

Prospects on Guangdong ETS

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Introduction of the Guangdong ETS



Basic elements and emission reduction effects of the Guangdong ETS

Basic elements



Covered Sectors

Power, cement, steel, petrochemical, paper making, civil aviation



Threshold

Annual emission of 20,000 tons (or energy consumption of 10,000 tons of standard coal equivalent)



Number of Covered Enterprises

242 (2019)



Covered Emissions

About 65% of Guangdong Province's total emission



Cap

About 450 million tons, ranking the 3rd in the world (after the EU-ETS and the Korean ETS)



Performance

Completed 6 compliance periods to date, with 100% compliance rate in most years

Emission reduction effects

----- Promote mitigation actions -----

More than 80% of covered enterprises have implemented energy saving and carbon reduction measures.

More than 58% of covered enterprises have achieved reduction in carbon intensity.

Emission amount and intensity declined

The six covered industries have achieved a decline in carbon emissions compared to the start of the GD-ETS.

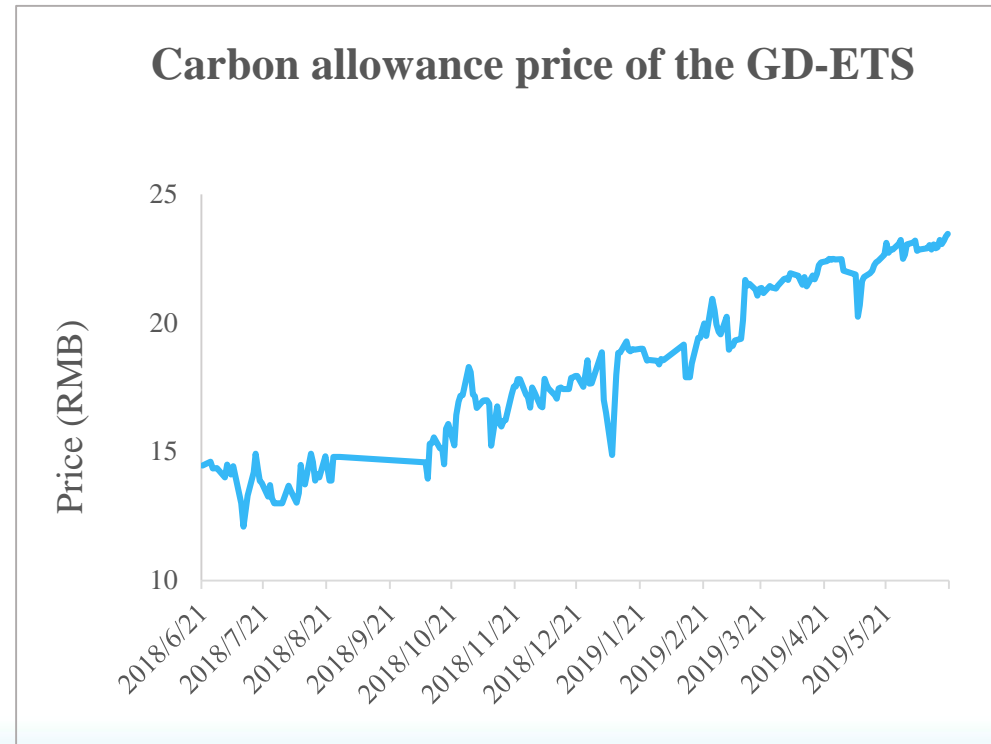
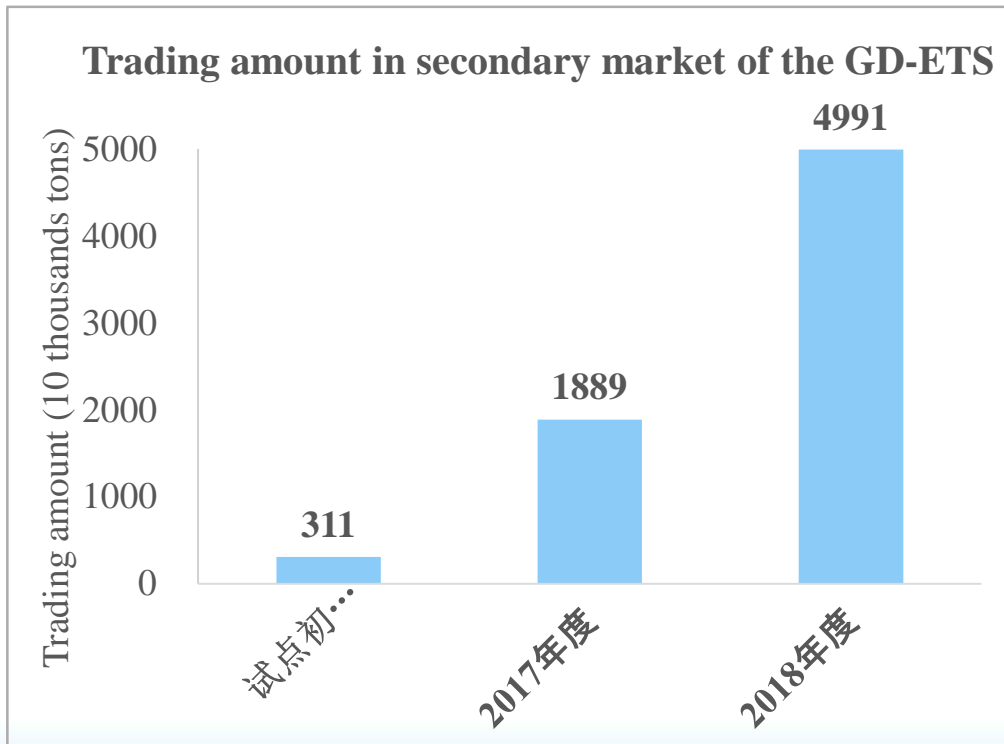
Carbon emission intensity of the products of compliance enterprises have been reduced.

Introduction of the Guangdong ETS



The Guangdong ETS remains active, with both trading amount and turnover climbing

- Up to October 9th, 2020, the cumulative trading amount of the GD-ETS was 160 million tons, and the trading turnover exceeded 3,238 million RMB (483 million USD), ranking first in the regional carbon markets in China.
- The cumulative trading amount of auctioning was 17.6 million tons (815 million RMB, i.e., 121 million USD)
- Both transaction volume and transaction price have been rising.



»» Understanding on designing an ETS



ETS is an effective policy instrument for emissions reduction

- Theoretically, a mature ETS guides the efficient allocation of "the right to pollute" by forming transparent, predictable and true price signals
- ETS pilots in China have achieved differing levels of emission reduction



Short-term and long-term goals should be combined during the process of ETS design

- Stepwise improvements in data monitoring, awareness and consensus of government and enterprise, regulations
- The short-term goal is to initiate a basic ETS and gradually improve the mechanism, as well as achieving emissions reduction.
- The long-term goal is to reflect the carbon price (i.e. the external cost of carbon emissions).
- Therefore, the ETS is developed based on a roadmap of gradual improvement, such as ratcheting down the benchmarks for allowance allocation

»» Prospects on Guangdong ETS



The significance of Guangdong ETS continuing to operate after the launch of national ETS

- Further explore allocation methods, carbon management, carbon finance and carbon linkage for the national ETS.
- Facilitate Guangdong province to achieve tough goals on carbon intensity reduction, carbon peaking and carbon neutral.
- Promote institutional reform on carbon reduction based on the unique tradition of the reform and opening-up policy in Guangdong-Hong Kong-Macau Greater Bay Area

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Steps for development of Guangdong ETS

1. Strengthen and enhance the original Guangdong ETS based on stepwise goals
2. Expand the covered sectors of Guangdong ETS
3. Consider carbon linkage with Hong Kong, Macau or the European Union ETS