

Welcome to EDF China Carbon Pricing Newsletter

Dear friends and colleagues,

As the COVID-19 pandemic wanes in China, the construction of the Nationwide Emission Trading System (ETS) has been promoted, while the pilots are making efforts to ensure that the emission data and vital infrastructure are in place for the nationwide carbon market. Environmental Defense Fund (EDF) would like to take this opportunity to update you on the above-mentioned progress as well as our recent research findings on China Certified Emission Reductions and our webinar on “Lessons learned from EU ETS” which focused on the power sector.

- ✓ **Progress: Construction of the Nationwide ETS continued to advance. Pilot carbon markets gradually return to normal operations**
 - **Data reporting and verification kick-off.** According to the "Notice on Implementing the 2019 Annual Carbon Emission Report and Verification and the Reporting of the List of Key Emission Units in the Power Generation Industry" set forth by the China's Ministry of Ecology and Environment (MEE), Beijing, Shanghai and Guangdong have subsequently released Notices on implementing the carbon emission report and verification to improve the data foundation, in preparation for the national carbon market.
 - **Ensured Infrastructure construction.**
 - Hubei released the “Key Points of Work on Addressing Climate Change in Hubei 2020” which highlighted that one of the main tasks this year is to accelerate the construction of the nationwide ETS registry system.
 - The expert review meeting on the achievements of the nationwide ETS trading system was held at the Shanghai United Assets and Equity Exchange. It is agreed that the trading system has met the requirements for the project initiation and has basically met the conditions for test run.
 - On May 12, the expert review meeting on the construction plan of the nationwide ETS registry system and trading system was held in Beijing by the Climate Change Department, MEE. Experts fully affirmed the reports from Hubei and Shanghai which were presented while putting forward relevant suggestions for consideration. The construction plan will be further improved and implemented.

- **Pilot Auction.** Guangzhou emission exchange held the first allowance auction for the 2019 compliance period with a total quota of 400,000 tCO₂e; the floor price was RMB 25.84 per tCO₂e. A total of 8 covered entities, newly built projects and investment institutions successfully bid, with a unified transaction price of RMB 28.20 per tCO₂e. Total transaction volume for the first allowance auction was 400,000 tonnes with total transaction value amounting to RMB 11,280,000.

✓ **Research:**

- **EDF published the “Analytical Report on the Status of the China GHG Voluntary Emission Reduction Program”**

- **Background:** Since the China GHG Voluntary Emission Reduction Program officially launched its registry in 2015, each of China’s local carbon markets have introduced offset mechanisms and conducted a variety of design related tests and adjustments. The China GHG Voluntary Emission Reduction Program has already become an important component for China’s local carbon markets, and China’s nationwide emission trading system (ETS) also plans to use CCERs as offset credits in the future. Furthermore, CCER has been adopted by both the “Implementation Guidelines for Carbon Neutrality of Large-Scale Events (Trial)” as a recommended voluntary emission reduction credit and by CORSIA as one of the eligible emissions units.
- **About the Report:** This report summarizes both the current status of the China GHG Voluntary Emission Reduction Program with comprehensive data analysis and the design of offset mechanisms in China's local carbon markets with detailed elements comparison, in turn providing reference material for future development of the China GHG Voluntary Emission Reduction Program and for how to introduce the offset mechanisms into the nationwide ETS.

[Download the Report \(CN/EN\) HERE](#)

- **EDF published “Emissions Trading in the Power Sector — Lessons learned from the EU ETS”**

- **Webinar:** On May 20, EDF held a webinar and published the report "Emissions Trading in the Power Sector —Lessons learned from the EU ETS". EDF invited two experts on the EU power industry and ETS to discuss “the interaction between the power market and ETS”. More than 70 participants joined our online workshop including representatives from major Chinese power groups, their subsidiary carbon asset companies and power plants; we also invited key stakeholders from pilot exchanges and research institutions.

[Download the Report \(CN\) HERE](#)

As always, please do not hesitate to let us know if you'd like to follow up on the above topics on China's ETS or anything else. We'd love to hear from you.

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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 Nationwide 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.

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