

# Supporting the Design and Implementation of Emissions Trading Systems in China (ETS)

Duration	3 years 2014-2017	<b>Contact details:</b>  Renato Roldao: Lead Managing Consultant Office: (86-10) 6562 8302   Fax: <a href="mailto:renato.roldao@icfi.com">renato.roldao@icfi.com</a> China Overseas Plaza, Central Tower , Suite 2001 No. 8 Guanghua Dongli, Chaoyang District / Beijing, 100020 China
Beneficiary country	People's Republic of China	
EC Contribution	€ 5.5 million	
China Contribution	In kind contribution	
Executing Authority	Ministry of Commerce of China (MOFCOM)	
Implementing Counterpart	National Development and Reform Commission (NDRC)	
Implementing Agency	ICF Consulting Limited	
Location	Mainly China with some activities in Europe	
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## Project Background

China's environmental issues have a strong international dimension, reflecting regional and global economic and environmental interdependencies. Being the world's leading emitter of greenhouse gases, China is amongst the most important nations to achieve global reduction of greenhouse gas emissions and mitigate the negative impacts induced by climate change.

This project comes at an important point in the development of China's emerging ETS. Two key parallel processes are now under way that will benefit from in-depth knowledge sharing and capacity building based on the European Union ETS. First, China's seven ETS pilots have been launched and are in the process of being operated so key stakeholders require highly detailed and practical technical assistance to put these ETS schemes in practise. Second, China's national ETS is entering a more active phase of design, and key inputs to the national ETS are beginning to emerge under on-going and forthcoming activities.

In this respect, the EU has an outstanding track record on climate change issues and provides the most enduring and most detailed case study of emission trading available around the world. The EU ETS is the world's most ambitious demonstration of emission trading as a mechanism to reduce emissions while minimising adverse economic impacts. In the process of acting on climate change, the EU has learned many lessons on what works and—equally important—what does not. These lessons are at the core what this project offers to the Government of China.

## Project Objectives

The **overall objective** of the project is to contribute to low carbon development in China and the **specific objective** is to assist China in its efforts to meet its emission reduction targets and low carbon development through the support to the existing



emission trading pilot systems in view of the development of an ETS nationwide system.

The rationale of this project is to provide relevant expertise and capacity building support to the full range of stakeholders currently responsible for designing and implementing China's emerging ETS both at the pilot and national scale

### **How the project will contribute to ETS design in China now that some pilots have started**

China has already started pilot ETS at the local/regional level and a national system is under development (and could roll out as early as 2015). Enabled in part by deep CDM expertise, China is designing and establishing seven ETS pilot programmes in two provinces (Guangdong and Hubei), four municipalities (Beijing, Shanghai, Tianjin, and Chongqing), and one city (Shenzhen). Some pilot teams already are preparing their design and overall operational frameworks. As of now, the national system is not yet established, nor is the process that may be necessary to transition the pilots in one way or another into such a national system. These various systems are in different stages of development, with a number of decisions regarding establishing and implementing the ETS already made in some pilots, while others are still to be made. In addition, different pilots (and the national system) have made—and are likely to continue to make—different design choices from others. The relation between the local/regional pilots and the national system under development is not yet established, nor is the process that may be necessary to transition the pilots in one way or another into such a national system. Moving from heterogeneous pilots to a unified national system represents one of the major challenges of the system. However, the lessons learned through the pilots also offer a huge opportunity to influence the design and implementation of the national system so that it will be strong and effective.

### **Project Main Results**

Result 1: Development of provincial and/or municipal action plans and road maps for the establishment of provincial ETS for a selected number of pilot areas

Result 2: Development of capacity building activities in China, especially in selected pilot provinces for ETS design and implementation, through:

Result 2.1: Provision of policy know how and modelling capacity in the sectors under the ETS

Result 2.2: Energy and emissions data research and analysis in sectors and sources covered by the pilots

Result 2.3: Establishment of customised monitoring and reporting rules or guidelines

Result 2.4: Support for putting data management systems in place at installation level

Result 2.5: Establish regulatory systems to ensure compliance by companies

Result 2.6: Support the development and management of an ETS registry

Result 2.7: Lay the groundwork for a centralised transaction log linking the regional registries

### **Current Status**

The project is starting to implement its 2nd Annual Working Plan (May-Dec 2015) in which detailed training resources and practical Technical Assistance -based on sharing experiences between Europe and China- to key stakeholders (NDRC department of climate change, pilot and also non-pilot regions) will be delivered. At the same time, the project is evolving to a "train-the-trainer" approach in view to seek a multiplication effect to assure a better impact in the dissemination of knowledge. This is especially pertinent in view of the transition to a future national scheme (envisaged for 2016).

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