

## China - Beijing pilot ETS

### General Information

<p>Summary</p>	<p><b>Status:</b> ETS in force</p> <p><b>Jurisdictions:</b> Beijing</p> <p>The Beijing Pilot ETS was launched in November 2013; to date, it has completed six compliance years. Beijing is one of the few Chinese pilots with ETS regulation passed by its 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, and 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.</p> <p>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.</p>
<p>Year in Review</p>	<p>Following changes in responsibility at the national level for China's ETS, 2019 saw revisions to the administration of the Beijing ETS. Specifically, the Beijing Municipal Ecology and Environment Bureau released the '2018 Carbon Emission Management and Trading Plan,' which contained updates to implementing legislation.</p> <p>As part of the revisions to the 'The carbon allowance verification methods of enterprises (units) in Beijing,' the Beijing EEP adjusted the benchmark values of different unit types of power generation enterprises (combined heat and power), increasing their stringency.</p> <p>Changes to the governance structure and implementing regulation also resulted in slight delays to allowance verification as well as allowance allocation, to varying degrees.</p>
<p>Overall GHG emissions (excluding LULUCF)</p>	<p><b>Emissions:</b> 188.1 MtCO<sub>2e</sub> (2012)</p>
<p>Overall GHG emissions by sector</p>	<p>No information available yet.</p>
<p>Overall GHG reduction target</p>	<p><b>By 2020:</b> 20.5% reduction in carbon intensity compared to 2015 levels (13th Five Year Plan).</p>
<p>Carbon Price</p>	<p><i>Current Allowance Price (per t/CO<sub>2e</sub>):</i> CNY 78.60 (USD 11.37) (average 2019 price)</p>

## ETS Size

Emissions covered by the ETS	0.40
GHG covered	CO <sub>2</sub>
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> 5,000 tCO<sub>2</sub>/year, considering both direct and indirect emissions.</p> <p><b>MANDATORY REPORTING:</b> 2,000 tce energy consumption/year.</p>
Point of regulation	<p>Downstream.</p> <p>Both direct and indirect emissions are covered.</p>
Number of liable entities	<p>903 (2018). In addition, 624 entities have mandatory reporting obligation but no surrender obligations.</p> <p>No information available yet.</p>
Cap	~50 MtCO <sub>2</sub> e (2017)

## Phases & Allocation

Trading period	<p>2013-2019*</p> <p>*In the short term, the existing Chinese regional carbon markets are expected to operate in parallel with 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><b>Free Allocation:</b> Mainly free allocation through grandparenting based on emissions or emissions intensity in the baseline years (for 2018 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.</p> <p><b>Auctioning:</b> Beijing could set aside up to 5% of allowances for regular and irregular auctions (see Market Stability Mechanisms). To date, the trigger price for additional auctions has never been met.</p>

## Flexibility

Banking and borrowing	<p>Banking is allowed.</p> <p>Borrowing is not allowed.</p>
Offsets and credits	<p><b>Quantitative Limit:</b> Domestic project-based carbon offset credits—Chinese Certified Emission Reduction (CCER) credits—are allowed. The use of CCERs is limited to 5% of the annual allocation.</p> <p><b>Qualitative Limit:</b> CCERs from energy conservation projects and forestry carbon sink projects are allowed, whereas credits from hydropower, HFC, PFC, N<sub>2</sub>O, and SF<sub>6</sub> 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).</p>

	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 21.34) 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 2.85).

## Compliance

Compliance Period	One year
Monitoring, Reporting, Verification (MRV)	<p><b>REPORTING FREQUENCY:</b> Annual reporting of CO2 emissions.</p> <p><b>VERIFICATION:</b> 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 their reported emissions are close to 5,000 tCO2.</p> <p><b>FRAMEWORK:</b> The Beijing Development and Reform Commission 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 tce 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 7,113). Furthermore, companies failing to surrender enough allowances to match their emissions are fined up to five times the average market price over the previous 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.
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## Other Information

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

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