

CARBON MARKET BUSINESS BRIEF

CHINA

CHINA NATIONAL ETS AT A GLANCE

Years in operation	Since 16 July 2021
Overall cap & trajectory	4.5 billion tCO ₂ e per year
Target(s)	In the 14th Five-Year Plan: 18% reduction in carbon intensity compared to 2020 by 2025 ¹
Emissions Reduced to date	N/A
Sectors covered	Power generation sector with emissions in excess of 26,000t CO ₂
GHGs covered	CO ₂
# of covered entities	2,162 enterprises in total
Allocation method	Free allocation
Trading rules	Online trading (less than 100,000 tonnes per deal) and OTC trading (equal to or in excess of 100,000 tonnes per deal) ² . For now, only compliance entities can trade.
Use of offsets and linking	Domestic CCERs are allowed, for up to 5% of annual emissions
Other features (eg banking, borrowing, reserves, etc)	None, only spot trading
Penalties for non-compliance	Companies face fines of up to CNY 30,000 for failing to submit emissions or verification reports on time. Those which fail to surrender enough allowances to cover their emissions face a fine of up to CNY 30,000 and the shortfall will be withdrawn from the company's account or deducted from the following year's allocation.
Use of revenues	National Carbon Emission Trading Fund (planning)

¹ White Paper of China's Policies and Actions on Climate Change, October 2021.
https://language.chinadaily.com.cn/a/202110/27/WS6179136aa310cdd39bc71a88_1.html

² Notice Announcement on matters related to national carbon emission trading, June 2021
<https://www.cneee.com/c/2021-06-22/491198.shtml>

MAJOR DEVELOPMENTS & COMMENTARY

On 16 July, 2021, online trading in China's national carbon market was officially launched. The opening price for carbon emission allowances (CEAs) on the first day was CNY48.00 per tonne, and the closing price was CNY 51.23, a daily increase of 6.73%. A total of 4.1 million tonnes were traded that first day, with a turnover of CNY 210 million.

Among the country's 2162 electric power enterprises covered by the ETS, at present most of the trading is by 10 large SOEs (Sheneng Group, China Resources Power, China Huadian, Sinopec, State Energy Group, State Power Investment Group, China Huaneng, Petrochina, Datang Group, Zhejiang Energy Group), and few of the other power companies have opened accounts. In addition, some of the large SOEs have a willingness to lower the CEA price and realise internal balance, which could explain why the CEA price has dropped a bit after the initial rise in July.

But as the emissions data verification of the whole power sector should be completed in November, the compliance entities will have clarity about their allowance balance. Ahead of this, trading activity began picking up since the end of September. On 30 September, the daily trading volume reached 8.47 million tonnes, a new record high and exceeding the total volume of the previous months. In the fourth quarter of 2021, the average daily volumes remained high, especially in November, when the average daily trading volume repeatedly exceeded 1 million tonnes. As of 23 November, the cumulative CEA trading volume was around 30.47 million tonnes, with a turnover of CNY 1.3 billion.

On 26 October, the Ministry of Ecology and Environment (MEE) issued a notice regarding CEA surrendering for the first implementation period of the National Carbon Trading Market, requiring Provincial Authorities (Department of Ecology and Environment) to promptly complete the verification of the 2019-20 data for the power generation sector in their respective administrative regions and confirm the amount of the allowances for each entity, and to ensure that 95% of key compliance entities in the administrative region have completed their compliance obligations by 15 December, 2021, and all key compliance entities have fulfilled their compliance by the end of the year. According to media reports, about 90% of key enterprises in the national ETS have completed the process to open their online trading accounts, and the number of enterprises entering the market is also increasing. It is widely expected that the daily trading volume and trading price of CEA will increase further in December.



FIGURE 1
Average CEA spot price of China National ETS in 2021 (CNY/tonnes)

MONTHLY CEA TRADING VOLUME OF CHINA NATIONAL ETS IN 2021 (TONNES)



FIGURE 2
July 2021



FIGURE 3
August 2021



FIGURE 4
September 2021



FIGURE 5
October 2021

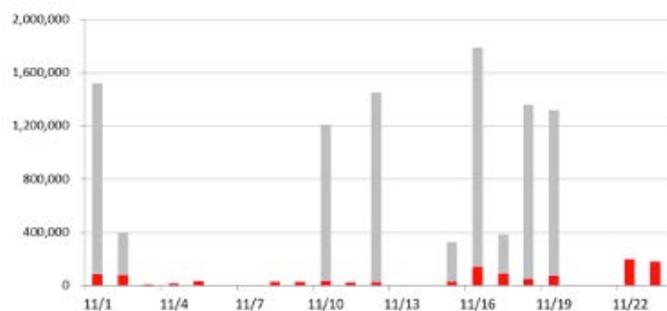


FIGURE 6
November 2021

USEFUL LINKS

[MEE China](#)

[China's National Carbon Emissions Trading Exchange](#)

[SinoCarbon](#)

[Ideacarbon](#)

[World Bank](#)

REFERENCES

SinoCarbon Carbon Market Status News 2021:

<https://mp.weixin.qq.com/s/vqqTutUsDotAPGbvO7wghg>

<https://mp.weixin.qq.com/s/0klezdWNRUxkBS8DXf-YAA>

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[ICAP Quarterly Global Trends in Emissions Trading – 15 October 2021](#)

AUTHOR

Li, Min

li@ieta.org

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