

## China - Fujian pilot ETS

### General Information

<p>Summary</p>	<p><b>Status:</b> ETS in force</p> <p><b>Jurisdictions:</b> Fujian</p> <p>Fujian launched its ETS in September 2016 and is the eighth regional pilot ETS in China. Unlike other pilots, which were mandated jointly by the National Development and Reform Commission (NDRC), the mandate for the Fujian ETS came from the State Council with the endorsement of the National Ecological Civilization Pilot Area (Fujian) Implementation Plan. The Haixia Equity Exchange in Fujian was approved by the NDRC as one of nine trading platforms for trading Chinese Certified Emission Reductions (CCERs), demonstrating the recognition by NDRC of the regional market.</p> <p>The system covers nine sectors: electricity, petrochemical, chemical, building materials, iron and steel, nonferrous metals, paper, aviation, and ceramics. Given the prominence of the forestry sector in Fujian, its ETS pilot has a special focus on carbon sinks. In 2017, the Fujian government outlined a plan to promote forestry offsets projects in the province. By 2020, the selected counties in the province are required to develop forestry projects covering two million acres of forests, achieving an expected one million tonnes of emission reductions annually.</p>
<p>Year in Review</p>	<p>The 2017 allocation plan was released by the Fujian Development and Reform Commission (DRC) in July 2018. With the same coverage threshold as the previous year, the number of covered entities fell slightly from 277 (2016) to 255. Almost 50% of the regulated entities (109) are architectural ceramics companies.</p> <p>Much like the governance transition at the national level (see China National ETS factsheet), it is expected that ETS-related responsibilities in Fujian will be moved from the DRC to the Ecology and Environment Bureau. The process is ongoing and is expected to conclude by early 2019.</p>
<p>Overall GHG emissions (excluding LULUCF)</p>	<p><b>Emissions:</b> 240 MtCO<sub>2</sub>e MtCO<sub>2</sub>e (2014)</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> 19.5% reduction in carbon intensity compared to 2015 levels</p>
<p>Carbon Price</p>	<p><i>Current Allowance Price (per t/CO<sub>2</sub>e):</i> 18.02 CNY (USD 2.72) (weighted average trading price in 2018; updated prices available <a href="#">here</a>)</p>

### ETS Size

Emissions covered by the ETS

0.60

GHG covered	CO2
Sectors covered and thresholds	<p>Electricity, petrochemical, chemical, building materials, iron and steel, nonferrous metals, paper, aviation, and ceramics.</p> <p><b>INCLUSION THRESHOLDS:</b> Energy consumption 10,000 tonnes of coal equivalent (tce)/year for any year between 2013-2016.</p> <p>In the future, the Fujian system may extend its coverage to smaller emitters, i.e., with energy consumption of 5,000 tce or more.</p>
Point of regulation	<p>Downstream.</p> <p>Both direct and indirect emissions are covered.</p>
Number of liable entities	<p>255 (2017)</p> <p>No information available yet.</p>
Cap	~200 MtCO <sub>2</sub> e (2017)

## Phases & Allocation

Trading period	<p>2016-2018*</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><b>Free Allocation:</b> Benchmarking is applied to electricity, cement, aluminum, and plate glass sectors.</p> <p>The other sectors are allocated allowances based on historical intensity. These entities can also apply for more allowances for early mitigation actions.</p> <p>Free allowances are also to be allocated to new entrants while they are only covered after 12 or 24 months of operation (depending on type of allocation methods).</p> <p><b>Auctioning:</b> Auctioning may take place where considered appropriate by the ETS authorities (see Market Stability Provisions below) and may be introduced as a method for allowance allocation over time; up to 10% of the total cap is reserved for market intervention.</p> <p>In order to increase market liquidity and price discovery, the Fujian DRC organized an auction in 2016 of discriminatory (non-uniform price) allowances. 50,000 allowances from the government reserve were auctioned, with the settlement prices ranging from CNY 26.50 (USD 4.01) to around CNY 30 (USD 4.53). To date, this is the only auction held in the province.</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 (CCERs) and Fujian Forestry Certified Emission Reduction (FFCER) are allowed. The use of CCER credits is limited to 5% of the annual compliance obligation, which is increased to 10% for companies that use both FFCER and CCER credits.</p>

	<p><b>QUALITATIVE LIMIT:</b> Eligible offsets will be restricted to those generated in Fujian province, from CO<sub>2</sub> or CH<sub>4</sub> projects. Hydropower-related credits are not eligible. FFCER projects, with three project types (afforestation, forest management, and bamboo management), need to start implementation after 16 February 2005 and the project developers need to have independent legal personality.</p>
Market Stability Provisions	<p><b>DRC Intervention, Reserves:</b> According to the (trial) “Implementation Rules of Emissions Trading Market Management in Fujian Province,” in case of market fluctuations (i.e., if the cumulative increase or decrease of allowance prices for 10 consecutive trading days reach a certain percentage), severe imbalances between supply and demand, or liquidity issues, the Fujian Economic and Information Center under the guidance of the Fujian DRC—in consultation with an advisory committee—can buy or sell allowances in order to stabilize the market. More specifically, high prices may trigger allowance auctions from government reserves through the Haixia Equity Exchange. Low prices may trigger authorities to buy allowances from the market through governmental funds.</p>

## Compliance

Compliance Period	One year
Monitoring, Reporting, Verification (MRV)	<p><b>REPORTING FREQUENCY:</b> Annual reporting of CO<sub>2</sub> 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. Special attention is also given to those only with mandatory reporting obligation while its reported emissions are close to 5,000 tCO<sub>2</sub>.</p> <p><b>FRAMEWORK:</b> The Fujian DRC and the Fujian Statistical Bureau have jointly released a guiding document on monitoring and reporting that includes a monitoring plan template, using national measuring and reporting guidelines. In addition, the Fujian DRC and the Fujian Quality and Technical Supervision Bureau also jointly released a measure for the administration of third-party verifiers, which specifies criteria for the verifiers and their staff.</p>
Enforcement	<p>Penalties for failing to submit an emissions or verification report on time, providing false information, or disturbing the verification process range from CNY 10,000 (USD 1,512) to CNY 30,000 (USD 4,535). Companies failing to surrender enough allowances to match their emissions are fined between one to three times the average market price of the past 12 months, with the maximum limit of CNY 30,000 (USD 4,535). Twice the amount of the missing allowances can be withdrawn from the account of the company or deducted from next year’s allocation. Penalties for the misconduct of trading entities and their staff, such as not publishing relevant trading information or leaking commercial secrets, could range from CNY 10,000 (USD 1,512) to CNY 30,000 (USD 4,535).</p>

## Linking

Links with other Systems	No information available yet.
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## Other Information

Institutions involved	<p>Fujian DRC (competent authority)—the responsibility is expected to be moved to the Fujian Ecology and Environment Bureau in the course of 2019;</p> <p>Fujian Huaxia Equity Exchange (trading platform);</p> <p>Fujian Economic and Information Center (registry, market management, and MRV administration)</p>
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Evaluation / ETS review	No information available yet.
Revenue	No information available yet.
Implementing Legislation	<a href="#">Implementation Plan of Emissions Trading Market Construction in Fujian Province</a> <a href="#">Interim Measures for the Management of Emissions Trading in Fujian Province</a> <a href="#">Fujian DRC – Allocation Plan for Vintage 2017</a>

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