	Time of launch
Shenzhen	✓	✓	✓		✓	✓	2013.6.18
Shanghai		✓	✓	✓	✓	✓	2013.11.26
Beijing	✓	✓	✓	✓		✓	2013.11.28
Guangdong		✓			✓	✓	2013.12.19
Tianjin		✓			✓	✓	2013.12.26
Hubei		✓			✓	✓	2014.4.2
Chongqing		✓	✓	✓		✓	2014.6.19

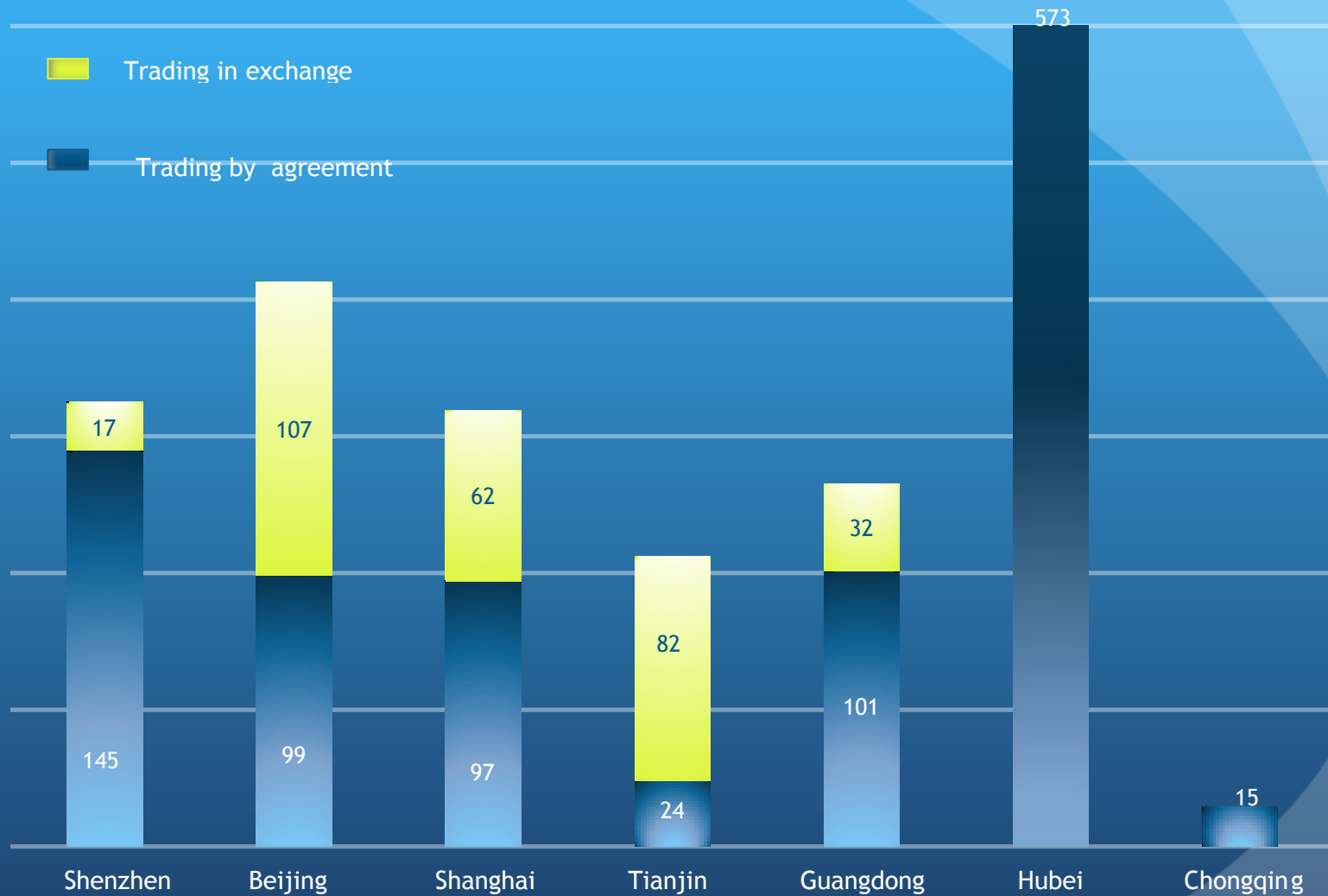
Compliance

	Planned compliance date	Actual compliance date	Compliance percentage	Number of non-compliance enterprises
Shanghai	June 30	June 30	100%	0
Shenzhen	June 30	June 30	99.4%	4
Beijing	June 27	June 27	N/A	N/A
Guangdong	June 20	July 15	98.9%	2
Tianjin	May 31	July 25	N/A	N/A

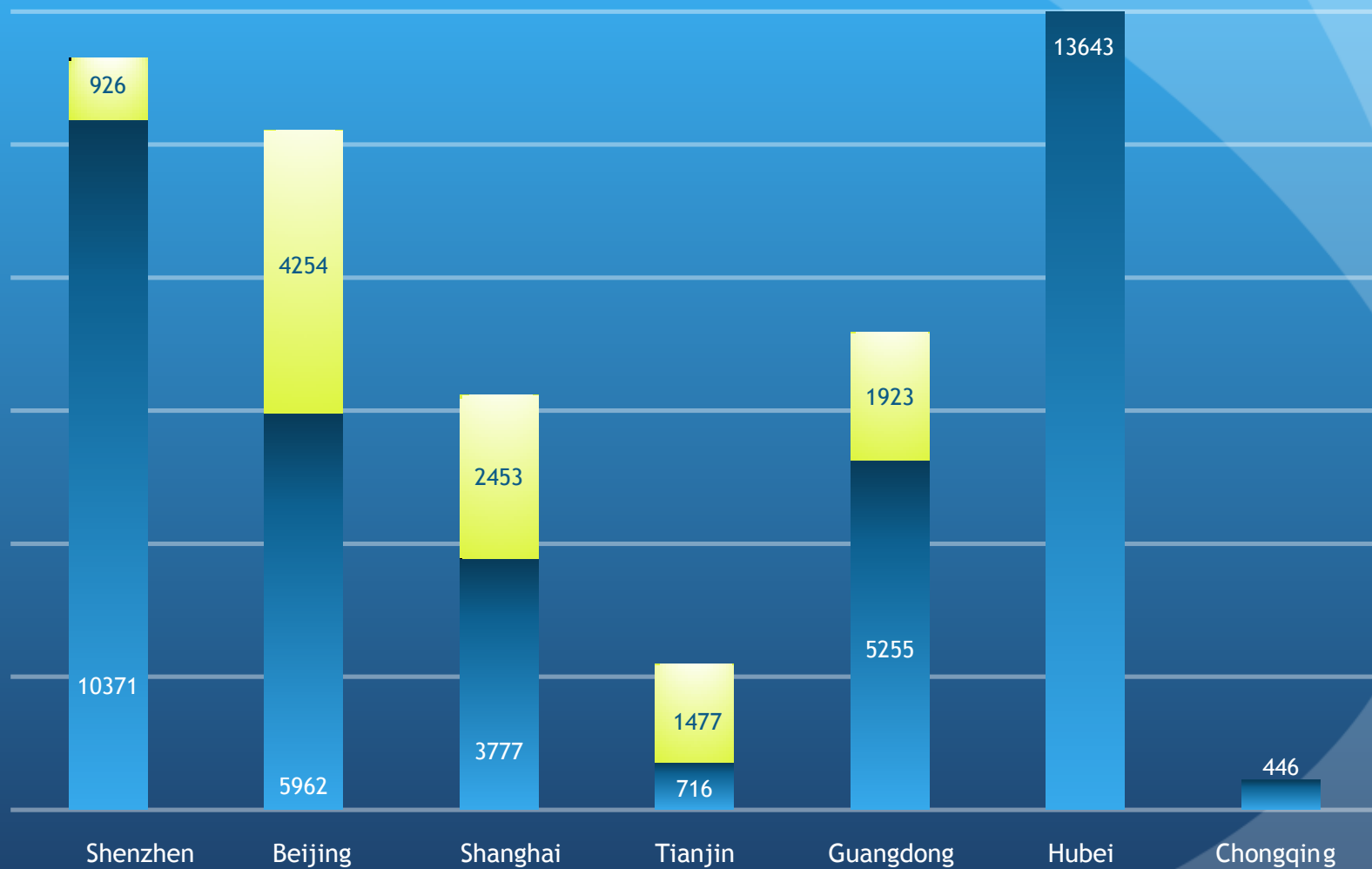
Punishment for non-compliance

regions	Punishment measures
Shenzhen	deduction of insufficient allowances, penalty of 3 times of average market price in 6 months
Shanghai	Order on submission of insufficient allowances penalty of 50,000~100,000 RMB
Beijing	Penalty of 3~5 times of average market price
Guangdong	Deduction of 2 times of insufficient allowances in the next year Penalty of 50,000 RMB
Tianjin	N/A
Hubei	Deduction of insufficient allowances in the next year Penalty of 1~3 times of average market price within one year
Chongqing	penalty of 3 times of average market price in one month (not passed yet)

Market trading volume (until October 17, 2014, unit: 10,000t)

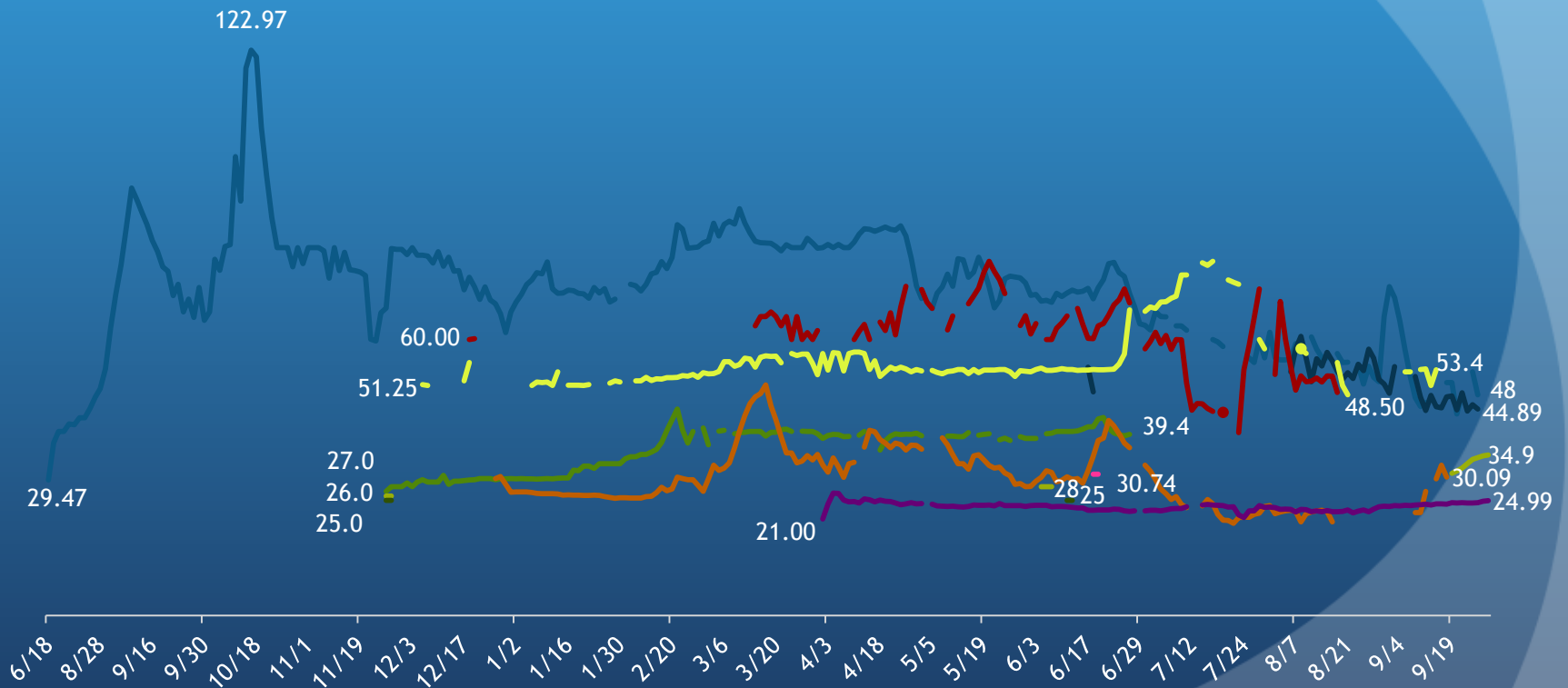


Market trading value (until October 17, 2014, unit: 10,000 yuan RMB)



Overview of market trading

Until October 10, 2014, the total trading volume in 7 pilot carbon trading exchanges is about 13,550,000 tCO₂, and the total trading value is about 512,000,000 yuan RMB.



Experiences and Challenges

experiences

- 1) Feasibility of developing ETS in China
- 2) powerful organization and leadership
- 3) elaborative verification on emission data of enterprises
- 4) 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

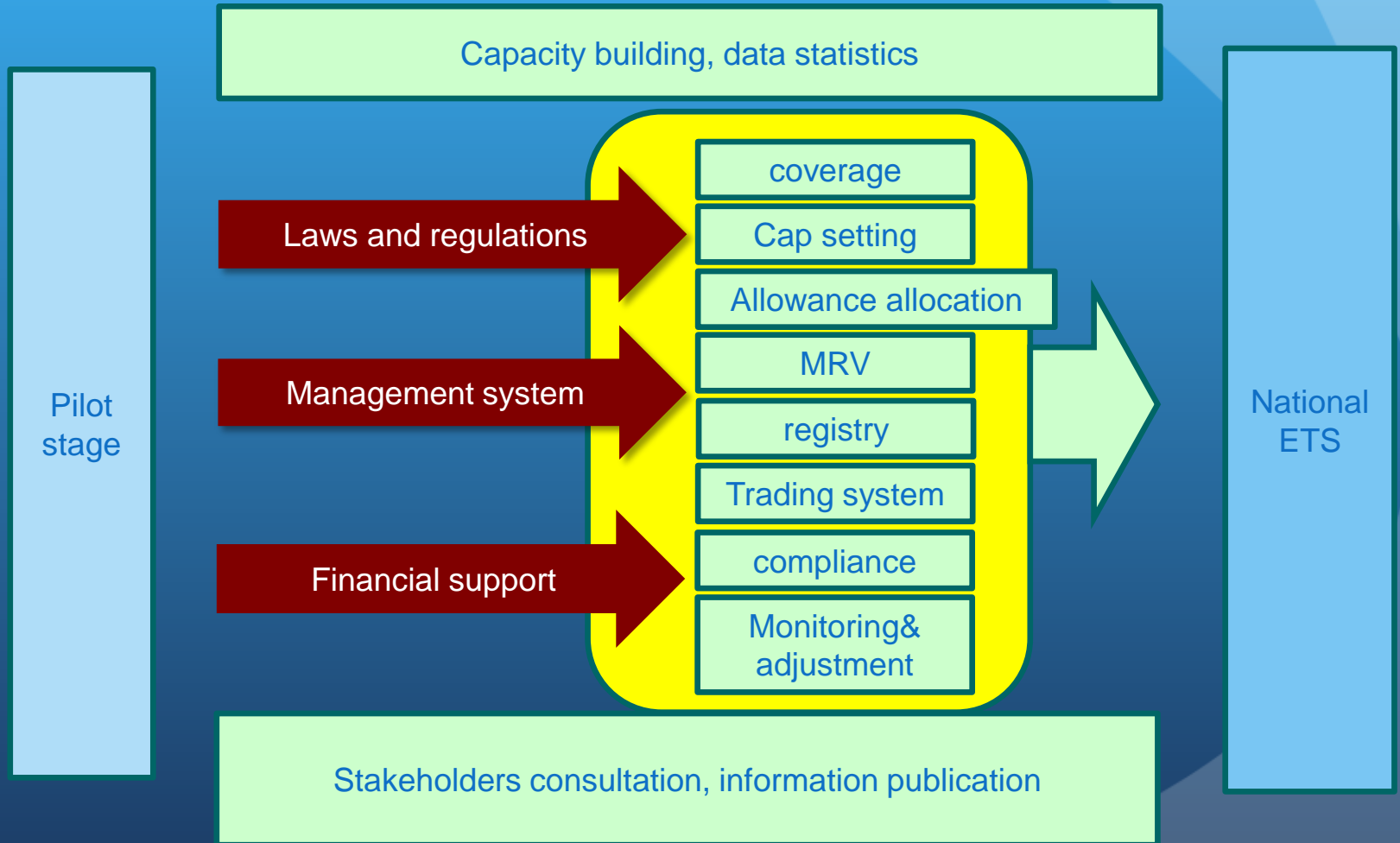
II. Progress on development of national-wide ETS

- Inclusion in reform tasks
- Roadmap planned for ETS
- Legislation of ETS
- GHG emission control mechanism
- Development of national registry
- MRV system
- Capacity building

Inclusion in reform tasks

- Development of national-wide ETS was included in the economic and ecological reform works led by Party, and also one of the key reform works undertaken by NDRC.
- A very certain timeline for establishment of National-wide ETS is decided, and speed-up is required (Chinese national ETS is planned to launch in 2016 or 2017).
- The development of national-wide ETS is directly supervised and examined by the Reform Leading Office of Party.

Roadmap of national ETS



Legislation of ETS

- Required by the Reform Leading Office, NDRC is formulating the laws on national ETS. We already finished the first draft, which was approved within NDRC by the end of October.
- This law is wished to be issued by State Council, so the next step is to submit to State Council for its review and approval.
- This law is a kind of basic and general regulation about ETS with the purpose of establishment of trading scheme and approach without technical details, which will be regulated in the other matched measures later with the support of PMR.
- NDRC is also eager to ask the People's Congress to issue a kind of direct or decision for ETS.

GHG emission control mechanism

- Required by Reform Leading Office, NDRC is working out a plan for development of GHG emission control mechanism and already finished the first draft, which was approved within NDRC by the end of October.
- GHG emission control mechanism is very important for ETS and Chinese commitment on GHG emission reduction.
- GHG emission control mechanism is based on the energy consumption control target, GHG intensity reduction target etc.
- GHG emission control mechanism includes national and provincial GHG emission control target, which doesn't mean absolute cap, but the constraint of increase of GHG emission.
- GHG cap-setting for ETS will be studied carefully under PMR.

Development of national registry

- Already accomplish the design and construction.
- Now the registry is being tested and we preparing for opening of accounts for CCER users.
- The first step is to use as CCER registry, and then it will be improved for ETS registry with the support of PMR.
- Establishment of back-up registry is also in the stage.

MRV system development

- Already issued 10 GHG accounting and reporting guidelines: power production, power grid, steel, magnesium manufacture, aluminum manufacture, cement, glass, chemical industry, aviation, ceramics manufacture
- Already finished other 4 GHG accounting and reporting guidelines: oil production, petrochemical industry, coal mining, coking industry
- Developing other 8 GHG accounting and reporting guidelines: building, transportation, paper making, non-ferrous metal (except for magnesium and aluminum), food, ferrous metal, large machine manufacture, commonly-used guidelines
- All guidelines will be developed as national standards
- Improvement of statistics system for GHG emission accounting
- Promoting GHG accounting and reporting of enterprises at regional level
- Other measures for verification will be developed under PMR

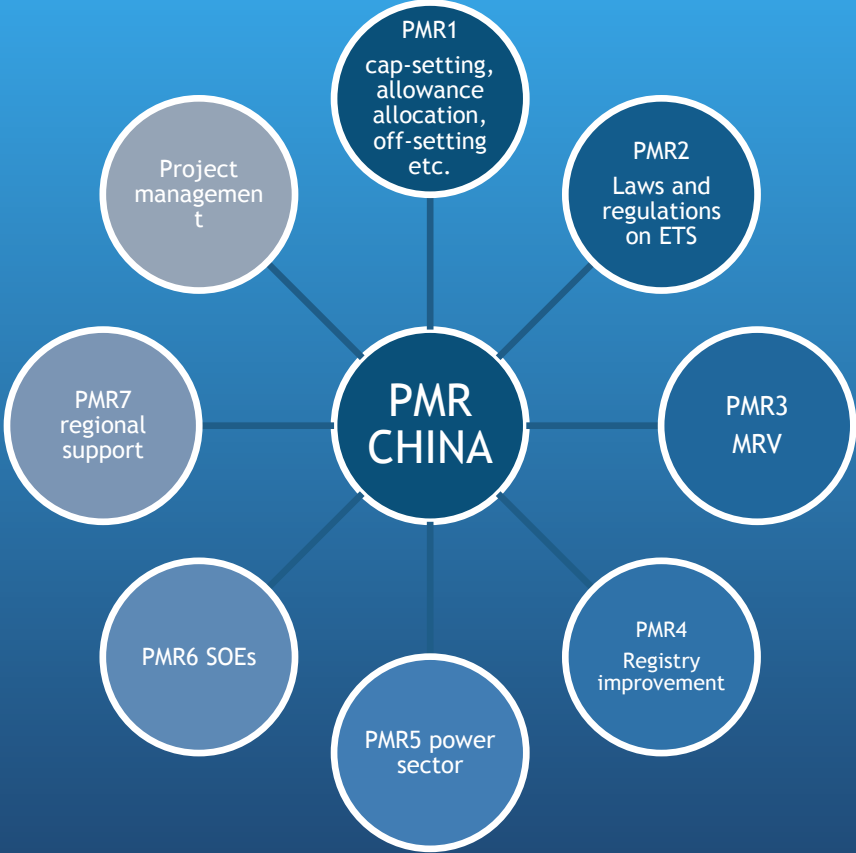
Capacity building

- Intensive training for pilot regions with the focus on operation and management of ETS
- Extensive training for non-pilot regions with the focus on basic knowledge about establishment of ETS
- Specific training programs related to ETS, like MRV, etc.
- Cooperating with EU on capacity building: 2 domestic training and 2 study assignments to EU this year
- Cooperating with GIZ of Germany: several times of local seminars and 1 study assignment to Germany this year
- Cooperating with Ministry of Environment of Japan: 1 study assignment to Japan this year
- Cooperating with Energy Fund of USA: 1 study assignment to USA this year

III. Updating on implementation of PMR activities

- Components composition
- Implementation progress
- Next step

Components composition



Implementation progress

- Intensive consultation with experts and project manager of World Bank to improve and clarify project documents and TORs
- Close to finish of the abiding procedure for PMR1, PMR2 and PMR3
- Launch the abiding procedure for PMR5 and PMR6
- Send the Financial Agreement to MOF of China for signing
- Establishment of PMO and Technical Committee

Next step

- Decision on consultant
- Signing Financial Agreement
- Kick-off meeting (planned in November)
- Research and study
- Reporting to PA meeting
- Information and experiences sharing

Thanks for your attention

