

China - Fujian pilot ETS

General Information

<p>Summary</p>	<p>Status: ETS in force</p> <p>Jurisdictions: Fujian</p> <p>Fujian launched its ETS in September 2016; it 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>In early 2019, the ETS-related responsibilities in Fujian completed the transition from DRC to the Ecology and Environment Bureau, as a result of the governance restructuring across China.</p> <p>The 2018 and 2019 allocation plan was released by the Fujian Provincial Department of Ecology and Environment in June 2019. It includes the same coverage threshold and number of entities as the previous year (255). Almost 50% of the regulated entities (109) are architectural ceramics companies.</p>
<p>Overall GHG emissions (excluding LULUCF)</p>	<p>Emissions: 240.0 MtCO₂e MtCO₂e (2014)</p>
<p>Overall GHG emissions by sector</p>	<p>No information available yet.</p>
<p>Overall GHG reduction target</p>	<p>BY 2020: 19.5% reduction in carbon intensity compared to 2015 levels</p>
<p>Carbon Price</p>	<p><i>Current Allowance Price (per t/CO₂e):</i> 16.25 CNY (USD 2.35) (updated prices available here)</p>

ETS Size

<p>Emissions covered by the ETS</p>	<p>0.60</p>
<p>GHG covered</p>	<p>CO₂</p>

Sectors covered and thresholds	<p>Electricity, petrochemical, chemical, building materials, iron and steel, nonferrous metals, paper, aviation, and ceramics.</p> <p>INCLUSION THRESHOLDS: Energy consumption 10,000 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., those 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 (2018)</p> <p>No information available yet.</p>
Cap	<p>~200 MtCO₂ (2017)</p>

Phases & Allocation

Trading period	<p>2016-2019*</p> <p>*In the short term, the existing Chinese regional carbon markets are expected to operate in parallel with 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>Free Allocation: 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>A pre-allocation method is adopted for allowance allocation. At first, entities will receive 70% of the allowances, which are calculated based on their production levels in 2018. Allocation will be adjusted ex post to reflect the actual production in 2019.</p> <p>Auctioning: 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 a discriminatory (nonuniform price) auction of 50,000 allowances in 2016. 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>QUANTITATIVE LIMIT: Domestic project-based carbon offset credits (CCERs) and Fujian Forestry Certified Emission Reduction credits (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>QUALITATIVE LIMIT: Eligible offsets will be restricted to those generated in Fujian province, from CO₂ or CH₄ 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>Intervention, Reserves: 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>REPORTING FREQUENCY: Annual reporting of CO₂ emissions.</p> <p>VERIFICATION: 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 their reported emissions are close to 5,000 tCO₂.</p> <p>FRAMEWORK: 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 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 a 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	Fujian Provincial Department of Ecology and Environment (competent authority); Fujian Haixia Equity Exchange (trading platform); Fujian Economic and Information Center (registry, market management, and MRV administration)
Evaluation / ETS review	No information available yet.
Revenue	No information available yet.

Implementing Legislation	Implementation Plan of Emissions Trading Market Construction in Fujian Province Interim Measures for the Management of Emissions Trading in Fujian Province Fujian Provincial Department of Ecology and Environment—Allocation Plan for Vintage 2018 and 2019 (Chinese)
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