An Overview of China's National Emission Trading System

2021.10.13

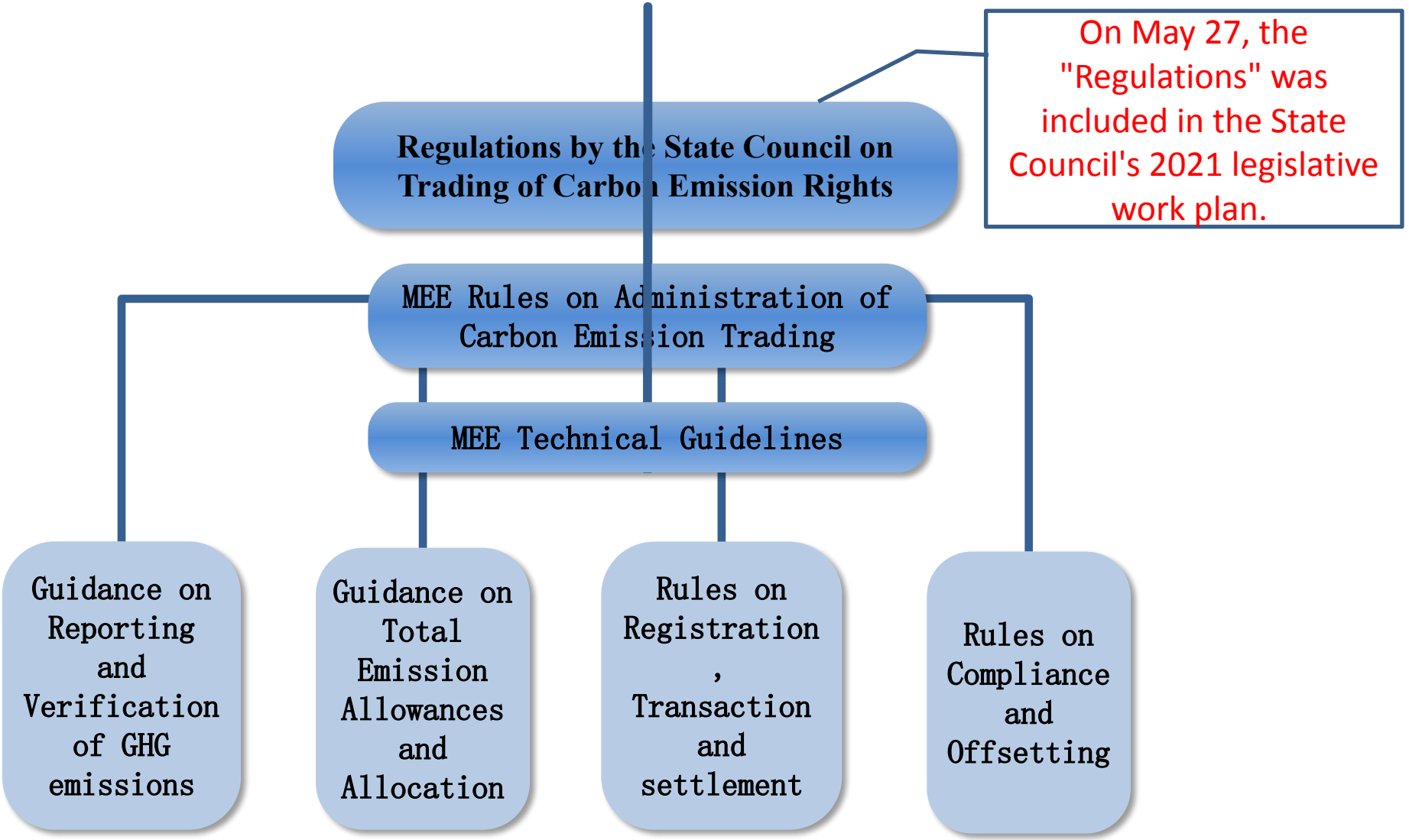
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Outline

- Legislative and Operational Framework
- Scope of the First Compliance Period
- Outlook to the future

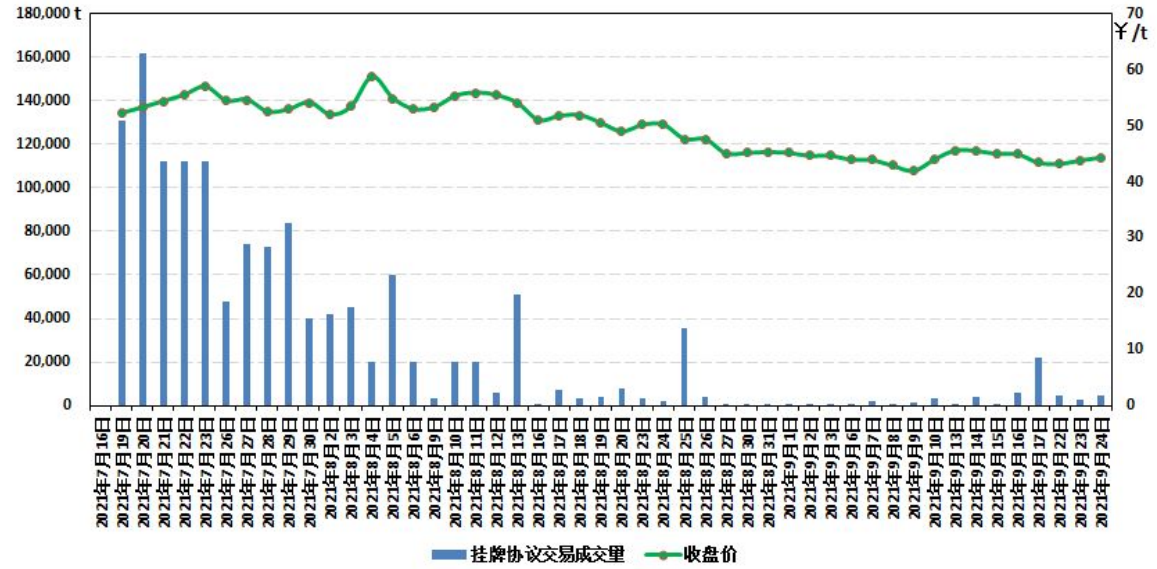
Legislative and Operational Framework

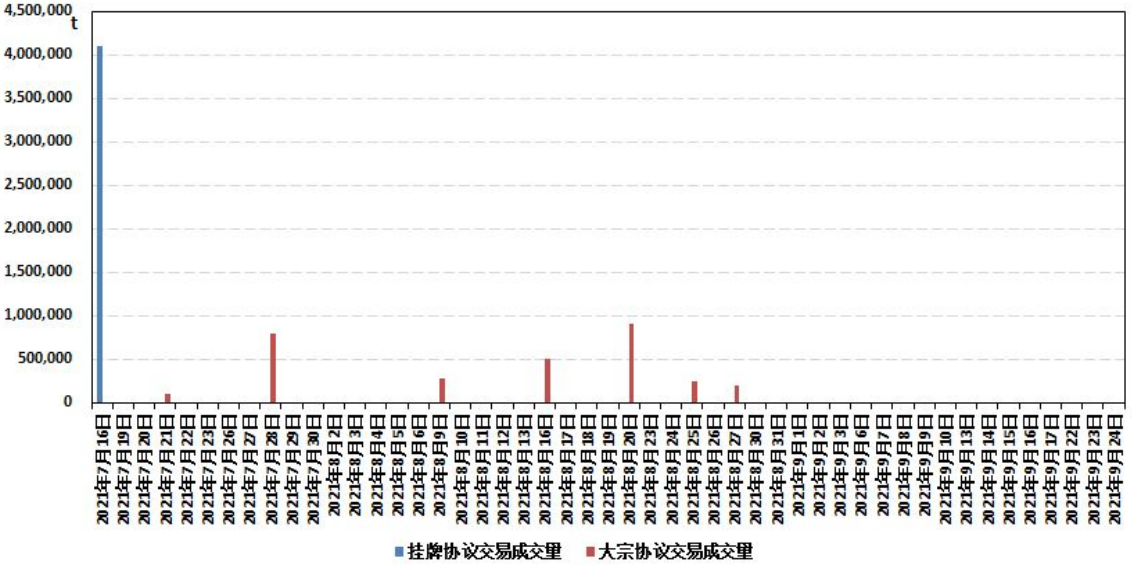


Scope of the first compliance period

- The first Compliance Period is year 2019-2020, covering only CO_2 emissions from 2162 fossil fuel power plants, which account for nearly 40% of national total CO_2 emissions.
- On July 16, the launching ceremony of China's national ETS was held simultaneously in Beijing, Wuhan, and Shanghai.
- The first day's trading volume was 4.1 million tons, with a turnover of 210 million RMB.

Transactions volumes by days



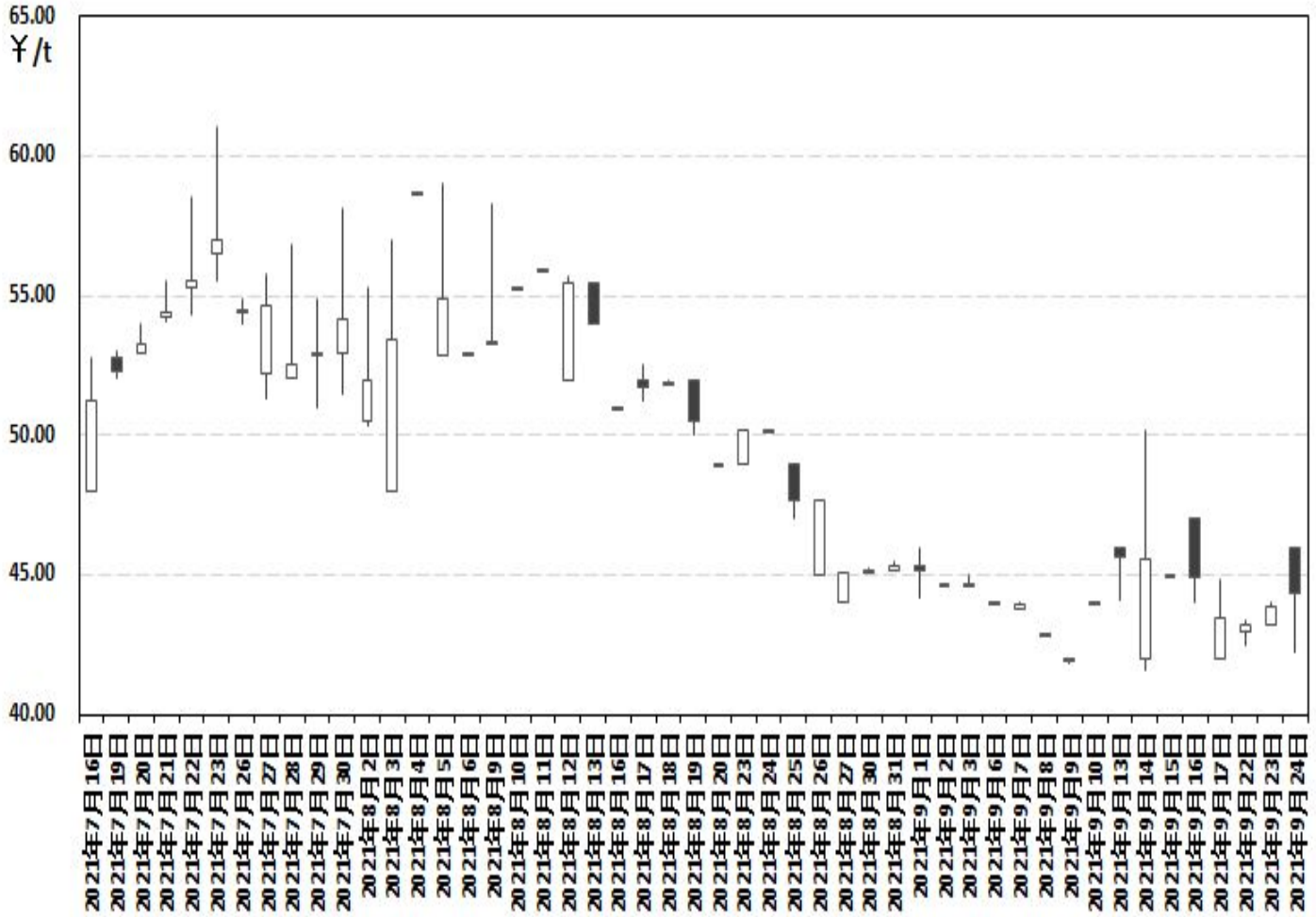


The cumulative transaction volume was 8.49 million tons, with an average price of 49.27 RMB/tonne;

The listing agreement transaction occurs every day;

Though the block agreement transactions were not so often, they contributed 1/3 of the cumulative transaction volume.

Price changes of the listing agreement transactions



Outlook to the future

Further deepen and improve legislative and operational framework of the national ETS, making the national ETS as a leading policy tool for controlling greenhouse gas emissions to promote the realization of China's carbon peaking and carbon neutrality.

- ✔ Strive to pass legislation at State Council by the end of this year;
- ✔ Include petrochemical, chemical, cement clinker, iron & steel, aluminum etc., to the coverage of the national ETS;
- ✔ According to the national carbon peaking action plan, formulate the medium and long-term cap targets for the national ETS;
- ✔ Improve the allowances allocation method accordingly, introduce auctioning and gradually expand the proportion of auctioning;

Outlook to the future (continued)

- ✔ Introduce non-compliance entities such as investment institutions to enrich varieties of market participants and means of transaction, as well as improve the price formation mechanism and market adjusting mechanism;
- ✔ Reform and restart the Voluntary Emission Reduction Programme (CCER), research and establish a carbon tax system, in order to encourage areas not covered by the ETS to actively control and reduce GHG emissions;
- ✔ Study and explore the feasibility and possible impact of the connection or linkage between the Chinese carbon market and the market-based mechanism under the Paris Agreement, including market-based mechanism in other countries/regions.

Thank you for your attention!