International Carbon Action Partnership

Taiwan, China

General Information

ETS Description

Taiwan, China, enacted the “GHG Reduction and Management Act” (the Act) in 2015, which legislates a 50% reduction in emissions by 2050 compared to 2005 levels. It also mandates regulatory mitigation goals to be set in stages. The Act further stipulates that the Taiwanese Environmental Protection Administration (TEPA) will implement a domestic cap-and-trade scheme. This is further referred to in the “Climate Change Action Guideline 2017”.

The Act also mandated TEPA to develop a “GHG Reduction Action Plan”, which was published in 2018. This plan outlines implement strategies for mitigation policies; it includes five-year regulatory goals for national and sectoral GHG emissions and eight policy implementation packages. The plan also proposes to implement a cap-and-trade system, calculate baseline emissions, and establish regulations – though without a precise timeline. On this basis, the central industry competent authorities of the energy, manufacturing, transport, residential and commercial buildings, agricultural, and environment sectors approved the “GHG Emissions Control Action Programs” the same year.

Subsidiary regulations are also in place. Mandatory emissions reporting for entities with annual emissions above 25,000 tCO_2e from certain sectors has been in place since 2014. The “2018 Regulations Governing GHG Offset Program Management” allows enterprises to acquire carbon offset credits.

TEPA has been revising the Act since early 2021. In July 2021, it established a new internal climate change office to accelerate the relevant legal amendments. In October 2021, the draft amendment of the Act was published for public consultation and renamed the “Climate Change Response Act”. It proposed a new carbon fee for domestic emissions, covering both direct and indirect emissions, with revenues to be used to support domestic climate mitigation and adaptation. The carbon fee would allow the use of domestic offset credits. In response to international developments on carbon border adjustment mechanisms to avoid carbon leakage, it would also propose levying carbon fees on imported products with high carbon content.

The “Climate Change Response Act” was submitted to the Legislative Yuan in April 2022 for further review and finalization. Details of the carbon fee and ETS will be set out in regulations. Regulatory discussions are pending on design and implementation of both instruments, and on how the carbon fee could be transitioned to the ETS in the future or work together as a complementary mechanism.

ETS Status

under consideration

Jurisdictions

Taiwan, Province of China

Year in Review

The “Climate Change Response Act” passed the third reading in the Legislative Yuan in January 2023 and went into force in February.

In August, Taiwan upgraded the TEPA to a full-scale Ministry of Environment (MOE), which in turn established a new Climate Change Administration (CCA) to lead – in consultation with other relevant central competent authorities – on climate policy design and implementation, including the carbon fee and ETS. The MOE also announced that 512 companies that emit more than 25,000 tCO2e a year will be subject to the carbon fee from 2025, based on verification of their total emissions for 2024. The carbon fee rates will be determined by the Rate Review Committee based on factors such as the current state of GHG reduction in Taiwan, types of emission sources, categories of GHG emissions, emission scale, voluntary reduction efforts and reduction effectiveness. International carbon pricing implementation and Taiwan's industrial competitiveness will also be considered. The rates will be discussed and decided by the committee in the first quarter of 2024.

In August, the Taiwan Carbon Solution Exchange (TCX) was set up with a focus first on consultation and capacity building. High quality international offsets are expected to be available by early 2024 for voluntary purposes, and trading of domestic offsets to meet mandatory requirements will start after regulations are set by the CCA.

In September, the MOE published a set of management rules, which came into force in January 2024, for GHG inventories to expand its third-party emissions accreditation and verification capacity.

In October, the CCA announced two new regulations. The first sets out that entities emitting less than 25,000 tCO2e (and therefore not subject to the carbon fee) will be eligible to develop voluntary carbon emission reduction projects that follow internationally-accepted MRV guidance. The second establishes that entities setting up new facilities emitting more than 25,000 tCO2e a year, plus development or high-rise construction projects, will be required to offset 10% of the annual increase in GHGs for ten consecutive years. These entities can either buy carbon credits from voluntary projects or implement other carbon reduction activities, e.g., replacing fuel-run motorcycles or agricultural machines with electric ones or using high-efficiency air conditioning.

In December, the CCA published two draft regulations on the establishment of the carbon fee review committee and establishing the carbon fee. The draft regulations are currently undergoing public consultation. The cap for the use of international offset is set at 5%, using Singapore's carbon tax as a reference.

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO2e)

293 (2021)

GHG reduction targets

By 2025: 10% below 2005 GHG levels (Executive Yuan)

By 2030: Around 24% reduction in GHGs from 2005 levels (MOE)

By 2050: Net-zero emissions (Climate Change Response Act)

Flexibility & Linking

Offset credits

The Climate Change Response Act stipulates that domestic early action and offset credits will be allowed to meet carbon fee and ETS obligations. The MOE, in consultation with relevant central competent authorities, will also recognize international offset credits with the standards and cap to be decided later.

Links with other Systems

The Climate Change Response Act includes a stipulation that the ETS can be implemented in conjunction with foreign governments and international agreements.

Compliance

Monitoring, Reporting, Verification (MRV)

REPORTING FREQUENCY: Annual reporting of GHGs (CO_2, CH_4, N_2O, SF_6, NF_3, PFCs and HFCs) for entities from certain sectors (power, steel, petrochemicals, cement, and manufacturing of semiconductors and flat panel displays) with annual emissions greater than 25,000 tCO_2e. Currently, 297 entities are covered by the mandatory reporting scheme.

VERIFICATION: Third-party verification is required.

FRAMEWORK: GHG reporting under the "Air Pollution Control Act" was on a voluntary basis from 2004 and became mandatory in 2014. Then the reporting was further required by the Act after it was enacted in 2015.

Other Information

Institutions involved

Ministry of Environment (MOE): Responsible for establishing regulations for the carbon fee and ETS.

Ministry of Economic Affairs: Central authority to be consulted by TEPA for regulations on ETS, in particular for allocation, leakage and international credits.

Financial Supervisory Commission: Responsible for setting up a carbon exchange, and to be consulted by TEPA for regulations on trading of credits.

Regulatory Framework

Climate Change Response Act (2023)

Regulations Governing GHG Certification and Verification Institutions (2023)

Measures on GHG voluntary emission reduction project management (2023)

Measures on GHG emission increase offset management (2023)

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