

# Discussion on: Incentivizing firm compliance with China's national Emissions Trading Systems

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## Message of the paper

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Four institutional enablers for the ETS:

- Strong legal basis for the ETS
- Unified set of monitoring, reporting and verification with independent auditing
- Market-oriented policy stance commitment
- Long term commitment to scheme combined with flexibility to implement improvements

All good common sense recommendations. Hard to disagree with

China specific ?

Where is the surprise ?

Role of institutions in determining costs/benefits and feasibility of policy instruments is under-investigated

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**We lack good answers to this question !**

**Design of reporting, monitoring and verification gained prominence with Paris agreement:**

- what have we learned from existing markets?
- what new challenges does implementation in China bring ?

**Role of commitment cum flexibility**

- Concept of Smart Policy Design (HKS group)
  - What does it mean in practice for ETS (is EU ETS a good model?)
  - what new challenges does implementation in China bring ?
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