

China - Chongqing pilot system

General Information

Summary	<p>Status: ETS in force</p> <p>Jurisdictions: Chongqing</p> <p>Chongqing was the latest of the seven Chinese region to start its pilot ETS on 19 June 2014. The system covers enterprises from seven sectors: power, electrolytic aluminum, ferroalloys, calcium carbide, cement, caustic soda, and iron and steel. The 237 enterprises covered by the system account for around 40% of the city's total emissions.</p> <p>Interim Measures for Management of Emissions Trading In Chongqing (Chinese) Chongqing DRC – Allowance Allocation Management Rules (Chinese)</p>
Overall GHG emissions (excluding LULUCF)	Emissions: 250 MtCO ₂ e (2014)
Overall GHG emissions by sector	No information available yet.
Overall GHG reduction target	By 2020 (13th Five Year Plan): 19.5% reduction in carbon intensity compared to 2015 levels.
Type of ETS	Mandatory
Cap and trajectory	Type of Cap: Absolute 100.4 MtCO ₂ e (2016)
Carbon Price	<i>Current Allowance Price (per t/CO₂e):</i> CNY 19.50 (USD 3.03) (secondary market price as of 16 January 2018)

ETS Size

Emissions covered by the ETS	0.4
GHG covered	CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆
Sectors covered and thresholds	Power, electrolytic aluminum, ferroalloys, calcium carbide, cement, caustic soda, and iron and steel. Inclusion threshold: 20,000t CO ₂ e/year.
Number of liable entities	237 (2016) The accounting boundary for emissions is set at the company-level (legal person).
Point of regulation	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.

Phases & Allocation

Compliance period	Due to the late start of the Chongqing pilot ETS, compliance for 2013 and 2014 were combined in one phase. A one year compliance period is in place since 2015 (20 June theoretically while in practice there have been some delays). For vintage 2015, the compliance deadline was postponed to 18 November 2016 and for vintage 2016 the verification deadline has been set as 31 October 2017.
Trading period	Five years (2013-2017)* *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 through grandfathering based on historic emissions (highest number in period 2008-2012). If the sum of allocation for all enterprises exceeds the cap, a reduction factor is applied. Different from other pilots, the covered companies are asked to submit their allocation quotas on a yearly basis of which free allocation is based on. Ex-post adjustments based on production data are also possible.

Flexibility

Banking and borrowing	Banking is allowed during the pilot phase. Borrowing is not allowed.
Offsets and credits	Quantitative Limit: Domestic project-based carbon offset credits — China Certified Emission Reductions (CCERs) — are allowed with a maximum amount of 8% of the compliance obligation. Qualitative Limit: Reductions have to be achieved after 2010 with the exception of carbon sink projects. Credits from hydro projects are not allowed.
Provisions for price management	In case of market fluctuations, the Chongqing Carbon Emissions Exchange can take price stabilization measures. Compliance entities must not sell more than 50% of their free allocation.

Compliance

Monitoring, Reporting, Verification (MRV)	Reporting Frequency: Annual reporting of GHG emissions. Verification: Third-party verification is required. Framework: The Chongqing Development and Reform Commission (DRC) released a guiding document for monitoring and reporting that includes methods for different emissions sources: combustion, industrial processes and electricity consumption.
Enforcement	According to the 'Interim Administrative Measures for the Chongqing ETS' published in May 2014, there are no financial penalties for non-compliance. The punishments may include media reporting and public exposure of the non-compliance; disqualification from the energy saving and climate subsidies and associated awards for three years; and a record entered on the State Owned Enterprise (SOE) performance assessment system.

Other Information

Institutions involved	Chongqing Development and Reform Commission (Competent authority) Chongqing Carbon Emissions Exchange (Trading platform and registry)
Linkage with other schemes	No information available yet.

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