

Shenzhen ETS

Coverage

<u>GHG:</u>	CO2
<u>Scope:</u>	824 enterprises (2016)
<u>Sectors:</u>	Power, water, gas, manufacturing, buildings, and transportation (port, subway, buses)
<u>Threshold:</u>	Over 3.000t CO2/year for enterprises, different thresholds for buildings

Allowance Allocation

Free allocation is based on different methodologies. Benchmarking based on sectoral historical carbon intensity is used for the water, power and gas sectors and grandfathering for other sectors, mainly transportation. The final number might be updated based on actual output.

A small share can be auctioned.

Market Stabilization Instruments

The Shenzhen government is able to sell extra allowances from a reserve at a fixed price. These allowances are intended for compliance only and cannot be traded. Up to 10% of the allocation can be bought back.

Compliance

Timeframe for compliance: Annual

Fine for Non-Compliance: If a company fails to surrender enough allowances, fines three times the average market price of the past six months will be imposed. The missing allowances can be withdrawn from the account of the company or deducted from next year's allocation.

2020 Reduction Target

45%

CO2 intensity (vs. 2005)

Emission Coverage

>40%

of gross emissions

Compliance Rate

99%

(2016)

Launch Date

18 June

2013

Other fines: If false information is being provided, a penalty of three times the average price of the past six months can be imposed for the difference between reported and actual emissions. Disturbing the market order can lead to fines of up to CNY 100,000.

Offsets

Only Chinese project-based carbon offsets (CCERs) are allowed to offset up to 10% of emissions. Credits from hydro projects are not allowed and there are further geographic restrictions.

