



The background features a light blue and white color scheme with several overlapping circles. A prominent circle in the center contains the chemical formula N_2O . To its right, a larger circle contains a recycling symbol made of blue arrows. Below the recycling symbol, a smaller circle contains the chemical formula CH_4 . At the bottom center, another circle contains the chemical formula CO_2 . The text 'ETS in China: Overview, technical designs and related laws' is overlaid on a blue horizontal band.

ETS in China: Overview, technical designs and related laws

SinoCarbon Innovation & Investment Co.,Ltd.

The Sukosol Hotel, Bangkok, Thailand

March 28, 2014

Elements of an Emissions Trading System

Scope

Cap Setting

Allocation

MRV

Compliance

Supporting Tools

- Registry System
- Reporting System
- Trading platform

Enforcement Institutions

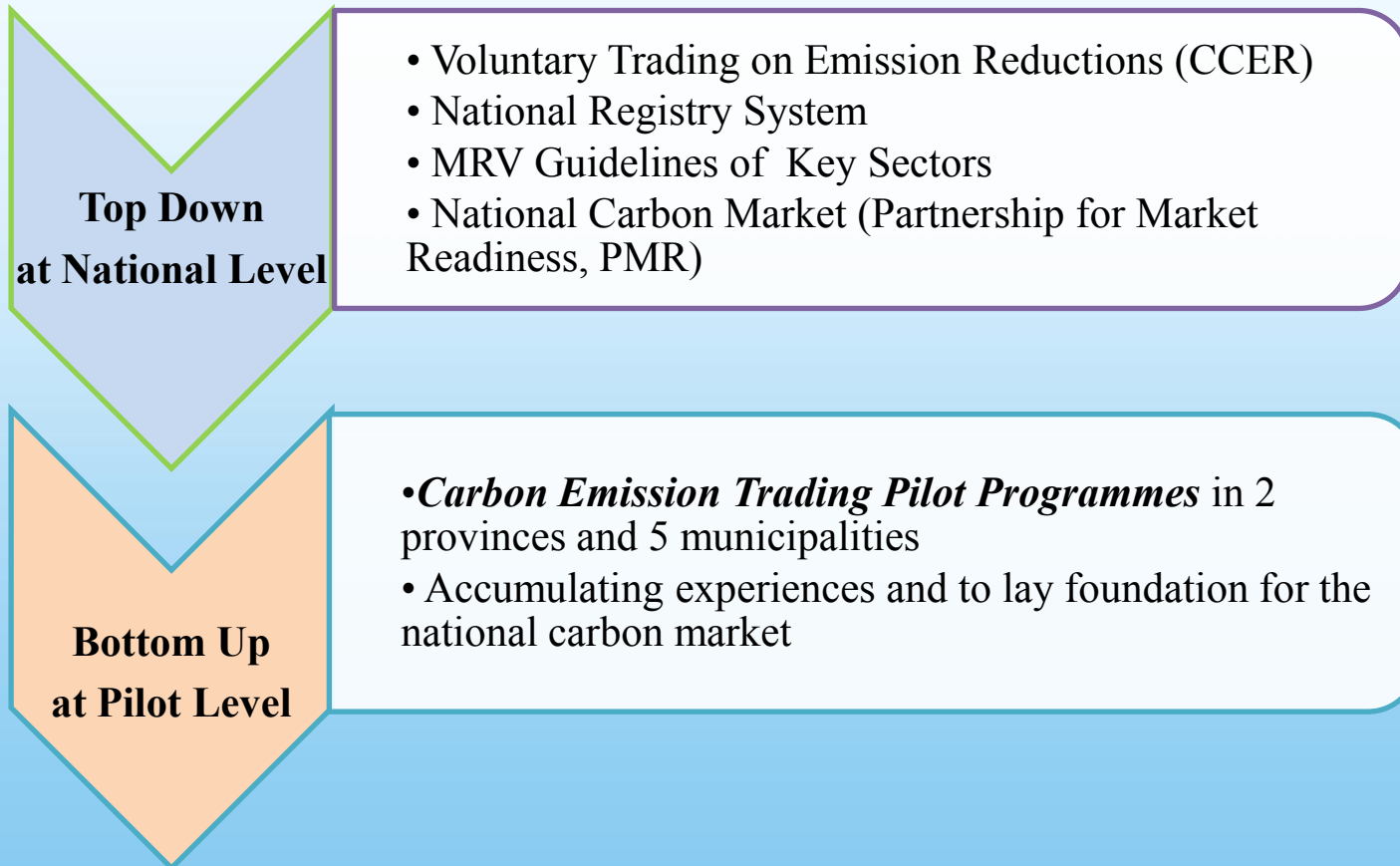
- Competent authority
- Independent Third Parties
- Regulatory and oversight authority

Flexible Mechanisms

- Allowance Reserve
- Offset Mechanisms

Laws and Regulations

Overall Approach



Progress at National Level---CCER

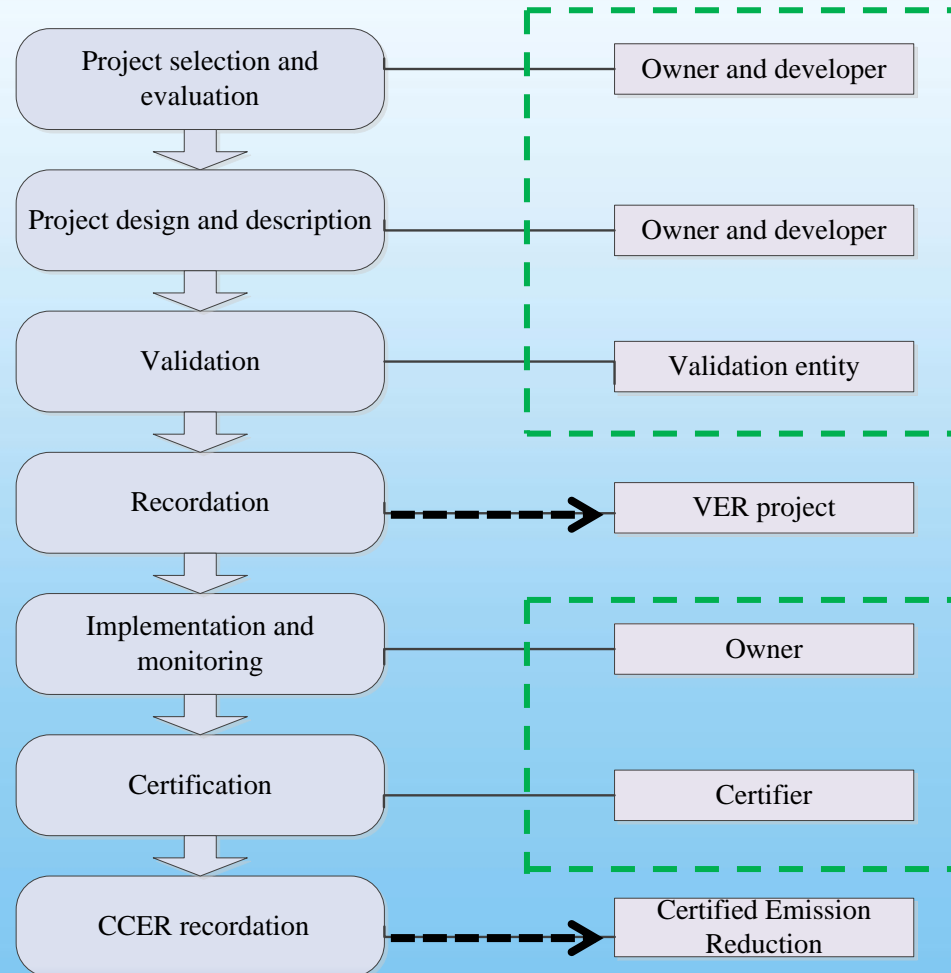
Date	Progress	Details
2012.6.13	Administrative Measures	<i>Interim Measures for Managing Trading of Greenhouse Gas Voluntary Emission Reduction Trading</i>
2012.9.21	Project Submission Templates adopted	<i>Application document</i> for GHG voluntary emissions reduction projects and certified emission reduction of GHG voluntary emissions projects
2012.10.9	Validation and verification rules adopted	<i>Guidelines</i> on Validation and Verification of Greenhouse Gas Voluntary Emissions Reduction Projects
2013.1.16	Eligible Trading Platforms Approved	China Beijing Environment Exchange, Tianjin Climate Exchange, Shanghai Environment and Energy Exchange, Guangzhou's China Emissions Exchange, and Shenzhen's China Emissions Exchange were filed as <i>trading agencies</i> for GHG voluntary emission trading.
2013.6.13	Independent third parties approved	China Quality Certification Centre (<i>CQC</i>) and Guangzhou <i>CEPREI</i> Certification Body were approved as validation agencies for GHG voluntary emission reduction trading.
2013.9.2		China Environmental United Certification Center Co., Ltd (<i>CEC</i>) was approved as validation agencies for GHG voluntary emission reduction trading.
2013.3.5		The first batch of <i>52</i> methodologies
2013.10.25	<i>177</i> methodologies adopted	The second batch of <i>2</i> methodologies
2014.1.22		The third batch of <i>123</i> methodologies
2013.10.24	Info-Platform	<i>China Certified Emission Reduction Exchange Info-Platform</i>

Eligibility Criteria

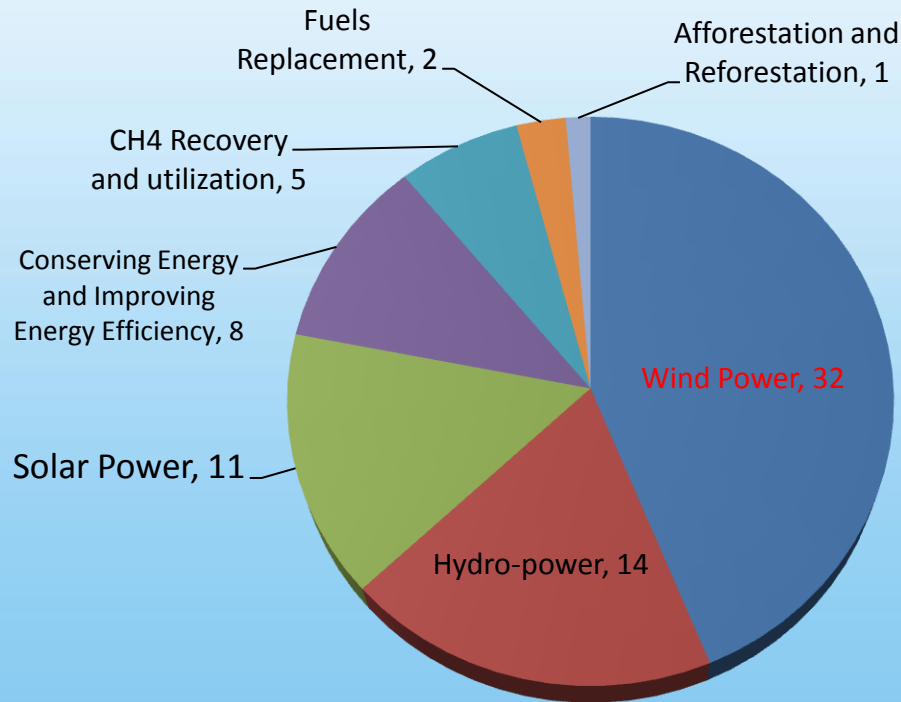
Projects constructed *after Feb. 16, 2005*,

- ① projects developed applying methodologies approved by NDRC
- ② projects approved as CDM projects by NDRC but not registered at CDM Executive Board
- ③ projects approved as CDM projects by NDRC and emissions reduction generated before registration at CDM Executive Board
- ④ projects registered at CDM Executive Board, but CER issuance not happened

Project Circle



Projects under Validation(As of 2014/02/28)

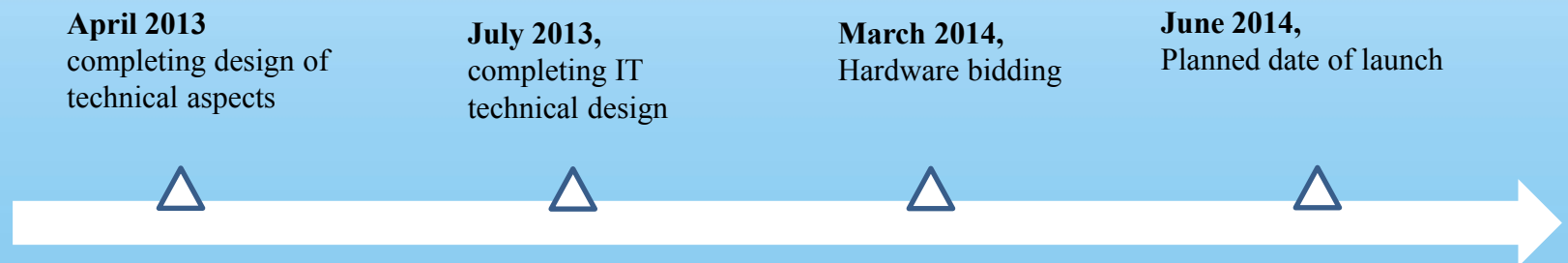


- total **73** projects under validation are publicized on the Info-Platform, with total expected annual Emission reductions of **14,130,306tCO₂e**
- **57** new energy and renewable energy projects
- **38** projects have been registered at the UN CDM EB, and **21** projects produced emission reductions before registration

Progress at National Level----Registry

- ❑ Supporting for both future National ETS and voluntary emissions reduction trading
- ❑ Cooperation projects between *NDRC and UNDP*
- ❑ Implantation Agency: *Tsinghua University, SCII, NCSC*

Progress



Progress at National Level----MRV Guidelines

Oct. 2013, *1ST Batch of GHG MR Guidelines for 10 Sectors* were released by NDRC.

Jan. 2014, *Notification on the Establishment of GHG Reporting System for Key Enterprises* by NDRC.

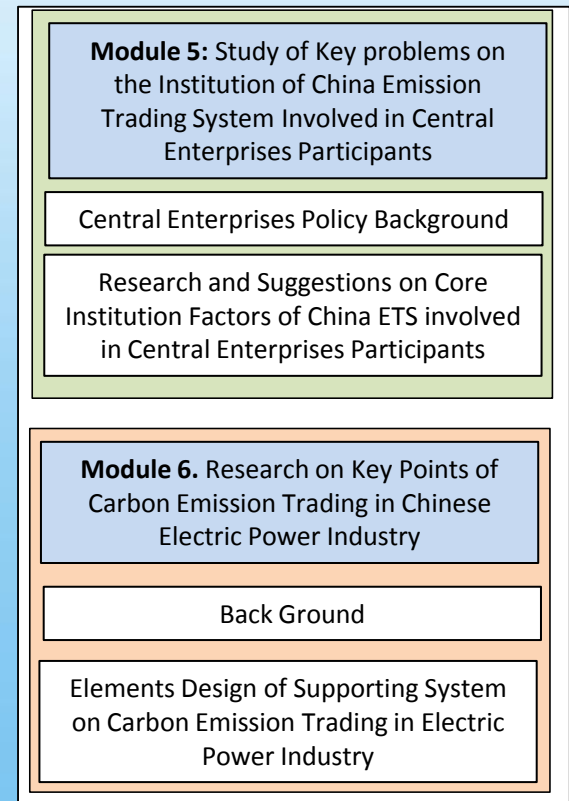
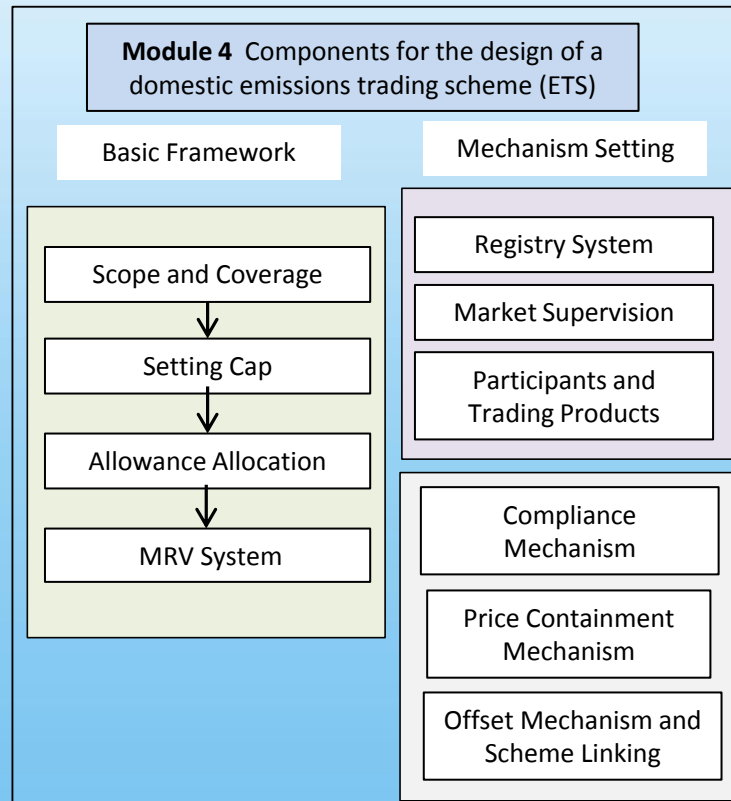
Development of guidelines for another 10 sectors are under development

10 Sectors: *Power Generation, Power T&D*, Ceramics, Magnesium smelting, Electrolytic Aluminum, Iron & steel, Chemical, Flat Glass, cement, *civil aviation*.

- speed up to build the GHG MRV system at national, local and enterprise level
- Build the GHG emissions monitoring standard, and laid foundation for the national carbon market under development



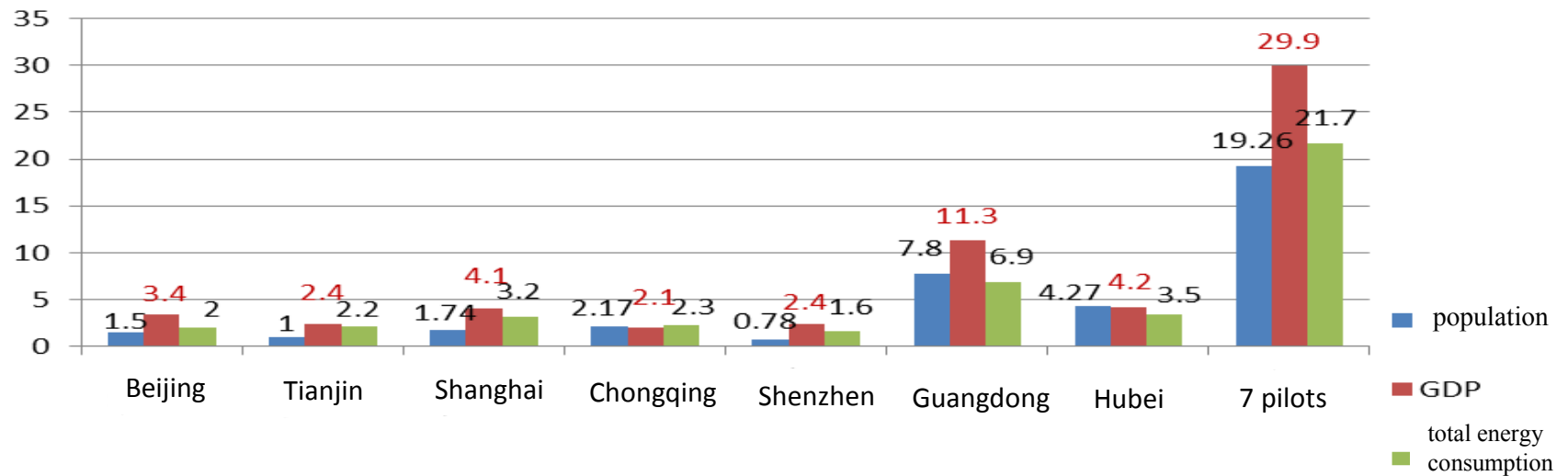
Feb. 2013, *Proposal for Establishing a National Carbon Emissions Trading Scheme in China* was approved by PMR, China won \$8 million in funding.



Progress at Pilot Level----Overview

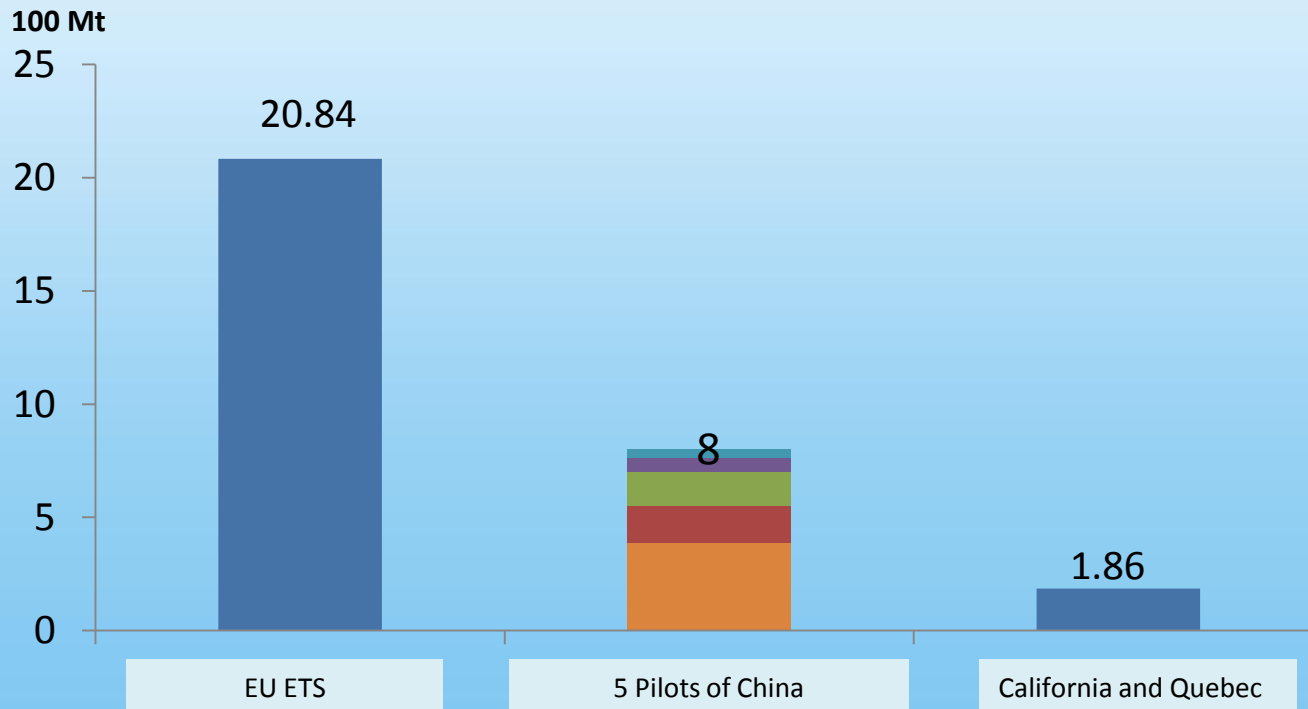
Pilots Contents	Beijing	Tianjin	Shenzhen	Guangdong	Chongqing	Hubei	Shanghai
population (million)	20.19	13.55	10.47	105.05	29.19	57.58	23.47
GDP (billion CNY)	1625.193	1130.728	1150.206	5321.028	1001.137	1963.226	1919.569
total energy consumption (million tce)	69.9539	75.9845	54.306	241.3126	79.5112	123.2880	112.7048

The proportion of 7 pilots in China (2011)



Progress at Pilot Level----Overview

- Total volume of 2013 allowances of 5 Pilots is **0.8 billion tons**
- Rank **2nd** worldwide, behind EU ETS



Progress at Pilot Level----Legislation



Progress at Pilot Level----Coverage

Pilots	Covered sectors	Threshold	Covered entities
<i>Shenzhen</i>	Industrial sectors(power, manufacturing, etc);	5000 tons	635
	Building	10000/20000 square meters.	197
<i>Shanghai</i>	Industrial sectors(steel, chemical, petrochemical, power, etc)	20000 tons	191
	Non-industrial sectors(airlines, airports, ports, hotels, etc)	10000 tons	
<i>Beijing</i>	Power, heat supply, cement, petrochemical, other industrial sectors, service	10000 tons	490
<i>Guangdong</i>	Power, cement, petrochemical, steel	20000 tons	242
<i>Tianjin</i>	Power, heat supply, chemical, petrochemical, steel, extraction	20000 tons	114

Progress at Pilot Level----Allocation

	Cap (2013)	Allocation
<i>Shenzhen</i>	33.2 M	benchmark
<i>Shanghai</i>	160M	power, aviation, airport and port: benchmark Others : grandfathering
<i>Beijing</i>	60M	Power, heat supply: Benchmark Others: grandfathering
<i>Guangdong</i>	388M	Power, steel (long process), cement(clinker production and cement grinding) : benchmark CHP, petrochemical, steel(short process), cement(mining and other grinding) : grandfathering
<i>Tianjin</i>	160M	Power, heat supply: Benchmark Others: grandfathering

Progress at Pilot Level----Offsetting Rules

All pilots recognize
CCER(China Certified Emission Reduction)
as eligible offsetting credit

Pilots	Compliance Percentage	Local Restriction
<i>Shenzhen</i>	10%	-
<i>Shanghai</i>	5%	-
<i>Beijing</i>	5%	$\geq 50\%$
<i>Guangdong</i>	10%	$\geq 70\%$
<i>Tianjin</i>	10%	-

Progress at Pilot Level----Compliance Timeline

Pilots	Monitoring Report	Emissions Report	Verification Report	Surrender
<i>Shenzhen</i>	-	Mar-31	Apr-30	Jun-30
<i>Shanghai</i>	Dec-31	Mar-31	Apr-30	From Jun-1 to Jun-30
<i>Beijing</i>	-	Mar-20	Apr-5	Jun-15
<i>Guangdong</i>	-	Mar-31	Apr-30	Jun-20
<i>Tianjin</i>	Nov-30	Apr-15	Apr-30	From Jun-1 to Jun-30

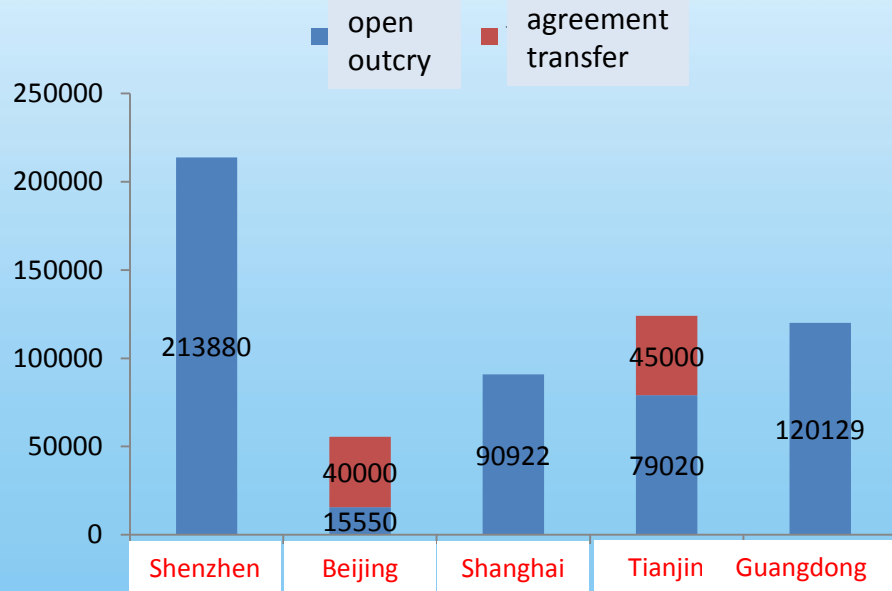
Progress at Pilot Level----Trading Platform and Participants

Pilots	Exchange	Product	Participants
<i>Shenzhen</i>	China Emissions Exchange(Shenzhen)	SZA-13 CCER	Covered entities; Other institutions; Natural person
<i>Shanghai</i>	Shanghai Environment and Energy Exchange	SHEA-13 SHEA-14 SHEA-15 CCER	Only covered entities so far
<i>Beijing</i>	China Beijing Environment Exchange	BEA-13 CCER	Covered entities; Other institutions
<i>Guangdong</i>	China Emissions Exchange(Guangzhou)	GDEA-13 CCER	Covered entities; Other institutions
<i>Tianjin</i>	Tianjin Climate Exchange	TJEA-13 CCER	Covered entities; Other institutions; Natural person

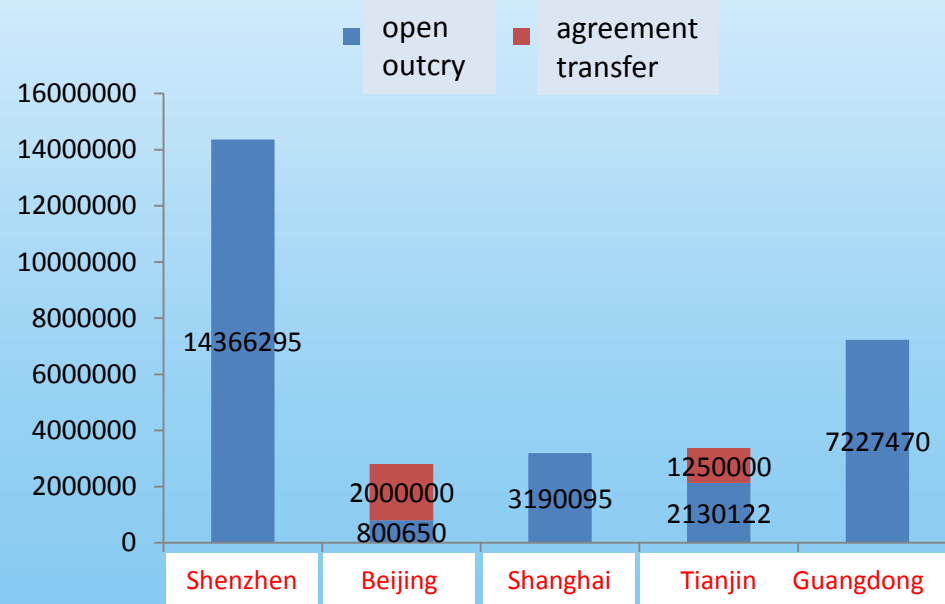
Progress at Pilot Level---Trading Tracking

As of Feb. 28, 2014, the total trading volume of 5 pilots is **605,000 t**, and the total value is **30,965,000 CNY**.

the Trading Volume of 5 Pilots (t)



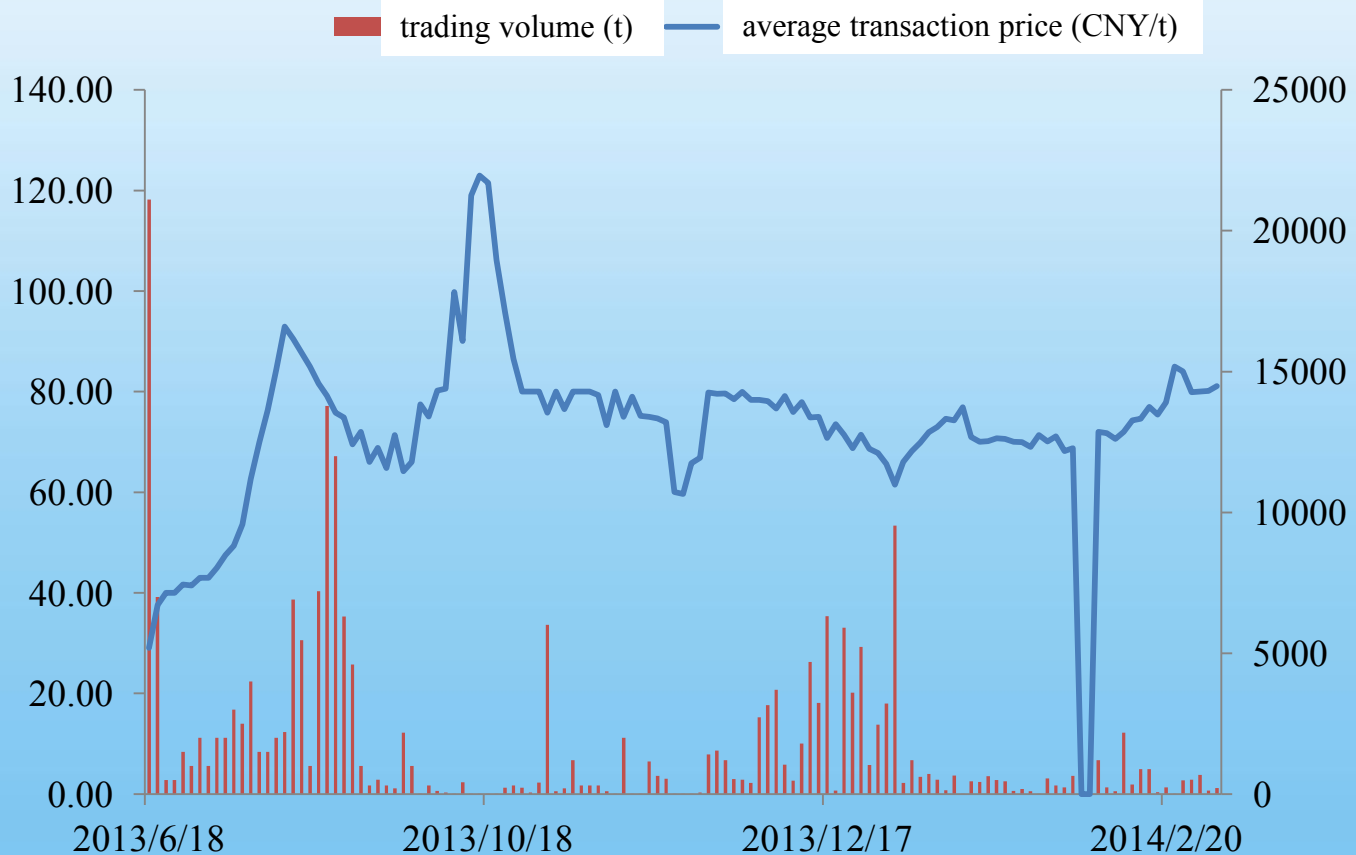
The Trading Value of 5 Pilots (CNY)



Progress at Pilot Level----Trading Tracking

As of Feb. 28, 2014, the total trading volume of Shenzhen is **214,000 t**, and the total value is **14,366,000 CNY**, the average transaction price is **67.17 CNY/t**.

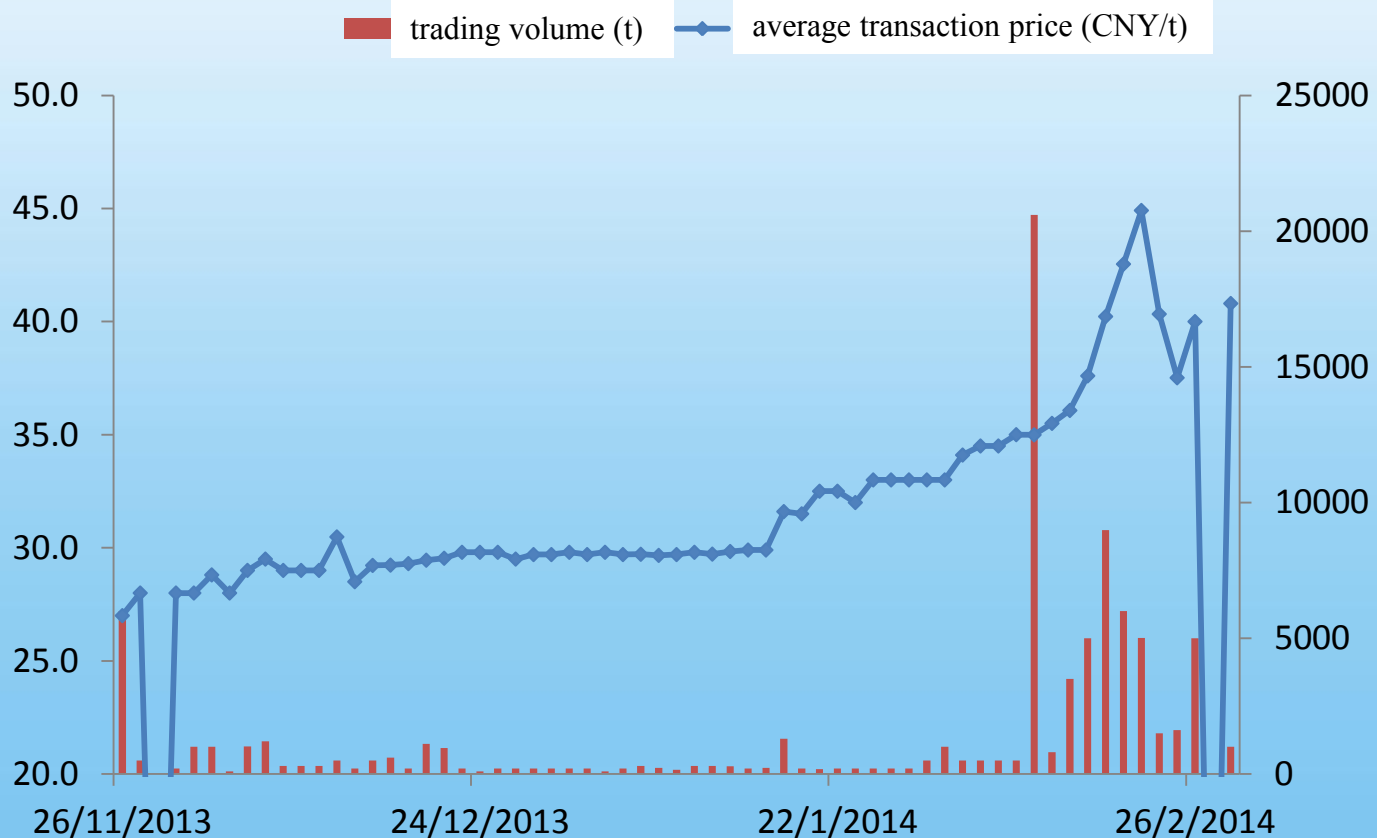
Shenzhen Carbon Trading Market



Progress at Pilot Level----Trading Tracking

As of Feb. 28, 2014, the total trading volume of Shanghai is **91,000 t**, and the total value is **3,190,000 CNY**, the average transaction price is **35.10 CNY/t**.

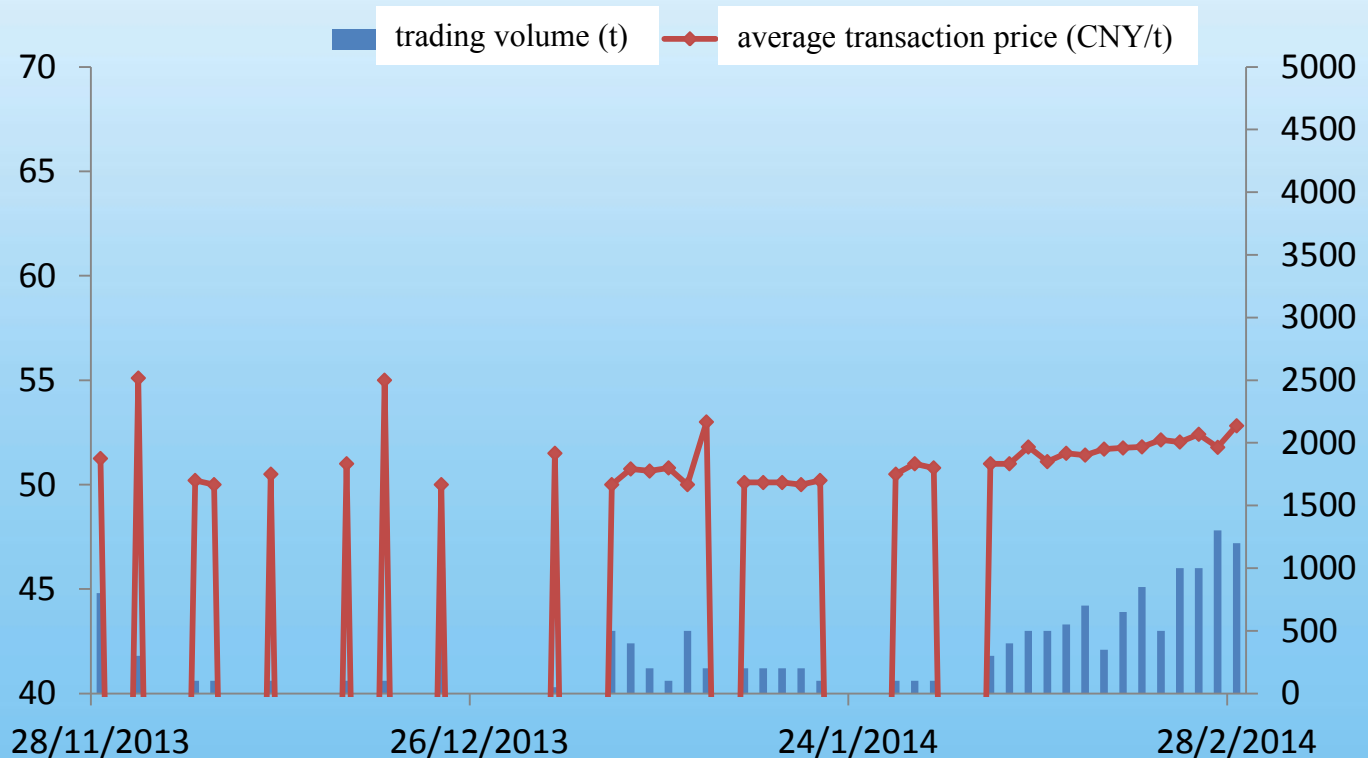
Shanghai Carbon Trading Market



Progress at Pilot Level---Trading Tracking

As of Feb. 28, 2014, the trading volume of open outcry is **15,550 t**, the value is **800,000 CNY**; and the trading volume of agreement transfer is **40,000 t**, the value is **2,000,000 CNY**. The total trading value of Beijing is **2,800,000 CNY**, the average transaction price is **50.42 CNY/t**.

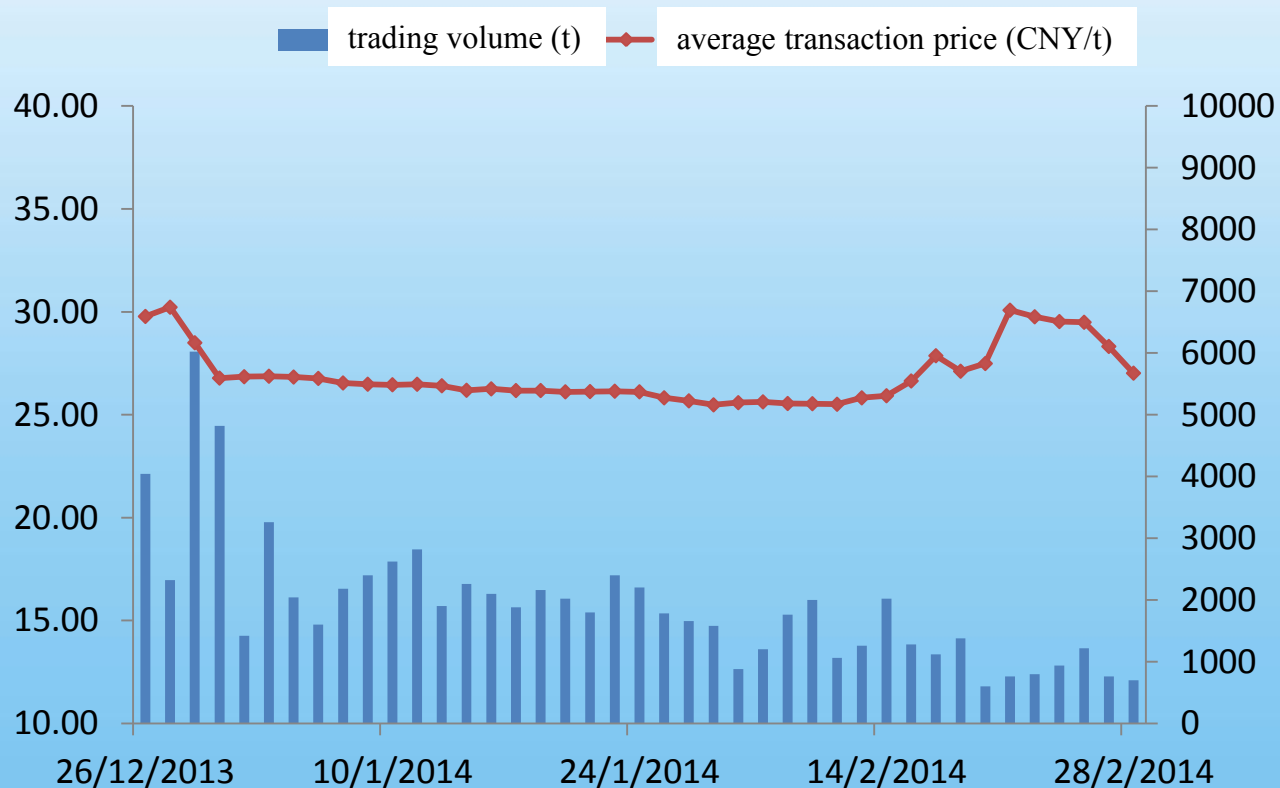
Beijing Carbon Trading Market



Progress at Pilot Level---Trading Tracking

As of Feb. 28, 2014, the trading volume is **79,000 t**, the value is **2,130,000 CNY**; and the trading volume of agreement transfer is **45,000 t**, the value is **1,250,000 CNY**. The total trading value of Beijing is **3,380,000 CNY**, the average transaction price is **27.25 CNY/t**.

Tianjin Carbon Trading Market



Auctioning at Guangdong Carbon Trading Market

Date	Year of Allowances	Auction (Mt)	Effective Declaration (Mt)	Trading volume (Mt)	Trading volume (CNY/t)	Base Price of (CNY/t)	Revenue of Auction (M CNY)	Number of Auction Success
2013/12/16	2013	3.00	5.073921	3,00	60	60	180.00	28
2014/01/06	2013	5.00	3.892761	3,892761	60	60	233.56566	46
2014/02/28	2013	2.00	1.130557	1,13.0557	60	60	67.83342	24
Total		10.00	/	8.023318	/		481.39908	≤98

- ❑ Market is just in infant stage, and unpredictable market
- ❑ Learning by Doing Process
- ❑ Legal stringency and compliance force need to be strengthened
- ❑ Challenging for a fast growing economy
- ❑ Institutional capacity needs to be further enhanced

Thank you!

For more information

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