

Guangdong ETS

Coverage

<u>GHG:</u>	CO2
<u>Scope:</u>	296 enterprises (2017)
<u>Sectors:</u>	Power, iron and steel, cement, paper-making, aviation and petrochemicals
<u>Threshold:</u>	Over 20,000t CO2/year or 10.000 tce/year energy consumption

Allowance Allocation

The allowances are distributed through a combination of free allocation and auctioning but the process of allocation depends on the industry. Benchmarking is applied for coal or gas fired electricity generators (including heating, combined heat and power), aviation, cement, paper and steel. Other industries' allowances are mostly allocated through grandfathering, with the possibility to include an additional reduction factor.

Market Stabilization Instruments

In auctions there used to be a floor price. Since 2016, the so-called policy reserve price is used that serves as an effective price floor.

Compliance

Timeframe for compliance: Annual

Fine for non-compliance: Companies failing to surrender enough allowances will be deducted twice the amount of allowances from the following year's allocation and are fined CNY 50,000.

2020 Reduction Target

20.5%
CO2 intensity (vs. 2015)

Emission Coverage

>60%
of gross emissions

Compliance Rate

100%
(2016)

Launch Date

**19 December
2013**

Other fines: Penalties for failing to submit emissions or verification reports on time range from CNY 10,000 to CNY 50,000.

Offsets

Only Chinese-project based China Certified Emission Reduction offsets (CCER) from certain project types are eligible to offset up to 10% of emissions. At least 50% of the surrendered CCERs must come from CO2 or CH4 reduction projects and at least 70% from projects in the Guangdong province.

