

Update on China National ETS

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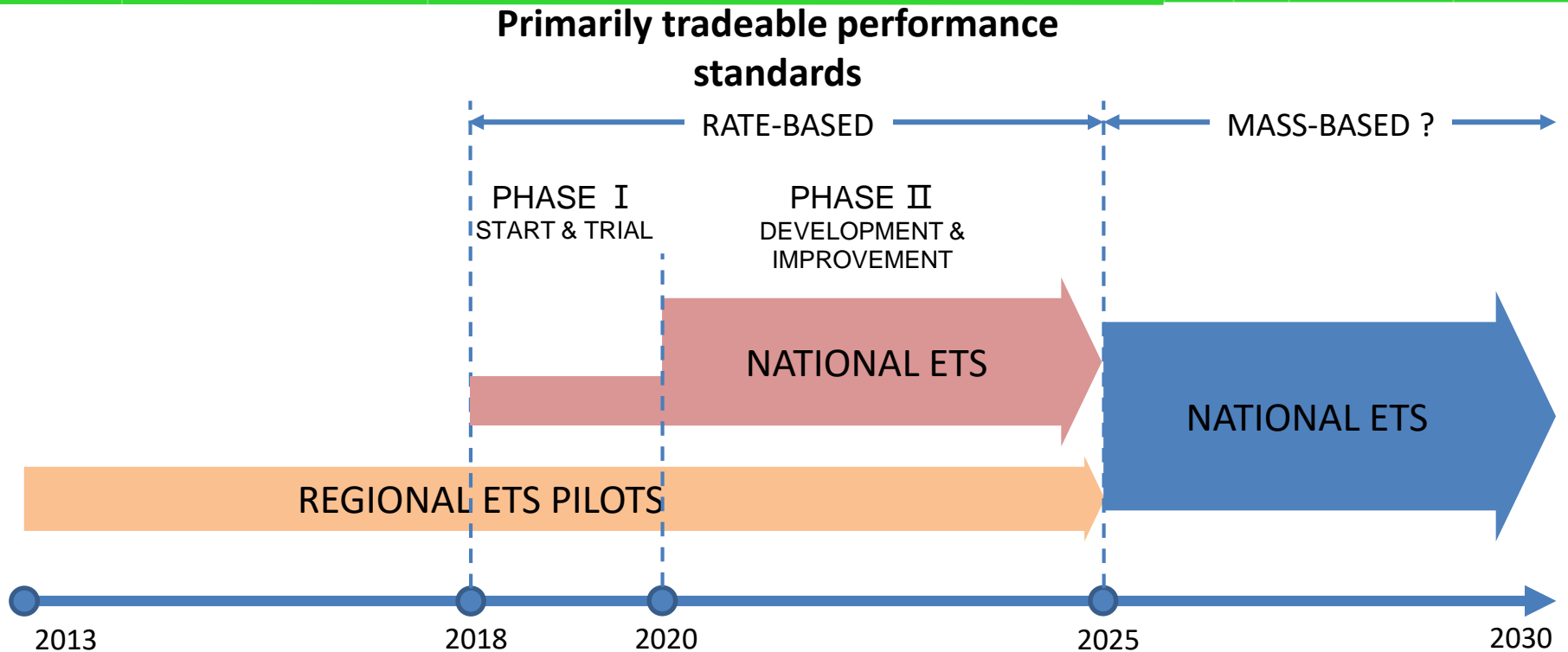


China's national ETS: an overview

- 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.



Implementation roadmap of China's national ETS



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 ≤ 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 those surplus allowance to the market
 - No punishment for the entities with allowance deficit



Thank you for your attention.

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