

# **Emissions Trading in China: Experiences and Future**

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# Outline

1. China's Policies & Regulations for CDM
2. Progress of CDM Implementation in China
3. China's Carbon Trading in the Future

# China's Policies & Regulations for CDM

- CDM Management System
- DNA's Responsibilities on CDM
- Important Measures on CDM
- Necessary Requirement for National Approval on CDM Project
- Priority Areas
- Application-to-approval process



# CDM Management System

## Leadership level: National Climate Change Committee

Composed of 17 significant ministries

Responsible for decision-making on significant CDM policies

## Management level: National Development and Reform Commission (DNA)

Executing Agency: Office of National Climate Change Coordination Committee

Responsible for management of CDM projects

## Decision-maker level: National CDM Board

Composed of 7 related ministries

Responsible for review, inquiry and approval of CDM projects application

# DNA's Main Responsibilities on CDM

- to accept CDM project application for LOA
- to approve CDM project activities jointly with MOST and MFA, on the basis of the conclusion made by the CDM Board
- to issue written LOA on behalf of the Government of China
- to supervise the implementation of CDM project activities
- to take on international cooperation for promotion of CDM projects
- to organize related studies in CDM field
- to deal with other relevant issues



# Important Measures on CDM

## Milestone: Measures for Operation & Management of CDM

### Projects in China

- A regulation special in CDM projects activities
- To set up a legal guidance for application, implementation and management of CDM projects in China.
- An interim measure was issued in 2004 as a pilot activity
- Formal measure was in effective in October 12, 2005 after modification according to practice in CDM market

# Necessary Requirements for Approval

## Participation eligibility:

- Chinese enterprises
- joint-venture enterprises: Chinese partner (s) holding at least 51% of shares, and the largest shareholder is a Chinese enterprise

## Quality of PDD: meet the requirements of EB

## Price of CERs: not less than the lowest price of China market

## Funding: additional to ODA

## Technology transfer: advanced technology

## Environmental impact: approval of MEP

## Project feasibility: approval of Engineering Feasibility Study

## Contribution to local sustainable development:

- increase of local income and employment
- alleviation of poverty
- reduction of local environmental pollutants
- .....



# China's Priority Areas

## Priority Areas

- energy efficiency improvement
- development and utilization of new and renewable energy
- methane recovery and utilization

## Percent of Revenue Delivery By the Project Type

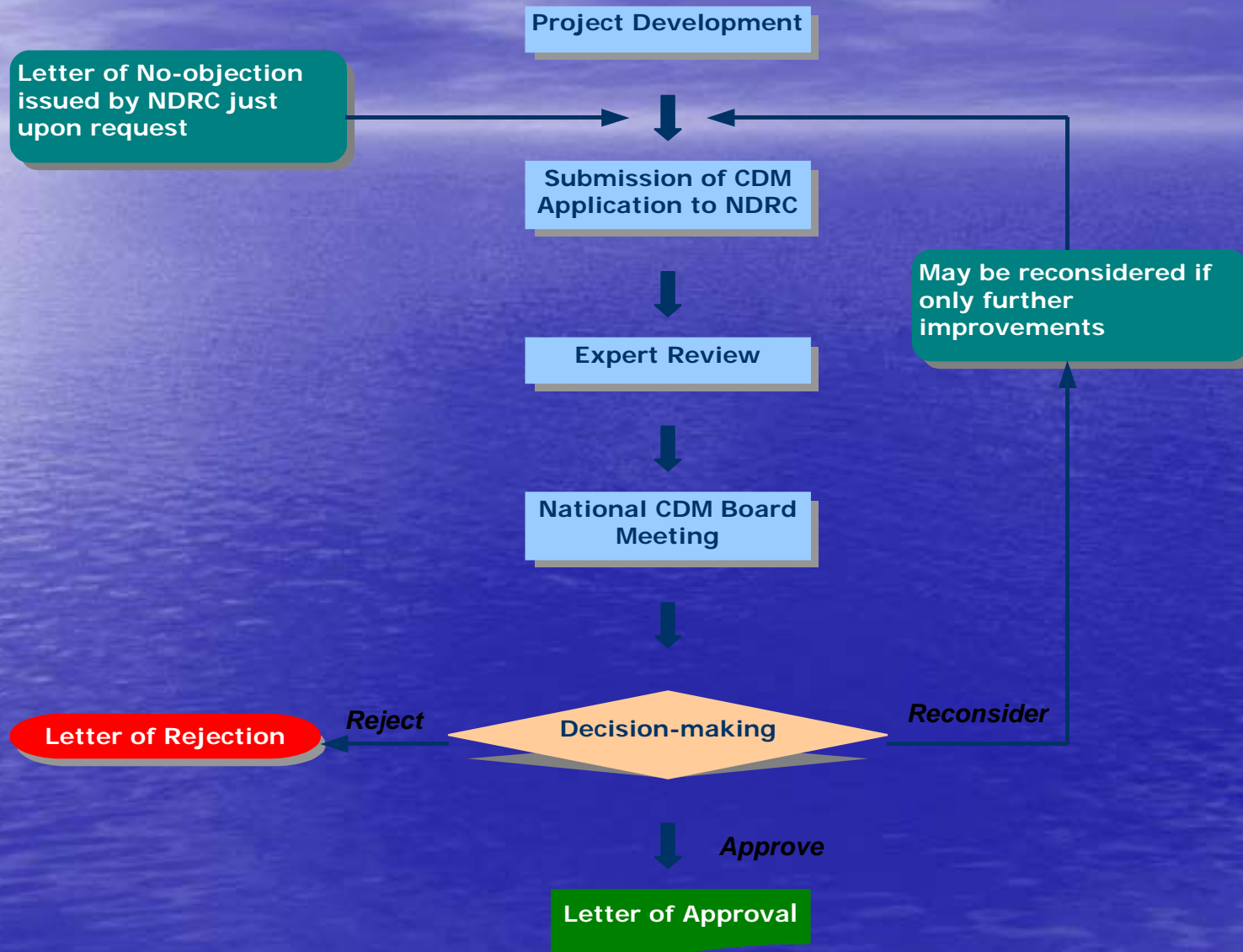
- HFC and PFC decomposition projects: 65%
- N<sub>2</sub>O decomposition projects: 30%
- projects in priority areas: 2%

## Other methods to promote CDM projects in priority areas

- to organize development of methodologies of energy efficiency Improvement



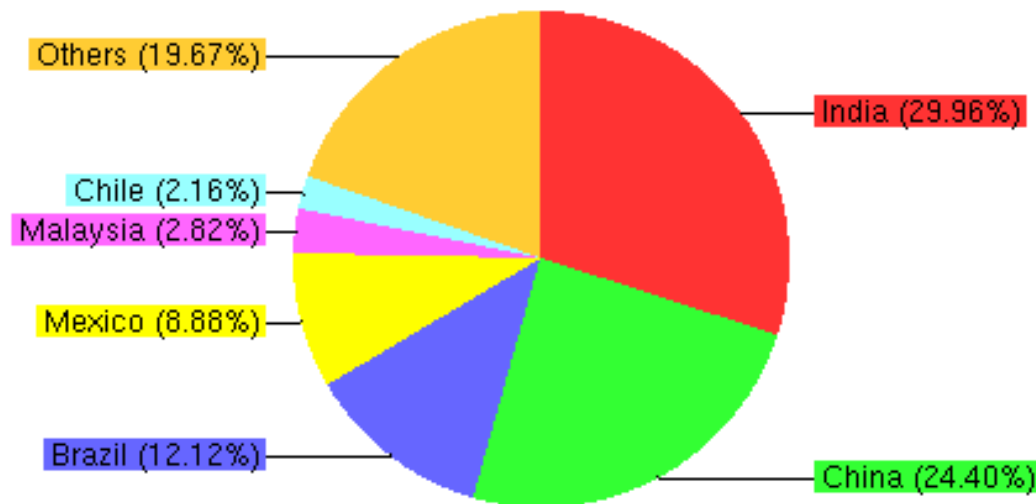
# Application-to-approval Process



# Progress of CDM Implementation in China

Until Nov. 12, 2008, 294 projects of China have been registered by EB, which account for 24.4% of total projects in the world, meanwhile, 1598 projects have gotten LoA from Chinese DNA.

Registered project activities by host party. Total: 1,205

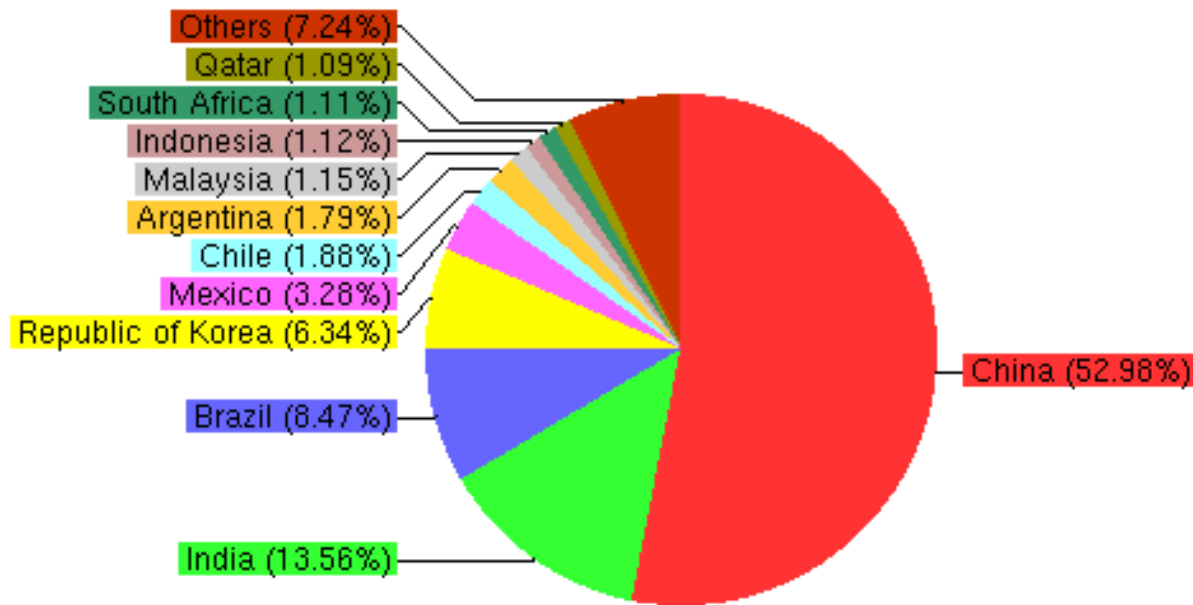




# Progress of CDM Implementation in China

Expected average annual CERs from Chinese projects will be 122,039,729, 52.89% of that of total projects.

Expected average annual CERs from registered projects by host party. Total: 230,365,522



# Benefits from Chinese CDM Projects

## For annex I parties:

- To help annex I parties fulfil their commitments under KP in a cost effective way (Chinese CDM projects will create at least 500 mtco<sub>2e</sub> by 2012);
- To deepen cooperation of energy and climate change between China and annex I parties (export of technology and equipment to China).

## For China:

- To promote the development of renewable energy and improvement of energy efficiency in China (above 70% Chinese CDM projects are renewable projects);
- To help Chinese government realize that market mechanism is efficient way to address climate change;
- To enhance public awareness for climate change (currently thousands of Chinese companies are seeking for business opportunity in mitigation of climate change.



# China's Carbon Trading in the future

- Implementation of Programmatic CDM
- Construction of market infrastructure

# China has completed PCDM research project

- PCDM regulations was promulgated by EB in Jun. 2007
- China-Denmark cooperation project regarding PCDM has been completed
- The results show that China has significant potential to implement PCDM and its benefits of SD are remarkable



# Implementation of PCDM would be a approach to mitigate climate change

- Some technical and market issues need to be further identified and solved
- Measures for Operation & Management of CDM Projects in China need to be revised so as to make it suitable for PCDM implementation

# Lack of market infrastructure is an obstacle for China to extend carbon trading

- China is still in the process of transition from planned economy to market economy
- There is lack of legal system for allocation of allowances, reporting, verifying, regulation, monitoring and so on
- Government has no experience on regulating emission trading market
- The third party market (like DOE) has not developed



# Construction of market structure has been launched

- Three emission markets have been set up: Tianjin Climate Exchange, Beijing Environmental Exchange and Shanghai Environment Energy Exchange
- The domestic trial markets for emission trading will be starting and the trading products include SO<sub>2</sub>, COD and certificate of energy saving



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Thank You!

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