China’s Hubei plans July ETS launch

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London, 1 May (Argus) — The central Chinese province of Hubei plans to launch its pilot emissions trading scheme (ETS) in July, Brussels director of the Centre for Clean Air Policy Tomas Wyns told *Argus*.

“The draft measures have been approved and now they are planning to move into final approval at the company level. This should happen in May, so they can start the system in July,” Wyns, who has recently returned from advising the Hubei government on its ETS implementation, said.

The Hubei pilot will cover 153 companies in heavy industries, including steel, chemicals and cement, accounting for more than 40pc of the province's CO_2 emissions, Wyns said. This initial phase of operation will include grandfathering provisions, allowing distribution of allowances at no cost. The system will also contain a price management mechanism to mitigate the effects of over or under-supply, he said.

China's economic planning agency the NDRC announced plans in November 2011 to set up seven pilot emissions trading programmes in Hubei and Guangdong provinces, Beijing, Shanghai, Tianjin and Chongqing municipalities, and the Shenzhen special economic zone. Shenzhen is the only region that has so far announced a precise start date for its scheme, on 17 June.

But the Hubei and Shenzhen pilots may be joined by schemes in Guangdong and Beijing soon after, Wyns said. Pilots in different regions will look significantly different in terms of sectorial make-up, with the Beijing pilot focusing more heavily on emissions reductions in buildings than those in the more industrial regions of Guangdong and Hubei. New offset allowances, so-called Chinese certified emissions reduction (CCER) units, will be eligible for use across all pilots.

The pilots will form part of the learning process for a national ETS, which is being designed even as regional authorities finalise the different pilots. It is possible that the national ETS will be included in China's 2016-20 five-year plan, Wyns said. “Since it takes a while for legislation to be approved at the national level, they do not want to miss the boat to have it ready by the next five-year plan.”

The central government is “already starting to look at design of a national registry and national MRV [monitoring, recording and verification] rules”, Wyns said.

The national scheme is likely to leave “a significant amount of liberty” for provinces in the implementation process, Wyns said, noting that regional authorities may retain responsibility for allocation of allowances as in the EU ETS.

The NDRC in March submitted a proposal to the World Bank's Partnership for Market Readiness (PMR) for a national ETS. The PMR is an initiative aimed at helping developing countries put in place market instruments to mitigate greenhouse gas emissions.

The report sets timetables for preliminary analysis of China's CO_2 market readiness, which will include assessments on how caps should be set and the sectors to be covered under the scheme. The existing timetables conclude no earlier than 2015, and the report sets no date for the implementation of the national scheme.

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