

## Dear friends and colleagues,

China's national ETS has undergone significant top-level institutional updates at the beginning of 2024, the State Council has adopted the *Interim Regulations on the Administration of Carbon Emission Trading (Draft)*, which signifies a further enhancement of the legal effectiveness of the national ETS. Another important progress is that the trading of the national voluntary GHG emission reduction market was officially launched on January 22nd, 2024. Additionally, the Central Committee of the Communist Party of China and the State Council have recognized the positive role of the carbon market in promoting China's green and low-carbon development and the construction of a beautiful China.

Furthermore, several ministries have released plans for the construction of China's carbon footprint certification and low carbon standards systems, which will further promote the green and low-carbon transition of China's industries.

EDF is committed to exploring multifaced solutions to improve the national ETS and facilitate a robust low-carbon transition in China. This newsletter provides an overview of policy updates and the latest developments in both the national ETS and local carbon markets, as well as a special coverage on our support of organizing China Pavilion in COP 28.



## National Carbon Market

- **Rules for the Validation and Verification of Voluntary Greenhouse Gas Emission Reduction Projects.** On December 25th, 2023, the State Administration for Market Regulation (SAMR) issued the Rules for the Validation and Verification of Voluntary Greenhouse Gas Emission Reduction Projects and Emission Reduction. These rules establish the criteria, procedures, and requirements for the validation and verification of voluntary GHG emission reduction projects. Validation and verification bodies must develop implementation plans based on these rules and submit them to the SAMR. The rules require validation and verification bodies to ensure compliance, authenticity, and accuracy of project-related documents and on-site validation and verification, while project owners are accountable for the authenticity, completeness, and validity of the information they provide.
- **A State Council-level Carbon Market Management Decree is Adopted.** On January 5th, 2024, China's State Council held an executive meeting at which the Interim Regulations on the Administration of Carbon Emission Trading (Draft) (Hereinafter as the Regulations) was adopted. The Regulations will provide provisions regarding the management of the national ETS. It will further improve the coordinated supervision system to better prevent market risks, and provide strong legal protection for the achievement of China's dual-carbon goals.
- **Carbon Market is an Important Policy Tool for the Development of Beautiful China.** On January 11th, 2024, the Communist Party of China Central Committee and the State Council issued the Guidelines to Promote the Development of Beautiful China, which stated that by 2035, carbon emissions will have peaked and be declining, with deep decarbonization achieved by the mid-century. To reach these goals, China will transition from dual control on energy consumption to dual control on carbon emissions, develop annual national greenhouse gas inventories, and further develop the national ETS. The plan also includes expanding industrial coverage, diversifying trading instruments and methods, and enhancing the national voluntary GHG emission reduction market, aiming for a more efficient, dynamic, and internationally influential national carbon market by 2035.
- **Accreditation of Validation and Verification Bodies.** On January 19th, 2024, the National Certification and Accreditation Administration (NCAA) issued the Announcement on the Accreditation of the First Batch Validation and Verification Bodies of Voluntary Greenhouse Gas Emission Reduction Projects and Emission Reductions (Hereinafter as the Announcement). According to the Announcement, the NCAA will accredit four validation and verification bodies for the renewable energy projects and five validation and verification bodies for the carbon sink projects.
- **The National Voluntary GHG Emission Reduction Market is Officially Launched.** On January 22nd, 2024, as reported by China Central Television, the trading of the national voluntary GHG emission reduction market (also known as CCER) was officially launched, and Vice Premier DING Xuexiang attended the launching ceremony. This market, along with the national compliance ETS launched in July 2021, forms a comprehensive national carbon market system. All legal entities, organizations, and individuals in the People's Republic of China can register to participate in CCER trading. The Ministry of Ecology and Environment (MEE) will regularly evaluate and expand the methodologies for voluntary emission reduction.

## Regional Carbon Markets

- **Policy Updates in Allowance Allocation and Management at Local ETSs.** From December 2023 to January 2024, updates were made to the allowance allocation and management regulations of local ETSs. Shanghai and Beijing disclosed the entities for the 2024 national ETS, with minimal changes from the previous year. Tianjin and Guangdong revealed their allowance allocation plans for 2023, with 74 million tonnes for Tianjin ETS and 297 million tonnes for Guangdong ETS. Additionally, Shenzhen and Hubei implemented allowance management policies to enhance covered entities' compliance responsibility.

## Climate Finance

- **Supporting Central SOEs to Issue Green Bonds.** On December 8th, 2023, the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council jointly issued the Circular on Supporting Central State-owned Enterprises in Issuing Green Bonds (Hereinafter as the Circular). The Circular aimed to facilitate the issuance of green bonds by central state-owned enterprises (SOEs) for energy conservation, carbon reduction, environmental protection, and more. It also encouraged the voluntary disclosure of environmental, social, and governance (ESG) information by central SOEs, and urged credit rating agencies to consider ESG factors in the rating process. The Circular aimed to optimize resource allocation, support the green transition and high-quality development of central SOEs, and provide financial support for key areas of green development in China.
- **Definition of Carbon Derivatives Related Terms.** On December 13th, 2023, the National Association of Financial Market Institutional Investors issued the China Carbon Derivatives Trading Definition Document (2023 Edition) (Hereinafter as the Document). The Document aims to provide market participants with basic definitions of carbon derivatives trading-related terms, in order to reduce trading costs, improve trading efficiency, and promote the development of the carbon derivatives market. It applies to carbon derivatives transactions agreed upon by both parties in a valid derivative agreement, including carbon futures, swaps, and options. The Document also defines concepts such as pricing, customized contracts, and delivery methods for related products, and specifies allowable carbon underlying assets for derivatives design.

## Other Efforts to Address Climate Change

- **Constructing Green and Low Carbon Standards System for the Telecommunication Industry.** On December 14th, 2023, the Ministry of Industry and Information Technology issued the *Guidelines for the Construction of Green and Low Carbon Standards System in the Telecommunication Industry (2023 Edition)*. It aims to establish over 50 green and low carbon standards for the telecommunication industry by 2025, promoting the industry's low-carbon transition. The system covers areas such as energy conservation, resource utilization, greenhouse gas monitoring, product carbon footprint, and green manufacturing standards.
- **Accreditation for Product Carbon Footprint Validation and Verification Bodies.** On January 4th, 2024, the China National Accreditation Service for Conformity Assessment (CNAS) began to publicly solicit opinions on the *Accreditation Program for Product Carbon Footprint Validation and Verification Bodies* (Hereinafter as the *Program*). The *Program* aims to accredit organizations performing carbon footprint validation based on ISO-14067. Validation and verification bodies are required to submit their verification plans, Product Category Rules, and a list of personnel to CNAS for accreditation. Once accredited, they will receive a certificate. The *Program* encompasses 20 validation and verification categories, including agriculture, minerals, electricity, chemicals, and construction products.

## EDF Efforts

- On December 4th, 2023, with EDF's sponsor, the MEE hosted a side event on "China Carbon Market Development and Outlook" at the China Pavilion during UNFCCC COP 28. The event featured high-level international and domestic officials and experts from the MEE, European Commission, World Bank, and International Emission Trading Association. Vice Minister ZHAO Yingmin outlined priorities for the future, including launching China's national voluntary GHG emission reduction market, improving the legislative system, and enhancing market mechanisms to fulfill China's climate commitments.
- EDF and Policy Research Center for Environment and Economy of MEE jointly published a report about "China's Policies and Actions on Carbon Peaking and Carbon Neutrality". The report, released at COP28, reviewed China's "1+N" climate change policy system and highlighted significant achievements in energy transition, industrial emission reduction, green transportation, ecological carbon sinks, technological innovation, carbon market development, and international cooperation since the introduction of China's dual carbon goals.
- EDF completed the study on low carbon development of the iron and steel industry. Our analysis forecasts a significant reduction in total emissions of iron and steel industry by 15%, 40%, 80%, and 95% by 2030, 2040, 2050, and 2060, respectively, compared to 2020 levels. The iron and steel industry is expected to reach its carbon emission peak during the 14th Five-Year Plan. It is recommended that the industry adopt the benchmarking method for allowance allocation when included in the national ETS.
- EDF conducted a research to ensure the data quality of GHG voluntary emission reduction projects. We analyzed core principles from international mechanisms like CDM and VCS to develop a methodology evaluation system for China's voluntary emission reduction projects. Additionally, we formulated rules for the validation and verification of GHG voluntary emission reduction projects to support SAMR's regulations.

As always, please do not hesitate to let us know if you would like to follow up on the above topic on China's ETS and anything else you may wish to know. We would love to hear from you.

2021 is the first year of the "14th Five-Year Plan". China's MEE stated that a Nationwide ETS with complete institutions, active trading, strict supervision, and high transparency will be built during the 14th Five-Year Plan period. EDF will continue to follow up on 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](mailto:China@edf.org).

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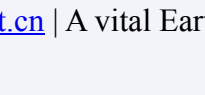
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