



Changes of China's national ETS

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Changes

New sectors ----- Steel, cement and aluminum smelting

New gases ----- CO₂, CF₄, C₂F₆

New CCER methodologies

New allowance method for power sector

- The total amount and allocation plan of national carbon emission trading allowances for the power generation industry in 2023 and 2024, announced in June 2025.

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New allowance method for power sector

1. No more indirect emissions
2. New allowance calculation method
3. Benchmark updated
4. New banking rules
5. New borrowing rules
6. New pre-allocation baseline
7. New compliance period

1. No more indirect emissions

- The annual indirect emissions of power generation enterprises are less than 5 million tons, accounting for less than 0.1% of the total emissions in the industry.
- For the power generation industry, considering indirect emissions into allowance management has a limited effect on emission reduction, but it significantly increases the workload of reporting, accounting, verification and regulatory costs.
- Therefore, the indirect carbon dioxide emissions generated from electricity is not considered.

2. Allowance calculation method (2023-2024)

✓ Peak shaving correction factor for conventional coal-fired unit

The load (output) coefficient	Correction factor
$F < 65\%$	$1.015^{(16-26F)}$

✓ Peak shaving correction factor for others: 1





$$\text{Allowances} = \underbrace{\text{Power generation capacity} \times \text{Benchmark of power}}_{\text{Allowances for power generation}} \times \text{Peak shaving correction factor} + \underbrace{\text{Heat supply} \times \text{Benchmark of heat supply}}_{\text{Allowances for heat supply}}$$

1. Calculation basis: power supply capacity is changed to power generation capacity
2. Cancel the correction factors for cooling method
3. Cancel the correction factors for the heat supply
4. The load (output) coefficient correction factor of the unit is adjusted to the peak shaving correction, and the applicable scope is modified

3. Benchmark (2023-2024)

	Type of unit	Benchmark of power (tCO ₂ /MWh)			Benchmark of heat supply (tCO ₂ /GJ)		
		2023 Balanced value	2023 Benchmark	2024 Benchmark	2023 Balanced value	2023 Benchmark	2024 Benchmark
1	Conventional coal-fired unit >300MW	0.7982	0.7950	0.7910	0.1041	0.1038	0.1033
2	Conventional coal-fired unit ≤300MW	0.8155	0.8090	0.8049			
3	Non-conventional coal-fired unit using coal gangue, coal slime, coal water slurry	0.8352	0.8285	0.8244			
4	Gas-fired unit	0.3239	0.3305	0.3288	0.0525	0.0536	0.0533


-0.5%

-0.5%

4. New banking rules(2023-2024)

- ✓ Object
 - ✓ Allowances in 2019—2024.
- ✓ Requirements
 - ✓ Key emission units that fail to fulfill their compliance obligations in 2023 or 2024 as required are not allowed to submit applications for allowances banking
- ✓ Formula
 - The maximum banking quantity= 10000tCO₂ + Net selling allowances X 1.5**
- ✓ Banking volume: Not exceeding the allowance open position volume as of 23:59 on December 31, 2025
- ✓ Net selling allowances: From January 1, 2024 to December 31, 2025, the selling volume of the 2019-2024 allowances minus the buying volume of the 2019-2024 allowances.
- ✓ Special cases
 - ✓ If an enterprise is unable to bank the allowances due to judicial freezing, it may submit an application for allowances banking after the relevant allowances are unfrozen.

5. New borrowing rules

□ 2019-2020

- ✓ None

□ 2021-2022

- ✓ Some key emission units with a **10%** allowance gap or more may borrow allowances from 2023, with the borrowing amount not exceeding **50%** of the allowance gap.

□ 2023-2024

- ✓ **Could not borrow** from following years in 2023 and 2024
- ✓ Allowances in 2024 **cannot** be used for compliance of 2023 and previous years

6. New pre-allocation baseline

2019-2020

- Both are 70% of the power (heat) supply in 2018.

2021-2022

- Both are 70% of the verified emissions in 2021.

2023-2024

- 70% of the verified emissions in **the previous year**.

7. New compliance period

The first two performance cycles were both carried out at the same time **every two performance years**.

- ✓ which led to the problem of inactive daily trading but a rush of trading before the performance deadline
- ✓ which was not conducive to the stable and healthy development of the market.

This “New Plan” sets the compliance deadlines for 2023 and 2024 as the end of 2024 and 2025 respectively, achieving compliance **once a year**



Thanks!