

China-Australia Carbon Market Design Expert Workshop
Beijing, October 12, 2013

DEVELOPMENT OF CHINA'S NATIONAL EMISSIONS TRADING SCHEME

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OUTLINES

1. Development of Carbon Trading Pilots in Different Regions
2. Lessons Learnt
3. Development of Carbon Trading System at the National Level
4. Expectations

CONTEXT OF CARBON TRADING PILOTS

- long command-and-control policy tradition
- tough lessons learned from energy conservation
- transition to market approaches
- clear and rapid evolvement of GHG emissions control policies
 - collection of climate-related policies
 - 2009: 2005-2020, CO2 intensity of GDP reduction by 40~45%
 - 2011: GHG emission control target for the 12th Five-Year Plan Period (2011-2015): 17%
 - 2011: division of national target into provincial targets
 - 2011-?: pilot of carbon trading

DEVELOPMENT OF CARBON TRADING PILOTS IN DIFFERENT REGIONS

- *Notice on Implementing Carbon Emissions Trading in Pilot Regions* by NDRC (2011.10)
- Pilot regions:
 - 4 municipalities: Beijing, Tianjin, Shanghai, Chongqing
 - 2 provinces: Hubei, Guangdong
 - Special economic zone: Shenzhen City
 - Selection process
- Rules of pilot systems
 - Role of ETS in the pilot regions
 - Guidance from the central government
 - Full flexibility of the pilot regions

OVERALL DEVELOPMENT

- Shenzhen: inception of the system on June 18 2013
- Shanghai: fundamental rules approved, planned inception in Oct. 2013?
- Beijing: fundamental rules to be considered and planned inception in Nov. 2013?
- Guangdong: fundamental rules considered, planned inception in Nov. 2013?
- Tianjin: ??
- Hubei: ??
- Chongqing: ??

WORK UNDERTAKEN

- Allocation approaches determined
- Monitoring, reporting and verification systems established
 - ✓ Extended monitoring and reporting obligation
 - ✓ On-line reporting system
 - ✓ Verification rules and procedures
- Historical emissions verified or under verification

WORK UNDERTAKEN

- Compliance rules
 - Legal basis: Shenzhen vs. others
 - Most challenging component
- Offsetting rules
- Registry
- Exchange and trading system
- Market intervention
- Potential linking of pilots

LESSONS LEARNT

- Legal basis
- Data: availability vs. sharing
- Cooperation from the industry and stakeholder consultations
- Cooperation from the industry/energy conservation authority
- Coordination within the government and leadership
- Dealing with development uncertainty
- Dealing with heavily regulated sectors

LESSONS LEARNT

- Coordination of different policies: e.g. trading of carbon allowances vs. meeting energy conservation targets
- Lack of institutional and technical capacity
- Balancing political acceptance and outside expectations
- Balancing quality and resources limitation
- Increasing liquidity

DEVELOPMENT OF ETS AT THE NATIONAL LEVEL

- Different scaling-up pathways
 - ✓ Top-down
 - ✓ Bottom-up
- Timetable for pilot and national system
- Impacts of pilots development and operation
- Development of National system components
 - ✓ Registry
 - ✓ MRV guideline
 - ✓ System design
- Support from various sources

PMR SUPPORT FOR CHINA'S ETS

- 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

- 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

- 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

EXPECTATIONS

- Competition from other policies, e.g. carbon tax, energy saving trading
- Some successful pilots very important
- Continued assistance on the pilots very important, with changing focus, e.g. on system operation and improvement

THANKS