

Welcome to EDF China Carbon Pricing Newsletter

Dear friends and colleagues,

The national ETS has steadily progressed in the issuance of allowances and compliance efforts for the years 2021 and 2022. In August, the Ministry of Ecology and Environment (MEE) updated compliance rules to further improve the trading system and market functions. Furthermore, the local carbon market conducted verification and selected assessments to ensure the quality of carbon emission data. Progress has also been made in the relaunch of the national voluntary emission reduction market, as the *Administrative Measures for Voluntary Greenhouse Gas Emission Reduction Trading (trial)* successfully completed public consultation and received preliminary approval from the MEE. In addition, the financial authorities have indicated their steadfast commitment to support the development of green finance to strengthen its role in China's decarbonization path.

EDF is committed to exploring multifaced solutions to improve the national ETS and facilitate a robust low-carbon transition in China. This newsletter provides an overview of policy updates and the latest developments in both the national ETS and local carbon markets, as well as our efforts to expand the sectoral coverage of the national ETS and ensure the successful relaunch of the national voluntary emission reduction market.

Skip to:

[National Carbon Market](#)

[Local Carbon Markets](#)

[Climate Finance](#)

[Other Efforts to Address Climate Change](#)

[EDF Efforts](#)

National Carbon Market

- **Market Participants can open new CCER Registry Accounts.** On August 17th, China Beijing Green Exchange (CBGEX) issued the *Announcement on the Work Arrangements Related to the National Greenhouse Gas Voluntary*

Emission Reduction Trading System (Hereinafter as the *Announcement*). According to the *Announcement*, CCER credits have been filed and recorded prior to March 14th, 2017 are still be traded within the existing local carbon markets' trading platforms. The *Announcement* outlined that the account opening function is launched in the new national greenhouse gas voluntary emission reduction trading system (Hereinafter as the New System). The market participants who opened the registration account in the previous CCER registry, will be able to login to the New System with the same account information. The market participants, who has no account in the previous CCER registry but wants to use existing CCER credits for offsetting the allowances settlement for 2021 and 2022 compliance period, can do this by creating accounts in the CCER registry system, trading system, and the previous voluntary emission reduction registry system.

- **Flexible Compliance Policy Developed for 2021 and 2022 Compliance Period.** On August 28th, the MEE held a press conference stating that the 2021 and 2022 allowances allocation and compliance procedures in the national ETS are currently underway. Covered entities are required to fulfill their compliance obligations by the end of 2023, and they are permitted to utilize CCERs for offsetting purposes, with a limit of no more than 5% of the allowances they are required to surrender. It is worth noting that in the 2021 and 2022 compliance period, MEE has established a flexible compliance policy to aid entities encountering challenges in fulfilling their compliance obligations. Under this policy, entities are permitted to advance a portion of their 2023 allowances to meet their obligations in the 2021 and 2022 compliance period.
- **MEE Preliminarily Approved Voluntary Greenhouse Gas Emission Reduction Measures.** On September 15th, a significant step was made towards the relaunch of the CCER program as the *Administrative Measures for Voluntary Greenhouse Gas Emission Reduction Trading (trial)* underwent review and obtained preliminary approval from the MEE. MEE will strengthen the institutional framework of the CCER program and release complementary rules on project design, implementation specifications, project validation and verification, registration and trading. Additionally, MEE will prioritize the issuance of methodologies that guarantee data quality, technical feasibility, and deliver social and environmental benefits.

Local Carbon Markets

- **Reexamination of Carbon Emission Reporting and Verification.** Throughout August and September, the local ETS programs in Beijing, Shanghai, and Chongqing reexamined the carbon emissions reporting and verification of the covered entities. Notably, Chongqing released reexamined results of the quality

evaluation of the carbon emission verification and reporting work in the power generation sector. These measures aimed to enhance accountability, bolster the capacity for managing carbon emission data, and ensure the effective operation of the carbon market.

- **Guangdong Pilot ETS will Cover 70% of the Province's Energy-related Carbon Emissions by 2025.** On August 22nd, the Department of Ecology and Environment of Guangdong Province released the *Implementing Measure for Carbon Emission Trading to Achieve Carbon Peaking and Carbon Neutrality (2023-2030)* to effectively utilize market mechanisms to support the province's climate target. By 2025, the carbon emissions from entities covered by the Guangdong ETS are targeted to represent 70% of the province's energy-related carbon emissions, rising to 75% by 2030. Guangdong committed to expediting the development of the carbon market within the Guangdong–Hong Kong–Macao Greater Bay Area while actively investigating market coordination mechanisms to foster consistent communication. Guangdong is committed to strengthen data quality and to bolster statistical monitoring capabilities for covered entities in sectors such as power, iron and steel, cement, petrochemical, paper, aviation, ceramics, and data centers. Additionally, the province intends to innovate in carbon financial products, endorse green finance, and promote climate investments. This includes establishing standardized climate finance based on a carbon rating system for financial institutions to support business emission reduction efforts.

Climate Finance

- **Monetary Tools to Support Green Developments.** On August 4th, the People's Bank of China (PBC) held a press conference to reiterate its commitment to support green and low-carbon development by implementing the carbon emission reduction facility (CERF) and special lending program for coal usage. Low-interest loans and customized loan options further encourage financial institutions to expand their effort in green and low-carbon development. Until the end of June, the balance of the two structural monetary policy tools was CNY 453 billion and CNY 245.9 billion. The CERF has incentivized financial institutions to issue carbon emission reduction loans of more than CNY 750 billion, driving an annual reduction of 150 million tonnes of carbon emissions.
- **CBIRC is Committed to Promoting the Development of Green Finance in China.** On September 3rd, China Banking and Insurance Regulatory Commission (CBIRC) stated at the China International Finance Annual Forum 2023 that the CBIRC would persist in its effort to promote the green financial system and to encourage the banking and insurance industry to enhance

financial support for the green and low-carbon transition. CBIRC will focus on the following aspects of work in the future:

- Enhance rules and standards, crafting financial policies that are compatible with the dual control of carbon emission intensity and amount; Introduce green financial information disclosure standards to support financial institutions in assessing the carbon footprint of investment projects.
- Foster innovation in financial products, including exploring climate bonds, merger and acquisition, and green asset backed securities; Improve the effectiveness and market liquidity of carbon pricing.
- Strength risk management by incorporating project-specific performance on carbon emission reduction and carbon pricing mechanisms into the credit granting procedure.
- Guide financial institutions to perform scenario analysis and stress tests based on climate change, evaluate the risk exposure of assets in high-carbon sectors, and formulate appropriate response plans.

Other Efforts to Address Climate Change

- **Issuing Green Electricity Certificates to Expand the Scope of All Types of Renewable Energy Power Generation Projects.** On August 3rd, the National Development and Reform Commission, the Ministry of Finance, and the National Energy Administration jointly issued the *Notice on Issuing Green Electricity Certificates for All Types of Renewable Energy Power Generation Projects to Promote the Consumption of Renewable Energy* (Hereinafter as the *Notice*). Green Electricity Certificates (GECs) will serve as the only proof of the environmental attributes of renewable electricity in China and the sole method for recognizing the production and consumption of renewable electricity. All renewable energy power projects in China, including wind, solar thermal, solar photovoltaic, conventional hydroelectric (only for projects commissioned after January 1st, 2023), biomass, geothermal, and ocean energy, are required to issue GEC for all their generated electricity.
- **Criminal Penalties for Carbon Emission Data Fraud.** On August 9th, the Supreme People's Court and the Supreme People's Procuratorate jointly issued a judicial interpretation, clarifying the regulations governing the handling of environmental data fraud within environmental pollution criminal cases. The judicial explanation provides specific criminal liabilities to those responsible for environmental monitoring, greenhouse gas emission inspection, or the preparation of environmental reports within enterprises in the context of producing fraudulent documents. Depending on the severity of the crime, individuals found guilty of these activities may face custody for a fixed term up to 10 years, in addition to potential fines.

EDF Efforts

- On August 4th, with the support of EDF, the China Quality Certification Centre achieved a milestone in developing guidelines and work specifications for verifying carbon emissions associated with ten specific product categories within the chemical and electrolytic aluminum industries. This comprehensive effort was geared towards establishing comprehensive tools for the accurate assessment and verification of emissions data, with a focus on enhancing data quality in these critical industrial sectors. We also developed templates for emission calculations and verification conclusions, offering recommendations to ensure data verification accountability.
- On August 8th and 9th, EDF joined forces with the China Electricity Council to hold two seminars on “Synergistic Development of Carbon Market and Green Electricity Market” and “Suggestions for Improving MRV Mechanism in National ETS”. These in-depth discussions laid the groundwork for recognizing potential synergies and enhancing current practices within the carbon market. The participating experts discussed the environmental attributes of green electricity, grid emission factors, potential double counting between the green electricity market and the carbon market, and deficiencies in the current MRV mechanism of the national ETS.
- On September 7th, EDF and China Environmental United Certification Center concluded a study on “Management of corporate carbon emission data disclosure”. A notable outcome of this collaborative effort was the creation of the “Carbon Neutrality Implementation Guide for Automobile Manufacturing Enterprises” on March 22nd, 2023. This guidebook, published by the National Standardization Commission, assumes a role in shaping the future of the automobile industry and lies in its potential to steer the industry and its downstream partners toward the development of cleaner, more sustainable, and lower-carbon products.
- On September 11th, EDF supported CBGEX to conduct a survey regarding China's high-quality carbon credits criteria. This survey encompassed crucial aspects such as the additionality of carbon credit projects, the authenticity and accuracy of the generated carbon credits, the governance of carbon credit projects, and the contribution of carbon credit projects to China's climate targets and other sustainable development goals.
- On September 15th, EDF contributed our expertise to the second workshop organized by the Chinese Academy of Environmental Planning, focusing on key technologies for expanding the national ETS into sectors like cement, iron and steel, and electrolytic aluminum. Joining with our partners from Tsinghua University, the National Center for Climate Change Strategy and

International Cooperation, we engaged in crucial issues such as allowance allocation, compliance procedures, MRV mechanisms, and the utilization of green electricity and offsets. The valuable insights generated during this workshop serve as a cornerstone for ongoing research to broaden the scope and accelerate the sectoral expansion of the national ETS.

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.

###

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.

Environmental Defense Fund (edf.org), a leading international nonprofit organization, creates transformational solutions to the most serious environmental problems. EDF links science, economics, law and innovative private-sector partnerships. Connect with us via [EDF's Official WeChat Account \(Chinese\)](#), [EDF Voices](#), [Twitter](#) and [Facebook](#).

This newsletter is generated by EDF China.

For enquiries or (un)subscriptions, please contact [Limeng Zhu](#).