

## China - Beijing pilot system

### General Information

Summary	<p><b>Status:</b> ETS in force</p> <p><b>Jurisdictions:</b> Beijing</p> <p>The Beijing pilot ETS was launched on 28 November 2013 and has finished four compliance years so far. It 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.</p> <p>On 28 November 2013, Beijing signed the Framework Agreement for Cooperation on the Study of Cross-regional Carbon Emissions Trading with Tianjin, Hebei, Inner Mongolia, Shaanxi and Shandong. To test interregional cooperation, several cement companies from Hebei province and Inner Mongolia were included voluntarily in the Beijing pilot system in 2015 and 2016 but not for vintage 2016 compliance in 2017 and beyond.</p> <p><a href="#">Beijing Pilot ETS Implementation Plan (Chinese)</a></p> <p><a href="#">Interim Measures for the Management Emissions Trading in Beijing (Chinese)</a></p> <p><a href="#">Beijing DRC - Allocation Plan for Vintage 2017 (Chinese)</a></p>
Overall GHG emissions (excluding LULUCF)	<p><b>Emissions:</b> 188.1 MtCO<sub>2</sub>e (2012)</p> <p>2010 carbon emission: n.a. 2010 energy intensity: 0.493 ton SCE/10,000 CNY</p>
Overall GHG emissions by sector	No information available yet.
Overall GHG reduction target	<b>By 2020</b> (13th Five Year Plan): 20.5% reduction in carbon intensity compared to 2015 levels.
Type of ETS	Mandatory
Cap and trajectory	<p><b>Type of Cap:</b> Absolute</p> <p>46 MtCO<sub>2</sub>e (2016, existing facilities only)</p>
Carbon Price	<i>Current Allowance Price (per t/CO<sub>2</sub>e):</i> CNY 51.58 (USD 8.01) (secondary market price as of 16 January 2018)

### ETS Size

Emissions covered by the ETS

0.45

GHG covered	CO2
Sectors covered and thresholds	<p>Industrial and non-industrial companies and entities, including electricity providers, heating sector, cement, petrochemicals, other industrial enterprises, manufacturers, service sector, and public transport.</p> <p><b>Inclusion thresholds:</b> 5,000t CO2/year, considering both direct and indirect emissions.</p> <p><b>Mandatory reporting:</b> 2,000 tons of standard coal equivalent energy consumption/year.</p>
Number of liable entities	<p>Mandatory reporting and compliance entities: 943 (2017)</p> <p>Mandatory reporting (only) entities: 582 (2016)</p> <p>The accounting boundary for emissions is set at the company-level (legal person).</p>
Point of regulation	<p>Mixed: Both direct emissions from the power sector and indirect emissions from electricity and heat consumption are included in the scheme. Electricity prices are regulated in China, and therefore a scheme based on direct emissions alone would not induce a pass-through of carbon costs via the electricity price, and would not incentivize demand-side management of electricity. The system therefore covers emissions from the power sector upstream and other sectors downstream.</p>

## Phases & Allocation

Compliance period	<p>One year (15 June)</p> <p>For 2017 Vintage, compliance deadline has been postponed to 31 July 2018.</p>
Trading period	<p>Five years (2013-2017)*</p> <p>*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.</p>
Allocation	<p>Mainly free allocation through grandfathering based on emissions or emissions intensity in the years 2009-2012 (stationary sources) or 2013-2016 (mobile sources). For 2017 vintage, benchmarking has been introduced for electricity (including co-generation) sector. For new entrants and entities with expanded capacity an advanced sector based emissions intensity benchmark is applied.</p>

## Flexibility

Banking and borrowing	Banking is allowed during the pilot phase. Borrowing is not allowed.
Offsets and credits	<p><b>Quantitative Limit:</b> Domestic project-based carbon offset credits — China Certified Emission Reduction (CCER) credits — are allowed. The use of CCER credits is limited to 5% of the annual allocation.</p> <p><b>Qualitative Limit:</b> Out of the 5% annual allocation limit, at least 50% must come from projects within the jurisdiction of the city of Beijing. Credits from hydropower, HFC, PFC, N2O and SF6 projects are not eligible and all reductions have to be achieved after the beginning of 2013.</p> <p>Verified carbon emission reductions from energy saving projects and forest carbon sink projects from within the city of Beijing are also allowed.</p>
Provisions for price management	<p>The Beijing Development and Reform Commission (DRC) can auction extra allowances if the weighted average price exceeds CNY 150 (USD 22) for ten consecutive days, and buy back allowances from the market if the price is below CNY 20 (USD 3).</p>

## Compliance

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Monitoring, Reporting, Verification (MRV)	<p><b>Reporting Frequency:</b> Annual reporting of CO2 emissions.</p> <p><b>Verification:</b> Third-party verification is required.</p> <p><b>Framework:</b> 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.</p> <p><b>Other:</b> In addition to the ETS participants, all legal entities with energy consumption of more than 2,000 tons of standard coal equivalent have to report their emissions. Verification is not required.</p>
Enforcement	Penalties for failing to submit emissions or verification reports on time can result in fines up to 50,000 CNY (USD 7,398). Furthermore, companies failing to surrender enough allowances to match their emissions are fined three to five times the average market price over the past six months for each missing allowance.

## Other Information

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Institutions involved	Beijing Development and Reform Commission (Competent authority) China Beijing Environment Exchange (Trading platform and registry)
Linkage with other schemes	To test interregional cooperation, several cement companies from Hebei province and Inner Mongolia were included in the pilot system in 2015 and 2016.

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