CCER relaunch is imminent with methodologies under review

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Background of CCER

The Chinese Certified Emission Reduction (CCER) scheme has been designed to complement to China's allowance-based carbon market through the use of offset credits generated by emissions reduction or removals projects. Under this scheme, credits generated from projects such as renewable energy, afforestation, reforestation, methane utilization, etc., would potentially qualify as CCER credits, which could then be used to either offset up to 5% a company's compliance obligation under national ETS or to offset on a voluntary basis by nationally regulated entities within China. CCER could also be used in pilot carbon market with a certain limit and condition or offset on a voluntary basis by companies. In this respect, both a CCER credit and an emission allowance are equal to 1 metric ton, as issued by the environmental regulator. However, amid concerns about carbon credit project integrity within the CCER scheme, the issuance of new CCERs was suspended in 2017, with the idea that it would relaunch following a review.

The current demand for CCERs in China is substantial, largely because there haven't been any new ones to hit the market since 2017. Demand for these credits has far exceeded supply in recent years, which has been bullish for prices: in June 2023, CCERs were traded as high as 129 RMB/t (~€16), compared to 60 RMB/t (~€7.5) for CEAs during the same period. But as the price range was also wide, the lowest could be as low as 12.5 RMB/t (~€1.5).

On June 29, 2023, China's Ministry of Ecology and Environment (MEE) held its monthly press conference and announced that it is planning the long-awaited CCER market relaunch before the end of the year and major predatory works are underway. According to the MEE's spokesperson, three key preparatory works need to be completed before the relaunch can go ahead: 1) The publication of the legal rules; 2) The setting of methodologies; 3) The launch of trading facilities including a new trading platform and accounting registry.

CCER methodology

Earlier in April 2023, the MEE issued a call for methodology proposals under the CCER. Each methodology will set the technical standard for accounting for emissions reductions or removals, as well as the process by which credits will be issued by different projects. This is the first policy has been updated under CCER after the scheme was shelved six years ago.

CCER trading facilities

The announcement followed the formal acceptance of the new trading platform and CCER registry on June 27. Beijing Green Exchange has been managing the construction of both the new registry and the trading platform since 2021. It is set to maintain management of the trading platform, the National Centre for Climate Change Strategy and International Cooperation (NCSC) – a government-backed think tank – will manage the CCER registry when it is formally put into use. The completion of the registry is key to the relaunch of CCER program in order to manage the issuance and retirements of CCERs to ensure no double-counting.

CCER legal rules

On September 15, 2023, the MEE held an internal meeting, approving in principle the *Measures for the Administration of Trading on Voluntary Greenhouse Gas Emission Reduction (Trial)* (CHN: 温室气体自愿减排交易管理办法（试行）), according to MEE's regularly updated news. This regulation is a key policy document and marks the most important step in the official re-launch of the CCER market after a six-year suspension of issuances. This regulation is the overarching document for the CCER scheme. The version for public consultation was released on July 7 and the consultation period closed one month later. Nevertheless, there are still a few outstanding things that need to be ironed out before the program can officially relaunch before the end of the year.

CCER's current status and next steps

The methodology documents for eligible projects have still not been published and will go through a public consultation phase before formal adoption. These will set the standards by which projects can be considered CCER projects and how the emission reduction credits are calculated. At least four types of projects will be included in the relaunched scheme: offshore wind farms, solar thermal power plants, mangrove restoration and forestry. Demonstration of additionality remains a sticking point, with potential projects able to apply for either an additionality exemption or a general demonstration. Projects aiming to use the general demonstration of additionality will be able to use an official tool to demonstrate and assess it, but it is not yet available.

Following the publication of the methodologies, the MEE will release implementation rules to guide both project development and eventual trading of CCERs. The MEE update mentions three implementation rules: project validation and verification rules, project design and implementation rules, and registry and trading rules. In order to officially issue credits, rules related to project design and development must come out to ensure project integrity and data quality.

The registry organization is still to be established, which is necessary to operate the registry system underpinning the CCER market. While the new CCER registry has been announced under the NCSC. It appears that the center is planning to deploy a dedicated management staff to manage the CCER registry, which will take time to establish and train.