International Carbon Action Partnership
ETS Detailed Information

China - Beijing pilot ETS

General Information

Summary	**Status:** ETS in force **Jurisdictions:** Beijing The Beijing Pilot ETS was launched in November 2013; to date, it has concluded five compliance years. Beijing is one of the few Chinese pilots with ETS regulation passed by their regional congress. The ETS covers about 45% of the city's total emissions, including both direct and indirect emissions from electricity providers, heat, cement, petrochemicals, other industrial enterprises, manufacturers, the service sector, and public transport. In cases of consecutively high or low average prices, the government can also auction or buy back extra allowances. Beijing also has pioneered cross-regional trading with its neighboring provinces. A Framework Agreement for Cooperation on the Study of Cross-regional Carbon Emissions Trading with Tianjin, Hebei, Inner Mongolia, Shaanxi, and Shandong signed in 2013 provided a basis for cooperation. As a consequence of this, several cement companies from the Hebei province and companies from both the cement and power generation sectors voluntarily participated in the Beijing ETS in 2014 and 2015. Several companies from the same sectors in Inner Mongolia also voluntarily participated in 2015.
Year in Review	The 2017 allocation plan was released by the Beijing Development and Reform Commission (DRC) in February 2018. Compared to the previous year, the plan has two important changes: the power sector will be allocated allowances using benchmarking (instead of historical emissions intensity); and the emissions reduction factor has increased for most sectors, thus requiring further abatement action. In addition, an adjustment mechanism was created to avoid overallocation as a result of plant shutdowns or reductions in production.* Much like the governance transition at the national level (see China National ETS factsheet), it is expected that ETS-related responsibilities in Beijing will be moved from the DRC to the Ecology and Environment Bureau. The process is ongoing and is expected to conclude by early 2019. *Depending on which sector they are, a threshold was set for reducing the allowance by the same ratio of the emission reduction, i.e., 20% for cement and petrochemical and 50% for manufacturing, other industrial sectors, and tertiary.
Overall GHG emissions (excluding LULUCF)	**Emissions:** 188.1 $MtC0_2e$ (2012)
Overall GHG emissions by sector	No information available yet.
Overall GHG reduction target	**By 2020**: 20.5% reduction in carbon intensity compared to 2015 levels (13th Five Year Plan).

Carbon Price	*Current Allowance Price (per t/CO2e):* 37.97 CNY (USD 5.74) (weighted average trading price in 2018; updated prices available here)

ETS Size

Emissions covered by the ETS	0.45
GHG covered	CO2
Sectors covered and thresholds	Industrial and non-industrial companies and entities, including electricity providers, heating sector, cement, petrochemicals, other industrial enterprises, manufacturers, service sector, and public transport. **INCLUSION THRESHOLDS:**5,000 tCO2/year, considering both direct and indirect emissions. **MANDATORY REPORTING:** 2,000 tonnes of standard coal equivalent (tce) energy consumption/year.
Point of regulation	Downstream. Both direct and indirect emissions are covered.
Number of liable entities	943 (2017) In addition, 621 entities have mandatory reporting obligation but no surrender obligations. No information available yet.
Cap	~50 MtCO2e (2017)

Phases & Allocation

Trading period	2013-2018* *In the short term, the existing Chinese regional carbon markets are expected to operate in parallel to the national Chinese carbon market. Over the medium to long term, they are expected to be integrated into the national market, once it is fully operational.
Allocation	**Free Allocation:** Mainly free allocation through grandparenting based on emissions or emissions intensity in the baseline years (for 2017 allowances, the baseline years are 2009-2012 for stationary sources and 2013-2016 for mobile sources). Benchmarking is used for new entrants and entities with expanded capacity as well for the power sector. **Auctioning:** Beijing could set aside up to 5% of allowances for regular and irregular auctions (see Market Stability Mechanisms). To date, the trigger price for auction has never been met.

Flexibility

Banking and borrowing	Banking is allowed. Borrowing is not allowed.
Offsets and credits	**Quantitative Limit:** Domestic project-based carbon offset credits—China Certified Emission Reduction (CCER) credits—are allowed. The use of CCERs is limited to 5% of the annual allocation.

	Qualitative Limit: CCERs from energy conservation projects and forestry carbon sink projects are allowed, whereas credits from hydropower, HFC, PFC, N2O, and SF6 projects are not eligible. CCERs must come from projects that began operation after the beginning of 2013 (with exceptions for carbon sink projects, for which the date is February 2005). Out of the 5% limit, at least 50% must come from projects within the jurisdiction of the city of Beijing. Among the non-Beijing CCERs, priority is given to those with regional climate or pollution control cooperation agreements (e.g., Hebei and Tianjin).
Market Stability Provisions	The competent authority can auction extra allowances if the weighted average price exceeds CNY 150 (USD 22.67) for 10 consecutive days, and buy back allowances from the market using a special funding source from the municipal budget if the price is below CNY 20 (USD 3.02).

Compliance

Compliance Period	One year
Monitoring, Reporting, Verification (MRV)	**REPORTING FREQUENCY:** Annual reporting of CO2 emissions. **VERIFICATION:** Third-party verification is required. In addition, further validation is carried out by government-assigned experts and random checks are conducted by fourth-party verifiers. Also, special attention is given to those only with mandatory reporting obligation while its reported emissions are close to 5,000 tCO2. **FRAMEWORK:** The Beijing DRC has released guidelines for monitoring and reporting for the following seven sectors: heat production and supply, thermal power generation, cement, petrochemicals, transport, other industrial enterprises, and the service sector. **OTHER:** In addition to the ETS participants, all legal entities with energy consumption of more than 2,000 tce have to report their emissions. Verification is not required.
Enforcement	Penalties for failing to submit emissions or verification reports on time can result in fines up to 50,000 CNY (USD 7,558). Furthermore, companies failing to surrender enough allowances to match their emissions are fined up to five times the average market price over the past six months for each missing allowance. Other nonfinancial penalties include negative impacts on access to bank loans and subsidy programs.

Linking

Links with other Systems	No information available yet.

Other Information

Institutions involved	Beijing DRC (competent authority) - the responsibility is expected to be moved to the Beijing Ecology and Environment Bureau in the course of 2019; China Beijing Environment Exchange (trading platform and registry)
Evaluation / ETS review	No information available yet.
Revenue	No information available yet.
Implementing Legislation	Beijing Pilot ETS Implementation Plan Interim Measures for the Management Emissions Trading in Beijing

Beijing DRC – Allocation Plan for Vintage 2017

Disclaimer

In line with ICAP's mandate, the ICAP ETS map exclusively covers cap-and-trade systems for greenhouse gas emissions. Information displayed on the map is regularly updated by ICAP Secretariat staff based on official and public information as far as possible and subject to annual peer review by government representatives from the covered systems. Although the information contained in the map is assembled with utmost care, ICAP cannot be held liable for the timeliness, correctness and completeness of the information provided.

Please refer to the imprint on the website of the International Carbon Action Partnership regarding links to external websites, liability and privacy policy.