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Challenges to the development of carbon markets in China

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Abstract

China has introduced several pilot emission trading schemes to build the basis for a
national ... regional
carbon t ... omies.
Howeve ... c context
and inst ... viability.
This arti ... straints.
Four ma ... limited
finar ... government
interve ... ay be
partially ... sion trading
scheme ... cal system
and gov ... which the
state an ... depends

crucially on the ability of the ongoing efforts to transform the distorted state–market relationship.

Policy relevance

The burgeoning carbon markets offer opportunities for emissions mitigation at lower costs and enable circulation of a new form of capital, i.e. carbon credits, across borders. China accounts for a gigantic share of global GHG emissions and has the potential to significantly scale up these opportunities. There are clear implications for market developers and participants worldwide, including climate policy makers who attempt to link their emission trading schemes to other schemes, firms who seek to take advantage of the inexpensive carbon offsets generated in developing countries, international financial institutions who endeavour to establish their business in an emerging major carbon market, etc. This article can inform their decisions by identifying key issues that may undermine their ability to achieve these goals. Policy makers and stakeholders will benefit from this analysis, which shows how the Chinese carbon markets operate in ways that may be different from their experience elsewhere.

Keywords: carbon market China climate governance developing country emission trading political economy

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