

China - Chongqing pilot ETS

General Information

Summary	<p>Status: ETS in force</p> <p>Jurisdictions: Chongqing</p> <p>Chongqing launched its pilot ETS in June 2014 and to date has concluded five compliance years. The system covers enterprises from seven sectors: power, electrolytic aluminum, ferroalloys, calcium carbide, cement, caustic soda, and iron and steel. The 195 enterprises covered by the system in 2018 accounted for ~50% of the city's total emissions. Among the eight Chinese pilots, the Chongqing ETS is the only one that covers non-CO2 gases.</p> <p>One unique feature of the Chongqing Pilot ETS is that it has a clear path for cap setting, in which an annual reduction rate is set and applied to the base year emission (i.e., the sum of the covered entities' highest emission amount of the year from 2008 to 2012). From 2013 to 2015, the annual reduction rate was 4.13% and afterwards 4.85%. The Chongqing Pilot ETS had suffered from low liquidity in past years due to a relatively loose cap in its early years.</p>
Year in Review	<p>2019 saw the competition of the transition of ETS-related responsibilities in Chongqing from the Development and Reform Commission (DRC) to the Ecology and Environment Bureau (EEB).</p> <p>The 2017 allocation plan was released by the Chongqing DRC in March 2018. The plan differs from other pilots in that the Chongqing ETS allowances are allocated based on entities' self-reported demand. 2017 was the first year since the launch of the pilot where the initial cap (100.5 MtCO_{2e}) was lower than the self-declared demanded amount (103.2 MtCO_{2e}), indicating a potential allowance shortage for some companies in the market.</p>
Overall GHG emissions (excluding LULUCF)	<p>Emissions: ~300 MtCO_{2e} MtCO_{2e} (2018)</p>
Overall GHG emissions by sector	<p>No information available yet.</p>
Overall GHG reduction target	<p>BY 2020: 19.5% reduction in carbon intensity compared to 2015 levels (13th Five-Year Plan)</p>
Carbon Price	<p><i>Current Allowance Price (per t/CO_{2e}):</i> 9.74 CNY (USD 1.41) (updated prices available here)</p>

ETS Size

Emissions covered by the ETS	0.5
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 THRESHOLDS: 20,000 tCO ₂ /year or energy consumption 10,000 tce/year.
Point of regulation	Downstream. Both direct and indirect emissions are covered.
Number of liable entities	195 (2018) No information available yet.
Cap	~100 MtCO ₂ e (2018) From 2013 to 2015, the annual reduction rate of the cap was 4.13% and afterwards 4.85%.

Phases & Allocation

Trading period	2013-2019* *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: Free allocation through grandparenting 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. Regulated companies submit their allocation quotas on a yearly basis, forming the basis of their free allocation. Ex-post adjustments based on output data are possible.

Flexibility

Banking and borrowing	Banking is allowed. Borrowing is not allowed.
Offsets and credits	QUANTITATIVE LIMIT: Domestic project-based carbon offset credits—CCERs—are allowed up to 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.
Market Stability Provisions	Exchange Intervention: In case of market fluctuations, the Chongqing Carbon Emissions Exchange can take price stabilization measures. Sale and Trade Limits: Compliance entities must not sell more than 50% of their annual free allocation.

Compliance

Compliance Period	One year
Monitoring, Reporting, Verification (MRV)	REPORTING FREQUENCY: Annual reporting of GHG emissions. VERIFICATION: Third-party verification is required. FRAMEWORK: The Chongqing DRC released a guiding document for monitoring and reporting that includes methods for different emissions sources, including combustion, industrial processes, and electricity consumption.

Enforcement	There are no financial penalties for noncompliance. Nonfinancial penalties may include public reporting, disqualification from the energy saving and climate subsidies and associated awards for three years, and a record entered in the State Owned Enterprise performance assessment system.
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Linking

Links with other Systems	No information available yet.
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Other Information

Institutions involved	Chongqing Ecology and Environment Bureau (competent authority); Chongqing Carbon Emissions Trading Center (trading platform and registry)
Evaluation / ETS review	No information available yet.
Revenue	No information available yet.
Implementing Legislation	Interim Measures for Management of Emissions Trading In Chongqing Chongqing DRC – Allowance Allocation Management Rules Chongqing DRC – Notice about Allowances Allocation for Vintage 2017

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