



PMR East Asia and Pacific Regional Webinar on Carbon Pricing - from Readiness to Implementation

- China -

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Outline of the PMR's support

Jan 2011: Expression of Interest

Oct 2012: MRP first draft submission

Mar 2013: Allocation of Implementation Funding

Original MRP

Studies on the core components of nationwide ETS:

- Coverage, cap, allocation methodologies and supplementary mechanisms
- Legal Framework and supervision system
- MRV system design
- Improvement of registry

Two specific studies to support for the nationwide ETS:

- Role of State-owned Enterprises (SOE) in the National ETS
- Participation of the Power Sector in the National ETS

Supportive researches at regional level:

- Six key region/provinces are selected for the research on emission cap allocation and provincial level enterprises and economic data collection and consultation, as well as capacity building.

Additional Activities

- Extended study on sectoral emissions benchmarks for allowance allocation.
- Study on monitoring and evaluation of construction and maintaining the Registry & Exchange platform as well as linking study between pilot and national ETS.
- Study on regulatory of National ETS.
- Study of the interaction between the carbon market and climate financing policies.
- Study of national ETS productions developing road map.
- Study of good practice on carbon trading.



PMI stage

Achievements to date

Launch of China's nationwide ETS comes soon

China's nationwide ETS is going to be launched officially by **the end of June 2021** as one of important policies to achieve carbon neutrality target.

Milestone progress on the legislation of nationwide ETS

- An *Interim Measures on the Administration of Carbon Emissions Trading* has been issued by the MEE of China on 31 Dec 2021.
- A higher level of draft of *Interim Regulations on the Administration of Carbon Emission Trading* has been released by the MEE of China on 30 May 2021 for public consultation, which is assumed to be issued by the State Council soon later.

Prototype of China's nationwide ETS is forged well

- A multi-tiered governance structure: national, provincial, municipal, county.
- Coverage: The power sector (26,000 tons of CO₂ annually/entity, around 2,250 covered entities (see Figure 1), other sectors are to be added gradually during the 14th Five-Year Plan.
- Allowance allocation plan: 100% free allocation for 2019 and 2020 at benchmark levels with a correction factor; auctioning will be introduced gradually, but no timeline yet.
- Monitoring, reporting, and verification (MRV): government finance will cover the cost of MRV; integrate the carbon market into the existing environmental governance structure and mechanisms; two draft technical documents on MRV were released in December 2020.
- Registry and trading: Hubei and Shanghai are working on the readiness of the registry and exchange system, respectively; eligible entity or individual could take part in the trading;
- Compliance: For 2019 and 2020, covered entities will need to surrender allowances of up to 20% of verified emissions above the level of free allocation. The fine for non-compliance is CNY 20,000 to 30,000 (~USD 1,500 to ~USD 4,500) in total. In the future, the State Council national ETS regulation is supposed to impose a penalty of 2–5 times the average market price.
- Offsetting from CCER: at maximum in the proportion of 5%.

Private sector's perspective to the CPIs

Policy position

To achieve the 2030&2060 climate target, the CPIs policies (carbon market and carbon tax) tools will play more significant role with strengthened positions on the policy agenda.

Data credibility

The credibility of GHG emission data of entities (installations) should be provided very well through justifiable MRV system and tougher enforcement of regulations.

Governance

The expectation on government is more like 'watchdog' instead of 'game player', within the scope of making transparent rules and carrying legal oversight and punishing misbehaviours or manipulations in the market, which requires reshaping the concept and skill of administration.

Business incentive

CPIs policies is believed to provide private sectors and enterprises better incentives than purely administrative policies for technology innovation, development of carbon finance, and decarbonisation of business models.

Competitiveness

The impact of CPIs on the competitiveness of private sector business should be addressed properly not only among sectors (allowance allocation), but also among jurisdictions (carbon border adjustment tax).

Carbon asset

Carbon asset management should face unprecedented opportunity to be upgraded equipping with advanced IT technology and data analysis tools, as well as the intervention of financial instruments.



Thank you and Look forward to the cooperation in terms of CPIs globally!



Advisory + Strategy

Strategic approaches based on empirical evidence



Program management

Implementing programs from start to finish



Technology

Innovation meets industry experience



Analytics

Solutions unique to your data



Engagement

Optimizing every channel and experience to drive behavior and outcomes

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