

# **Memorandum of Understanding to Enhance Cooperation on Emissions Trading between the European Commission and the Ministry of Ecology and Environment of the People's Republic of China**

## **1. PURPOSE**

The European Commission and the Ministry of Ecology and Environment of the People's Republic of China (hereinafter referred to as "the Participants"), building on the EU-China Climate Change Partnership and bilateral cooperation projects, aspire to enhance their strategic cooperation on Emissions Trading Systems as a key policy tool to combat climate change by reducing greenhouse gas emissions in a cost-efficient manner. The Participants fully acknowledge the urgency of addressing climate change and the importance of giving full effect to the Paris Agreement. They consider Emissions Trading Systems to represent cost-effective instruments to reduce greenhouse gas emissions and thus contribute to a carbon-neutral or climate-neutral economy and the necessary innovation and deployment of low carbon technologies.

Building on the successful start of operations of the nation-wide ETS in China in 2021 and the latest revision of the EU ETS in 2023, the Participants concur on the need for an enhanced cooperation with respect to the two largest Emission Trading Systems of the world.

In this spirit, the Participants envisage the implementation of further actions and are confident that a more comprehensive cooperation on Emission Trading Systems would result in mutual benefits to both China and the EU, as well as in contributing to the promotion of carbon markets in general and world wide.

## **2. AREAS OF DIALOGUE**

Encouraged by the fruitful ETS Policy Dialogues that have been held since the signature of the initial version of this Memorandum of Understanding in 2018, the Participants are motivated to reinforce a dialogue in areas relating to:

- Cost-efficient implementation of emissions trading in China and the EU;
- The promotion of Emissions Trading Systems as an effective policy and regulatory tool to anticipate, in the case of China, and to guarantee, in the case of the EU, at least post-peaking meaningful absolute power sector emission reduction and combat climate change in China and the EU;
- the role of Chinese Certified Emission Reductions (CCER);
- Comprehensive cooperation with respect to Emissions Trading Systems that could:
  - Address common challenges arising from emissions trading
  - Discuss broadening of carbon markets in China and the EU including the inclusion of new sectors in the emission trading systems in China and the EU.

## **3. FORMS OF IMPLEMENTATION**

Forms of implementation may include but are not limited to the following:

1. An annual policy dialogue mechanism taking place alternately in China and the EU and led by the Department of Climate Change of the Ministry of Ecology and

Environment of the People's Republic of China and Directorate-General for Climate Action of European Commission with a view to:

- Exchanging information, experience and expertise on and promoting mutual understanding of:
    - Policy design and regulatory developments related to or of relevance for emissions trading.
    - The institutions and governance structures responsible for implementation, compliance and enforcement of emissions reporting, verification, accreditation and trading.
    - Interaction between emissions trading systems and complementary policies, including electricity markets with a view to benefitting from the work and achievements of the EU-China Energy Cooperation Platform and developments of renewable energy policy as well as relations between the emissions trading system in China and the “Renewable Energy Green Electricity Certificate System”.
  - Promoting exchange and discussion among stakeholders, in particular relevant institutions, industries, enterprises and experts in China and the EU.
  - Providing the necessary steer to the overall cooperation on emissions trading.
2. The joint organisation of seminars, workshops and, if case may be, other types of cooperation to
- Increase the capacity on and improve the overall performance of emissions trading systems in China and the EU,
  - Prepare the ground for more comprehensive technical cooperation on emissions trading including
    - studying the design of Emission Trading Systems, allowance allocation methods, market regulation mechanisms, mechanisms for monitoring, reporting and verification of emissions,
    - promoting the mutual recognition of carbon emissions accounting for statistical reasons for technical specifications for the verification of embedded emissions and carbon costs of products.
3. Joint research activities and ad-hoc working groups on topics relevant to emissions trading.

In this context, the participants welcome the ongoing cooperation project and the activities foreseen under it.

#### 4. FINAL PROVISIONS

- This MOU replaces the initial version of the MOU signed on the 16th day of July in the year 2018.
- The cooperation under this extended MOU will start on the date of signature and continue for a period of five years, unless one of the Participants discontinues its participation at an earlier moment in time. This MOU is not designed or intended to create legal rights or obligations under international or domestic law.
- This MOU demonstrates the common desire of the Participants to strengthen cooperation on Emissions Trading Systems.

- Signed in duplicate in Brussels on 18 June in the year 2024, in the English and Chinese languages, both texts being equally authentic.

*For the European Commission*

*For the Ministry of Ecology and  
Environment of the People's Republic  
of China*

