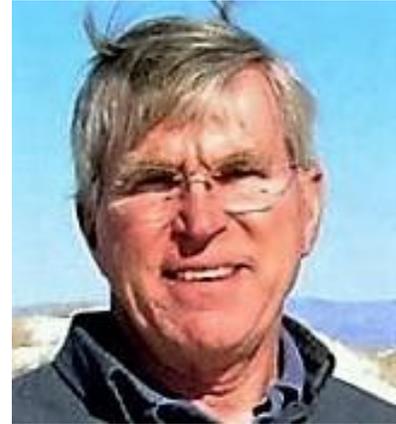


## CLIMATE TALK

### **China's Carbon Trading Market**

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The June 23, 2017 New York Times ran an article by Christopher Buckley entitled “China’s Leader Pushes Ahead with Big Gamble on a Carbon Trading Market.” Much of the following is a recap of that article.

With the withdrawal of the United States from the Paris climate agreement, other countries are now vying for a leading role in combating global climate change. Thus, China’s President Xi Jinping is moving ahead with plans to build the planet’s largest (cap and trade) market for carbon emissions. Proceeding with this plan is an apparent direct response to President Trump’s rejection of the Paris climate agreement. Wang Yi, a professor at the Chinese Academy of Sciences and member of the national legislature noted that the start of a national carbon trading market would signal that China is serious about climate policy and climate change.

China is by far the greatest current emitter of carbon dioxide, a major component of the group of atmospheric greenhouse gases that influence earth’s weather and livability. China emits approximately twice the CO<sub>2</sub> of the United States and nearly five times that of India, the third greatest CO<sub>2</sub> emitter. However, of the top ten CO<sub>2</sub> emitting countries globally, the U.S. produces the most CO<sub>2</sub> per capita, nearly double that of China; cumulatively, total U.S. CO<sub>2</sub> emissions are roughly two times greater than China’s; and China’s emissions appear to have peaked over the past three years. Though President Xi’s environmental record is mixed and China’s carbon trading plan is not sure to succeed, Xi seems eager for China to take the initiative from the United States.

The idea behind cap and trade is that the government sets ceilings on the total amount of pollution allowed (carbon in this case) and divides the established maximums as emissions permits, issued or sold to businesses. Companies that are more efficient and cut pollution are rewarded financially by increased profits, while companies that continue to emit pollutants at the same or higher amounts are financially disadvantaged by the cost of required pollution permits. Under this scheme, companies are allowed to use their permits to discharge pollution, cut pollution and sell any remaining permitted discharges, or buy more permits, often at premium prices. As these programs continue, governments can, over time, lower allowed emissions, or increase permit prices as incentives to reduce emissions.

While there are several regional emission reduction schemes globally that employ some form of carbon market program, the European Union and State of California have implemented the most robust programs using a cap and trade approach. These programs are relatively new and their full effect has not yet been determined. Most experts agree that implementing such government mandated markets

is rarely easy. China will be particularly challenged by a number of factors, including: China's industrial sector is dominated by state conglomerates that often override regulators or ignore laws. Officials often manipulate or corrupt markets to suppress competition or avoid regulation. Pollution and energy data collection systems are typically unreliable or incorrect.

Initially the Chinese propose a relatively modest start to their carbon market in an effort to better manage these problems. Implementing a smaller program will mean smaller environmental benefits in the near term. Chinese policy advisors say that if China can solve its functional problems and political resistance, it will create the globe's largest emissions market. President Xi seems willing to bet on China's success. The rewards would include a substantial increase in China's influence over developing energy technology and enhanced global standing as an environmental and economic leader.

*(John Lindell lives in Bayfield and is a member of the Chequamegon Chapter of the Citizen's Climate Lobby.)*