

FOI Request - Tim Wilson
 FOI Ref: 1109-F227 File No: 11/24321
 ALL DOCUMENTS IDENTIFIED IN SEARCH

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1	1	30/07/2010	Cable	Partial release	s.22(1)(a)(ii)
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8	31	9/09/2011	Cable	Partial release	s.22(1)(a)(ii), s.33(b)

Title: China: Climate Change: Wuhan City applies to pilot a national carbon trading centre

MRN: s.22(1)(a)(ii) 30/07/2010 11:57:28 AM ZE8

To: Canberra

Cc: RR : Brasilia, Brussels, Guangzhou, Hong Kong, Jakarta, London, Moscow, New Delhi, Pretoria, Seoul, Shanghai, Stockholm, Tokyo, UN New York, Washington

From: Beijing

From File: BJ10/00091

References: The cable has the following attachment/s -
100727 Wuhan application to establish national carbon trading centre.docx

Response: Routine, Information Only

UNCLASSIFIED

Summary

On 28 July, the Ministry of Commerce website carried a report stating Wuhan City, Hubei Province, had applied to the State Council to pilot a national carbon trading centre. Of note is reference to the disadvantage to China in carbon trading, due to a lack of domestic regulations. "The price at which carbon is sold has been pushed down by developed countries and occupies an unprofitable position in the global market, making it increasingly urgent to establish more international carbon trading centres in China." The report refers to attracting global buyers, which signals an expectation that any pilot carbon trading scheme in China would not be wholly domestic.

On 28 July, the Ministry of Commerce website carried a report, dated 27 July, stating the Wuhan People's Government, Hubei Province, had applied to the State Council to establish a pilot national carbon trading scheme. Post has prepared a translation of the report (attached). The website link is: <http://www.mofcom.gov.cn/aarticle/n/201007/20100707047107.html?2543228108=1756420643>

text ends

Sent by: s.22(1)(a)(ii)

Prepared by:

Approved by:

Topics: ENVIRONMENT/Climate Change, POLITICAL-ECONOMIC/General Economic

Canberra distribution

s.22(1)(a)(ii)

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Case: 1109-F227
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s22(1)(a)(i)

Wuhan application to establish a pilot national carbon trading centre
Ministry of Commerce Website
28 July 2010

27日,武汉市政府宣布,已向国务院正式报送了《关于在武汉市试点筹建国家碳交易中心的请示》,成为全国申报的第一个城市。一旦中心获批,武汉市将能吸引世界各地买家来汉买“碳”。

目前我国已成为世界最大的碳排放交易国,但由于我国尚未建立自己的交易规则,只能借鉴欧盟和美国的碳交易价格,“卖碳”价格一直被发达国家压得很低,在国际市场上处于不利地位,建立多个国际性的碳交易中心越来越紧迫。

On the 27th of July, the Wuhan City Government announced that it had become the first city in China to lodge an application with the State Council to establish a carbon trading centre. If the centre is approved, Wuhan City would be able to attract the world's carbon buyers to Wuhan to buy "carbon".

Currently China is the world's largest carbon emissions trader, but because China has not yet established its own trading regulations, it can only refer to European and US carbon trading prices. The price at which carbon is sold has been pushed down by developed countries and occupies an unprofitable position in the global market, making it increasingly urgent to establish more international carbon trading centres in China.

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Printed by s.22(1)(a)(ii) - 10:46 AM Thursday, 6 October 2011

s.22(1)(a)(ii)

Title: China: Climate Change: Carbon trading with Chinese characteristics
MRN: s.22(1)(a)(ii) 30/07/2010 12:07:24 PM ZE8
To: Canberra
Cc: RR : Brasilia, Brussels, Guangzhou, Hong Kong, Jakarta, London, Moscow, New Delhi, Pretoria, Seoul, Shanghai, Stockholm, Tokyo, UN New York, Washington
From: Beijing
From File: BJ10/00091
References: s.22(1)(a)(ii)
The cable has the following attachment/s -
100722 China Daily Carbon trading in pipeline.docx
Response: Routine, Information Only

RESTRICTED

Summary

s.33(b)

Post has sought views from Chinese officials, the finance industry and academics on development of a national carbon emissions trading scheme in China, following publication on 22 July by the *China Daily* newspaper of an article stating carbon trading would be introduced over the 12th Five Year Plan period (2011-15). We note s.22(1)(a)(ii) requesting details on the form of any emissions trading scheme. Contacts we spoke to were either unable or unwilling to comment on the level of detail requested in refel.

2. The *China Daily* article (attached) stated key climate change policy-makers had agreed at a meeting chaired by Xie Zhenhua, Vice Chairman, National Development and Reform Commission (NDRC), that domestic carbon trading programs would be introduced between 2011-2015 to help China meet its 2020 carbon intensity target (40-45 percent reduction on 2005 carbon dioxide emissions per unit GDP by 2020). An unnamed source was quoted stating, "The consensus that a domestic carbon trading scheme is essential was reached, but a debate is still ongoing, among experts and industries, regarding what approach should be adopted."

3. Key Chinese climate change policy-makers and think tanks have debated for some time the prospects for a national carbon trading scheme or carbon tax in China, and the form such measures should take (refels refer). China has three voluntary carbon trading schemes, in place since about 2008: the China Beijing Environmental Exchange; the Tianjin Climate Exchange and the Shanghai Environment Energy Exchange. These schemes are approved at the municipal level and supported in principle by the Central Government, to test the capacity for carbon trading in China, but do not have Central Government oversight or

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involvement. China is also a prominent participant in the United Nations' Clean Development Mechanism (CDM).

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s33(a)(iii), s47F(1)

s33(a)(iii), 47F(1)

s33(a)(iii), s47F(1)

s33(a)(iii), s47F(1)

s.22(1)(a)(iii)

s33(a)(iii), s47F(1)

s33(a)(iii), s47F(1)

s33(a)(iii), s47F(1)

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s33(a)(iii) s47F(1)
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s47F(1) s33(a)(iii)

s33(a)(iii)

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11. s47F(1) s33(a)(iii)

s33(a)(iii)

s33(a)(iii) s33(a)(iii)

s.47F(1)

s33(a)(iii)

s33(a)(iii) s33(a)(iii)

s47F(1)

s33(a)(iii)

s33(a)(iii)

Comment

s33(a)(iii)

s33(a)(iii) [s22(1)(a)(ii)] s33(a)(iii)

s33(a)(iii)

s33(a)(iii)

We expect to see a continuation of this type of speculative domestic media reporting in the remaining months to 2011, as China's policy-makers work to finalise the carbon intensity blueprint for the 12th Five Year Period. The publication of the Wuhan City report on an official Central Government agency's website [s22(1)(a)(ii)] indicates debate over carbon trading is intensifying, along with jockeying among provinces for the rights to test the market.

14. That said, the Chinese Government is genuine about identifying the best means of meeting its stated carbon intensity targets while preserving China's commercial competitiveness. Timing will remain crucial in devising a carbon trading scheme with Chinese characteristics. [s33(a)(iii)]

s33(a)(iii)

[s33(a)(iii)]

At the core of this approach is

China's steadfast reliance on the principle of "common but differentiated responsibilities" and the flexibility this affords China in responding to climate change on its own terms and according to its own schedule.

text ends

Sent by:

[s22(1)(a)(ii)]

Prepared by:

Approved by:

Topics:

ENVIRONMENT/Climate Change, POLITICAL-ECONOMIC/General Economic, PUBLIC DIPLOMACY/Media

Canberra distribution

s22(1)(a)(ii)

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Printed by s22(1)(a)(ii) - 10:46 AM Thursday, 6 October 2011

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Carbon trading in pipeline**By Li Jing (China Daily)****Updated: 2010-07-22****'Suitable approach' for country to meet green targets mullied**http://www.chinadaily.com.cn/business/2010-07/22/content_11034422.htm

BEIJING - The country is set to begin domestic carbon trading programs during its 12th Five-Year Plan period (2011-2015) to help it meet its 2020 carbon intensity target.

The decision was made at a closed-door meeting chaired by Xie Zhenhua, deputy director of the National Development and Reform Commission (NDRC), and attended by officials from related ministries, enterprises, environmental exchanges and think tanks, a participant told China Daily on Wednesday on condition of anonymity.

"The consensus that a domestic carbon-trading scheme is essential was reached, but a debate is still ongoing among experts and industries regarding what approach should be adopted," the source said.

The meeting concluded that such efforts are self-imposed and should be strictly separated from ongoing international negotiations for a successor to the Kyoto Protocol to fight global warming, the source said.

As a developing country, China does not shoulder legally binding responsibilities to reduce carbon emissions, according to the basic principle set by the United Nations Framework Convention on Climate Change.

Putting a price on carbon is a crucial step for the country to employ the market to reduce its carbon emissions and genuinely shift to a low-carbon economy, industry analysts said.

China has mostly relied on administrative tools to realize its 20 percent energy intensity reduction target between 2006 to 2010. To that effect, the country's top 1,000 energy consumers have signed contracts with the central government to improve their energy efficiency.

But with rising domestic energy demand, administrative measures are too expensive for the country to meet its future energy conservation targets - something that was also agreed at the meeting, said Tang Renhu from the low-carbon center at China Datang Corporation who also joined the discussion.

Although China has refuted the International Energy Agency's label of being the world's top energy consumer, its energy consumption for 2009 stood at 2.132 billion tons of oil equivalent, according to the National Bureau of Statistics. [NEA denies top energy user tag]

"The market-based carbon-trading schemes will be a cost-effective supplement to administrative means," said Yu Jie, an independent policy observer who previously worked for several international climate-related institutes.

Tang also said the differences are centered on whether the pilot carbon trade projects should start from a selected industry, or a certain area.

Possible sectors for piloting carbon trade projects include carbon-intensive industries such as coal-fired power generation, Tang said.

One of the proposals include setting an absolute cap on carbon dioxide emissions in a certain area or industry. Others argue that the country's carbon intensity target can be converted to some carbon-related allowances for trading schemes.

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China has pledged to cut its carbon emissions per unit of economic growth by 40 to 45 percent by 2020 from 2005 levels.

Yu said it would be very complicated to work out a trading scheme that allocates the carbon-related emission permits among the enterprises in an open and fair manner.

"My suggestion is that the number of participating enterprises should be limited, as the goal of pilot trading is to try out the rules and establish a mechanism especially suitable for China," Yu said.

China has been testing the waters with voluntary carbon trade, aimed at developing the necessary financial systems and policy tools.

The country's first voluntary carbon trade was sealed last August, with a Shanghai-based auto insurance company buying more than 8,000 tons of carbon credits generated through a green commuting campaign during the Beijing Olympics. The trade was carried out through the China Beijing Environment Exchange.

Sun Cuihua, an official from the NDRC's climate change department, earlier said the government is also working out rules to guide voluntary carbon trade projects in China.

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Title: China: Climate Change: Carbon trading - s33(a)(iii)

MRN: s33(a)(iii) s22(1)(a)(ii) 18/08/2010 03:56:54 PM ZE8

To: Canberra

Cc: RR : Brasilia, Brussels, Guangzhou, Hong Kong, Jakarta, London, Moscow, New Delhi, Pretoria, Seoul, Shanghai, Stockholm, Tokyo, UN New York, Washington

From: Beijing

From File: BJ10/00118

References: s22(1)(a)(ii)

The cable has the following attachment/s -
100810 NDRC Low Carbon Provinces and Cities Pilot Scheme summary translation.docx

Response: Routine, Information Only

RESTRICTED

Summary

China's key economic planning agency, the National Development and Reform Commission, has asked 13 local governments to research market mechanisms to help reduce greenhouse gas emissions, as part of a new pilot scheme for low carbon development during the 12th Five Year Plan period (2011-15). The announcement confirms an increasing focus by Chinese policy-makers on market mechanisms, such as carbon trading, as a means of reducing GHG emissions in China.

s33(b)

s33(b)

Further to Post's reporting on prospects for carbon trading in China (refuels refer), on 10 August the National Development and Reform Commission (NDRC) posted an announcement on its website outlining a pilot scheme for low carbon development in 5 provinces and 8 cities. The announcement refers to researching market mechanisms to promote greenhouse gas emission reductions, but does not specify carbon trading.

2. Post has prepared a translated summary of the NDRC announcement (attached).
3. The provinces and municipalities/cities identified by the NDRC for participation in the low carbon pilot scheme represent a cross-section of industry and economic development in China. **Guangdong Province** is a major manufacturer and exporter. **Liaoning Province** is one of the most important raw materials production bases in China and a major producer of pig iron and steel. **Shaanxi Province** produces coal, iron and steel and is a manufacturing and textiles base. **Hubei Province** is an automotive, chemicals, textiles and steel production hub for central China, with strong aquaculture and agriculture sectors. **Yunnan Province's** economy relies on agriculture (tobacco), mining and tourism. **Tianjin Municipality** has strongly growing services and advanced manufacturing sectors. **Chongqing** is China's largest and most populous municipality (32 million) with thriving automotive, steel and aluminium sectors. **Shenzhen** (in Guangdong) is a large manufacturer, has a growing financial services sector and is one of China's busiest ports. **Xiamen** (in Fujian Province) was one of China's first Special Economic Zones, and is a manufacturing base and

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port. **Nanchang** (in Jiangxi Province) is the industry-based capital of one of China's least developed provinces. **Hangzhou** (in Zhejiang Province, one of the richest and most economically advanced provinces in China) is a services and manufacturing base which also has a strong agriculture sector, and has the wealth, innovation and capacity to undertake environmental improvements. **Guiyang** is the capital of Guizhou Province, one of China's poorest and least developed provinces, recently struck by severe drought. **Baoding** (in iron ore-producing Hebei Province) is home to China's emerging wind turbine manufacturing sector.

s33(b)

s33(b) s22(1)(a)(ii)
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Printed by s22(1)(a)(ii) 10:46 AM Thursday, 6 October 2011

s22(1)(a)(ii)

s33(b)

s33(b)

s33(b)

10. Media reports about prospects for a carbon tax and carbon trading in China have attracted comments by Chinese netizens on popular chat sites, including *Sina* and *Tianya*. Most comments express concern about the possible negative impact of any carbon tax on employment opportunities, if energy-intensive factories are forced to cut costs or shut down.

text ends

Sent by:

s22(1)(a)(ii)

Prepared by:

Approved by:

Topics:

ENVIRONMENT/Climate Change, POLITICAL-ECONOMIC/General Economic

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NDRC – Low Carbon Provinces and Cities Pilot Project

Translated summary of announcement posted on NDRC website, 10 August 2010
(http://www.ndrc.gov.cn/zcfb/zcfbtz/2010tzt20100810_365264.htm)

Objectives - Actively tackling climate change is an important strategy for China's socio-economic development and also offers great opportunities to speed up the transformation of China's economic development and to adjust the economic structure. Establishing low carbon province and city pilot schemes benefits the accumulation and the transfer of experience to other locations and promotes a guiding hand in realising China's greenhouse gas emissions reduction goals.

Scope of the Pilot Programme - Following the NDRC's consideration of each location's representative industry base and specific circumstances, the pilot schemes will be carried out in the provinces of Guangdong, Liaoning, Hubei, Shaanxi and Yunnan, and in the municipalities and cities of Tianjin, Chongqing, Shenzhen, Xiamen, Hangzhou, Nanchang, Guiyang and Baoding.

Develop Low Carbon Plans - The selected provinces and cities need to fully incorporate climate change activities into their local 12th Five Year Plans. The low carbon development plan should guide efforts to alter industry structure, optimise the energy mix, save energy and promote building efficiencies, as well as increase carbon sinks.

Implement Low Carbon Policies - The policies should cover energy conservation, environmental protection and new energy sector development. Under the pilot program, participants should actively establish mechanisms to develop low carbon industries, reduce energy use and emissions, demonstrate proper government leadership and provide economic incentives. **Participants should also research the use of market mechanisms to promote the realisation of greenhouse gas emission reduction goals.**

Develop Low Carbon systems - Participants should promote research and development of low carbon systems, speed up the establishment of low carbon equipment and actively use low carbon technology to improve traditional industries. They should also make renewed efforts for joint research and development work with other countries.

Establish Data Collection Systems - Participants should establish comprehensive greenhouse gas data quantification and monitoring systems and strengthen data collection and calculation methods.

Promote Low Carbon living - Pilot provinces and cities should actively encourage measures for low carbon lifestyles, behaviour and consumption, by providing training at every level to raise awareness and attitudes about energy conservation and environmental protection. Participants should also promote the use of low carbon products.

The 5 provinces and 8 cities are required to submit their low carbon development plans to the NDRC by 30 September 2010.

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Printed by s22(1)(a)(ii) - 11:14 AM Thursday, 6 October 2011

s22(1)(a)(ii)

Title: China: Climate Change: Emissions workshop - NDRC response
MRN: s22(1)(a)(ii) 13/02/2011 05:04:48 PM ZE8
To: Canberra
Cc: RR : Guangzhou, Hong Kong, Shanghai, Taipei Acio
From: Beijing
From File: BJ11/00001
References: s22(1)(a)(ii)
Response: Routine, Information Only

RESTRICTED

Summary

s33(b)

On 10 February, Post (Second Secretary, Economic) s33(b)

s33(b)

s33(b) to raise the proposal of a workshop on greenhouse gas (GHG) emissions measurement and inventories.

2. As per points in ref tel, we raised the objectives of the workshop and noted existing cooperation between DCCEE and the Energy Research Institute (ERI), including the successful visit by ERI in April 2010. The emissions workshop could be presented as an outcome of the Australia-China Ministerial Dialogue on Climate Change to be held in Canberra in March.

s33(b)

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s33(b)

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s33(b)

Comment

s33(b)

s33(b)	s22(1)(a)(ii)	s33(b)
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s33(b)

text ends

Sent by: s22(1)(a)(ii)
Prepared by:

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Printed by s22(1)(a)(ii) 11:14 AM Thursday, 6 October 2011

s22(1)(a)(ii)

Approved by:
Topics:

s22(1)(a)(ii)
ENVIRONMENT/Climate Change

s22(1)(a)(ii)

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Printed by s22(1)(a)(ii) 10:46 AM Thursday, 6 October 2011

s22(1)(a)(ii)

Title: China: Climate Change: energy cap and carbon trading in 2011-15***Amendment***
MRN: s22(1)(a)(ii) 24/03/2011 03:47:06 PM ZB8
To: Canberra
Cc: RR : Brasilia, Guangzhou, Hong Kong, Jakarta, London, Moscow, New Delhi, Pretoria, Seoul, Shanghai, Taipei Acio, Tokyo, UN New York, Washington
From: Beijing
From File: BJ10/00201
References: s22(1)(a)(ii)

The cable has the following attachment/s -
Priority Measures for 2011-15.docx

Response: Routine, Information Only

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Annotations: Amendment to para. 3 - 17% carbon intensity and 16% energy intensity target.
Summary

The next five years will see carbon trading and an energy cap introduced in China to help meet environmental goals and re-balance the economy. A lack of detail in the 12th Five Year Plan reflects the complexity of the task, rather than a lack of commitment. s33(b)

s33(b)

The next five years of China's economic restructuring will see carbon trading and a cap on energy consumption introduced to help the country meet its energy and emissions intensity targets. Following outlines Post's assessment of China's climate change policy following discussions s33(b)

s33(b)

2. The Twelfth Five Year Plan (2011-15) adopted by the National People's Congress on 14 March s22(1)(a)(ii) sets out China's climate change policy roadmap as a crucial element of the Central Government's aim to restructure the economy away from export-driven growth to sustainable, value-added development. The Plan sets a clear framework for low-carbon growth: that is, economic development that delivers a better standard of living while making the most of China's population and natural resources. The need to address climate change and raise energy efficiency was adopted as policy by China's leadership in October 2010, under the Communiqué of the CCP Central Committee s22(1)(a)(ii) The 12th FYP aims to drive a comprehensive local response to climate change, which is now officially an important measure of economic performance. The Department of Climate Change within the National Development and

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Reform Commission (NDRC) is now researching how best to allocate the carbon and energy intensity targets across China's 31 provinces.

3. As foreshadowed in the draft 12th Five Year Plan (FYP), the final 12th FYP contains the following key targets for 2015 (compared to 2010 levels): reduction of carbon intensity by ***17 percent**,* reduction of energy intensity by ***16 percent***; 8-10 percent reduction of air and water pollutants (sulphur dioxide, nitrous oxide, chemical oxygen demand and ammonium nitrate); non-fossil and renewable energy to make up 11.4 percent of primary energy consumption; and, an increase of forested area to 21.66 percent of total land cover. These indices reflect China's 2020 carbon intensity target of a 40-45 percent reduction of carbon emissions compared to 2005 levels. This is the first time a carbon emissions reduction target has been contained in a Five Year Plan

s22(1)(a)(ii) There is no official English-language version of the Plan. Post is updating translations of key excerpts s22(1)(a)(ii)

s33(b)		
s33(b)	s22(1)(a)(ii)	s33(b)
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s33(a)(iii)	s47F(1)	
s47F(1)	s33(a)(iii)	
s33(a)(iii)	s22(1)(a)(ii)	s33(a)(iii)
	s33(a)(iii)	
s22(1)(a)(ii)	s33(a)(iii)	s47F(1)
s47F(1)	s33(a)(iii)	
s33(a)(iii)		

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s33(a)(i)	s33(a)(iii)
s33(a)(iii)	s22(1)(a)(ii) s33(a)(iii)
s33(a)(iii)	s33(a)(iii)
	s22(1)(a)(ii)

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s33(a)(i)	s33(a)(iii)
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s33(a)(ii)	s33(a)(iii)
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s22(1)(a)(ii)

s33(a)(iii)

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s33(b)

Comment

15. While the targets and policies outlined in the 12th FYP demonstrate clearly China's 'green growth' objective, the Plan provides only the big picture. This lack of detail reflects the scale and complexity of the task to be undertaken, rather than a lack of commitment by China to respond to growing energy consumption and carbon emissions. Far from being the culmination of consultation and policy formulation, the formal adoption of the 12th FYP is only the beginning of months of intensive work by officials tasked with implementing the national climate change blueprint. A delay in finalising the National Energy Plan appears likely due to the safety review of nuclear projects.

s33(b)

text ends

Sent by: s22(1)(a)(ii)
Prepared by:
Approved by:

s22(1)(a)(ii)

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s33(b)

s33(b) s22(1)(a)(ii)

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RESTRICTED

Printed by s22(1)(a)(ii) 10:46 AM Thursday, 6 October 2011

s22(1)(a)(ii)

Title: China: Climate Change: carbon trading and energy cap ***revised distribution***

MRN: s22(1)(a)(ii) 22/06/2011 02:56:14 PM ZE8

To: Canberra

Cc: RR : Guangzhou, Hong Kong, Shanghai, Taipei Acio

From: Beijing

From File: BJ10/00201

References: s22(1)(a)(ii)

Response: Routine, Information Only

RESTRICTED

Summary

A key Chinese climate change official has been reported in Chinese media as saying that a clear timetable for establishing a nationwide carbon trading market has not yet been determined. The size and scale of any nationwide scheme will depend on the cap on energy consumption during the 12th Five Year Plan period, which has also not yet been determined.

Further to emails s22(1)(a)(ii) regarding timelines for a nationwide carbon trading market and the level of an energy consumption cap, Chinese media reported today that Su Wei, Director General, Department of Climate Change, National Development and Reform Commission (NDRC) and China's chief negotiator for international climate change negotiations, said yesterday that a clear timetable for establishing a nationwide carbon trading market has not yet been determined. This was because even though provinces and municipalities have already planned their own carbon intensity targets, the size and scale of any nationwide carbon trading scheme would depend on the cap on energy consumption during the 12th Five-Year Plan period.

2. Su's comments show that the NDRC is unable, or not yet willing to provide further detail on a timeline for establishing a nationwide carbon trading scheme, or the level of an energy cap s22(1)(a)(ii) and emails s22(1)(a)(ii) refers). Su's comments come a day before the NDRC holds its "High-level International Conference on Climate Change and Green, Low-Carbon Development". The media has reported on the event, and over 300 representatives from government, business and academia have been invited. Post will attend, and report on any developments.

text ends

Sent by: s22(1)(a)(ii)

Prepared by:

Approved by:

Topics: ENVIRONMENT/Climate Change, POLITICAL-ECONOMIC/General Economic

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S22(1)(a)(ii)

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s22(1)(a)(ii)

s22(1)(a)(ii)

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Title: China: Climate Change: Pilot Emissions Trading Scheme - Still
Waiting for the Detail

MRN: s22(1)(a)(ii) 22/07/2011 06:35:48 PM ZE8

To: Canberra

Cc: RR : Guangzhou, Hong Kong, Shanghai, Taipei Acio

From: Beijing

From File:

References: s22(1)(a)(ii)

Response: Routine, Information Only

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Summary

China's top climate change official (Vice Chairman Xie, National Development Reform Commission) has been reported in Chinese and international media as saying that China will introduce a pilot scheme for carbon emissions trading and gradually develop a national market. Xie made his comments during an Eco-Forum held on 17 July. Xie did not provide any further substantive information regarding the structure or timeline of the pilot scheme

Chinese and international media recently reported that Xie Zhenhua (Vice Chairman of the National Development Reform Commission and China's top climate change official) said during an Eco-Forum Global Conference held in Guiyang on 17 July that China would start a pilot carbon emissions trading scheme, and gradually set up a carbon emissions trading market. Media coverage of Xie's speech did not report on any further substantive information regarding specifics or timelines than what had previously been announced s22(1)(a)(ii) s22(1)(a)(ii) emails s22(1)(a)(ii)

2. Xie elaborated on other actions China would take to promote the market's development, and how China would tackle climate change during the 12th Five Year Period. Xie said that China would speed up the establishment of a standardised system of energy saving and environmental protection, and tighten regulations on identifying and labelling low-carbon products. China would straighten out prices or resource-based products by further applying differential power pricing and punitive electricity tariffs. China would also provide more incentives, such as preferential taxation policies, for companies to develop energy-conservation technologies and products, would continue to boost financial support for green energy and would manage growth in energy-intensive industries. China would increase financing support provided by financial institutions for energy saving, emissions reduction and low carbon projects, and would establish a 'green rating system' for banks. China would also promote the services sector and strategic emerging industries.

3. As reported in s22(1)(a)(ii) the lack of detail in Xie's 17 July comments show that the Chinese government is not yet able, or willing, to provide further information on the pilot scheme. Post's view is that internal discussions are continuing, and details have not yet been finalised. Post notes Canberra's request for further information on differential power pricing and punitive electricity tariffs, and a copy of Xie's speech s22(1)(a)(ii) Transcripts of Xie's speech are yet to be released, but Post will provide copies once they become available.

text ends

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s22(1)(a)(ii)

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s22(1)(a)(ii)

s22(1)(a)(ii)

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Title: China: Hunan: Emissions Trading Pilot Program - Second Time
Lucky?
MRN: s22(1)(a)(ii) 09/09/2011 05:04:26 PM ZE8
To: Canberra
Cc: RR : APEC Posts, Beijing, EXTOTT, Hong Kong, NZMFAT, Shanghai, Taipei Acio
From: Guangzhou
From File:
References: s22(1)(a)(ii)
Response: Routine, Information Only

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Summary

Hunan plans to implement a locally-developed ETS pilot program. Buoyed by the success of a number of local CDM projects, the provincial government has decided to revisit an earlier attempt to implement a local pollutant trading scheme. The new ETS pilot program will cover the Changsha-Zhuzhou-Xingtan (CZT) city cluster, the backbone of the provincial economy. The plan lacks a market-based pricing mechanism, and will be restricted to only two

pollutants s33(b)

s33(b)

s33(b)

The Hunan Context

2. Over the past decade, Hunan's economy has consistently ranked between 10th – 13th place for GDP among China's provinces, with average annual economic growth of 11.3 percent. In 2010, provincial GDP expanded 14.5 percent to RMB1,590 billion, ranking Hunan 10th in China in GDP terms. Given Hunan's position as a regional centre for heavy industry and chemical production, Hunan's strong economic growth has led to large increases in energy demand and carbon emissions. It has also resulted in significant environmental degradation challenges, particularly in relation to the heavily polluted Xiang River, Hunan's major water-way and a key tributary of the Yangtze River.

3. Agriculture is also one of Hunan's pillar industries. As a result, the provincial economy is vulnerable to the expected impacts of climate change. Indeed, in H1 2011, large parts of Hunan's prime agricultural regions suffered an extended period of drought (lowest rainfall in 62 years), which was only broken by wide-spread heavy flooding in June. The detrimental impacts of these opposing climatic forces have been a 30 percent (y-o-y) drop in the rice harvest, an increase in government prices for food purchases and, according to media commentators, a flow-on rise in inflationary pressures on the local economy.

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Hunan Provincial Government's Approach to Climate Change

s33(b)

s33(b)

s33(b)

Déjà Vu ?

7. Hunan's proposed ETS pilot program appears strikingly similar to a **previous pollutant trading plan** trialled in the province three years ago. The November 2008 plan also covered the CTZ city cluster, and was restricted to sulphur dioxide and COD. Despite a high-profile launch (which included a widely-televised auction and sale of three emissions contracts), the earlier plan very quickly faded from view. s33(b)

s33(b)

s33(b)

s33(b)

Comment

9. Hunan's proposed ETS pilot program represents broad ambition on behalf of the provincial leadership. It also reflects not just an environmental, but also a political understanding of the need to tackle the mounting social and economic costs of Hunan's environmental degradation. The question is whether this ambition can be maintained. Hunan's first try at a pollutant trading scheme was sunk in the wake of the provincial leadership's desire to protect the province's industrial base from the economic threats posed by the GFC. Whether this nascent, second attempt at environmental and economic reform can survive is likely to be very much determined by the Chinese economy's (and by extension Hunan's) ability to maintain its strong economic performance in the face of growing uncertainties in the world economy.

text ends

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