

# **Interim Regulations on the Administration of Carbon Emissions Trading**

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**The translation was prepared by Environmental Defense Fund.  
If there is any inconsistency or ambiguity between the Chinese version and the English version, the Chinese version shall prevail.**

# **Interim Regulations on the Administration of Carbon Emissions Trading**

**Article 1** These Regulations are formulated in order to regulate carbon emissions trading and related activities, strengthen the control of greenhouse gas emissions, actively and steadily promote peaking carbon emissions and achieving carbon neutrality, and facilitate green and low carbon economic and social development, and promote the construction of ecological civilization.

**Article 2** These Regulations apply to carbon emissions trading and related activities in the national carbon emissions trading market.

**Article 3** The administration of carbon emissions trading and related activities shall adhere to the leadership of the Communist Party of China and implement the party and state guidelines, policies, and decisions. It shall ensure that greenhouse gas emission control is compatible with economic and social development, upholding a combination of government guidance and market regulation, and following the principles of openness, equity, and justice.

The State shall strengthen international cooperation and communication in the field of carbon emissions trading.

**Article 4** The competent department of ecology and environment under the State Council shall be responsible for supervising and administering on carbon emissions trading and related activities. Relevant State Council departments shall be responsible for supervising and administering the carbon emissions

trading and related activities within the scope of their respective functions and responsibilities.

The competent departments of ecology and environment under the local people's government shall be responsible for the supervision and administration of carbon emissions trading and related activities within their respective administrative areas. Relevant local people's government departments shall be responsible for the relevant supervision and administration of carbon emissions trading and related activities within the scope of their respective functions and responsibilities.

**Article 5** The national carbon emission registration institution shall be responsible for registering carbon emissions trading products and providing services such as trade settlement in accordance with relevant State regulations. The national carbon emissions trading institution organizes and carries out unified carbon emissions trading in accordance with State regulations. Fees for registration and trading shall be reasonable, and the fee items, standards, and administrative measures shall be public available.

The national carbon emission registration institutions and the national carbon emissions trading institutions shall improve relevant operational rules and establish risk prevention and control and information disclosure systems in accordance with relevant State regulations.

The competent department of ecology and environment under the State Council, together with the department of market regulation under the State Council, the People's Bank of China, and the department of financial regulatory administration under the State Council, supervise and administrate

the national carbon emissions registration institutions and national carbon emissions trading institutions, and shall enhance information sharing and law enforcement cooperation.

Carbon emissions trading shall be gradually incorporated into the unified public resource trading platform.

**Article 6** The competent department of ecology and environment under the State Council, together with the department of development and reform under the State Council shall study and propose the covered types of greenhouse gases and scope of industry for carbon emissions trading based on the national greenhouse gas emission control target and shall be implemented after being reported to and approved by the State Council.

Carbon emissions trading products include carbon emission allowances and other spot trading products that are approved by the State Council.

**Article 7** Key greenhouse gas emission entities (hereinafter referred to as “key emission entities”) covered in the national carbon emissions trading market and other entities that comply with the relevant State regulations are eligible to participate in carbon emissions trading.

Staff members from the competent department of ecology and environment, along with other relevant departments responsible for supervising and administering carbon emissions trading and related activities (hereinafter referred to as “other departments responsible for supervision and administration”), national carbon emission registration institutions, national carbon emissions trading institutions, and the technical service institution as

specified in these Regulations are prohibited from participating in carbon emissions trading.

**Article 8** The competent department of ecology and environment under the State Council, along with relevant State Council departments, shall establish criteria for key emission entities in line with the national greenhouse gas emission control targets. The competent departments of ecology and environment under the people’s government of provinces, autonomous regions, and municipalities (hereinafter referred to as “people’s governments at provincial level ”), together with relevant departments at the same level, shall formulate annual lists of key emission entities within their respective administrative areas in accordance with the criteria for key emission entities.

The criteria for key emission entities and the annual list of key emission entities shall be made available to the public.

**Article 9** The competent department of ecology and environment under the State Council, together with relevant departments under the State Council, shall formulate and implement an annual emission allowance cap and allocation plan based on the national greenhouse gas emission control targets, considering the factors such as economic and social development, industrial structure adjustment, industry development stage, historical emission status, and market regulatory requirements. Emission allowances shall be distributed free of charge and gradually transition towards a combination of free and paid allocation methods in line with relevant state requirements.

The competent departments of ecology and environment under the people’s government at provincial level, along with relevant departments at the same

level, shall allocate emission allowances to key emission entities within their respective administrative areas in accordance with the annual emission allowance cap and allocation plan and shall be prohibited from allocating or adjusting emission allowances against the annual emission allowance cap and allocation plan.

**Article 10** According to the provisions of the Article 6, Article 8, and Article 9, for studying and proposing of greenhouse gas types and industry scopes covered in the carbon emissions trading, determining the criteria for key emission entities and the annual emission allowances cap and allocation plan, opinions from people's government at provincial level, relevant industry associations, enterprises, and public institutions, experts and the public shall be consulted.

**Article 11** Key emission entities shall adopt effective measures to control greenhouse gas emissions, and formulate and strictly implement a greenhouse gas emissions data management plan in accordance with state regulations and technical specification developed by the competent department of ecology and environment under the State Council. Key emission entities shall conduct greenhouse gas emission related inspection and testing using the measuring instruments with legally metrological verification or calibration, truthfully and accurately calculate and account for the entity's emissions amount, compile the annual greenhouse gas emission report for the preceding year (hereafter referred to as annual emission report), and submit emission statistics and accounting data and annual emission report to the competent departments of ecology and environment under the people's governments at provincial level where the entity's production and operation sites are located.

Key emission entities shall be responsible for ensuring the authenticity, completeness, and accuracy of the entity's emission statistics and accounting data, and annual emission reports.

Key emission entities shall publicly disclose information in their annual emission reports, such as emission amounts, emitting facilities, and statistics and accounting methodology, in accordance with relevant State regulations. The original records and management ledgers of the data involved in the annual emission report shall be retained for a minimum of 5 years.

Key emission entities are able to delegate legally established technical service institutions to carry out greenhouse gas emission related inspection and testing and compile the annual emission report.

**Article 12** The competent departments of ecology and environment under the people's governments at provincial level shall verify the annual emission reports submitted by key emission entities and confirm key emission entities' actual greenhouse gas emissions amount. The verification process shall be completed within a set timeline, and the verification result shall be communicated to the key emission entities within 7 working days after the verification is finished. The verification results shall be made available to the public.

The competent departments of ecology and environment under the people's governments at the provincial level are eligible to commission legally established technical service institutions through the method of government procurement for services to carry out technical audit. Key emission entities

shall cooperate with these technical service institutions during the technical audit process and truthfully provide relevant data and materials.

**Article 13** Technical service institutions that are commissioned to conduct greenhouse gas emission-related inspection and testing shall comply with relevant national technical regulations and specifications, shall be accountable for the accuracy of the issued inspection and testing reports, and must not produce false or fraudulent reports. Key emission entities shall make and submit samples for inspection in accordance with relevant State regulations and are responsible for the representativeness and authenticity of the samples. Technical service institutions that are commissioned to compile annual emission reports and conduct technical audits of annual emission reports shall comply with relevant state regulations to possess the requisite facilities, equipment, technical capabilities, and personnel; shall establish an operation quality management system, independently, objectively, and justly carry out relevant operations; shall be responsible for their issued annual emission reports and technical audit opinions, and shall not tamper with or forge data and materials, use false data and materials, or engage in any form of fraud. The competent department of ecology and environment under the State Council, together with relevant departments under the State Council, shall be responsible for developing specific administrative measures for compiling annual emission reports and conducting technical audits.

Technical service institutions shall not engage in both annual emission report compilation and technical audit within the same province, autonomous region, or municipality.



**Article 14** Key emission entities shall, based on the verification results of the annual emission report provided by the competent departments of ecology and environment under the people’s governments at the provincial level, surrender their emission allowance in full within the timeframe set by the competent department of ecology and environment under the State Council.

Key emission entities can purchase or sell emission allowances through the national carbon emissions trading market. The purchased allowances can be used for allowances surrendering to fulfill their compliance obligation.

Key emission entities can purchase certified greenhouse gas emission reductions in accordance with state regulations for allowances surrendering to fulfill their compliance obligation.

**Article 15** Carbon emissions trading can be carried out through agreement transfer, one-way bidding, or other sporting trading methods that comply with relevant state regulations.

Any entity or individual is prohibited from manipulating the national carbon emissions trading market or disrupting the order of the national carbon emissions trading market through fraud, malicious collusion, spreading false information, or other means.

**Article 16** The competent department of ecology and environment under the State Council shall establish a national carbon emissions trading market management platform, strengthen the supervision and administration throughout the entire process, covering emission allowance allocation, allowances surrendering, and the greenhouse gas emission status of key

emission entities, and facilitate the sharing of information with relevant departments under the State Council.

**Article 17** The competent departments of ecology and environment and other departments responsible for supervision and administration can conduct on-site inspections on trading entities, such as key emission entities, and technical service institutions within their respective scope of responsibilities.

When conducting on-site inspections, the competent departments of ecology and environment and other departments responsible for supervision and administration can collect, access, and copy relevant materials, take measures such as inquiry and inspect relevant information systems, and require relevant entities and individuals to provide explanations on specific matters. The entities and individuals being inspected are obligated to truthfully reflect on the situation, provide materials, and shall not refuse or obstruct the inspection process.

On-site inspections must be carried out by at least two inspectors, who are required to present their law enforcement identifications. Inspectors have the obligation to maintain any state secrets and trade secrets confidential that learned during the inspection process.

**Article 18** Any entity or individual has the right to report acts that violate these Regulations' provisions to the competent departments of ecology and environment and other departments responsible for supervision and administration. The authority that received the report is obligated to address it in a timely manner in accordance with the law, provide feedback to the

whistleblower on the result of handling the report based on relevant state provisions, and ensure the confidentiality for the whistleblower.

**Article 19** Staff members from the competent departments of ecology and environment and other departments responsible for supervision and administration who abuse their power, neglect their duties, or engage in malpractice for personal gain during the supervision and administration of carbon emissions trading and relevant activities shall be subject to legal punishment.

**Article 20** The competent department of ecology and environment under the State Council shall order appropriate handling of any emission allowances or other trading products held by staff members, from the competent departments of ecology and environment, other departments responsible for supervision and administration, the national carbon emission registration institutions, the national carbon emission trading institutions, and technical service institutions as specified in these Regulations, who participated in the carbon emissions trading. The competent department of ecology and environment under the State Council shall confiscate their illegal gains and can impose a fine up to the equivalent value of the traded emission allowances and other trading products. If the staff members serve under the civil service, they shall be punished in accordance with the law.

**Article 21** If a key emission entity commits any of the following acts, the competent departments of ecology and environment shall mandate the entity to make corrections and may impose a fine ranging from CNY 50,000 to no more than CNY 500,000. Should the entity refuse to make the corrections, it may be ordered to suspend production for rectification:

- (1) Failure to develop and implement a data quality control plan for greenhouse gas emissions as required;
- (2) Failure to submit emission statistics and accounting data and annual emission reports as required;
- (3) Failure to publicly disclose information such as emission amount, emission facilities, and statistics and accounting methods in its annual emission reports as required;
- (4) Failure to maintain the original records and management ledgers of the data involved in the annual emission reports as required.

**Article 22** If a key emitting entity commits any of the following acts, the competent departments of ecology and environment shall mandate the entity to make corrections, confiscate all illegal gains, and impose a fine of 5 to 10 times the amount of the illegal gains. If there is no illegal gain or the amount is less than CNY 500,000, a fine will be imposed from CNY 500,000 to no more than CNY 2,000,000. Should the entity refuse to make the corrections, its emission allowance for the following year will be reduced by 50% to 100%, and it may be ordered to suspend production for rectification.

- (1) Failure to conduct statistics and account greenhouse gas emissions as required;
- (2) Compiling an annual emission report with significant defects or omissions, tampering with and forging data and materials, using false data and materials, or committing other acts of fraud during the compilation of the annual emission report;
- (3) Failure to make and submit samples for inspection as required.

**Article 23** If a technical service institution issues a false or fraudulent inspection and measurement report, the competent departments of ecology and environment shall mandate the entity to make corrections, confiscate all illegal gains, and impose a fine of 5 to 10 times the amount of the illegal gains. If there are no illegal gains or the illegal gains amount to less than CNY 20,000, a fine will be imposed from CNY 20,000 to no more than CNY 100,000. If the circumstances are serious, the authority responsible for qualification certification shall revoke its inspection and testing certification.

If the annual emission report or technical audit opinion issued by a technical service institution has significant defects or omissions, tampering with and forging data and materials, using false data and materials, or committing other acts of fraud during the process of compiling the annual emission report or conducting technical verification of the annual emission report, the competent departments of ecology and environment shall mandate the entity to make corrections, confiscate all illegal gains, and impose a fine of 5 to 10 times the amount of the illegal gains. If there are no illegal gains or the illegal gains amount to less than CNY 200,000, a fine will be imposed from CNY 200,000 to no more than CNY 1,000,000. If the circumstances are serious, it shall be prohibited from engaging in compiling annual emission reports and technical audit.

If a technical service institution is punished for an illegal act as referred in Paragraphs 1 and 2 of this Article, its directly responsible personnel in charge and other directly responsible personnel shall be fined ranging from CNY 20,000 to no more than CNY 200,000. These personnel shall be prohibited from engaging in greenhouse gas emission related inspection and testing,

annual emission report compilation, and technical audits for 5 years. If the circumstances are serious, these personnel shall be prohibited from engaging in the aforementioned business for life.

**Article 24** Engages in market manipulation within the national carbon emissions trading market, the competent departments of ecology and environment shall mandate the entity to make corrections and impose a fine ranging from 5 to 10 times the average market transaction price one month prior to the compliance surrendering deadline. Should the entity refuse to make the necessary corrections, its emission allowances for the following year shall be reduced by an amount equivalent to the unsurrendered emission allowances, and it may be ordered to suspend production for rectification.

**Article 25** Manipulates the national carbon emissions trading market, the competent department of ecology and environment under the State Council shall mandate the entity to make corrections, confiscate all illegal gains, and impose a fine of 1 to 10 times the amount of the illegal gains; Should there be no illegal gains or if the illegal gains are less than CNY 500,000, a fine of CNY 500,000 up to CNY 5,000,000 will be imposed. If an entity is penalized for the aforementioned violations, its directly responsible personnel in charge and other directly responsible personnel shall be given a warning and imposed a fine from CNY 100,000 to CNY 1,000,000.

Disrupts the order of the national carbon emissions trading market, the competent department of ecology and environment under the State Council shall order it to make corrections, confiscate all illegal gains, and impose a fine of 1 to 10 times the amount of the illegal gains. Should there be no illegal gains or if the illegal gains are less than CNY 100,000, a fine of CNY 100,000 up to

CNY 1,000,000 will be imposed. If an entity is penalized for the aforementioned violations, its directly responsible personnel in charge and other directly responsible personnel shall be given a warning and imposed a fine from CNY 50,000 to CNY 500,000.

**Article 26** For refusal or obstruction of the competent departments of ecology and environment or other departments on performing supervision and inspection in accordance with the law, the competent departments of ecology and environment or other departments responsible for supervision and administration shall mandate the entity to make corrections and impose a fine from CNY 20,000 to CNY 200,000.

**Article 27** The competent departments of ecology and environment, together with relevant departments under the State Council, shall establish a credit recording system for trading entities, such as key emission entities, and technical service institutions. Information of administrative penalties imposed on trading entities, such as key emission entities, and technical service institutions as violating the provisions of these Regulations shall be incorporated into relevant national credit information systems and disclose it to the public in accordance with the law.

**Article 28** Violating the provisions of these regulations and causing harm to others will result in civil liability in accordance with the law. If the violation constitutes a breach of public security administration, public security administration punishment will be pursued in accordance with the law. If the violation constitutes a crime, criminal liability will be pursued in accordance with the law.

**Article 29** Local carbon emission trading markets established before the effective date of these Regulations should refine their administrative measures in accordance with the provisions of these Regulations to enhance supervision and management.

Following the effective date of these Regulations, no new local carbon emissions trading markets will be established. Key emission entities participating in the national carbon emissions trading market will no longer engage in local carbon emissions trading for the same greenhouse gases and industries.

**Article 30** The terms used in these Regulations are defined as follows:

- (1) Greenhouse gases refers to natural and anthropogenic gaseous substances in the atmosphere that absorb and re-emit infrared radiation, including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride.
- (2) Emission allowances refers to the allowances that are allocated to key emission entities for emitting greenhouse gases, such as carbon dioxide, within a specified timeframe. One unit of emission allowance is equivalent to the emission of one tonne of carbon dioxide equivalent.
- (3) Surrender refers to the action that takes by a key emission entity for submitting emission allowances which equals to its verified actual greenhouse gas emissions of the previous year to the ecology and environment authorities within a specified timeframe.



**Article 31** For key emission entities that consume non-fossil energy electricity, their emission allowances and greenhouse gas emission amount shall be adjusted according to state regulations.

**Article 32** The competent department of ecology and environment under the State Council, together with the civil aviation authority and other relevant departments under the State Council can develop specific administrative measures for creating the list of key emission entities within the civil aviation industry, the allocation and surrendering of emission allowances, the statistics and accounting of greenhouse gas emission data, and the submission and verification of annual emission reports. These measures shall be established in line with the principles outlined in these Regulations, and taking into account actual requirements with the unique aspects of greenhouse gas emission control in the civil aviation sector.

**Article 33** These Regulations shall go into effect on May 1, 2024.