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

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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


- 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

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## 2. Carbon tax proposal

<table>
<thead>
<tr>
<th>objectives</th>
<th>To control GHGs emissions and to prove China’s stance in fighting with climate change</th>
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<tbody>
<tr>
<td>principles</td>
<td>To balance the requirement of economic development and environmental protection; based on Chinese circumstances; learning by doing principle</td>
</tr>
<tr>
<td>taxpayers</td>
<td>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</td>
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<tr>
<td>Relation with ETS</td>
<td>Working together with the emissions trading system</td>
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</tbody>
</table>

Tax rate, ownership of the revenue... …

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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’ (LNDGGGER)

- 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**.

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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
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