

Welcome to EDF China Carbon Pricing Newsletter

Dear friends and colleagues,

As the international community strives to recover from the lingering impact of the COVID-19 pandemic, China has called for global efforts to launch a green revolution. Addressing the General Debate of the 75th session of the United Nations General Assembly via video link on September 22nd, Chinese President Xi Jinping announced that China aims to "have CO₂ emissions peak before 2030 and achieve carbon neutrality before 2060." He also called for a "green recovery of the world economy in the post-COVID era" and efforts to achieve sustainable development in all countries.

To achieve the above target, the national Emission Trading System (hereinafter as ETS) will play an increasingly pivotal role to facilitate price discovery and promote high-quality development as well as the country's low-carbon transition. In this newsletter, we will update you on the latest news as well as EDF efforts in promoting the national ETS and market linkage.

✓ Policy Updates

○ National ETS

- **Accelerating:** At the 2020 Beijing International Forum for Metropolitan Clean Air and Climate Actions on September 7th, an affiliate event for the China International Fair for Trade in Services (CIFTIS), Director General of the Climate Change Department, China's Ministry of Ecology and Environment (hereinafter as MEE) LI Gao announced that "The MEE will accelerate the construction of the national ETS". LI Gao pointed out that the national ETS represents a breakthrough in utilizing market mechanisms to reduce greenhouse gas emissions and to promote green and low-carbon development. This year, China will use the power sector to jumpstart carbon trading. Rooted in ensuring the stable and effective operation of the national ETS, the MEE will accelerate the expansion of covered industries and the scope of carbon market during the 14th Five-Year Plan period, and gradually increase the types of permitted trading products.

- **Achievements:** "China's pilot carbon market had a total carbon emission trading allowance of 406 million tonnes by the end of August, becoming the world's second-largest market", LIU Youbin, spokesperson for the MEE, said on September 26th during a regular press conference. He also mentioned that "by the end of 2019, the country's carbon emission intensity had decreased by 48.1 percent compared with 2005, with its non-fossil fuels in primary energy consumption reaching 15.3 percent, fulfilling the 2020 targets that China had committed to ahead of schedule". This is the first time since the

climate change department transferred from the National Development and Reform Commission (NDRC) to the MEE, where the MEE highlighted the achievements of the pilot markets.

[For the Full Text in ENG, pls click here](#)

- **14th Five Year Plan (FYP)**: On September 27th, the MEE held a briefing on addressing climate change where LI Gao, Director General of Climate Change Department highlighted the importance of carbon emission peaking and expanding the scope of national ETS in the 14th FYP period. "Next, we will continue to take the carbon intensity target as a binding target for the 14th FYP and incorporate them into various plans for implementation," Li said. He also stressed that it is essential for local governments to set targets on carbon emission peaking according to the "2060 carbon neutral target". Li also pointed out that the construction of China's national ETS started from local pilots, have accumulated significant experience. During the 14th FYP, the construction of the national ETS will be vigorously promoted with other key industries set to be incorporated into the national ETS, including steel, cement, chemical, electrolytic aluminum, papermaking and so on.

○ **Pilots**

- **Shanghai**

Auction: The Shanghai Municipal Bureau of Ecology and Environment launched the first auction for 2019 carbon emission allowances on August 28th, with a total volume of 2 million tonnes and settled at RMB 39.61 yuan. Covered entities and investors are allowed to bid for up to 100,000 tonnes per entity, while the bid volume declared by a single investment institution shall not exceed 50,000 tonnes.

- **Hubei**

Allowance Allocation: On August 13th, the Department of Ecology Environment of Hubei released a notice on the issuance of the "Hubei 2019 Carbon Emission Allowance Allocation Plan", with a total amount of 270 million tonnes. 373 companies from 16 industries were identified as covered entities, mainly from the power generation, heat and cogeneration, steel, cement, and chemicals industry.

- **Tianjin**

Compliance: Tianjin has become the first pilot to complete compliance with a rate of 100%. From January to August 2020, Tianjin's total traded volume reached 9.2 million tonnes while the total turnover was RMB 221 million, accounting for 23% and 20% of all the regional carbon markets respectively, ranking second among all the pilot programs.

- **Guangdong**

Innovation in Carbon Finance: On September 16th, the Guangzhou Local Financial Supervision and Administration Bureau issued the "Action Plan on Implementing the Opinions of Financial Support for the Construction of the Guangdong-Hong Kong-

Macao Greater Bay Area". The plan proposed to fully leverage the functions of the Guangzhou Carbon Emission Exchange to provide a platform for environmental rights and financial services in the Guangdong-Hong Kong-Macao Greater Bay Area (hereinafter known as Bay Area). This platform is expected to promote the trading of carbon emission allowances and other environmental rights, while promoting the innovation of carbon finance such as carbon emission allowance collateralized loans and ecological compensation based on forestry carbon sinks. The Plan also proposes to carry out a pilot program to support qualified foreign investors to participate in the Bay Area carbon emission trading with foreign currency or RMB.

✓ **Market Linkage:**

○ **Workshop with GEIDCO**

- The workshop was aimed at finding solutions for reducing greenhouse gas emissions and addressing climate change by integrating more renewable energy to the grid through energy interconnections as well as the carbon market. On September 25th, EDF and the Global Energy Internet Development Cooperation Organization (GEIDCO) jointly held the second "Global Carbon Market Linkage Opportunities under the Framework of the Global Energy Interconnection" workshop in Beijing. Experts from the State Grid Energy Institute, China Electricity Council, State Grid Electric Power Research Institute, Beijing Environmental Exchange, North China Electric Power University, and Peking University Energy Research Institute conducted in-depth discussions and analyses on the key influencing factors and mechanism designs for the carbon market linkage under an energy interconnection framework.

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.

###

2020 is the final year of the "13th Five-Year Plan" and the foundation year of the "14th Five-Year Plan". China's Ministry of Ecology and Environment stated that a Nationwide ETS with complete institutions, active trading, strict supervision, and highly transparency will be built during the 14th Five-Year Plan period. EDF will continue to follow up the construction of China National 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](#).

