International Carbon Action Partnership
ETS Detailed Information

China - Tianjin pilot system

General Information

Summary	**Status:** ETS in force **Jurisdictions:** Tianjin The Tianjin pilot ETS started operation on 26 December 2013 and has finished four compliance years so far. The system covers enterprises from five sectors: Heat and electricity production, iron and steel, petrochemicals, chemicals, as well as oil and gas exploration. These industries account for 50-60% of the city's total emissions. Tianjin Pilot ETS Implementation Plan (Chinese) Interim Measure for Management of Emissions Trading in Tianjin
Overall GHG emissions (excluding LULUCF)	**Emissions:** 215 $MtC0_2e$ (2012)
Overall GHG emissions by sector	No information available yet.
Overall GHG reduction target	**By 2020** (13th Five Year Plan): 20.5% reduction in carbon intensity compared to 2015 levels.
Type of ETS	Mandatory
Cap and trajectory	**Type of Cap:** Absolute 160-170 MtCO2e
Carbon Price	*Current Allowance Price (per t/CO2e):* CNY 8.51 (USD 1.32) (secondary market price of 16 January 2018)

ETS Size

Emissions covered by the ETS	0.55
GHG covered	CO2
Sectors covered and thresholds	Heat and electricity production, iron and steel, petrochemicals, chemicals, exploration of oil and gas. **Inclusion threshold:** 20,000t CO2/year considering both direct and indirect emissions.
Number of liable entities	109 (2017)

	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	One year (31 May) according to the Interim Measure for the Administration of Carbon Emission Trading of Tianjin; in practice 30 June 2016 for 2015 vintage, 10 July 2015 for 2014 vintage, and 25 July 2014 for 2013 vintage.
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	Mainly free allocation through grandfathering based on 2009-2012 emissions or emissions intensity. Benchmarking for new entrants and expanded capacity.

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 Reduction (CCER) — are allowed. The use of CCER credits is limited to 10% of the annual compliance obligation. **Qualitative Limit:** Credits have to stem from CO2 reduction projects, excluding hydro and have to be realized after 2013.
Provisions for price management	In case of market fluctuations, the Tianjin Development and Reform Commission (DRC) can buy or sell allowances in order to stabilize the market.

Compliance

Monitoring, Reporting, Verification (MRV)	**Reporting Frequency:** Annual reporting of CO2 emissions. **Verification:** Third-party verification is required.
Enforcement	In case of non-compliance, companies are disqualified for preferential financial support and policies for three years. There are no financial penalties for non-compliance.

Other Information

Institutions involved	Tianjin DRC (Competent authority) Tianjin Climate Exchange (Trading platform and registry)
Linkage with other schemes	No information available yet.

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