China’s ETS – Regional and International Implications

Jackson Ewing
Duke Nicholas Institute for Environmental Policy Solutions and Sanford School of Public Policy
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China’s ETS in Context

- Economic transition
- Pollution abatement
- Wealth transfer
- Other tools
- Reputational gain?
- Cooperative opportunity?

**Xi’s China Green Dream**

Mentions of the environment in party congress speeches growing vs. the economy

- Environment
- Economy

Note: Environmental references include ‘environment,’ ‘environmental protection,’ ‘green,’ and ‘ecosystem.’

Source: Bloomberg Intelligence
Leakage, Trade, and Competitiveness

• China’s carbon export surplus
• Assuaging leakage and competitiveness concerns
• TPS and leakage reduction
• TPS and product prices
• Subcategorization and export subsidy
International Reporting

- MRV confidence
- Operational effectiveness
- Double counting and vintage
- Article 6’s fledgling implementation
- Climate mitigation norms and policies
Northeast Asia – Future Partners?

• Japan’s poor emissions-reduction options
• Korea’s 11.3% international play
• Hurdles
• Pathways
• Timing
The Asia-Pacific Watches

• Spreading interest
• Climate justice voices and middle income
• Offset selling
• Lessons to take?
  • Eg: the Grandfathering problem
• Energy intensive exports to China

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International Firms

• Strict restrictions on speculation – no intermediaries, spot only
• Non-resident bank accounts (NRAs)
• Future coverage expansion = new opportunities for creative accounting
US-China relations and markets beyond Asia

- EU, Pacific Alliance, US Subnationals
- Impacts of moribund US-China partnership
  - Positive
  - Negative
  - Negligible
Ongoing Questions

• What will China’s appetite be for international cooperation and linkage with the national ETS? Along what timeframe?

• Will it gradually loosen financial product restrictions and open up more to foreign traders?

• Will the ETS launch bolster or help originate other markets in Asia and beyond?

• How involved and effective will China be in shaping international market policies at the UNFCCC?