



Guangdong ETS

Highlights

- Guangdong is the first pilot region that conducted the auction of allowances and it is mandatory participation for obliged enterprises.
- Guangdong has developed the forestry carbon sink methodology that only applies within the province and the related regulations are approved by the provincial government. This is very special in China.

Legislation

The “Guangdong Carbon Emission Managerial Rules (Trial)” were approved by the government on 17 December 2013. They were issued on 15 January and became effective on 1 March 2014.

Included sectors

Guangdong DRC announced that 827 enterprises are under the emissions control, of which 246 enterprises (202 enterprises and 44 new entrants) are obliged to participate in the ETS. The remaining 581 enterprises are expected to be potential participants of Guangdong’s ETS in the future. The included enterprises are the following:

- Industrial enterprises with emissions exceeding 10,000 tons/year;
- Public institutions and buildings, e.g. hotel, financial, commercial, governmental institutions, libraries and museums, whose emissions exceed 5,000 tons per year.

ER Target in 2015	19.5% of CO2 intensity reduction compared to 2010
Emission coverage	More than 50% of Guangdong’s gross emissions
Launch date	19 December 2013
Reporting required enterprises	Industrial enterprises whose carbon emissions are between 5,000 and 10,000 tons/year are required to report their carbon emissions.

Allowance Allocation

According to the “Guangdong allowance allocation work plan”, 97% of the allowances will be freely allocated to enterprises and 3% will be auctioned in 2013 and 2014. In 2015, the proportion of auction will rise to 10%. It is expected that the proportion of the allowances auctioned will continuously increase after 2015. Enterprises will not receive free allowances if they do not purchase 3% of their allowances through auctions.

Guangdong has adopted both the benchmarking and the grandfathering methods for its allowances allocation.

- The benchmarking method applies to some pilot industrial processes in electric power, cement and iron sectors;
- The grandfathering method applies to the petrol & chemical sector as well as the rest of industrial processes in electric power, cement and iron sectors.

Offsetting

Guangdong ETS accepts both CCER and Guangdong-CER that will mainly be generated by forestry projects in its territory. Guangdong government has issued the “Guangdong province voluntary emissions reduction filing and operation managerial rules” for forestry and other types of projects. The “Guangdong province carbon trading managerial rules” have also confirmed the acceptance of CCER generated by forestry projects in its territory.





Capacity Building for the Establishment of Emissions Trading Schemes in China

It is believed that Guangdong is very active on the development of an offsetting mechanism. Apart from the above, the forestry carbon sequestration GHG accounting methodology has now been developed on the national level and issued among the second batch of approved methodologies by NDRC. The forestry methodology in Guangdong is likely to be gradually replaced by the national standard before the national ETS being in place.

Non-compliance

According to clause 37 of the “Guangdong province carbon trading managerial rules”, the punishment of non-compliance is 50,000 CNY.

In addition to the monetary punishment, non-compliant enterprises will receive a reduced amount of allowances in the next year. The reduction is double the amount of excessive emissions in the current year.

