Shanghai ETS: Prospect, Action and Challenge

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Outline

1. Introduction of SEEE
2. Current state of SH ETS
3. Future roadmap
Introduction of SEEE

Establishment of SEEE

Approved by Shanghai Municipal Government 〔2008〕NO.55, SEEE was established on August 5, 2008.

Reform of SEEE

- SEEE has completed reform in the year of 2011.
- SEEE has become Co. Ltd. After equity structural reform.
- Total capital registered has reached 250 million RMB.
Structure of Shareholders

- Introduced 10 state-owned enterprises and institutions as shareholders. They will also be great stakeholders in ETS.

- CDM Fund Centre of National Finance Ministry
- Yingda International Holdings Corporation, Ltd (State Grid Corporation of China)
- Shanghai United Assets and Equity Exchange

- Bao Steel Ltd
- Huaneng Carbon Asset Management Co., Ltd (China Huaneng Group)
- Shenergy Group
- Shanghai Energy Conservation and Environment Protection Center
- Shanghai Alliance Investment Ltd
- Shanghai Municipal Electric Power Company
Core business

SEEEE core business

- Transactions of Low-carbon Technology
- CDM service
- VERs trading
- GHG Inventory
- Financial service
- Regional ETS Design
ETS Elements

- Scope
- Allocation
- MRV Methodology
- Trading
- Incentive and compliance

Risk control and regulation
Shanghai ETS pilot

- Shanghai was designated as one of the seven ETS pilots by NDRC, 2011.
- Shanghai ETS will have a target based on carbon intensity target in 12th five-year-plan, potential GDP growth and individual sector development.
- Shanghai DRC is responsible for the whole ETS pilot design project.
- Shanghai municipal government will sign the approval of SH ETS pilot proposal action.

3 Steps
- Phase I: 2012-2013 Preparation;
- Phase II: 2013-2015 Pilot operation;
- Phase III: 13th Five-Year–Plan National ETS.
Shanghai Situation

- Variety of industrial sectors
- High per capita GDP but lower GDP growth
- Centralized emissions
- Relative good data base
- High pressure for mitigation

Shanghai Characteristics

Finance centre
Coverage

**Standard**

- Industry: > 20 thousand CO$_2$teq, from high emission intensity sectors
- Non-industry: > 10 thousand CO$_2$teq

**Target enterprises**

Over 10 sectors, 197 enterprises. New entrants not included. Part industrial companies.

Mandatory reporting system
Allocation

Free Allocation

Principle

Based on regional sector characteristics

Grandfathering

Most of the sectors and enterprises

Benchmarking

Some specified sector based on installations eg. electric power industry

Distribute all 2013-2015 allowances at one time

Three years average value+
New projects+
Early action

Industry basic line × Practical volume

09-11
Monitoring, Reporting, and Verification (MRV)

- **1+9**
- General Guidelines
- Sectional Methodologies

**Industry**
- Non-ferrous metals
- Chemicals
- Steel
- Electricity and power
- Textile
- Paper industry

**Non-industry**
- Transportation station
- Hotels, Commercial center, housing, office buildings
- Airlines
Monitoring, Reporting, and Verification (MRV)

- Finished 2009-2012 data reporting
- Establish 2013 monitoring plan

Electronic Reporting system
MRV procedures

- Monitoring, reporting and verification

  Monitoring plan -> Self-reporting -> Regulator review

  4th quarter

  Verified by 3rd entity

  Government purchased service

  Sect oral methodology applied

  April 15
Emission Auditing

Verification Report from 3rd entity

Responsible Department

April 15

results of auditing

Pilot enterprises

May

Trading

Compliance

Jun.1-Jun.31

Emission Report from pilot enterprises

March 31

Registry
Trading

Entities
- Enterprise units in supervision area and other qualified organizations or investment institutions

Underlying
- SHEAs and CCERs (CCER: Nationwide, ≤ 5%)

Timeline
- Free trading between in compliance period

Rule
- Trading rule and systems

Other mechanism
- Offsets, retirement, flexible mechanism

Regulator
- SH DRC
Trading

- Transaction platform: SEEE
- Main trading mode: Open outcry and Negotiated transition
  - Open outcry: small transaction
  - Negotiated transition: large order
- Transaction object: 13、14、15 SHEAs+ CCERs
Trading rule structure

《Management Regulations》
《SEEE Trading Rules》
《Clearing rules》
《Risk Control Regulations》
《Member Management》
《Transaction dissension》
《Information release rules》
《Principal-agent》
《Registry》
《Member Agreement》
《Trading system》

Multiple protocols and contracts
Government- comprehensive regulation; Bureau – Specified regulation

- Government
  - Certificate and management
  - Verified emissions
  - Compliance regulation
  - Allowance record
- 3rd Entity
- Participants
  - Allowance transfer
- Registry
- Exchange

On May 16, 2013, Shanghai DRC carried out the training on the monitoring plan reporting and the methods of emissions accounting and reporting in 2013 for covered enterprises.

On April 8, 2013, Shanghai DRC printed and issued the Major Work Arrangements for Energy Conservation and Emission Reduction and Addressing Climate Change in 2013.

On February 21, 2013, Shanghai DRC organized covered enterprises to fill in the 2012 emissions report.

On December 21, 2012, Shanghai DRC released the Guidelines for Greenhouse Gas Emission Measurement and Reporting (for trial operation) and the methods of GHG emission measurement and reporting for related sectors.

From December 12, 2012 to January 31, 2013, Shanghai DRC organized the verification of initial reporting of 2009–2011 emissions of covered enterprises.

From November 16 to 21, 2012, Shanghai DRC organized covered enterprises to fill in initial emission report and carried out relevant training activities.

On November 29, 2012, the list of carbon emissions trading covered enterprises (first batch) was released.


On October 9, 2012, bidding for the training providers for carbon emissions trading covered enterprises was launched.

On November 16 to 21, 2012, Shanghai DRC organized covered enterprises to fill in initial emission report and carried out relevant training activities.


On July, 2013, Shanghai ETS management regulations (draft) had been published.
Carbon Finance

• Encourage financial institutions and guarantee agencies to supply mortgage financing and low-carbon finance service
Financial institutions in ETS

- Transaction
- Financing-investment
- Green credit
- Green financial derivatives
Future strategy

1. System construction
2. Stakeholders negotiation
3. Shanghai ETS kicks off
4. Carbon Finance
Thank you!
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