Shanghai

in force

In July 2012, Shanghai was the second city, after Beijing, to announce its implementation plan for a pilot system confirming its 2013–2015 trading period. The scheme started on Nov. 26, 2013. It covers about 200 companies annually emitting over 100 $MtCO_2$ in total from the following industrial industries: iron and steel, petrochemicals, non-ferrous metal, chemicals, electricity, building materials, textiles, pulp and paper, rubber and chemical fibers; and the following non-industrial industries: aviation, ports, airports, railways and commercial buildings.

GENERAL INFORMATION

OVERALL GREENHOUSE GAS EMISSIONS 250 $MTCO_2E$ (2010)

OVERALL GHG REDUCTION TARGET By 2015: –19% in carbon intensity and –18% in energy intensity, based on 2010 levels (12th Five Year Plan)

ETS SIZE

EMISSIONS COVERAGE

COVERED	NOT COVERED
60%	40%

GHG COVERED CO_2

SECTORS Companies producing electricity, iron and steel, petrochemicals, non-ferrous metals, chemicals, building materials, textiles, pulp and paper, rubber, and chemical fiber and that emitted more than 20,000 t CO_2/year in 2010/2011 are included in the scheme. Airlines, ports, airports, railways, commercial, hotels and financial sector buildings that emitted more than 10,000 t CO_2/year in 2010/2011 also fall within the scope of the scheme. Plants and factories that start operation after the ETS launch are not covered in the pilot phase.

NUMBER OF ENTITIES PILOT SYSTEM: about 200 companies Mandatory reporting of emissions: about 600–800 companies.

POINT OF REGULATION The power sector as well as other sectors that use electricity are included in the scheme. Electricity prices are regulated in China, and therefore a scheme based on direct emissions alone would not induce a pass through of carbon costs into the electricity price, and therefore would not incentivize demand-side management of electricity. The system thereforecovers the power sector upstream and also including other sectors downstream including both direct and indirect electricity.

PHASES AND ALLOCATION

COMPLIANCE PERIOD One year

TRADING PERIOD Three years (2013–2015)

ALLOCATION One-off free allocation for 2013–2015 based on 2009–2011 emissions considering company growth. Benchmarking will be used for the energy setor, airlines, ports and airports. Auctioning will be considered.

FLEXIBILITY

BANKING AND BORROWING Banking is allowed within the pilot phase. Borrowing is not allowed.

OFFSETS AND CREDITS Domestic project-based carbon offset credits—China Certified Emission Reduction (CCER)—are allowed. The use of CCER credits shall be limited to 5% of the annual allocation.

PRICE MANAGEMENT PROVISIONS The Shanghai government will hold some of the allowances for market stabilization purposes, e.g. to buy/sell allowances in case of market fluctuation.

COMPLIANCE

MRV PROVISIONS Annual reporting of GHG emissions. Third-party verification is required. A provisional guideline for monitoring and reporting of GHG-emissions was published on Dec. 11, 2012, and entered into force on Jan. 1, 2013. Additionally, nine sector-specific guidance documents were released. No further details are available at the time of writing.

ENFORCEMENT Penalties for non-compliance range from 50,000–100,000 CNY (about 6,000–12,000 EUR).

OTHER INFORMATION

INSTITUTIONS INVOLVED Shanghai DRC as the main government entity coordinating the ETS development. Other institutions include the Shanghai Environment and Energy Exchange, Shanghai Carbon Accounting Center, Shanghai Information Center and the Law Research Institute of Shanghai People's Congress.