

Welcome to EDF China Carbon Pricing Newsletter

Dear friends and colleagues,

According to the China Statistical Yearbook 2021 published on this February, the country has witnessed a decline in carbon intensity by 3.5 percent in the second half of 2021 since the national carbon market kick off on July 16th. Although the trading volume has been shrinking after the first compliance deadline, various efforts have been devoted to improving the market mechanism to further strengthen its role in China decarbonization path.

In this newsletter, we will have a general look on related policy updates and brief the news of national ETS and pilot carbon markets. Furthermore, this newsletter will also give an abstract on 2021 carbon survey, climate information disclosure in China and the carbon neutrality of Beijing 2022 Winter Olympics.

Climate Change

- **National Unified Market.** It has been announced by the central government that China is planning to build the “unified market”, including energy and carbon, which also means that unified regulations and standards will be applied in the above areas.
- **Green BRI.** “Guidance on Promoting the Green Development of BRI” was co-released by China’s 4 ministries, which are National Development and Reform Commission (NDRC), Ministry of Foreign Affairs (MFA), Ministry of Ecology and Environment (MEE) and Ministry of Commerce (MOC). Highlighting the importance of addressing climate change and global ecological security, the guidance will steadily advance cooperation on green infrastructure, energy, transportation and finance by 2025.

National ETS

- **GHG Data Reporting**
 - **Power Generation Sector:**

To enhance the data quality of the national carbon market, MEE issued the Notice on the Implementation of GHG Data Reporting in

2022 on March 10th and clarified the 6 key tasks for the power generation industry key emission entities, which are:

- Compile the 2021 emission report and submit through the unified environment data platform while disclose the verified emission data of the first compliance period (2019-2020) before March 31st, 2022
- Implement the verification of the 2021 emission report before June 30th, 2022.
- Strengthen the administration on the verifiers through carrying out evaluation on the following aspects: compliance, timeliness and quality of its verification.
- Update the data monitoring plan and disclose it on the unified environment data platform by March 31st, 2022; Upload the original digital copy of the verified documents (such as the monthly energy consumption and carbon emission, etc.) within 40 days of the end of each month.
- Disclose the list of the key emission entities of 2022 on the provincial ecological and environment website before June 30th, 2022.
- Enhance day-to-day supervision on the key emission entities and submit quarterly report on the regulatory implementation.

○ **Other Sectors**

Key emitting entities, including enterprises in the petrochemical, chemical, building materials, steel, non-ferrous, paper, and civil aviation industries with GHG emissions of 26,000 tons (energy consumption of about 10,000 tonnes of coal) and above in 2020 or 2021 (or both), are required to calculate and submit their emission reports of 2021, by September 30, 2022. The calculation process should comply with the specific requirements of the “Greenhouse Gas Emission Accounting Methods and Reporting Guidelines” and the “Supplementary Data Sheets” (which can be downloaded on the Environmental Information Platform, with grid emission factor adjusted to 0.5810 tCO₂/MWh). Additionally, they should disclose the GHG emission data, production status, reporting service providers’ information, and other relevant materials on the Environmental Information Platform.

○ **Enhance Data Quality**

In order to crack down on carbon emission falsification by covered entities in the power generation industry and strengthen the supervision and management of carbon emission report quality,

MEE organized 31 working groups to conduct special supervision and inspection of key technical service institutions as well as their associated entities during October to December 2021.

Based on the results of the above investigation, on March 14th, 2022, MEE published four typical cases of carbon emission report data falsification by third-party institutions on its official website and claimed that for the next step, MEE will continue to supervise and guide local ecological and environmental departments to further investigate the technical service agencies and related entities with the above-mentioned problems. MEE will also resolutely penalize data misrepresentation, concealment, falsification and other illegal and irregular acts. MEE will work with relevant departments and local authorities to further strengthen the supervision and management of technical service agencies, regulate the behavior of consulting, verification and testing services, ensure that the process and results of technical services are true, compliant and fair, and guarantee the smooth and healthy operation of the national carbon market.

- **Follow up on the First Compliance Period**

On February 15th, 2022, the MEE issued the " Notice on keep following up the work of the China Carbon Market first compliance cycle", which asked the local ecology and environment department to speed up to complete the remaining work of the first compliance cycle, including monitoring emitting entities who failed to complete the compliance. It is also stated in the Notice that the local bureau should disclose relevant compliance and sanction information of the first compliance cycle to the Department of Climate Change by April 29, 2022.

Pilots

- Shanghai.
 - On February 15th, 2022, the Shanghai municipal bureau of ecology and environment decided to adjust the default values of the emission factors for electricity and heat in the local GHG Accounting and Reporting Guidelines. When implementing relevant carbon accounting methods for the emissions of purchased electricity and heat, the default value of the electricity emission factor is adjusted from 7.88t CO₂/104kWh to 4.2t CO₂/104kWh, and the default value

- of the heat emission factor 0.11t CO₂/GJ is adjusted to 0.06t CO₂/GJ.
- On February 11th, the Shanghai municipal bureau of ecology and environment released the List of Enterprises under the Carbon Emission Allowance Management (2021 Edition) and the Shanghai Carbon Emission Allowance Allocation Plan (2021 Edition)
 - Guangzhou.
 - Guangzhou Carbon Emissions Trading Center, Guangdong Institute of Standardization and China Southern Power Grid Energy Development Research Institute collaborated and drafted the municipal standard of "Carbon Emission Allowance Pledge Loan", which was released on March 15th and has completed the process of soliciting public opinion.
 - On March 24th, Guangzhou Emissions Trading Center announced that it has signed an MOU with Hong Kong Exchange to explore carbon finance opportunities, jointly mitigate global climate change, and promote sustainability. According to the MOU, they will collaborate on exploring the development of regional carbon market, constructing an applicable voluntary emission reduction system for the Greater Bay Area, and facilitating the realization of carbon peaking and carbon neutrality goal.
 - In order to promote the development of the voluntary emission reduction mechanism of Guangdong province, the local ecology and environment bureau revised the "Guangdong Province Carbon Inclusive Trading Management Measures" and released the modified version on April 20th.
 - Beijing. Beijing Environmental Exchange and Bank of Beijing collaborated for the first CCER pledge loan in Beijing. The 3-million-yuan CCER pledge loan will be used to support enterprises that promote the development and the operation of forestry carbon sink projects, and to help carbon emission reduction activities and the realization of ecological product value.

Voluntary Markets

- Due to the data from the National Center for Climate Change and International Cooperation (NCSC), which is in charge of the CCER registry system: Currently, 1,315 projects of China Certified Emission Reduction (CCER) were registered before the Chinese government stopped approving new CCER projects in 2017, of which 391 projects were able to generate voluntary carbon credits potentially reducing about 77 Mt of

carbon emissions. Bringing a revenue of about 2 billion CNY for CCER project owners, about 60 Mt of CCERs were cancelled for compliance, of which 34 Mt had been cancelled for compliance during the first compliance cycle of China National ETS ending on 31 December last year. In addition, about 1 Mt were cancelled for neutralizing emissions from events including the past 2022 Beijing Olympic and Paralympic Winter Games.

EDF Efforts

- **2021 China Carbon Price Survey:** The 2021 China Carbon Pricing Survey Report was released on February 22nd, which is supported by EDF, and it stated that the respondents expected the carbon price will be RMB 87/tonne in 2025 and reach RMB 139/tonne in 2030. Furthermore, stakeholders also believed that the carbon price will leverage climate friendly investment and emphasized on the importance on data quality and information disclosure.
- **Climate Information Disclosure:** EDF and Shanghai Environment and Energy Exchange co-host an online webinar to find out solutions for establishing the climate information disclosure framework in China by leveraging the data platform of national ETS. We have invited key stakeholders from national authorities, academics, key emission entities and financial institutions to have thorough discussion on the importance of the emerging trend on climate information disclosure and in which way could the MRV mechanism help to ensure the data quality. There were more than 700 participants register for this webinar and we have collected all of the concerns from the attendees and published a series article on international experience as well as the opinion from the experts, demonstrating the path way for the future design of the climate information disclosure system in China.
- **Carbon Neutrality-2022 Beijing Winter Olympic Games:** On April 15th, EDF cooperated with Tsinghua University to organize a webinar on Lessons of Low-Carbon Beijing 2022 Winter Olympic Games on Promoting Carbon Peaking and Carbon Neutrality, in which the practices of GHG emission reduction and offsets of Beijing 2022 games were shared. Since 2019, EDF has collaborated with Tsinghua University to conduct research on Beijing 2022 Olympic and Paralympic Winter Games carbon neutral scheme and Olympic climate change strategy legacy while advising on criteria of carbon offsetting credits in Low-carbon Management Pre-Games Report of the Beijing 2022 Games based on Carbon Credit Quality Initiative (CCQI). The officials from Beijing Organizing Committee for the 2022

Olympic and Paralympic Winter Game and International Olympic Committee (IOC) attended this webinar and endorsed our work. It will provide lessons for the quality control of China national ETS offsets and voluntary carbon credits.

- **High-quality Voluntary Carbon Market Development:** On May 26, EDF and China Beijing Environmental Exchange (CBEEEX) co-hosted an online webinar to promote the development of voluntary carbon market with high quality carbon credits and its financial innovation. Joined by more than 1500 participants online, key stakeholders from national authorities, academics, financial institutions and voluntary market participants discussed on status of China's GHG Voluntary Emission Reduction Program (CCER program), international experience and initiatives of high-quality voluntary carbon credits, financial innovation for carbon credits and the role of voluntary carbon market on supporting China's climate goals of carbon peaking and neutralization. As a follow up to this webinar, a series of articles will also be posted which are based on relevant international experience of high-quality voluntary carbon credits, as well as the opinion from the experts, demonstrating approaches for building up a high-quality voluntary carbon market in China.

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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