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Can carbon trading & carbon tax be applied simultaneously in China?

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Ping CHEN, PhD Researcher
Department of Public International Law
Gent University
Email: ping.chen@ugent.be

Outline

1. **Legislations on carbon trading in China**

2. **Carbon tax proposal in China**

3. **Counter-argument to carbon tax in China**

4. **Conclusion**

1. Legislation on carbon trading in China

Legislation

- Legal Normative Document on Greenhouse Gas Emissions Reduction (LNDGGER) (1 December 2011)

- Administrative (Departmental) Regulations on Voluntary Greenhouse Gas Emissions Trading (13 June 2012)

Administrative (Departmental) Regulations on Voluntary Greenhouse Gas Emissions Trading

6 chapters, 31 articles, 1 annex

- Objective (article 1); Regulated GHGs (article 2); Administrative competent authority (article 4); Record keeping system (article 6); Public Access to information (article 7)
- Management on the voluntary emissions reduction projects (article 9-17)
- Management on the credits (article 18-22)
- Management on trading credits (article 23-26)
- Management on the verifiers (article 27-29)
- Date coming into effect and interpretation authority (article 30-31)

Concept of Carbon tax

2009 China's Carbon tax proposal

- Taxpayers: the extraction enterprises and refinery enterprises
- Mode: upstream mode (based on the carbon-content of the products)

2010 EU minimum rate proposal for taxation of the CO2

- Taxpayers: users of motor fuel and heating oil
- Mode: downstream mode
- Aim: spreading the burden of meeting targets beyond heavy industry to households and farms

2. Carbon tax proposal

objectives	To control GHGs emissions and to prove China's stance in fighting with climate change
principles	To balance the requirement of economic development and environmental protection; based on Chinese circumstances; learning by doing principle
taxpayers	The carbon tax on coal, crude oil and natural gases → extraction enterprises; the carbon tax on the refine oil product including gasoline, diesel oil and coal oil →the refinery enterprises
Relation with ETS	Working together with the emissions trading system

Tax rate, ownership of the revenue... …

3. Counter-argument to a carbon tax in China

- **The gap between objective of the carbon tax proposal and use of revenue (from carbon tax)**

  - No provisions on the use of revenue (ownership)
  - Reason: bureaucratic behavior of administrative authority of finance

- **No legal basis for carbon tax law**

  - Basic Tax Law: The Administrative Law on the Collection and Management of the Tax (ALCM)
  - Objective: standardize procedures of levying taxes; ensure the governmental revenues from the taxes (Article 1)

➢ Dual regulation between carbon tax and carbon trading

Carbon tax proposal

- The carbon tax on **coal, crude oil and natural gases** extraction enterprises; the carbon tax on **the refine oil product** including gasoline, diesel oil and coal oil the refinery enterprises.

The 'Legal Normative Document on Greenhouse Gas Emissions Reduction' (LNDGGER)

- Section 5 stipulates the application of carbon trading.
- Section 6 stipulates that, the sectors of iron and steel, building materials, electricity, **coal, petroleum**, chemicals, nonferrous metals, textiles, food production and processing, paper, transportation and building construction shall be applied carbon reduction policies.

→ The dual regulation can happen in the **sectors of coal and petroleum**.

4. Conclusions

- China is on her way to implement voluntary emissions trading with the support of the institutions and legislation.

- Carbon tax proposal is not suitable for China at the right moment, because:
  - Gap between the objective and the implementation
  - Lack of legal basis in China's basic tax law system
  - Dual regulation under carbon trading and carbon tax

- It is better not to apply carbon tax and carbon trading simultaneously in China.

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Thanks For Your Attention

Email: Ping.chen@ugent.be

Ping Chen, Faculty of Law- Department Public International law & Maritime Institute, Gent University

Email: Ping.chen@ugent.be