

Welcome to EDF China Carbon Pricing Newsletter

Dear friends and colleagues,

This July has witnessed the first anniversary of China's national emission trading system (ETS), and the first compliance cycle ended with a 99.5% compliance rate of 2,162 power generation entities. By the end of August this year, about 195 million tonnes of China Emissions Allowances (CEA) were traded, with a total trading value of about CNY 8.5 billion.

EDF is continuing to explore diversified solutions to improve the national ETS and facilitate the robust low-carbon transition in China. This newsletter summarizes the updates on policies and brief news of national ETS and pilot carbon markets, as well as the major progress of our work.

Climate Change

- **2035 National Climate Change Adaptation.** According to the *National Climate Change Adaptation Strategy 2035*, jointly released by 17 ministries including the Ministry of Ecology and Environment (MEE), China will build a climate-resilient society by 2035. This climate-adaptable society will have a further improved technical system and standards system for climate change adaptation, so as to improve the ability of the whole society to adapt to climate change.
- **Pollution Control and Carbon Emission Reduction.** On June 10th, the *Implementation Plan for Pollution Reduction and Carbon Mitigation* was released jointly by 7 ministries, including the MEE and the National Development and Reform Commission (NDRC), in which it noted that the data fraud should be dealt with severely, allocation plan of carbon emission allowance will be optimized and the climate information disclosure will be promoted in key emission entities of pollutants and carbon dioxide.
- **Standard Systems for Carbon Peaking and Carbon Neutrality.** The *Outline of National Standardization Development* was co-released on July 6th by 16

ministries, in which an action plan was proposed to establish carbon emissions statistical accounting system in the areas of energy intensity, energy efficiency, carbon emission verification, etc.

- **Industrial Green and Low Carbon Transition.** The *Implementation Plan for Carbon Peaking in Industrial Sector* was released in August with a confirmed timeline for the industry to achieve carbon peaking. By 2025, The energy consumption per unit of value-added industrial output above the designated scale will decrease by 13.5% compared to the 2020 level, and the carbon dioxide emission intensity of key industries will decrease significantly; by 2030, the industry sector as a whole will peak its emissions.
- **Carbon Peaking Supported by Technology.** The *Action Plan on Supporting Carbon Peaking and Carbon Neutrality by Science and Technology Measures (2022-2030)* was released on August 17th. The plan noted that by 2025, major breakthroughs of low-carbon core technologies in key sectors will support the energy consumption per unit of gross domestic product (GDP), and carbon dioxide emissions per unit of GDP will be reduced by 13.5% and 18% compared to the 2020 level.
- **Carbon Emissions Accounting System.** The *Implementation Plan for Accelerating the Establishment of a Unified and Standardized Carbon Emission Statistical Accounting* was released on August 19th. It is stated in the plan that by 2023, a unified carbon emissions statistical accounting system will be initially established and supported by an inter-ministerial collaboration system. By 2025, the above system will be further improved, and the data quality will be comprehensively upgraded, so that a comprehensive, scientific, and reliable data support will be provided for the endeavor to achieve the goals of carbon peaking and carbon neutrality.

National ETS

- **The National Carbon Market Seminar**
On July 13th, the National Carbon Market Seminar was held by MEE, which committed to strengthening data quality by establishing regular management of emission data to supervise the technical service institutions and review the challenges during the first compliance period. The seminar also mentioned that the verification of carbon emissions and allocation of allowances for the Year 2021 should be done with scrutiny and that the improvement of GHG voluntary carbon emission trading should be accelerated.

- **Legislative Process of the Carbon Market Accelerated**

On July 14th, the State Council released *the 2022 Legislative Workplan*, in which *the Interim Regulations on the Administration of Carbon Emissions Trading* was included. This will have a significant impact on improving the whole construction of the national carbon market and strengthening the regulation of the carbon market.

- **Climate Investment and Financing Pilots**

The list of new batch of 23 climate investment and financing pilots was co-released on August 10th by 9 ministries led by MEE. The 23 pilots will be guided by MEE to establish local departmental collaborative mechanism to support key climate-friendly projects, enhance supervision on the data quality of carbon emissions and build an international communication platform. Reproducible models of climate investment and financing will be identified in the next three to five years to facilitate the achievement of carbon peaking and carbon neutrality.

- **FAQ on China ETS**

On September 9th, the [FAQ on China ETS](#), a book compiled by National Center for Climate Change Strategy and International Cooperation (NCSC), was posted on MEE's official website. Consisting of five chapters, 18 sections, and 602 Q&A pairs, this book is crucial to explain the common questions including emission monitoring, reporting, verification; allowance allocation, compliance, reporting platform, the user guidance of registry, and trading systems.

Pilots

- Shanghai.

- On July 10th, Shanghai released the *Implementation Plan of Achieving Carbon Peaking in Shanghai*, which mentioned that by 2025, their local energy consumption per unit of GDP will be 14% lower than the level of 2020; non-fossil energy will account for 20% of the whole energy consumption and CO₂ emissions level per unit of GDP will meet the targets issued by the central government. To ensure carbon peaking before 2030, Shanghai will consume 25% of energy from non-fuel fuels and reduce the CO₂ emission level per unit of GDP by 70% compared to 2005.
- On August 29th, Shanghai local environment authority released the *Auction Plan of Shanghai Pilot Allowances*, which mentions a total

amount of 1 million tonnes of allowances will be bid in the first half of September. On September 9th, the above-mentioned allowances were auctioned with a price floor of CNY 52.56 per tonne. 23 entities bid for more than 1.2 million tonnes while 21 of them closed the deal with the original 1 million tonnes.

- Hubei.
 - On June 23rd, Wuhan released *the Implementation Plan of Establishing the National Center of Carbon Finance in Wuhan*, which proposed that Wuhan will establish a center of the registry and clearing to support high-quality development of the carbon market and carbon finance by 2025. Based on the regional carbon emission trading system, a trading center of ecological rights will be established to cover the economic belt of Yangtze River. An ecosystem of carbon finance will connect Wuhan with the other area of China to promote innovations in carbon finance, making Wuhan the carbon pricing center.
- Fujian.
 - On August 21st, Fujian released the *Fujian Action Plan for Carbon Peaking and Carbon Neutrality*, which mentioned that the non-fossil will account for 27.4% of the total energy consumption by 2025; by 2030, the regional CO₂ emission per unit of GDP will be reduced by more than 65% compared to 2005; the percentage of non-fossil in total energy consumption will be above 30% and CO₂ emission will peak and decrease steadily. By 2060, the non-fossil energy will cover more than 80% of the total energy consumption, and carbon neutrality shall be finally achieved.
- Chongqing.
 - On July 28th, Chongqing indicated in its plan for carbon peaking and carbon neutrality that Chongqing will actively integrate into the national carbon market by optimizing the local carbon market, establishing a robust mechanism of carbon emission reporting and disclosure, and promoting the development of carbon inclusive credits.
 - To strengthen the management of data quality, the Chongqing environment authority published two drafts for the Chongqing pilot market on August 8th: *the Technical Guidelines of Verifying Carbon Emissions and Accounting Guidelines of GHG Emissions in Different Industries*.
- Guangzhou.
 - On June 24th, Guangdong released *Implementation Plan to Support Carbon Peaking by Green Finance*, which proposed to increase the liquidity of local pilot carbon market by introducing financial products including carbon asset mortgage, carbon asset custody, carbon

repurchase, etc. Guangdong will also be initiated to allow foreign exchanges payment for carbon emission trading through a cross-border CNY payment system. In addition, institutions are encouraged to provide financial services to support carbon inclusive thrive.

- On July 6th, the Energy Bureau of Guangdong Province announced in one of its responses to local legislative proposal that Guangdong local pilot market will cover ceramic, textile and data center successively. In addition, the free allowance will be tightened while the percentage of paid allowance will be increased.
- On August 15th, Guangdong local environment authority published five carbon inclusive methodologies on the following project categories: forestry, installation of distributed solar power system, application of high efficient air conditioner, application of household pump boiler and recycle of discarded clothes.
- Beijing.
 - On August 9th, the *Beijing Climate Change and Energy Conservation Plan during the "Fourteenth Five Year Plan"* was jointly issued by the Beijing Municipal Bureau of Ecology and Environment and the Beijing Municipal Development and Reform Commission, which proposed that by 2025, the city's total carbon emissions would peak and then decline steadily with more than 10% lower than the peak (excluding the carbon emissions from air passenger and cargo transport). It was also mentioned that the total consumption of coal should be controlled within 1 million tonnes. Overall, the total energy consumption of the whole city should be controlled at about 80.5 million tonnes of equivalent coal; the energy consumption per unit of GDP decreased by 14%, and the newly increased energy consumption will be compensated by renewable energy.
 - On August 25th, the Beijing Municipal Bureau of Ecology and Environment issued the *Notice on Conducting the Second Batch of Selective Inspections of Key Carbon Emitting Entities and General Reporting Entities in 2022* and organized the random inspection of the second batch of 76 key carbon emitting units and general reporting units. The results of the random inspection will serve as an important basis for the quality management of carbon emission reports and inspections, and provide support for the examination and approval of the carbon emissions of carbon emitting units in 2021. The spot check of key carbon emission

units shall be completed before September 2nd , and the spot check of general reporting units shall be completed before September 30th.

- Tianjin.
 - On July 6th, Tianjin environment authority published *Tianjin Carbon Inclusive System Construction Plan (Draft for Public Comments)*, which noted that from 2022 to 2024, Tianjin will begin the construction of local carbon inclusive mechanism; from 2025-2026, the mechanism will be established; from 2027 to 2030, the standards and operation of carbon inclusive will be further improved.
 - On August 10th, the compliance report of Tianjin pilot in 2021 was announced and the compliance rate was 100%.
- Shenzhen.
 - On August 2nd, Shenzhen published the *Management Measures of Carbon Inclusive*. By putting a value on emission reductions generated by small enterprises, community and individuals, the carbon inclusive provide incentive with a combination of business motivations, policy supports and certified emission reduction trading. The measures entered into force on August 15 and will be viable until 2027.
 - On August 12th, Shenzhen pilot carbon market auctioned about 580,000 carbon allowances with a price floor of CNY 29.64/tonne. 123 covered entities bid for 2.49 million tonnes. The clearing transaction price was CNY 100/tonne the highest, CNY 42/tonne the lowest, and CNY 43.49/tonne the average.

EDF Efforts

- **FAQ on China ETS:** MEE has released *the FAQ on China ETS* on its [website](#). Supported by EDF, this book contains 602 Q&A pairs covering emission monitoring, reporting, verification; allowance allocation, compliance, reporting platform, and the user guidance of registry and trading systems, which will serve as one of the best references for ETS participants.
- **New version of China ETS Handbook:** The second version of the handbook incorporated the key learnings and developments that have taken place since the publication of the first edition in 2018. The updated handbook will continue to be an important tool for ETS capacity building in the next step.
- **Climate policy website:** EDF supported the launch of the [Climate Change Policy System](#), which includes an archive of all categories of climate-related policies and serves as a resource for researchers, government officials and

enterprises on the most updated information on the carbon market and climate change issues.

As always, please do not hesitate to let us know if you would like to follow up on the above topic on China's ETS and anything else you may wish to know. We would love to hear from you.

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2021 is the first year of the "14th Five-Year Plan". China's MEE stated that a Nationwide ETS with complete institutions, active trading, strict supervision, and high transparency will be built during the 14th Five-Year Plan period. EDF will continue to follow up on the construction of China Nationwide ETS, bringing you first-hand news and insightful analysis. For more information or to get in touch with an EDF spokesperson, please contact EDF China at China@edf.org.

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