

Analysis on the Current Situation of my country's Carbon Emissions Trading Market

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Abstract

As a policy tool to promote carbon neutrality, carbon emissions trading plays an important role in global climate governance. Although my country's carbon emission trading market has initially formed, it still faces many problems in the process of implementation and improvement. For example, from a macroeconomic perspective, there are problems such as insufficient government supervision and management, difficult monitoring and control of carbon emission sources, and lack of an initial allocation system for gas emission rights; from a microeconomic perspective, there are relatively backward technical conditions and carbon emission rights trading pricing. Problems such as unreasonable and low pollution charges. In response to these issues, by learning from the more mature EU and US carbon emission trading mechanisms, combined with my country's actual conditions, we should adopt a macro-oriented approach to strengthen government policies, give play to the effective allocation of market mechanisms, strengthen the supervision of the carbon trading market, and improve carbon emissions. The legal system of emissions trading and the strict enforcement of punishment mechanisms are used to improve my country's carbon emissions trading market mechanism to achieve the rapid and healthy development of my country's carbon emissions trading.

Keywords

Carbon emission rights; carbon neutrality; climate governance; carbon trading.

1. Introduction

In 2011, my country began to build a pilot carbon emission trading market (hereinafter referred to as the "carbon trading market") in 7 provinces and cities including Beijing and Shanghai, which embarked on a long exploration of carbon emission trading mechanisms and market construction. In June 2013, Shenzhen, Shanghai, Beijing, Guangdong and Tianjin carbon trading markets successively started trading. In 2014, Chongqing and Hubei carbon trading markets started trading. After the smooth operation of the first batch of carbon trading markets, in 2016, Fujian and Sichuan carbon trading markets started trading. In 2017, the construction of the national carbon trading market started, and more than 2,000 companies were included in the list of key emission controls, and the total carbon emissions of the controlled emission companies exceeded 4 billion tons. my country's carbon emissions trading market will become the world's largest carbon trading market covering greenhouse gas emissions. As of the end of 2020, my country's 7 carbon trading markets have completed 7 phases of compliance. At present, my country's carbon trading mechanism is in the process of gradual improvement. Under the control and administrative intervention of the national and local environmental management departments, relevant market trading standards and control policies have been continuously improved, which has become the institutional guarantee for the establishment of the national carbon trading market. In 2020, the national carbon trading market's transaction management measures and settlement management measures will be promulgated to further

regulate related trading behaviors. On July 16, 2021, the national carbon trading market will start trading, and the existing regional market will coexist with the national market. At present, my country has not established a special national carbon trading agency. The carbon trading center is set up in Shanghai, and the carbon registration system is set up in Wuhan. The emission control companies included in the national carbon trading market complete the registration of accounts in Wuhan and conduct carbon emission trading in Shanghai. As of March 2021, various carbon trading markets have covered more than 20 industries such as electricity and steel. In 2020, the carbon trading market will include more than 3,000 key emission control companies, with a total quota of 440 million tons, and a cumulative transaction amount of 10.47 billion yuan. The carbon trading market aims to achieve the effect of total carbon emission control while reducing emission reduction costs.

2. Problems in the carbon emissions trading market

2.1. Lack of the initial allocation system of gas emission rights

My country's current initial distribution system has certain shortcomings. On the one hand, my country also mainly adopts voluntary emission reduction measures. Many companies worry that the more emission reductions they have now, when the total amount control is implemented in the future, their allocated emission allowances may be reduced accordingly. Under these concerns, it is difficult for companies to have the motivation to implement energy conservation and emission reduction. At the same time, there is also an unfair initial allocation of emission rights between newly-built enterprises and established enterprises. On the other hand, the emission right is a public resource in name, but it is actually under the jurisdiction of the government and becomes the power resource of the management department. Therefore, due to the existence of government failure, there is a certain rent-seeking behavior driven by interests, which leads to the influence of emission trading by the management department.

2.2. Insufficient government supervision and management

As a secondary market, the carbon emission trading market is based on the administrative actions of the primary market. In the process of carbon emission trading, the review and allocation of transaction targets require the participation and guidance of relevant administrative departments. The current carbon emission trading mechanism and system also discuss the status quo, problems and countermeasures of my country's carbon emission trading market. There are still many shortcomings in the technical development of environmental monitoring standards and monitoring facilities. At the same time, sound legal guarantees can regulate and restrict the orderly development of carbon emissions trading. The trading systems of the European Union and the United States are based on strict legislation. However, with the gradual increase of quota-based transactions on the climate exchange, the current management methods have been unable to meet the needs of the market. my country's key issues concerning emission trading rules, trading methods, dispute resolution mechanisms, the rights and obligations of both parties to the transaction, and the legal authorization of emission trading pilots also all need to be resolved urgently.

2.3. The selection of the industry needs to be improved in standard fairness

The inclusion of emission control industries and companies is related to the fairness of the carbon trading market. If industries or companies with high total carbon emissions and low emission reduction costs are not included in the trading system of the carbon trading market, it will be unfair to other control companies in the system. Under this situation, the emission reduction system can be expanded by industry, and enterprises with emission reduction potential can be included in the system. In the actual operation of the carbon trading market, transaction costs and environmental benefits depend to a large extent on the total carbon

emissions of the industry, the number of companies covered, and the economic benefits generated. Generally speaking, if the total carbon emissions of the industry is larger, the number of companies in the industry is smaller, the carbon intensity generated is higher, and the transaction costs generated are lower, and the more it needs to be included in the carbon trading mechanism. The cost is rarely measured. The inclusion standards of industries and companies in various carbon trading markets lack uniformity, and are only formulated according to the industry development goals and actual economic development of each region. Judging from the local government regulations that have been promulgated so far, various localities choose to control emission companies based on historical carbon emissions and industry characteristics and ownership, resulting in certain differences in assessment standards. There are differences in the emission standards and energy efficiency values that the trading entities are based on. The inconsistency of standards in various regions and the lack of measurement of transaction costs make the selection of the industry lack fairness standards.

3. Countermeasures and suggestions to further improve the carbon trading mechanism

3.1. Strengthen the supervision of the carbon trading market

The supervision and tracking system continuously supervises the carbon trading mechanism, and supervises and approves the companies with rich or insufficient quotas that control emissions after completing market transactions. Penalties are imposed on business entities that fail to strictly complete emission reduction targets and do not comply with the carbon trading mechanism. Establish an information exchange platform, and the government will effectively control and supervise the emissions of enterprises in accordance with the law, and promote the transformation of the energy system, industrial system, and consumption fields to low-carbon. Maintain the order of the carbon trading market, prevent insider trading, publishing false information, and breach of contract in the transactions of the control companies, and ensure that the carbon trading market can be effectively conducted after the total quota is set and allocated.

3.2. Improve regulatory legislation

My country should formulate corresponding laws and regulations to ensure the fairness, rationality and effectiveness of the carbon trading mechanism. Strict statistical review is the institutional guarantee for the normal operation of the carbon trading system. Relevant national departments and institutions should effectively supervise and regulate the carbon trading system to ensure the stability and effectiveness of the carbon trading market. Participants in the carbon trading market shall abide by carbon trading rules and verification specifications, and bear the responsibility for information disclosure.

3.3. Strengthen target responsibility assessment

After the regulatory legislation on the carbon trading mechanism and the establishment of a monitoring and tracking system, the regulatory responsibility accountability system of local governments should be further improved in accordance with the regulatory objectives. With the deepening of carbon emission reduction work, my country can predict carbon emission control targets and establish an early warning mechanism to promote the actual implementation of low-carbon development goals in all regions and authorities.

3.4. Strictly enforce the punishment mechanism

When the developed countries supervise the implementation of carbon trading quotas, they basically adopt the means of "low supervision frequency and high penalties" to make the carbon emission reduction effect more significant. However, at this stage, my country's carbon trading

market imposes relatively low penalties and fine rates for companies that exceed quotas, making the setting of quotas less binding on companies. As my country's economic development relies heavily on energy, if a higher fine rate is imposed on companies that fail to complete the quota target, this will greatly increase the operating costs of many companies, and even make it difficult to maintain normal production activities. At present, the extra carbon emission charge is only about 50% of the operating cost of the emission facility during normal production and operation, and it is even lower for some companies. If the carbon trading price is higher than the fine, the company will not actively participate in carbon trading or invest funds to complete technological innovation without considering the company's reputation and only from the perspective of minimizing its own costs. fine. From the perspective of policy implementation, the low fine rate means that companies have a low rate of compliance with the carbon trading mechanism policy in the case of excessive emissions and low costs. From the perspective of the operation of my country's carbon trading market, the implementation of the carbon trading mechanism is weak and the penalty mechanism is relatively loose. This is not conducive to the credibility of the carbon trading mechanism and will also hinder the construction of the national carbon trading market. Therefore, it is necessary to further improve the relevant laws and punishment systems of the carbon trading mechanism, and increase the supervision and punishment of companies that have not fulfilled the contrac

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