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Business Brief

July 2025

CHINA NATIONAL ETS AT A GLANCE

Years in operation	Trading began on 16 July 2021 First compliance cycle ran from 1 January 2021 to 31 December 2021 Current (3rd) compliance cycle covers emissions from 1 January 2024 to 31 December 2024, with the surrender deadline set for 31 December 2025 (TBC)
Overall cap and trajectory	Intensity based ETS In May the State Council announced plans to gradually shift to an absolute cap
Emissions reduced to date	No official figures
Target(s)	Support national goals of carbon peak by 2030 and carbon neutrality by 2060
Sectors covered	Power generation sector with emissions in excess of 26,000t CO_2 Additional sectors such as steel and cement are expected to be included in the ETS
GHGs covered	CO2
Number of covered entities	Updated official figures for 3rd compliance cycle not released yet. 2257 entities according to the National Progress Report
Allocation method	Free allocation
Trading rules	Listed trades for 1 ≤ 100,000 tonnes Block trades for > 100,000 tonnes Only compliance entities can trade allowances.
Use of offsets and linking	Domestic CCERs are allowed, for up to 5% of annual emissions
Other features	Spot trading only
Penalties for non-compliance	Companies face fines of not less than 5 times and up to 10 times the average transaction price of the carbon emission allowances traded on the market in one month.
Use of revenue	National Carbon Emission Trading Fund (planning)

MAJOR DEVELOPMENTS IN CHINA ETS

Since the launch of trading on 16 July 2021, the overall operation of the national carbon market has been stable, and market activity has steadily increased for nearly 4 years. According to the data from MEE, by the end of 2024 the cumulative trading volume of China Emissions Allowances (CEA) in the national carbon emission trading market was 630 million tons, with a cumulative turnover of 43.03 billion RMB yuan.

In 2024, the allowance trading and compliance work of the national carbon emission trading market has been successfully concluded. CEA prices increased a lot compared to last year with the average price around 97-

trading day of the second compliance cycle (December 29, 2023).

The total trading volume of carbon emission allowances (CEAs) in the national carbon market in March 2025 was 3.17 million tons, with a total turnover of 261 million yuan. The closing price of the transaction on March 31 was 86.13 yuan/ton. As of March 31, 2025, the cumulative trading volume of carbon emission allowances (CEAs) in the national carbon market was 637 million tons, with a cumulative turnover of 43.59 billion yuan. In March, the trading volume of allowances in the national carbon market rebounded, more than doubling from the previous month. The carbon price fell slightly compared with February, and the closing carbon price fell 3.83% compared with the previous month, from 89.6 yuan to 86.1 yuan.

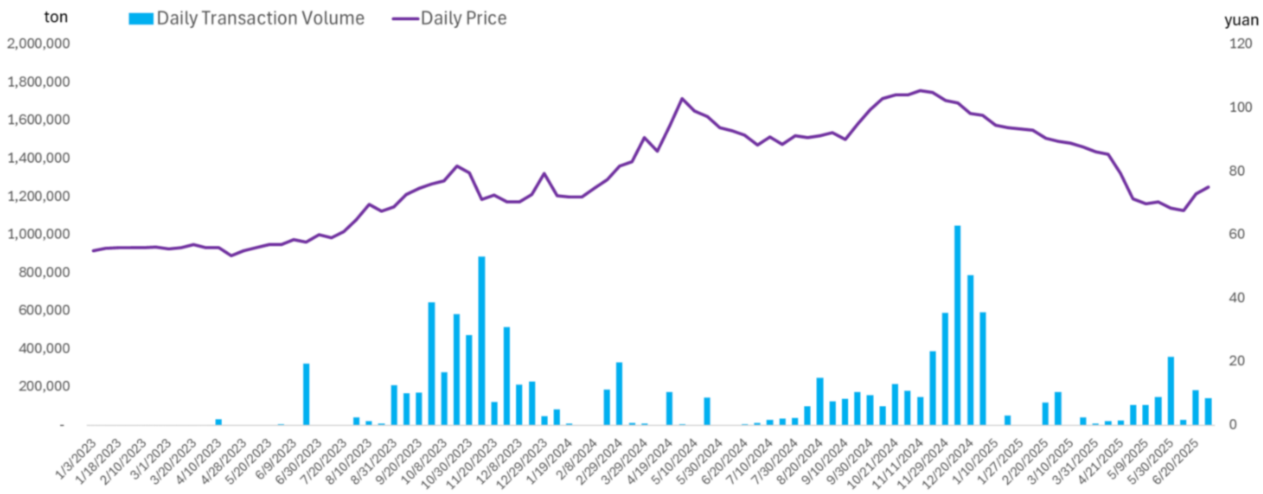

FIGURE 1
Prices in the China National ETS from 2023 to 2025.6
Source: [National ETS Exchange]

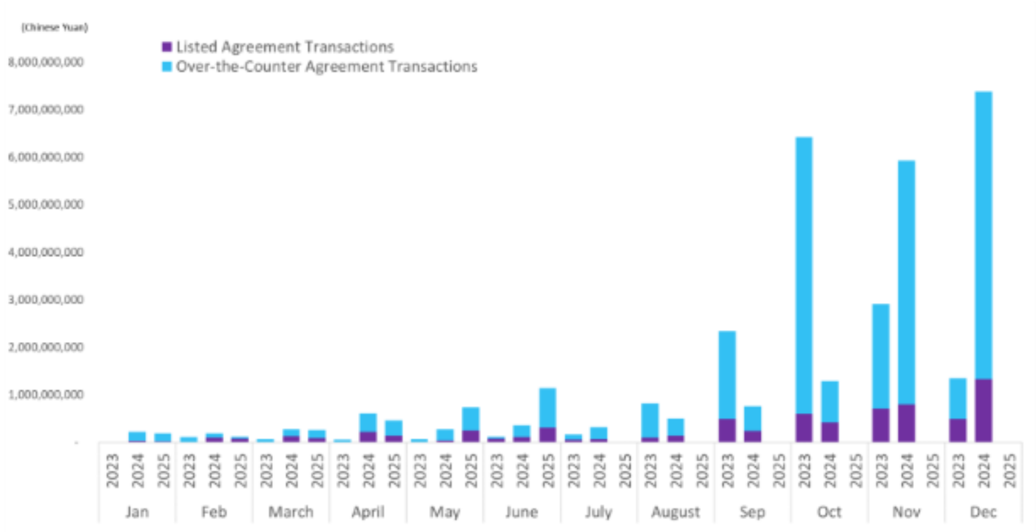

FIGURE 2
Trading value of National ETS from 2023-2025.6
Source: National ETS Exchange

MARKET COMMENTARY

China's National ETS Announces Major Sectoral Expansion

China's ETS is set to broaden its coverage with the inclusion of three high-emission industrial sectors—steel, cement, and aluminum—effective in 2025. This expansion follows the Ministry of Ecology and Environment's (MEE) release of the implementation plan on March 26, 2025, marking the first extension beyond the power sector since the ETS launch.

Currently, with over 2,200 entities in the power sector covering more than 5.0 billion tons of CO2 emissions annually (5.2 billion tons in 2023 across ~2,500 entities), the market will integrate approximately 1,500 additional enterprises from the newly covered sectors. These industries collectively account for ~3.0 billion tons of direct CO2 equivalent emissions annually, representing over 20% of China's national carbon dioxide output. Post-expansion, the ETS will cover over 60% of China's total CO2 emissions while extending its regulatory scope to include carbon dioxide (CO2), tetrafluoromethane (CF4), and hexafluoroethane (C2F6).

This strategic enlargement aligns with the broader policy framework outlined in the "Opinions on Improving the Market-Based Allocation System of Resource and Environmental Elements" on June 16, 2025. The directive targets foundational completion of the ETS framework by 2027 and emphasises steady market expansion through increased sectoral coverage, diversified participation, and enriched transaction instruments and modalities.

Developments in China CCER

China national CCER trading market was officially relaunched on January 22, 2024. As the core market offsetting tool of China's national carbon market, the CCER registry system has handled more than 4,500 new account registrations in 2024, of which more than 40 are from CCER project owners, more than 1220 are from national and local key emission enterprises, and the rest are from investment institutions or trading companies.

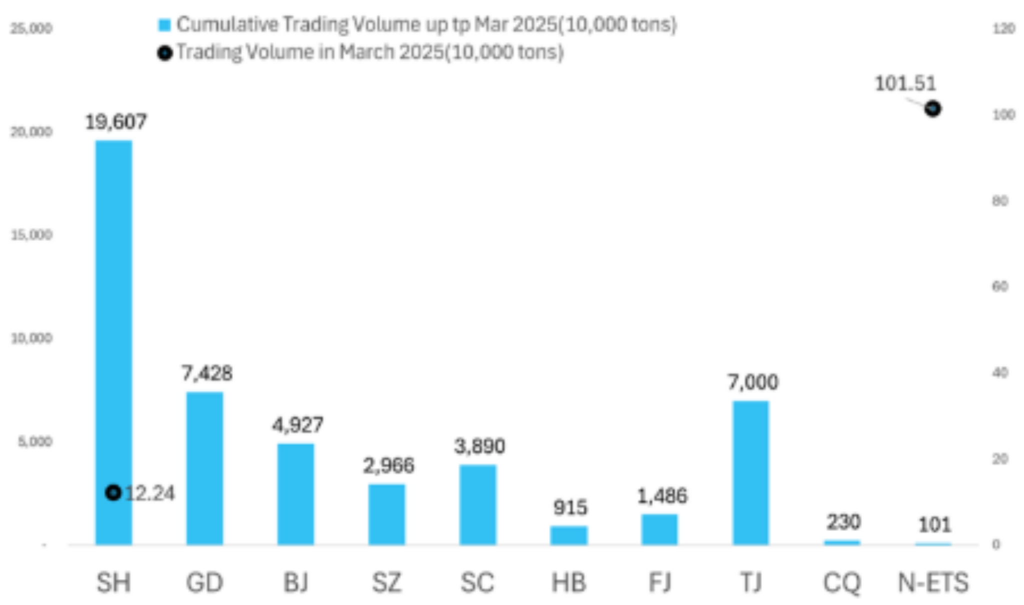

FIGURE 3
CCER Transactions up to 2025
Source: China Climate & ETS Highlights in March

According to the information of the national greenhouse gas voluntary emission reduction registration system and information platform, up to now, a total of 78 projects have completed project publicity (of which 48 projects have not applied for project registration, 12 projects have been terminated, and 14 projects have completed project registration), in addition to the 9 projects issued last month, another 2 solar thermal power projects have completed the emission reduction publicity and are applying for registration. In March 2025, a total of 122,400 tons of CCER transactions were traded in regional pilot carbon markets, a significant increase from the previous month, all of which were traded in the Shanghai carbon market, and the rest of the pilots had no trading volume. With the entry of nine new CCER projects issued by the national carbon market in March, the market finally ushered in a new wave of trading boom, with a total turnover of 1.02 million tons and an average transaction price of 86 RMB yuan/ton.

Supply-demand dynamics for CCER reveal structural tensions at the moment. On the demand side, especially with the expansion of the national carbon market to encompass steel, cement, and aluminum smelting sectors will likely increased its coverage from 40% to over 60% of national emissions, consequently elevating the annual CCER offset demand ceiling. Conversely, the supply side remains constrained, with current 78 projects completing public, but expect more to be released.

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USEFUL LINKS

MEE China

China's National Carbon Market Information Network

China Carbon Emissions Registration and Clearing Co., Ltd

National Center for Climate Change Strategy and International Cooperation (NCSC)

China Beijing Green Exchange

Shanghai Environment and Energy Exchange

World Bank's Carbon Pricing Dashboard

REFERENCES

Notice on the Allocation and Clearance of Trading Quotas for the Power Generation Industry in 2023 and 2024

2024 CEA Allocation Plan

Work Plan for the National Carbon Emission Trading Market to Cover the Steel, Cement and Aluminium Smelting Industries

AUTHORS

Li Min
China Representative
li@ieta.org

Kathy Ren
General Manager of ACT China
kren@actcommodities.com

Nadine Lim
International Policy Analyst
lim@ieta.org

ACT

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