

## Welcome to EDF China Carbon Pricing Newsletter

Dear friends and colleagues,

After a week-long meeting, the National People's Congress (NPC) of China approved the "Outline for the 14th Five-Year Plan and Long-Term Targets for 2035", which set out targets for CO<sub>2</sub> intensity to fall by 18% and "energy intensity" to be reduced by 13.5% from 2021-2035. This confirmed the 2030 and 2060 pledges that were made last September.

As one of the most fundamental mechanisms to incentivize the low carbon transition to achieve the aforementioned targets, National ETS is attracting more and more attention. The Ministry of Ecology and Environment (herein referred to as MEE) has devoted time to improve the design of the system and recently released a draft regulation for public consultation which aims to submit to State Council for approval and regulate the national ETS at a higher level. This draft regulation will be much more enhanced and comprehensive than the ministry level measures. We will briefly introduce the major highlights of this draft and the new rules for MRV. We look forward to your comments.

### National ETS

#### ✓ Policy Updates

##### ○ **Legislation**

On March 30, 2021, MEE issued the "Interim Regulations on the Administration of Carbon Emission Trading (Revised Draft)" (the "Regulations"; please check the English translation by EDF [here](#)) for comments, which highlight the importance of the ETS in realizing the 3060 ambition and give clear directions on cap-setting, auctions, multiple trading products, supervision, information disclosure, as well as the pilot transition plan.

*Your comments on this are appreciated. Please find the attached comment guide for your use. Please ensure that your comments are relevant to specific articles and adhere to the format provided. Also, suggestions for new articles are welcomed.*

*We greatly appreciate your ideas and suggestions and will translate your comments into Chinese before sending them to the MEE. You may opt to submit your comments anonymously. We will uphold your choice*

accordingly.

### ○ **Data Reporting and Verification**

On March 29, 2021, MEE released the “Notice on Improving Enterprises GHG Emission Reporting” (the “Notice”). The Notice clarifies the scope of work, including the industries and covered entities. Moreover, the key timeline has been stated as follows:

- **GHG Emission Data Report:** Covered entities from the power generation sector are required to submit their reports before April 30, 2021. The deadline for key emission entities from other industries is September 30, 2021.
- **Verification:** For the power generation sector, the submission of the verification report should be no later than June 30, 2021. Verification for other key emission entities needs to be completed by December 31, 2021.
- **List of Covered Entities:** Local authorities at the provincial level should submit a list of covered entities from the power generation sector before June 30, 2021.
- **Approval for free allowances and compliance:** The amount of the free allowance needs to be approved before September 30, 2021, and compliance needs to be completed by December 31, 2021.

On the same day, the Ministry also issued the “Guidelines on Emission Verification” (the “Guidelines”) which clearly lay out the principles and process for verification, while also emphasizing the importance on information disclosure and stating the activities that third-party entities are not allowed to be involved in.

### ✓ **Infrastructure Construction**

During a visit to Hubei province and Shanghai in this February, MEE Minister Huang Runqiu investigated on the construction of the registry system and the trading platform and urged the local authorities to carry out full-scale testing as soon as possible in order to ensure that online trade will take off by the end of June this year. He also emphasized four aspects to guarantee the smooth operation of the two systems: first is to improve the system in a scientific manner and assess the work against strict standards. Second is to establish a comprehensive administration mechanism and enhance supervision. Third is to strengthen the coordination among other related stakeholders. Fourth is to carry out research to develop risk management and trading supervision mechanisms while taking pilot experiences into consideration.

## EDF Efforts

- **Carbon Border Adjustment Mechanism (CBAM):** EDF cooperated with the School of Law at the University of International Business and Economics (UIBE) to successfully host the EU Carbon Border Regulation Mechanism (CBAM) [online seminar](#) on March 31, 2021. The meeting invited 10 professionals from different research institutions to discuss CBAM related issues, including CBAM's legal nature and its relationship with carbon tariffs, carbon taxes and import adjustment taxes; the compatibility of CBAM with the WTO; the legislative process of CBAM in EU; and the impact of CBAM on China's import and export industry and the negotiation of the FTA and other related documents.
- **Workshop on ETS Legislation:** EDF cooperated with the School of Law at the UIBE to successfully hold a legal experts discussion [online seminar](#) on the Interim Regulations on the Administration of Carbon Emissions Trading (Revised Draft). More than 10 legal professionals expressed their detailed feedback on the document. EDF and UIBE will summarize the feedback to the MEE within the public consultation period, together with your feedback.

**Please feel free to share the newsletter with other acknowledged experts.**

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 foundation year of the "14th Five-Year Plan" and China's Ministry of Ecology and Environment has 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](mailto: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](#).