

# Carbon-trading system key to shifting energy focus

China's soon-to-be launched national emissions trading system will help the country achieve its carbon emission goals earlier than 2030, but it may take some time for the system to become "fully functional".

The nationwide trading system, which is expected to be rolled out by the end of this year, will serve as a key driver to help China achieve its carbon reduction pledges in the Paris Agreement earlier than expected, according to the 2017 China Carbon Pricing Survey published on Wednesday.

"As the world looks to China for leadership on climate change, the strong and consistent efforts to introduce carbon pricing nationwide provide hope that carbon emissions can peak and be brought down quickly," said Dimitri de Boer, leading author of the report.

The results of the report bolster confidence in China's efforts to meet carbon reduction emission goals earlier than 2030, as the nation shifts to renewable energy and curbs the use of coal in the power industry.

One key driver comes from market players of the soon-to-be launched carbon trading system, the report said, because enterprises, in particular highly polluting ones, will have to make greener investment decisions to lower carbon emission costs after the nationwide system becomes operational.

Survey respondents expect carbon emissions trading will affect investment decisions on a gradual basis in the coming years.

Around 38 percent of 260 respondents expect investment decisions to be strongly or moderately affected in 2017, and by 2025 this figure rises to 75 percent.

"China has decided to use carbon pricing as an important means of reducing carbon emissions, and the national trading system will provide enterprises with a clear signal that carbon emissions must be reduced," said Ma Aimin, deputy director-general of the National Center for Climate Change Strategy and International Cooperation.

The ever increasing impact comes together with the improving infrastructure construction of the national trading system.

Although current preparation is far from enough for the trading market to be "fully functional", when all of the key building blocks, including legislation, trading platforms, market oversight, are in place.

Nearly half of the 260 respondents expect China's national ETS to be fully functional, with all key building blocks in place, by 2020, and half of the respondents expect a fully functional carbon market between 2021 and 2025.

A large majority of respondents prefer a strong legal basis for the trading system in its initial phase, with at least State Council regulation in place, the report said.

China has started to prepare for legislation of carbon trade, but there is no specific timeline for its introduction.