

## China - Fujian pilot system

### General Information

<p>Summary</p>	<p><b>Status:</b> ETS in force</p> <p><b>Jurisdictions:</b> Fujian</p> <p>On 30 September 2016, the Fujian Province government released the “Interim Measures for the Management of Emissions Trading in Fujian Province” and the “Implementation Plan of Emissions Trading Market in Fujian Province”, to introduce the eighth regional ETS in China (besides the seven existing regional pilots already operating since 2013). The mandate for Fujian ETS came from the National Ecological Civilization Pilot Area (Fujian) Implementation Plan endorsed by the State Council in August 2016.</p> <p>Further regulatory rules and guidelines were released late in 2016 regarding GHG emissions reporting; carbon offset projects, market stability management, administration of the third-party verifiers and allowance allocation. This was followed by the first auction for vintage 2016 allowances on 15 December 2016 with the volume of 50,000 allowances.</p> <p>The Haixia Equity Exchange in Fujian was approved in July 2016 by the National Development and Reform Commission (NDRC) to be one of the nine dedicated trading platforms for trading China’s domestic project-based carbon offset credits.</p> <p>Given the prominence of the forestry sector in Fujian, its ETS pilot has a special focus on carbon sinks. On 25 May 2017, Fujian provincial government released a notice on its forestry emission reduction and trading piloting, outlining the types and targets of promoting forestry offsets projects in Fujian. By the end of 2017, each of the 20 selected counties is required to develop at least one project, altogether covering more than 500,000 acres of forests and producing more than one million tons of emission reduction; by 2020 to develop forestry projects covering two million Acres.</p> <p><a href="#">Implementation Plan of Emissions Trading Market Construction in Fujian Province (Chinese)</a>  <a href="#">Interim Measures for the Management of Emissions Trading in Fujian Province (Chinese)</a>  <a href="#">Fujian DRC - Allocation Plan for Vintage 2016 (Chinese)</a></p>
<p>Overall GHG emissions (excluding LULUCF)</p>	<p><b>Emissions:</b> 240 MtCO<sub>2e</sub> MtCO<sub>2e</sub> (2016)</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> (13th Five Year Plan): 19.5% reduction in carbon intensity compared to 2015 levels.</p>
<p>Type of ETS</p>	<p>Mandatory</p>
<p>Cap and trajectory</p>	<p><b>Type of Cap:</b> Absolute</p> <p>Around 200 MtCO<sub>2e</sub></p>

Carbon Price	<i>Current Allowance Price (per t/CO<sub>2</sub>e):</i> CNY 16.50 (USD 2.56) (secondary market price as of 16 January 2018)
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## ETS Size

Emissions covered by the ETS	0.60
GHG covered	CO <sub>2</sub>
Sectors covered and thresholds	Electricity, petrochemical, chemical, building materials, iron and steel, nonferrous metals, paper, aviation, and ceramics.  <b>Inclusion thresholds:</b> energy consumption 10,000 tons of coal equivalent (tce)/year for any year between 2013-2015
Number of liable entities	277 (2016)  No information available yet.
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 (30 June)
Trading period	One year (2016).  Fujian may also extend its coverage to smaller Emitters who would continue trading after the national ETS to be fully operational.  * 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	Allocation: Mainly free allocation on annual basis, with a view to introducing auctioning over time as appropriate. 10% of the total cap will be reserved for capacity extension and market intervention (when necessary). Free allowances to be allocated to new entrants.  In order to increase market liquidity and facilitate price discovery, on 15 December 2016, Fujian DRC organized a discriminatory (non-uniform price) allowance auction. The 50,000 allowances from the government reserve were auctioned, with the Settlement Prices ranging from CNY 26.5 (USD 3.9) to around CNY 30 (USD 4.4). No further auctions are currently planned.

## Flexibility

Banking and borrowing	Banking is allowed during the pilot phase. Borrowing is not allowed.
Offsets and credits	<b>Quantitative Limit:</b> Domestic project-based carbon offset credits — China Certified Emission Reduction (CCER) 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><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. Hydro power related credits are not eligible. FFCERs 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>
Provisions for price management	<p>Provisions for price management: 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 exceeds a certain percentage), severe imbalances between supply and demand, or liquidity issues, the Fujian Economic and Information Center under the guidance of the Fujian Development and Reform Commission (DRC) - in consultation with an advisory committee - can buy or sell allowances in order to stabilize the market. More specifically, when the price is too high, the Center may sell allowances from government reserves via auction through the Haixia Equity Exchange; and when the price is too low, the Center may buy allowances back using special funds from the government.</p>

## Compliance

Monitoring, Reporting, Verification (MRV)	<p><b>Reporting Frequency:</b> Annual reporting of CO<sub>2</sub> emissions before end of February and submission the verified report by end of April.</p> <p><b>Verification:</b> Third-party verification is required.</p> <p><b>Framework:</b> The Fujian DRC and 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 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 1,480) to CNY 30,000 (USD 4,439). 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 4,439). 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 info or leaking commercial secrets, could range from CNY 10,000 (USD 1,480) to CNY 30,000 (USD 4,439).</p>

## Other Information

Institutions involved	<p>Fujian DRC (Competent authority, hosting the Provincial ETS Coordination Group Office); Fujian Provincial Forestry Department (FFCER project management); Fujian Haixia Equity Exchange (Trading platform); Fujian Economic and Information Center (Registry, market management, MRV administration)</p>
Linkage with other schemes	No information available yet.

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