**Press Release**

**Corporate Disclosure Crucial for China’s National Carbon Market**

December 13, 2017 – With China’s national carbon emissions trading market set to launch, the Institute of Public & Environmental Affairs released a research report recommending the immediate establishment of an accompanying disclosure system for information on greenhouse gas (GHG) emissions. Disclosure will help to ensure the carbon market achieves its emissions reduction goals.

Establishing a national, unified carbon emissions trading market is one of the most important measures for China to implement its Paris Agreement commitments. The report points out that based on economic theory, clarity of property rights is a foundation and a prerequisite for the normal operation of trading markets. Carbon emissions rights are a virtual asset and a public good. Therefore, disclosing such information as total emissions volume and reduction measures of enterprises with carbon emissions allowances will benefit the defining and clarifying of property rights, and will also help reduce the costs of carbon market transactions. At the same time, disclosure can aid the prevention of rent-seeking behavior and will help give rise to carbon pricing information that is capable of optimizing resources allocation.

The national carbon market is set to launch in 2017. It is worrisome that the requirement to "establish a greenhouse gas emissions information disclosure system" raised in China’s Work Plan for Greenhouse Gas Emissions Control during the 13th Five-Year Plan Period (the “13th FYP Work Plan on GHG Control”) has not yet been implemented. None of the seven provincial and municipal trading pilots launched since 2013 have made progress on the public disclosure of carbon emissions data for key pollution-discharging entities or the state of allowances distribution. Issues such as major price volatility and limited market price discovery have arisen during pilot operations. It has been very difficult for markets to predict the price of carbon, largely due to a lack of market transparency.

The report highlights that disclosure of trading markets information is crucial to achieving emissions reductions and is key for the smooth and efficient operations of trading mechanisms in other countries. In the US sulfur dioxide market, the first open market emissions trading scheme, SO2 emissions control and trading information for power sector enterprises was fully disclosed to the public. Disclosure of data on emissions trading plans can build confidence in these plans. On the international GHG emissions trading market, legal requirements for information disclosure are made at the EU level, and countries and enterprises have all published allowances data. California not only publicly discloses emissions information, but has also established channels for public participation and interactive communication.

During the 2017 *lianghui* meetings, NPC Representative Lü Zhongmei and CPPCC Committee Member Yang Minde respectively raised a bill and a proposal on carbon market information disclosure. In an open reply, the National Development and Reform Commission (NDRC) expressed its support, stating that it would seriously consider the proposals. The report recommends to establish and improve a GHG emissions information disclosure platform and promote the establishment of an enterprise disclosure system for GHG emissions in accordance with the relevant requirement to "establish a greenhouse gas emissions information disclosure system" in the 13th FYP Work Plan on GHG Control.

As the launch of China’s national carbon market rapidly approaches, the reports proposes to raise compulsory disclosure requirements as soon as possible for information relevant to the carbon market, beginning with information that is most urgent, already required by legal statutes, and that enterprises have already submitted. Doing so will ensure that the national carbon trading scheme achieves its ultimate aim of optimizing the costs associated with emissions reductions.

The report received guidance from Professor Zhang Shiqiu at Peking University. Sincere gratitude is extended to Dr. Qiao Feng from Guangdong Harmony Foundation, Professor Fu Jingyan from Jinan University, and the Environmental Defense Fund (EDF) for their expert opinions.