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: 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