

Hubei ETS

Coverage

<u>GHG:</u>	CO2
<u>Scope:</u>	344 enterprises (2017)
<u>Sectors:</u>	Power and heat supply, iron and steel, non-ferrous metals, petrochemicals, chemicals, chemical fiber, cement, glass and other building materials, pulp and paper, ceramics, automobile and general equipment manufacturing, food, beverage and medicine producers
<u>Threshold:</u>	Over 10.000 tce/year energy consumption in 2014-2016

Allowance Allocation

Allocation is free and based on benchmarks for power, heat, co-generation and most of the cement sector and historical carbon intensity is used for glass and other building material, pulp and paper, and ceramics. For all other sectors, grandfathering is used based on the emissions from the previous three years.

Ex-post allocation adjustments are possible.

Market Stabilization Instruments

8% of the total cap is kept as government reserve that the local government can sell in case of market imbalances after a consultation of an advisory committee. The commission is also able to buy back allowances. Furthermore, the price difference between two days is limited to between -10% and +10%.

2020 Reduction Target

19.5%
CO2 intensity (vs. 2015)

Emission Coverage

>35%
of gross emissions

Compliance Rate

n.a.

Launch Date

**02 April
2014**

Compliance

Timeframe for compliance: Annual

Fine for non-compliance: Companies failing to surrender enough allowances will be deducted twice the amount of allowances from next year's allocation and have to pay a fine amounting to one to three times the average market price for each allowance. The maximum is CNY 150,000.

Other fines: Failing to submit an emissions or verification report on time leads to a fine of CNY 10,000 to CNY 30,000, while market manipulation is fined with up to CNY 150,000.

Offsets

Only Chinese project-based carbon offsets (CCERs) from 2015 can be used for the offset of up to 10% of emissions. They have to be generated from rural biogas and forestry projects located in poor areas of Hubei.

