

## Chinese CO2 price to exceed EU's in 10-15 yrs: survey – RTRS



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LONDON, Oct 10 (Reuters Point Carbon) – The cost of emitting carbon dioxide in China will exceed that in the EU within 10 to 15 years, a survey of market experts showed, suggesting the world's top polluter could soon have stricter controls than the 28-nation bloc, a self-proclaimed leader in global efforts to curb climate-warming emissions.

The poll found that China's top emitting firms – through a national emissions trading scheme (ETS) and a carbon tax – would face a combined CO2 cost of RMB70 (\$11.44, 8.46 euros) by 2020.

That's more than 30 percent above the current 6.50-euro cost of emitting one tonne of CO2 in 2020 under the EU Emissions Trading Scheme, which is currently drowning in a massive permit supply glut that has caused European carbon prices to collapse by more than 80 percent since 2008.

"The majority of respondents expect the overall price of carbon in China to be lower than the EU ETS until 2020, however by 2025 a majority expects China's carbon price to be similar to or higher than the EU's," the survey's authors said in a report.

Expectations of future carbon prices are important as they drive near term investment decisions in energy infrastructure.

China plans to tax CO2 emissions and is developing seven regional pilot emissions trading schemes as a precursor to a national carbon market expected later this decade, aimed at reining in the country's soaring greenhouse gas levels.

A vast majority of survey's respondents also believed China would meet or surpass its 2020 target to slash CO2 emissions per unit of Gross Domestic Product by 40 to 45 percent under 2005 levels, while setting new and possibly absolute reduction targets for 2025 and 2030.

### TAX AND TRADE

Over 80 percent of the poll's 86 respondents predicted that all seven regional schemes will start trading before 2015, and will be replaced by a nationwide market by 2020.

"The survey indicates clear expectations that China will follow through with its commitment to a national ETS, probably in conjunction with a carbon tax ... Almost 60 percent expect that by 2020, both ... will be in place," the report said.

Permit prices in Shenzhen, home to the first regional pilot market to go live, hit RMB93 last month – more than twice as expensive as in Europe – but have since receded back towards RMB70.

Those surveyed forecast an average carbon price of RMB32 by 2014 across all operational regional schemes, rising to RMB41 in 2016 and RMB53 in 2018.

However, there was significant uncertainty among participants, with 2018 price views ranging from below RMB30 to above RMB80 per tonne.

Cost estimates for a national carbon price and a tax also varied greatly, but the survey pegged the mean 2020 forecasts at 51 RMB and 19 RMB respectively.

The respondents predicted permit prices under a nationwide ETS would then climb to 68 RMB in 2025, while a tax would rise to 30 RMB in that period.

In contrast, a draft report prepared by the EU Commission and seen by Reuters Point Carbon estimates that under the bloc's current policy framework, carbon prices will double in value to 10 euros by 2020, rise to 14 euros by 2025 and reach 35 euros by 2030.

The poll was conducted by Australian National University's Centre for Climate Economics and Policy and Beijing-based non-governmental organisation China Carbon Forum

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