Roundtable on the Evolution of GHG Emissions Trading in China

Karl Upston-Hooper 9 October 2014



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The Seven Sisters

- Prompt operationalization of the Pilots
- Registration of CCER projects
- MRV protocols developed
- Increased capacity in both private and public stakeholders
- Continued strong political support
- Exchange based spot trading

- Coverage of just 7% of Chinese total GHG
 emissions
- Very low market liquidity
- Firm (not installation) based data
- Non-involvement of financial sector
- Limited compliance regimes without legal foundation (except for Shenzhen)

Allowance Price Information – Week 35 2014			
Shenzhen	59 yuan	11,733	
• Tianjin	20 yuan	200	
 Guangdong 	41 yuan	0	
• Beijing	53 yuan	2,200	
 Shanghai 	39 yuan	0	
• Hubei	23 yuan	92,088	
Chongqing	30 yuan	0	



The Challenges & Opportunities of the Chinese Pilots

- China's CO₂ intensity (t/1000 USD) is seven times the EU-28
- The political direction of the 12th Five Year Plan provides macro certainty
- Cumulative emissions covered by the Pilots are nearly 50% of the coverage of the EU ETS
- Energy consumption and associated GHG emissions will continue to grow in absolute terms
- The implementation of a carbon price creates an ecosystem based around the compliance obligations of covered entities including an offsets market

- Carbon pricing is still subject to the strictures of the Chinese economy (regulated electricity, the dominance of SOEs & financial restrictions)
- Fragmentation/Localisation due to the nature of conceded informality of "shidian" policy making
- Allocation models still grandfathering based (often with weak data sets) and transitioning to benchmarking a herculean task
- Trading opportunities limited by lack of futures contract (and the consequent lack of liquidity)

Is the policy tool being implemented to enable the market to drive behavioural change?



Establishing a National ETS in China



Figure 1: Relationships between MRP Building Blocks

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Business Partnership for Market Readiness ("BPMR")





The BPMR in China

- Initial "Mission" to Shenzhen & Guangdong in February 2013 with strong political support by Vice Mayor Tang Jie in Shenzhen and by the Guangdong Low Carbon Development Promotion Association.
- 2nd Mission to Shanghai in October 2013, with notable contributions from the floor by CITIC, Bao Steel, PetroChina and others. Over 160 participants.
- 3rd Mission to Beijing and Tianjin in February 2014, with opening remarks by Sir David King, UK Special Representative for Climate Change
- Next Mission is a follow-up to Shenzhen and Guangdong in October 2014
- Other BPMR events have been conducted in Seoul, Astana, Warsaw, Cologne and Mexico City



Q&A from the BPMR Missions





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