Update on China National ETS

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China’s national ETS: an overview

- **Coverage**
  - 8 sectors covering the power sector and the main manufacturers
    - electricity/heat, iron & steel, non-ferrous metal, construction material, petrochemical engineering, chemical engineering, and civil aviation.
  - Emission: *direct emissions* from the burning of the fossil fuels and *indirect emissions* associated with the uses of electricity and heat

- **Threshold for participation**
  - 26000 tons CO2 emissions per year
  - Number of entities covered: approximately 7500

- **Total emissions (direct):** 4.5 billion tons or a half of China’s total energy-related emissions

- **Cap-setting approach:** A hybrid of the top-down approach and the bottom-up approach

- **Allowance allocation methods**
  - Primary allocation method: *Output-based free allocation*
  - *Auction* is to be encouraged.
It will start with the *power generation* and ultimately extend to 8 sectors, covering one half of China’s energy-related carbon emissions by 2025.
Highlights of This Year’s Development

- **Emissions Data Reporting**
  - Improved technical guidance for reporting with an emphasis on monitoring plan

- **Cap-setting and Allowance Allocation**
  - *Directive on Cap-setting and Allowance Allocation* will be released shortly
  - *Technical Guidance on Trial Allowance Allocation* for the Power Generation Sector has been released this month and will be used for the trial allocation to be started this month, covering about 2000 enterprises

- **Registration and Trading System Construction**
  - Will be completed and put in use by the end of this year

- **Last minute training program tailored for the ETS operation**
  - Managers from around 2000 enterprises
  - Provincial and city level government officials
Technical Guidance on Trial Allowance Allocation for the Power Generation

- Option 1: three benchmarks
  1. Coal-fired power generation units
  2. Coal-fired Circulating Fluidized Bed (CFB) power generation units
  3. Gas-fired power generation units

- Option 2: four benchmarks
  1. Coal-fired power generation units with installed capacity over 300 MW
  2. Coal-fired power generation units with installed capacity \( \leq 300 \) MW
  3. Coal-fired CFB power generation units
  4. Gas-fired power generation units

- Special arrangement for encouraging gas-fired power generation
  - Entities with allowance surplus can sell the surplus allowance to the market
  - No punishment for the entities with allowance deficit
Thank you for your attention.
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