



Approach to carry out ETS piloting in China

2010

Selection and mobilisation

- Pre-study, analysis and discussion
- Invited and mobilised intended provinces to join
- Agreed with selected provinces

2011-2014

Initial stage of pilots

- Kick-off the trading one by one
- Learning by doing to improve pilot markets
- Enhancing basic capacity in pilots

2018-2019

Assessment and lessons learnt

- In-deep assessment on the pilot experiences
- Consultation with pilots on nationwide ETS development

2011

Launch of pilots

- Officially launched the pilots by ministerial notification
- Required pilots to submit pilot working plan
- Assessed and provided feedback on pilots' working plan
- Provided capacity building for pilots

2014-2018

Growing stage of pilots

- Improvement of management and operation
- Adjustment on rules, regulations, and standards
- Milestone outputs and GHG emission reduction
- Exchange frequently with center government on pilot experiences

2019-

Transition and coexistence

- Transit from pilots to nationwide ETS
- Explore the method of coexistence between pilots and national ETS

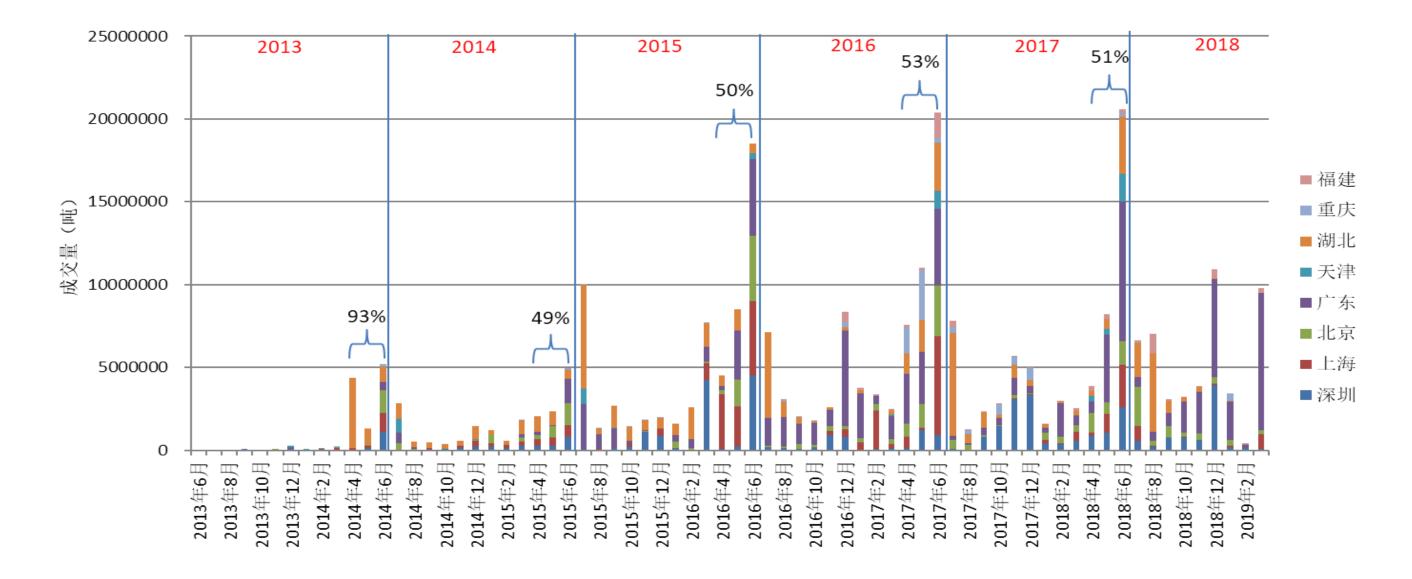


Overview of the profile of Chinese pilots

Key elements	Overview
Legislation	One pilot passed local congress law; other 6 pilots issued administrative measures
Coverage	Not alike and decided by the features of each pilot
Allowance allocation	Free allocation mostly with similar approach but different technical factors, only 3 pilots introduced actions in small scale
MRV	Similar but different details arrangement
Off-setting	Conditional acceptance to CCER (China Certified Emission Reduction)
Compliance and enforcement	The compliance process and timeline of all pilots are alike but penalty is different



Market trading performance of pilots





Assessment and lessons learnt from pilots

- Delegate national think-tank to conduct comprehensive assessment on pilots experiences and lessons
- Reinforce the frequent communication with pilots and establish periodical communication protocol
- Organise pilot experiences exchange workshop between center and pilots government, or among different pilots
- Combine pilots performance evaluation with the annual investigation on regional carbon intensity target reduction
- Apply for international cooperation fund to support pilot assessment
- Invite pilots participate into the big event, such as COP, China Carbon Day, to share their experiences in larger scale



Assessment indicators developed by NSCS (National Center for Climate Change Strategy and International Cooperation

ETS pilot assessment indicators

Scheme development

- Legislation foundation
- Fundamental mechanism
- Infrastructure development
- Supportive policies and measures

Target on the key segments to ensure the operation of ETS

Market performance

- Market liquidity
- Interdependency of market price
- Correlation with other markets

Target on the operation factors in market in terms of capital, technology and economy

Effectiveness

- Compliance ratio
- Ecological and environmental benefit
- Social and economical benefit

Target on the contribution of ETS to address climate change and other cobenefits



The five challenges facing China as it transitions from regional pilots to a national ETS

- How to respond to the request of pilots to keep pilot markets alive?
- What level of legislation should China adopt?
- How can China best manage the different scope of the pilot and national carbon markets?
- What should happen to allowances already allocated in the pilots?
- How can China unify the monitoring, reporting, and verification standards of the pilots and national ETS?
- How can China integrate regional trading exchanges and registries into their national counterparts?



