

Emission Trading in China: Current Status and Challenges

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Outline

- Mandates
- Major features and progresses for the current initiatives
- Challenges
- Study tasks ahead

Mandates

- National target for intensity cut of CO₂ emission: 40-45% cut against the level in 2005, supported by a national binding target for 17% cut by 2015 against the level in 2010, presented in the 12th FYP approved by the NPC.
- Also according to the 12th FYP, an objective of institutional reform was set up, i.e., China will establish statistical and verification systems for GHG emissions and gradually establish a carbon emissions trading system.
- The State Council issued a guidance on work of addressing climate change in early 2012, which required to build up national carbon market in a view to employ market-based instruments to address climate change in a cost-effective manner.

Major features for the current initiatives

- Project based: drawing on experiences and lessons learnt from CDM practices
- Developing trading rules from available transaction: VERs as a starting point
- Pilot to avoid risk: local pilots to national system by 2015
- Capacity building
- Strategic and policy studies

Progress in issuance of interim voluntary carbon trading measures

- Process: started to research and establishment of voluntary carbon trading measures from 2009, finished the draft in 2011, consultation and modification from 2011 to 2012, issued on June 13 2012
- Purpose: to make the voluntary carbon trading more fair and transparent in China
- Approach: to issue the government-endorsed voluntary carbon trading projects, VERs, methodologies, DOEs, and exchanges

Progress in pilot program

- Submission of pilot working plan: Beijing
- Accomplishment of draft of pilot working plan: Tianjing, Shanghai, Guangdong, Chongqing, Hubei
- Initiative meeting on carbon trading pilot work: Beijing
- Research on fundamental elements: cap setting and allocation plan, coverage, etc.: all pilot regions
- Design of carbon trading registry system: all pilot regions
- Construction of trading platform: Beijing, Tianjin, Shanghai, Guangdong, Shenzhen
- Development of GHG emission report and verification system for enterprises: Beijing, Hubei, Guangdong, Chongqing
- Draft of trading measures: Beijing, Tianjin, Guangdong, Shenzhen, Hubei

Progress in pilot program (cont'd)

- Coordination and organization by deputy mayor: Tianjin, Shanghai
- Special research on related issues: Tianjin (emission factors), Hubei (international carbon trading, incentive)
- Intensive consultation with stakeholders: Shanghai
- Establishment of experts team: Shanghai (experts committee)
- Capacity building: all pilot regions

Progress in development of national carbon market

- Organizing research on GHG emission accounting and reporting system for enterprises in key sectors
- Designing and constructing national carbon trading registry system
- Planning to research on cap-setting for national carbon market
- Active on international cooperation and information-sharing

Major Challenges for pilot program on ETS

- Awareness of carbon allowance as a traded commodity
- on legislation on ETS
- Capacity building for stakeholders
- Data statistics for MRV
- Coordination with other policies

Needs for capacity building

- Share knowledge and information with stakeholders
- Networking: policy makers and stakeholders at national and local levels
- Legal basis
- MRV: corporate GHGP; reporting system; third party verification?
 - exchange;
 - inventory, and
 - registry system at national and local levels

Tasks for Strategic and Policy Studies

- Positioning carbon market in the overall market system (stock, real estate, currency, commodities, etc) and in the course of reform
- Coordinating with other policy instruments: carbon tax? Code/norm/standards/benchmark?
- Nat'l and local cap setting
- Ways to allocate allowance
- Impact assessment on technology, finance, and emission cut performance

Thank you for your attention!

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