

# CARBON MARKET BUSINESS BRIEF

## CHINA

### CHINA NATIONAL ETS AT A GLANCE

Years in operation	Since 16 July 2021
Overall cap & trajectory	4.5 billion tCO <sub>2</sub> e per year
Target(s)	In the 14th Five-Year Plan: 18% reduction in carbon intensity compared to 2020 by 2025
Emissions reduced to date	N/A
Sectors covered	Power generation sector with emissions in excess of 26,000t CO <sub>2</sub>
GHGs covered	CO <sub>2</sub>
# of covered entities	2,162 enterprises in total
Allocation method	Free allocation
Trading rules	Online trading (less than 100,000 tonnes per deal) and OTC trading (equal to or in excess of 100,000 tonnes per deal). For now, only compliance entities can trade.
Use of offsets and linking	Domestic CCERs are allowed, for up to 5% of annual emissions
Other features	Spot trading only
Penalties for non-compliance	Companies face fines of up to CNY 30,000 for failing to submit emissions or verification reports on time.  Those which fail to surrender enough allowances to cover their emissions face a fine of up to CNY 30,000 and the shortfall will be withdrawn from the company's account or deducted from the following year's allocation.
Use of revenues	National Carbon Emission Trading Fund (planning)

### MAJOR DEVELOPMENTS

Since the launch of trading on 16 July 2021, the overall operation of the national carbon market has been stable, and market activity has steadily increased. The first compliance period concluded at the end of 2021. Over the 114 trading days of 2021, cumulative trading volume of China Emission Allowances (CEAs) reached 179 million tonnes and turnover of ¥7.661 billion. The closing price on 31 December, of ¥54.22/t, was up 12.96% from the opening price on the first day. More than half of key emitters actively participated in market trading.

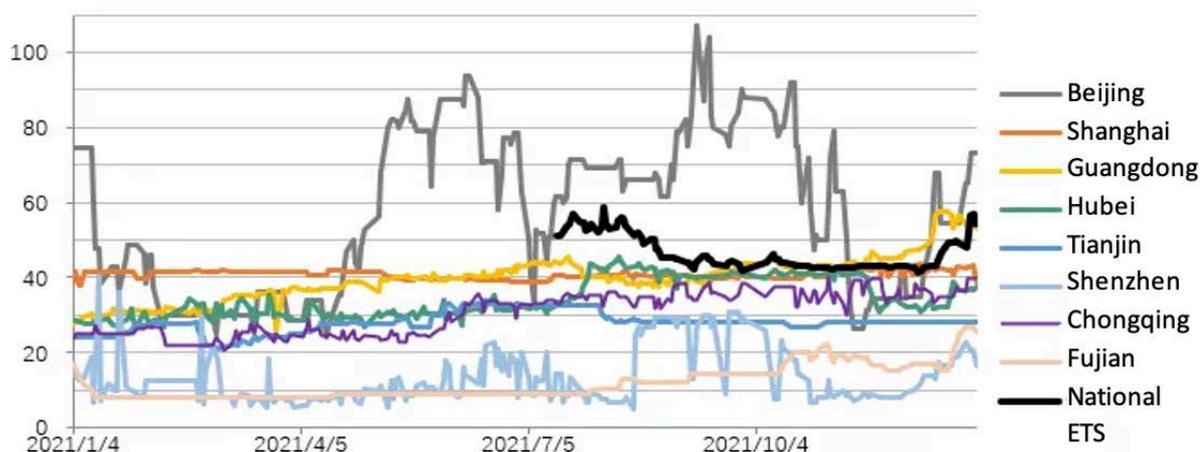
In late October 2021, the MEE issued a notice clearing CCERs for compliance use in the national ETS, for up to 5% of an enterprise's emissions. Credits cannot come from emission reduction projects included in the national ETS, but with no other limits on the type and time of the CCER credits, tens of millions of CCERs which have accumulated since the mechanism's 2017 suspension are allowed to enter the national carbon market. Accordingly, trading volumes and prices increased significantly.

## MARKET COMMENTARY

The total volume of CEAs traded in the national carbon market was 7,862,464 tonnes in January, with a total turnover of ¥410.8 million. The monthly turnover of the listed contract reached ¥57 million, with a high of ¥61.60/t and a low of ¥51.71/t. By the end of January, the cumulative transaction volume of CEA in the national carbon market was 180 Mt, with a total transaction value of ¥8.072 billion.

In 2021, a total of 250 million allowances were traded in the eight regional ETS pilots, with a turnover of ¥10.06 billion. The Guangdong ETS was the most active, with 27.13 million traded and a turnover of ¥1.037 billion. Chongqing ranked second with 11.28 million tonnes traded at a value of ¥294 million. Carbon markets in Hubei, Shenzhen and Tianjin were also active, with cumulative annual volumes of 9.64 million, 7.11 million and 6.62 million, respectively. Trading volume in Fujian and Shanghai was relatively low at 2.22 million and 2.06 million, respectively.

Prices fluctuated greatly in 2021 for the regional markets, with the Beijing ETS seeing the greatest variation. From January to April, the carbon price was stable at about ¥40/t. In May, the carbon price gradually increased, peaked at ¥90/t before dropping sharply and stabilising at about ¥70/t. The carbon price in Guangdong trended up throughout the year, and reached ¥53/t at the end of 2021. In Shenzhen, prices ranged from ¥15-25/t.



**FIGURE 1**  
Prices in the National ETS & Pilot ETSs in 2021  
Source: SinoCarbon



**FIGURE 2**  
Market Scale of National ETS & ETSs Pilots in 2021  
Source: SinoCarbon, Bank of China

Trading volumes of CCERs reached 443 million in 2021, with particular strong interest in Shanghai (60.6 million), Tianjin (42.8 million) and Guangdong (17.5 million). Despite this activity, the total amount of CCERs registered is still very limited compared to the more than 200 Mt/year of demand in the national ETS. At present, updates to the national CCER project registration system are being carried out, and it is expected that project registrations and CCER issuances will be resumed in the near future.



**FIGURE 3**  
CCER Transactions up to 2021  
Source: SinoCarbon

## USEFUL LINKS

[MEE China](#)

[China's National Carbon Emissions Trading Exchange](#)

[SinoCarbon](#)

[Ideacarbon](#)

[World Bank](#)

## REFERENCES

SinoCarbon Carbon Market Status News 2021: [1 November](#), [8 November](#) and [22 November](#)

[White Paper of China's Policies and Actions on Climate Change, October 2021](#)

[Notice Announcement on matters related to national carbon emission trading, June 2021](#)

[ICAP Quarterly Global Trends in Emissions Trading – 15 October 2021](#)

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