

# China's ETS – Regional and International Implications

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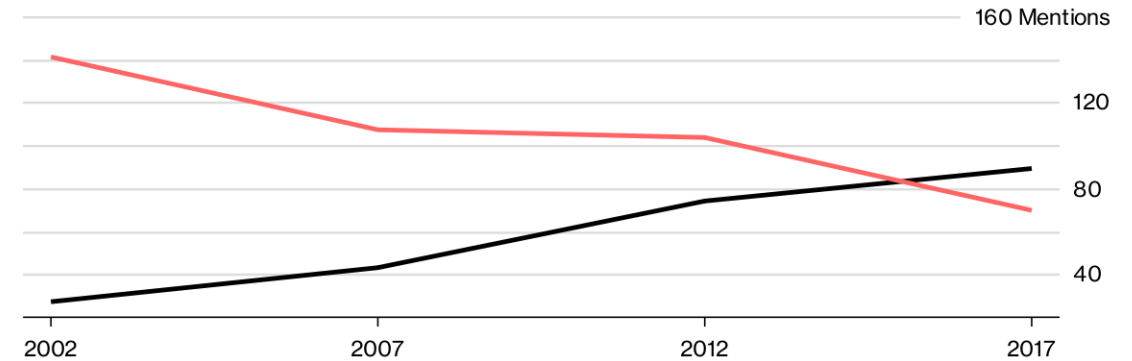
# China's ETS in Context

- 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



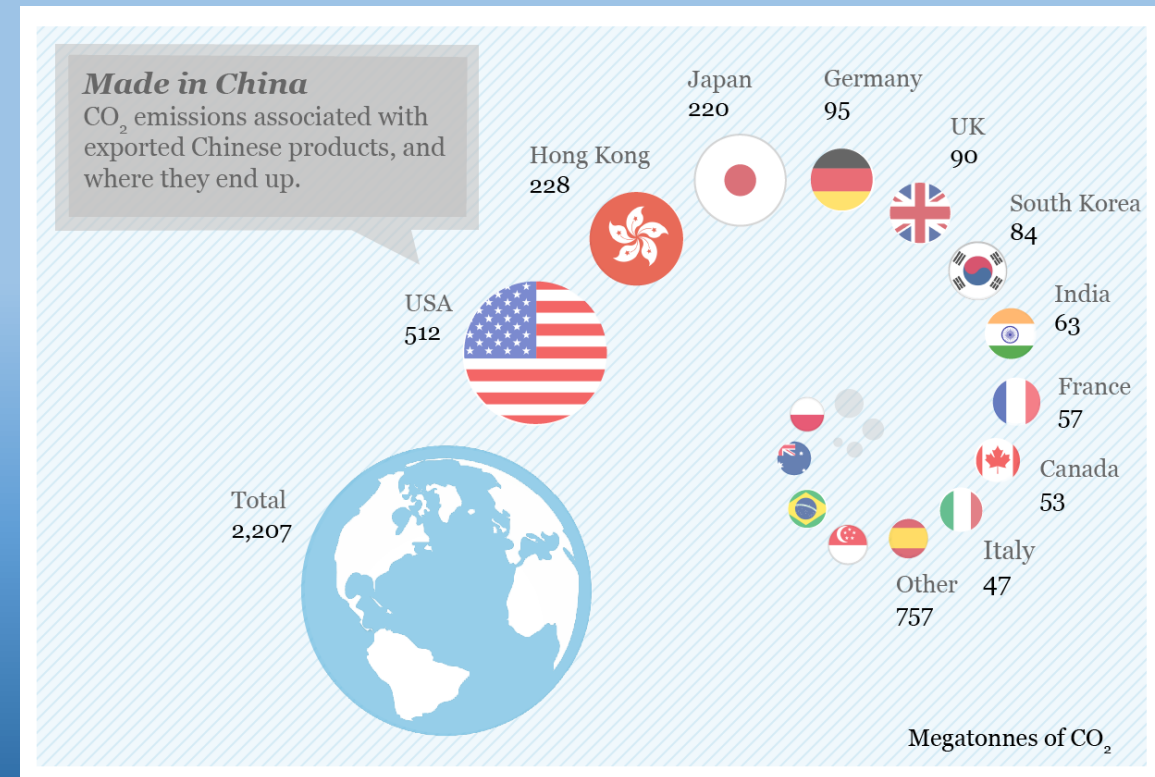
Note: Environmental references include 'environment,' 'environmental protection,' 'green,' and 'ecosystem.'

Source: Bloomberg Intelligence

**Bloomberg**

# 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



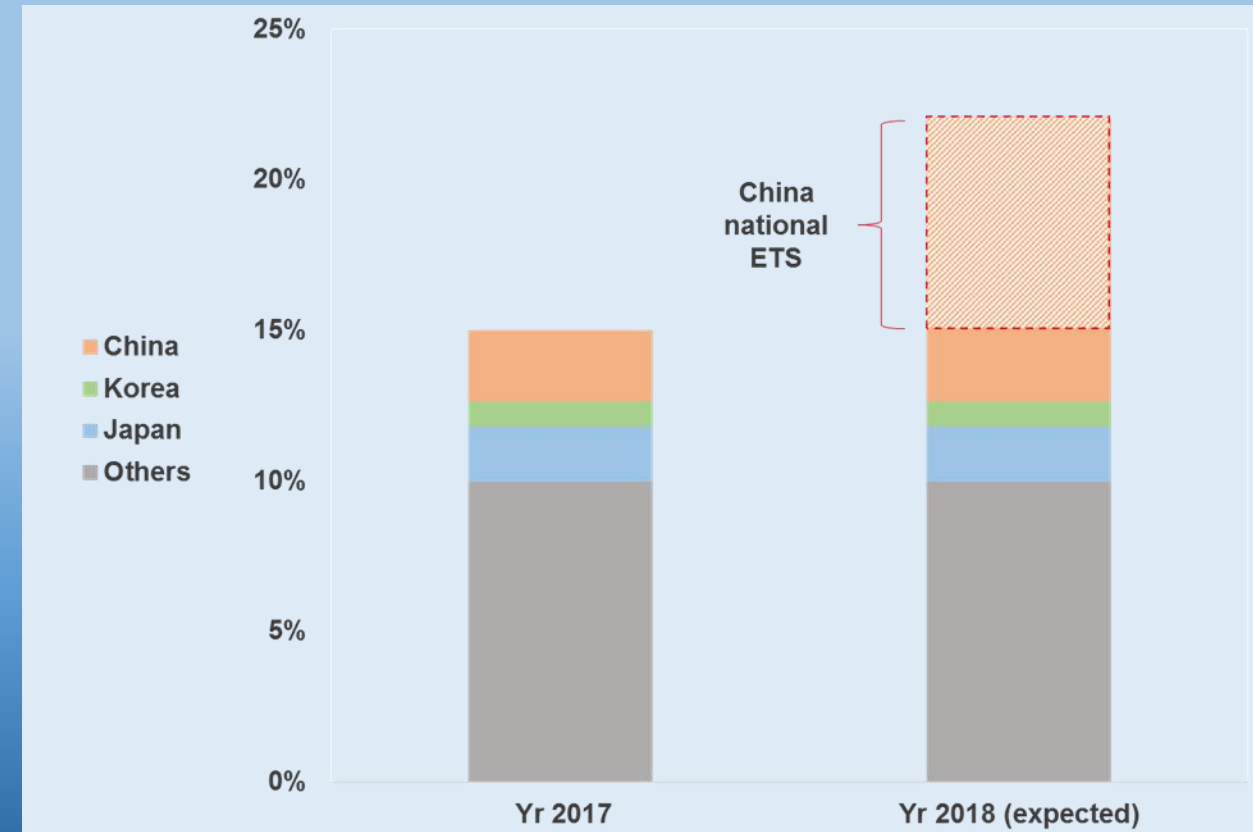
# International Reporting

- MRV confidence
- Operational effectiveness
- Double counting and vintage
- Article 6's fledgling implementation
- Climate mitigation norms and policies



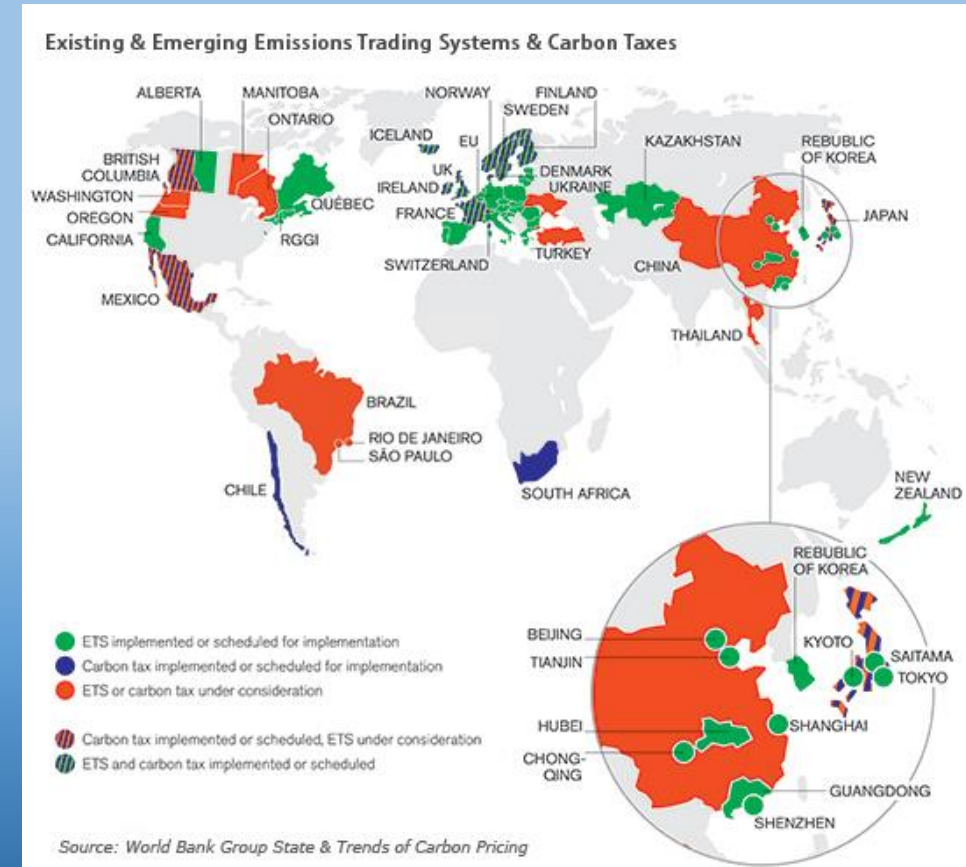
# Northeast Asia – Future Partners?

- 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



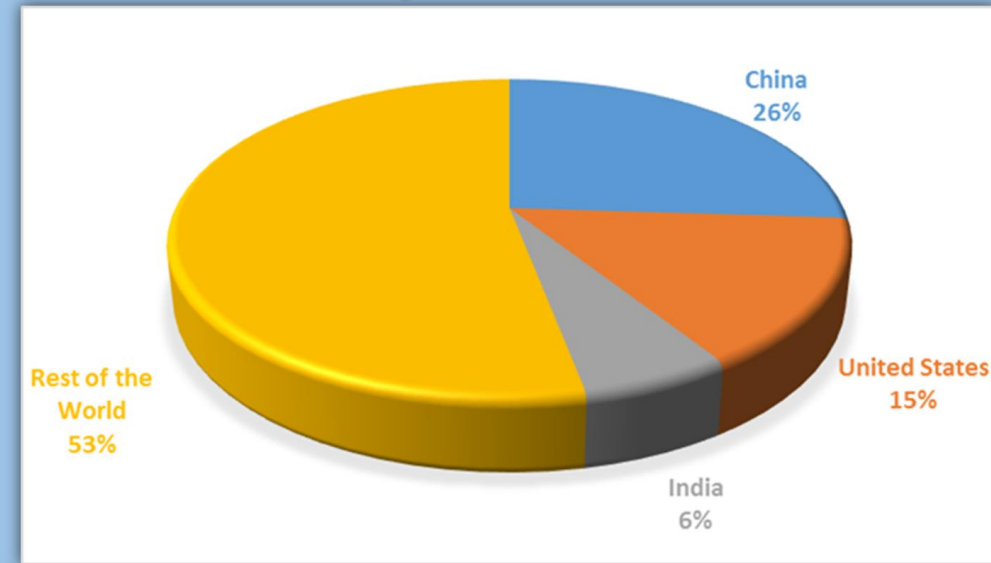
# International Firms

- 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



## GAME CHANGER THE US-CHINA DEAL



**40%**

The US and China together account for about 40% of global carbon emissions



**2025**

The US has promised to cut emissions by 26%-28% from 2005 levels by 2025



**20%**

of China's energy production will be in renewables by 2030\*

\*by which time China has promised that its emissions will peak (if not sooner)



# 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?