

## Welcome to EDF China Carbon Pricing Newsletter

*2020 is the “key” year for the construction of China’s national carbon market, Environmental Defense Fund (hereinafter EDF) will update the relevant progress via a bimonthly newsletter in order to share details on the matter to all who are concerned in a timely and effective manner.*

*Our first issue was originally scheduled to be released in January 2020; however, due to the impact of COVID-19, it has to be postponed to March. Thank you for your understanding and support.*

*The first issue gives a brief summary on the “2019 Major Events on China Nationwide ETS” also a quick view on the progress within the year.*

### **Preface:**

*The frequency of extreme climate events have been rising around the world, and addressing climate change has become a common challenge for all humanity. The 25th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP25) held in December 2019 did not reach consensus on a number of major issues, including the Rulebook of Article 6 of the Paris Agreement, leaving gaps with the expectations of the international community. According to the latest “Emissions Gap Report 2019” released by the United Nations Environment Programme, human beings are only 1.5 years away from achieving the 1.5°C temperature control target, which requires the international community to work together and strengthen collaboration to build a win-win global climate governance system.*

*As the largest developing country, China has made arduous efforts to fulfill its commitments and will further implement an active national strategy to address climate change, ensure the achievement of its Nationally Determined Contributions. Establishing Nationwide Emission Trading System (hereinafter as Nationwide ETS) so as to leverage market mechanisms to control and reduce greenhouse gas emissions has attracted widespread attention from domestic and overseas since it is expected to be the largest carbon market covering around 3500 million tons CO<sub>2</sub>e as well as 1395 million population.*

*The construction of China’s national carbon market has progressed steadily in 2019 after the institution reform which may have caused some delay to certain extent, the institutional and regulatory systems have been further improved, infrastructure construction and capacity building have been accelerated, and the data foundation has been further consolidated.*

### **Highlights:**

- On December 27, 2019, the Ministry of Ecology and Environment issued the “Notice on Implementing the work of 2019 Annual Carbon Emission Reporting and Verification and Submitting the List of Covered Entities in the Power Generation Industry” (hereinafter as “The Notice”) which specified the procedure for local ecology and environmental department to implement the Reporting and Verification work for 8 key industries. The Notice give clear instructions on developing monitoring plans as well as accounting, reporting and verification. According to the Threshold, The Notice calls for an update on the list of covered entities in the power generation industry and the new entrants should submit materials for account open before May 31, 2020.

- On December 25, 2019, the Ministry of Finance officially issued the [“Interim Provisions on Accounting Treatment of Carbon Emissions Trading”](#), which clarified the applicable scope, accounting treatment principles, accounting account settings, accounting treatment methods, as well as financial statement presentation and disclosure.
- On December 11, 2019, the side event of “Policy System Design and Progress of the Construction of the Emission Trading System” held at the China Pavilion during COP25 in Madrid. Zhao Yingmin, Deputy Minister of the Ministry of Ecology and Environment, stated in his speech that China attaches great importance to the use of market mechanism and the construction of the Nationwide ETS is an important measure to actively addressing climate change and promote the construction of ecological civilization.
- On December 9, 2019, EDF and the Energy Research Institute of the National Development and Reform Commission of China jointly released the [“2018-2019 Progress Report on China’s Carbon Market”](#) during the COP25 in Madrid.
- On September 25, 2019, the Ministry of Ecology and Environment issued the “Notice on Holding a Series of Training Courses on Allocation and Management of Carbon Market Allowances”. The 17 training courses started on October 22, 2019 and ended on December 8, 2019, lasted for 48 days and trained more than 6,000 people, involving relevant personnel from local authorities, supporting institutions (such as researching institutions, third parties verification agencies, carbon asset management companies and etc.) and covered entities of all provinces, autonomous regions, and municipalities. This training also specially added the interpretation of the allowance allocation scheme, the operation of the trading and registry system, the compliance procedure of covered entities, the carbon trading simulation, and what is more, the covered entities implement the trial calculation of allowance under instruction. EDF introduced international experience and organized the [simulation trading](#) session.
- On July 11, 2019, Li Keqiang, Premier of the State Council, head of the government’s Climate Change and Emissions Reduction Task Force, proposed accelerating the building of ETS. It was significant as it was the first time the Task Force publicly guided the national ETS since its formation in 2007.
- On China’s 2019 National Low Carbon Day, Zhao Yingmin, Deputy Minister of the Ministry of Ecology and Environment, and Mr. Wang Zhixuan, vice Chairman of the China Electricity Council (CEC), launched the Power Industry Low Carbon Development Research Center (the Center). Since 2018, EDF has been working with CEC to build the Center for capacity building and technical support to prepare the power industry for national ETS. MEE’s public endorsement of the Center marked China’s step towards its national ETS implementation.
- On June 13, 2019, the Shanghai United Asset and Equity Exchange released a tender announcement on the National ETS trading system construction project. In July, Hang Seng Electronics Co., Ltd. won the bid for the system with a construction period of one year. In December 2018, Hubei completed the bidding process for the registration and settlement system; in November 2019, Hubei Emissions Exchange completed the bidding for the National ETS registration system data center design service project.
- On May 27, 2019, the Ministry of Ecology and Environment issued the “Notice on Submitting the List of Covered Entities and Related Materials in the Power Generation Industry of the National ETS”, and initiated information collecting on national ETS registration and trading system account opening.

- On April 19, 2019, the Ministry of Ecology and Environment issued the “Notice on Implementing the work of 2018 Annual Carbon Emission Reporting, Verification and Formulating Monitoring Plan” (hereinafter as “The Notice”) which specified the procedure for local ecology and environmental department to implement the Reporting and Verification work for 8 industries. The Notice give clear instructions on developing monitoring plans as well as accounting, reporting and verification. The MEE has also established a help platform to organize experts to answer typical questions about the MRV.
- On March 29, 2019, the Ministry of Ecology and Environment conducted a one-month public consultation on the “[Interim Regulations on the Management of Carbon Emissions Trading \(Draft for Comment\)](#)”. The process of soliciting public opinions is a prerequisite for the relevant legislative procedure of the State Council.

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2020 is the final year of the “13th Five-Year Plan” and the foundation year of the “14th Five-Year Plan”. Ministry of Ecology and Environment of the People’s Republic of China 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 the construction of China National ETS, and bring you timely first-hand news and insightful analysis on a bimonthly basis, so stay tuned for more.**

For more information or to get in touch with an EDF spokesperson, please contact EDF China at [China@edf.org](mailto:China@edf.org).

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