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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX V**

to the Commission Implementing Decision on the financing of the annual action plan in favour of China for 2024, under the Multiannual Indicative Programme for the Asia-Pacific region

**Action Document for Support to EU-China dialogue and cooperation on ETS-related policies and measures**

**ANNUAL PLAN**

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

## 1 SYNOPSIS

### 1.1 Action Summary Table

<b>1. Title</b> <b>CRIS/OPSYS</b> <b>business reference</b> <b>Basic Act</b>	Support to EU-China dialogue and cooperation on ETS-related policies and measures OPSYS number: ACT-62487 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	No
<b>3. Zone benefiting from the action</b>	The action shall be carried out in the People's Republic of China
<b>4. Programming document</b>	Regional Multi-Annual Indicative Programme for Asia and Pacific (2021-2027)
<b>5. Link with relevant MIP(s) objectives / expected results</b>	<p>This Action will support the implementation of the Specific Objectives of the China section in the Regional Multi-Annual Indicative Programme for Asia and the Pacific (RMIP, 2021-2027):</p> <ul style="list-style-type: none"><li>• SO 1: Promote European values and interests in the bilateral relations with China, in line with the multi-faceted approach.</li><li>• SO 2: Engage China to deliver on global public goods (including on international commitments such as the Agenda 2030 and the Paris Agreement on Climate Change).</li></ul> <p>The Action will contribute, in particular, to the following Expected Results:</p> <ul style="list-style-type: none"><li>• ER 1.2: Increased frequency and/or more efficient preparation and follow-up of high-level dialogues and sectoral dialogues, and enhanced people-to-people ties (by continuing the emissions trading system policy dialogues).</li><li>• ER 2.1: Coordinate on the external dimension of the European Green Deal and progress towards the Paris Agreement targets, via initiatives that support the development and implementation of China's own climate change and environmental protection policies (e.g. the emissions trading system).</li><li>• ER 2.2: Promote energy transition, clean energy investment and sustainable finance standards, both domestically and externally in partner countries (e.g. phasing out of investments in coal-powered energy generation), green technologies and innovation, renewable energy and energy efficiency.</li></ul>

PRIORITY AREAS AND SECTOR INFORMATION					
6. Priority Area(s), sectors	410 – General Environment Protection				
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): Goal 13. Take urgent actions to combat climate change and its impact Other significant SDGs (up to 9) and where appropriate, targets: Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable Goal 12. Ensure sustainable consumption and production patterns				
8 a) DAC code(s)	41010 – Environmental policy and administrative management– 100%				
8 b) Main Delivery Channel	Chanel 2 – 60000 – Private sector institution				
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance				
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective	
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Gender equality and women's and girl's empowerment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	RIO Convention markers	Not targeted	Significant objective	Principal objective	
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
		Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
digital connectivity digital governance		YES <input type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/>		

	digital entrepreneurship	<input type="checkbox"/>	<input type="checkbox"/>	/
	digital skills/literacy	<input type="checkbox"/>	<input type="checkbox"/>	
	digital services	<input type="checkbox"/>	<input type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES	NO	/
	energy	<input type="checkbox"/>	<input type="checkbox"/>	
	transport	<input type="checkbox"/>	<input type="checkbox"/>	
health	<input type="checkbox"/>	<input type="checkbox"/>		
education and research	<input type="checkbox"/>	<input type="checkbox"/>		
Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line: 14.020131 Total estimated cost: EUR 5 000 000 Total amount of EU budget contribution: EUR 5 000 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing</b>	<b>Direct management</b> through: Procurement			

## 1.2 Summary of the Action

China's Emission Trading System (CN ETS) started its operation officially in July 2021. It is the largest in the world (in terms of emissions covered), accounting for three times as many emissions as the one of the EU. If extended beyond the current focus of the energy-sector to other critical sectors such as steel and iron, aluminium, cement, pulp and paper, chemicals, etc, the coverage of the CN ETS could move from currently 4.5 billion tonnes CO2 up to 6.5 gigatonnes or more. The potential of China's ETS is therefore huge and, once fully matured, it will help China in reaching carbon neutrality and make a substantial step forward in achieving climate goals globally.

However, to support the country's long-term climate ambitions and achieve its climate targets, China's current ETS has still to address some key challenges. These are namely the lack of a robust Monitoring, Reporting and Verification (MRV) system including capacities of authorities and industry experts in designing and implementing it, and the lack of incentives to promote a cost-effective as well as a market-oriented system, which would require a major shift in the design of the system.

China has always looked at the EU as an experienced partner from which to learn, due to its most advanced ETS. The cooperation on ETS between the EU and China started in 2014, before the official launch of China's ETS, through two projects funded respectively by then DG DEVCO (2014-2017) and the Foreign Policy Instruments (FPI, 2017-2024). These projects progressively strengthened cooperation with relevant Chinese authorities responsible for the development of ETS (the National Development and Reform Commission(NDRC) until March 2018, and thereafter the Ministry of Ecology and Environment(MEE), which is currently in charge of ETS policies). They also supported training of about 20,000 officials and industry experts in relevant local, provincial and national entities and sharing of EU experiences in the field of MRV.

There is a need now to further focus this cooperation on the additional challenges that China has to address. For this reason, building on the positive track-record and on the established political relations with the country, this Action will further promote MRV practices and their application to new sectors to be included in the CN ETS, as

well as promote discussions on cost-effective and a market-based systems relevant to underpin China's climate ambitions for its national framework.

The activities of this Action will also feed into discussions of the EU-China Policy Dialogue on emissions trading, established by the MoU on ETS in 2018 and based on which former EVP Timmermans and his counterpart - the First Vice Premier Ding Xuexiang - agreed to intensify cooperation on emissions trading during the 4<sup>th</sup> EU-China High-Level Dialogue on Environment and Climate in Beijing in July 2023. An updated MoU reflecting recent developments and future priorities is expected to be signed in early 2024, which was further highlighted during the EU-China Summit held on 7<sup>th</sup> December 2023, when leaders welcomed continued cooperation on climate change in areas such as emissions trading.

### 1.3 Zone benefitting from the Action

The Action shall be carried out in the People's Republic of China, which is included in the list of ODA recipients.

## 2 RATIONALE

### 2.1 Context

The European Council Conclusions of 30th June 2023 on China reaffirmed, along with the "EU-China Strategic Outlook - Joint Communication" of March 2019, the validity of the EU's multifaceted policy approach towards China, where it is simultaneously a partner, a competitor and a systemic rival. This approach has served to address the different aspects of the relationship, through a period when economic and political relations have required flexibility and agility in bilateral dealings with China. It also kept open the space for bilateral engagement on matters of common or global interest.

In recent years, there has been an intensification of the systemic rivalry and competition dimensions. Readjusting and recalibrating relations between the EU and China are necessary in light of the evolving circumstances, including China's own actions and posture. In her 2023 State of the Union speech, President von der Leyen underlined the importance for the EU to keep open lines of communication and dialogue with China on topics where cooperation is needed such as climate change. At the same time, it is critical to de-risk (not de-couple) our relations with China, through diplomatic and economic means to reduce vulnerabilities and increase resilience. At the 2023 December EU-China Summit, the leaders discussed several bilateral issues, notably the need to rebalance the trade relationship, and also global challenges, including continued cooperation on ETS, an important climate policy initiative considering the EU and China have the biggest ETS in the world.

This Action aims at supporting further development of the CN ETS towards an effective and reliable instrument to cope with greenhouse gas (GHG) emissions in an efficient and effective manner. Robust monitoring, reporting and verification systems are key in this respect and should be accompanied by credible efforts to improve the design and functioning of the CN ETS and its carbon market, so as to help China to achieve its climate targets under the Paris Agreement. Currently China is responsible for 28 percent of global GHG emissions, therefore exploiting the potential of the CN ETS to reduce GHG emissions is in the EU's interest and in line with the external dimension of the European Green Deal<sup>1</sup>. The fight against climate change is a shared responsibility and an effective EU-China partnership in this area is key to the future of our planet, as recently stated by the High Representative / Vice President Borrell<sup>2</sup>.

### 2.2 Problem Analysis

China is the world's largest emitter of GHG and its emissions trading system has a huge potential to develop into an important policy tool to achieve China's carbon neutrality goals. Officially launched in 2021, China's emissions trading system (ETS) is currently the largest in the world, covering more than three times as many emissions as the EU ETS (the second largest).

At the United Nations General Assembly in September 2020, President XI Jinping pledged to reach China's CO<sub>2</sub> emissions peak before 2030 and to achieve carbon neutrality before 2060, a vision integrated in the current 14<sup>th</sup>

<sup>1</sup> COM(2019) 640 final

<sup>2</sup> [https://www.eeas.europa.eu/eeas/eu-china-summit-rivalry-and-partnership\\_en](https://www.eeas.europa.eu/eeas/eu-china-summit-rivalry-and-partnership_en)

Five-Year Plan (2021-2025). His declaration set the ground for more ambitious climate policies for the country for the next decades.

In December 2020, China also announced that it would enhance its Nationally Determined Contribution (NDC) under the Paris Agreement for 2030, including reducing its CO<sub>2</sub> emissions intensity per unit of GDP by more than 65% from the 2005 level, increasing the share of non-fossil fuels in primary energy consumption to around 25% and expanding the total installed capacity of wind and solar power to over 1.200 gigawatts.

China has shared concerns about the impact of the EU's Carbon Border Adjustment Mechanism (CBAM). A more efficient ETS in China would alleviate those concerns since the potential impact of CBAM would decrease.

While emissions trading in the EU is already the centrepiece of climate policy actions, China is expected to enhance its Emission Trading System as part of its 15th Five Year Plan (2026-2030). While the interaction and role of the different policies pursued by the Chinese national government (e.g. ETS, reform of the electricity market, renewable portfolio standard, etc.) to peak and ultimately decarbonise the Chinese economy may not yet be fully clear or decided, the potential of emissions trading in the overall policy portfolio is huge and is expected to benefit from ongoing efforts such as the reform of the electricity market. This Action aims at improving the functioning of the Chinese ETS and its carbon market, based on the EU's experience and best practices. It has the potential to contribute to levelling the playing field between the EU and China with respect to efficient peaking of GHG emissions and subsequent effective reduction on the way to decarbonise the Chinese economy. The Action will also feed into discussions of the EU-China ETS Policy Dialogue. The outcomes of this dialogue may provide further guidance to identify additional important sectors or topics to address in this area. In addition, synergies will be ensured wherever relevant with other EU initiatives such as the Climate Dialogues/Strategic Partnerships for the Implementation of the Paris Agreement (SPIPA).

#### Main stakeholders

On the Chinese side:

- Ministry of Ecology and Environment (MEE), provincial and municipal ecological and environmental bureaux, public institutions affiliated to MEE responsible for the formulation and implementation of ETS rules and regulations;
- Local authorities in charge of ETS implementation especially regarding MRV and allowance allocation;
- Industry associations and companies engaged in the ETS process in China at central and local levels;
- Chinese ETS registry and trading centre;
- Academia, think tanks, NGOs that are active on ETS-related policies.

On the EU side:

- European Commission, EEAS, MEPs and Member State Officials involved in EU policy development.

## 3 DESCRIPTION OF THE ACTION

### 3.1 Objectives and Expected Outputs

The **Overall Objective** of this action is to support China in advancing and further developing its Emissions Trading System (ETS) towards a cost-effective tool to reduce emissions.

The **Specific(s) Objective(s)** of this action are to:

1. Ensure a more robust and solid framework for MRV of GHG emissions in the CN ETS (including for new industrial sectors expected to be added), based on the EU experience and best practices.
2. Support discussions and relevant actions to implement the emissions reduction potential under a cost-effective national ETS in China

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives are:

- 1.1 Increased knowledge of relevant rules and developments in the EU ETS among Chinese stakeholders (contributing to Specific Objective 1)
- 1.2 Increased capacity of Chinese authorities, verifiers and industries to implement and apply robust MRV rules for the reliable operation of the nation-wide ETS, based on EU best experience (contributing to Specific Objective 1)

- 2.1 Enhanced reciprocal understanding with Chinese authorities of the EU and China's ETS as an effective means to accurately identify and address untapped potential to increase cost-effectiveness of the systems (contributing to Specific Objective 2)
- 2.2 Enhanced understanding of actual and potential benefits arising from effective interaction between ETS and competitive electricity markets among EU/China think-tanks, universities and industry associations (contributing to Specific Objective 2)
- 2.3. Enhanced understanding of the impact of concurrent policies on the effectiveness and efficiency of ETS among EU/China think-tanks, universities and industry associations (contributing to Specific Objective 2).

## 3.2 Indicative Activities

### **Activities relating to Output 1.1:**

- Information campaigns on EU ETS rules and developments targeting Chinese national and local authorities as well as companies engaged in local ETS processes
- Workshops and seminars on sector-specific MRV aspects with Chinese companies and industry associations
- Study visits to relevant EU and Members States institutions by representatives of Chinese authorities to increase understanding and functioning of EU ETS and to encourage ideas on how to further develop the CN ETS

### **Activities relating to Output 1.2:**

- Capacity building and trainings on MRV for Chinese companies, industry associations, etc. that are engaged in the implementation of the CN ETS
- Development and implementation of train-the-trainers approach with Chinese national and local authorities

### **Activities relating to Output 2.1:**

- Policy dialogues and technical exchanges at various levels between EU and Chinese authorities on latest developments in the EU and CN ETS
- Seminars and workshops on topics relevant to improve the functioning of the CN ETS and its carbon market

### **Activities relating to Output 2.2:**

- Joint research activities, workshops and seminars engaging EU/China think tanks, universities, and industry associations

### **Activities relating to Output 2.3:**

- Joint research activities, workshops and seminars engaging EU/China think tanks, universities, and industry associations

## 3.3 Mainstreaming

### **Environmental Protection & Climate Change**

Decoupling economic development from GHG emissions and climate change is at the core of the EU's green policy agenda and this action contributing to environmental sustainability, low carbon development and climate resilience. The action is aligned with the relevant Nationally Determined Contributions (NDC) and global targets under the SDG 13 and the Paris Agreement, the progress of which will benefit from a pathway to an effective market-based system leading to efficient GHG reductions and subsequent longer-term decarbonisation of the economy.

### **Outcomes of the SEA screening** (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

### **Outcomes of the EIA (Environmental Impact Assessment) screening** (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).



**Outcome of the CRA (Climate Risk Assessment) screening** (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

#### **Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G0. This implies that the action is not considered relevant in terms of contributing to gender specific objectives or targeting gender specific activities.

#### **Human Rights**

Respect for human rights, including women's rights, is a fundamental value of the European Union. Aligning the legal framework of China with international standards (ratification and implementation of international human rights treaties) is a key activity under this action. The design and implementation of the action will give attention to those who are most marginalised, excluded or discriminated against and living in vulnerable situations. The action will attempt to intensify the dialogue on human rights as universally recognised and as a core aspect of China-EU relations. This action will apply a human rights-based approach encompassing all human rights, whether civil and political or economic, social and cultural in order to integrate human rights principles (applying all human rights for all, meaningful and inclusive participation and access to decision-making, non-discrimination and equality, accountability and rule of law for all, and transparency and access to information supported by disaggregated data). The approach will be guided by the principle of "leaving no one behind", equality and non-discrimination on any grounds.

#### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action does not propose any activity concerning any disability, nor contribute to this DAC.

#### **Reduction of inequalities**

The attainment of human rights, the rule of law, liberal democracy, peace, conflict prevention, resilience and stability in our partner countries, and even more in China are key objectives. Project designs are aiming to implementing policies and programmes that meet people's needs, reduce inequalities, and fulfil the central commitment of the 2030 Agenda to leave no one behind.

#### **Democracy**

All activities, including policy dialogue with the Chinese Government, will aim to strengthen the inclusiveness of policy dialogues as well as an accent on the importance of the rule of law, good governance, transparency and anti-corruption.

#### **Conflict sensitivity, peace and resilience**

Monitoring the promotion of human rights, fundamental freedoms, peace and security both in China and in partner countries will be considered as appropriate.

#### **Disaster Risk Reduction**

Unabated climate change is significantly increasing disaster risks. The action will contribute to implementing and promoting cost-effective emission reductions and could thus alleviate disaster risks.

### **3.4 Risks and Lessons Learnt**

<b>Category</b>	<b>Risks</b>	<b>Likelihood (High/ Medium/ Low)</b>	<b>Impact (High/ Medium/ Low)</b>	<b>Mitigating measures</b>

External environment	Changes in the Chinese government's political priorities and commitment to the project.	L	H	Strong alignment between technical work and commitments/outcomes agreed at high-level political dialogues.
External environment	Political and/or economic developments that could make China withdraw from its international commitments under the Paris Agreement.	L	M	Regular exchanges under the high-level political dialogues and international platforms (e.g.UNFCCC) to closely monitor the development of Chinese positions.
Internal coordination	Overlaps with projects from other donors.	L	L	Regular exchanges with other donors, building on common interests to ensure an efficient use of resources.
Organisation and coordination	Delays in implementation due to lack of resources and/or administrative bottlenecks on either side.	M	M	Project monitoring mechanisms (such as Project Steering Committee) and EC external monitoring tools (such as Results Oriented Monitoring and Evaluations) as appropriate to ensure early detection of problems and identification of actions to minimize impact.

#### **Lessons Learnt:**

Challenges related to availability of resources on the side of the Climate Change Department and priorities of the MEE in previous phases have demonstrated the need for flexibility and the capacity to make adjustments to planned activities to ensure delivery of key objectives. Annual Work Plans (AWPs) have been vital in enabling adequate planning and allocation of resources. However, a certain degree of flexibility as regards implementation of AWP must be ensured (e.g. in relation to timelines) to accommodate needs of diverse stakeholders involved.

The previous phases of the action have demonstrated strong interest by Chinese stakeholders in learning and benefitting from the experience of EU ETS through capacity building activities, joint research, etc. There is a general recognition on the Chinese side that these activities have influenced the Chinese approach and contributed to make the Chinese MRV system overall more robust. This new phase will continue building on the positive momentum, while ensuring the EU's steering on topics related to capacity building and joint research programmes where the EU ETS offers the best experience and can be instrumental in helping improve the effectiveness of CN ETS in reducing emissions.



### 3.5 The Intervention Logic

Since 2021, China operates the largest ETS in the world. The features of the Chinese intensity-based system must be seen in both the specific Chinese context and the overall economic policy designed to increase and ensure a decent standard of living to the whole Chinese population by 2035. In this context, China considers emissions trading as an increasingly important policy tool to contribute to the implementation of the carbon peaking and carbon neutrality goals announced by President Xi at the UN General Assembly in September 2020.

The EU ETS is the world's first and most experienced major carbon market. IF the above assumptions hold, THEN exchanges on the EU's experience and best practices can help further develop an effective ETS in China and offers promising prospects for absolute emissions reductions. THEN, this is not only in the strong interest of China, but also of the EU and of the rest of the world BECAUSE climate change represents a global challenge. Therefore, the Action entails a large potential to enable China to further develop its ETS to peak and subsequently reduce GHG emissions on the way to decarbonise the Chinese economy.

IF in the longer term the expectation that China's ETS will feature prominently in the adoption of China's 15th Five Year Plan (2026-2030) is realised, THEN the Action could lay the ground to further work with China in its efforts to turn its ETS into a fully-fledged market based system with an absolute and declining cap. This would lead to considerable GHG emissions reductions that would help China to meet its long-term climate targets.

### 3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action. The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	To support China in advancing and further developing Emissions Trading System (ETS) towards a cost-effective tool to reduce emissions	Extent to which CN ETS delivers cost-efficient emission reductions based on an improved MRV system and CO2 intensity per sector included in the CN ETS.	Power sector included in CN ETS and corresponding CO2 intensity (2024)	1. Improved CO2 intensity and new sectors included in the CN ETS (2028)	1. China's annual report on work responding to climate change  2. New guidelines and policies on CN ETS issued by the government	<i>Not applicable</i>
<b>Outcome 1</b>	1. Ensure a more robust and solid framework for MRV of GHG emissions included in the CN ETS (including for new industrial sectors to be added), based on the EU experience and best practices	1.1 Extent to which the MRV rules implemented in the CN ETS for the sectors included are considered to be improved, robust and in line with EU best practices	1.1 One sector included in the CN ETS with gaps and shortcomings in terms of MRV (2024)	1.1 New sectors added to the CN ETS and more robust MRV rules and procedures implemented leading to less MRV failures and fraud (2028)	1.1. MEE on the level of MRV failure and necessary follow up action  1.2. China's annual report on work responding to climate change	New sectors included in the CN ETS in 2024 and subsequent years
<b>Outcome 2</b>	2. Support discussions and relevant actions to implement the emissions reduction potential under a cost-effective national ETS in China	2.1 Number of EU-China ETS policy dialogues held including the subsequent follow-up activities at technical level  2.2 Number of roadmap/steps discussed/envisaged/planned/implemented towards an absolute emissions cap in the CN ETS, decreasing emissions pathway through more cost-effective emissions reduction	2.1 1 (2025)  2.2. 0 (2025)	2.1 3 by the end of the project (2028)  2.2. TBD in the inception phase	2.1 Project monitoring and reporting  2.2. Expert assessment	Chinese counterparts remain open and interested in dialogue with the EU
<b>Output 1 relating to Outcome 1</b>	1.1 Increased knowledge of relevant rules and developments in the EU ETS among Chinese stakeholders	1.1.1 Number of people reached by information campaigns on EU ETS rules and developments  1.1.2 Number of Chinese companies and industry associations benefitting from workshops and seminars on sector-specific MRV aspects	1.1.1 0 (2025)  1.1.2 10 (2025)	1.1.1 TBD in the inception phase  1.1.2 TBD in the inception phase	Progress reports for the EU-funded intervention	The Chinese authorities will engage constructively in the work

<b>Output 2 relating to Outcome 1</b>	1.2 Increased capacity of Chinese authorities, verifiers and industries to implement and apply robust MRV rules for the reliable operation of the nation-wide ETS, based on EU best experience	1.2.1 Number of people trained on MRV based on EU ETS experience who report having gained increased knowledge  1.2.2 Number of people from Chinese national and local authorities equipped to train others	1.2.1 0 (2025)  1.2.2 80 (2024)	1.2.1 TBD in the inception phase  1.2.2 TBD in the inception phase	1.2.1 Progress reports for the EU-funded intervention  1.2.2 End of training assessment  1.2.3 Training records	The Chinese authorities will engage constructively in the work
<b>Output 1 relating to Outcome 2</b>	2.1 Enhanced reciprocal understanding with Chinese authorities of the EU and China's ETS system as an effective means to accurately identify and address untapped potential to increase cost-effectiveness of the systems	2.1.1 Number of seminars and workshops organised with key stakeholders  2.1.2 Percentage of participants in workshops and seminars who report having a better understanding of how to improve the functioning of the CN ETS and its effectiveness in terms of emission reductions	2.1.1 0 (2025)  2.1.2 0 (2025)	2.1.1 TBD in the inception phase  2.1.2 TBD in the inception phase	2.1.1. Progress reports for the EU-funded intervention  2.1.2 End-of-workshop/seminar assessment	Chinese authorities and stakeholders remain open to engage and exchange with the EU
<b>Output 2 relating to Outcome 2</b>	2.2 Enhanced understanding of actual and potential benefits arising from effective interaction between ETS and competitive electricity markets among EU/China think-tanks, universities and industry associations	2.2.1 Number of proposals received on new joint research topics on ETS to be supported by the EU-funded intervention  2.2.2. Number of joint research reports produced, showing a better understanding of the interaction between ETS and electricity markets  2.2.3 Percentage of participants in workshops and seminars who report having a better understanding of the links between ETS and electricity markets	2.2.1 0 (2025)  2.2.2 0 (2025)	2.2.1. TBD in the inception phase  2.2.2 TBD in the inception phase	2.2.1 Progress reports for the EU-funded intervention  2.2.2 Final reports on Joint Research Reports  2.2.3 End-of-workshop/seminar assessment	Chinese authorities and stakeholders remain open to engage and exchange with the EU.
<b>Output 3 relating to Outcome 2</b>	2.3 Enhanced understanding of the impact of concurrent policies on the	2.3.1 Number of joint research papers produced, showing a better understanding of the impact of concurrent policies	2.3.1 0 (2025)  2.3.2 0 (2025)	2.3.1 TBD in the inception phase	2.3.1 Progress reports for the EU-funded intervention	Chinese authorities and stakeholders remain open to

	effectiveness and efficiency of ETS among EU/China think-tanks, universities and industry associations	2.3.2 Percentage of participants in workshops and seminars who report having a better understanding of how policies impact on the ETS.		2.3.2 TBD in the inception phase	2.3.2 End-of workshop/seminar assessment	engage and exchange with the EU.
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## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the People's Republic of China.

### 4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### 4.3 Implementation Modalities applicable for Project Modality

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

#### 4.3.1 Direct Management (Procurement)

The procurement will contribute to achieving Specific Objectives under Section 3.1. The global budgetary envelope reserved for procurement is indicated in section 4.5.

This call has been launched on XX (date to be added at later stage) under a suspensive clause prior to the adoption of this Decision. This is justified for the following reasons:

- The current project will end on 1 December 2024, without further possibility to extend, at a crucial time for the CN ETS (inclusion of new sectors). A fully-fledged train-the-trainer programme will be prepared by means of a pilot programme in the first half of 2024 and will be evaluated with the aim of starting the programme as soon as possible under this new Action.
- An increased demand for training and capacity building on MRV related issues in new sectors is expected to be submitted to the current and the new project and must be dealt with as a matter of priority to encourage the inclusion of further industrial sectors in the CN ETS.
- Leaving a gap of more than a few weeks between the termination of the current project and the start of the new one would clearly undermine the credibility of the Commission and the stance and reputation of the ETS cooperation. The cooperation would also lose the momentum created by the 2024 activities that should result in a more comprehensive train-the-trainer approach (other sectors and if appropriate, new topics such as cap setting, free allocation and auctioning etc).

#### 4.3.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In case procurement envisaged under section 4.3.1 cannot be implemented as planned due to circumstances outside of the Commission's control, this action may be implemented in indirect management with an entity. In such circumstances, the following selection criteria would apply:

- experience in working with public authorities;
- experience in promoting alignment with EU interests, policies and values in partner countries;
- expertise in providing advisory services, capacity building and/or technical assistance to public and private sectors in the field of ETS;
- deep knowledge of the China context;



- capacity to work in partnership with key bodies of the Chinese Government enabling smooth facilitation of one or more policy dialogues related to key priorities and the SDGs.

#### 4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### 4.5 Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>
<b>Implementation modalities</b> – cf. section 4.3	
<b>Support to EU-China dialogue and cooperation on ETS-related policies and measures</b> composed of	
Procurement (direct management) – cf. section 4.3.1	
<b>Procurement</b> – total envelope under section 4.3.1	5 000 000
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	may be covered by another Decision
<b>Contingencies</b>	N.A.
<b>Totals</b>	5 000 000

#### 4.6 Organisational Set-up and Responsibilities

Specific expertise will be mobilised in the specific thematic area of this action. The EU Delegation will in close cooperation with DG CLIMA constantly monitor and ensure the effectiveness and quality of the different policy and technical outputs and results defined in the Terms of Reference.

Dedicated steering committees may be established to act as advisory and reporting mechanisms in order to provide strategic and policy guidance and to ensure smooth project implementation. The steering committees should meet at least once a year to define priorities of work and provide recommendations on how to address obstacles and challenges identified during project implementation. The Steering Committee(s), whose composition will be further detailed in the legal commitments, will comprise the relevant sections of the Delegation representing DG INTPA and at least DG CLIMA as well as other relevant line DGs. Participation of EU HQs will be encouraged through virtual platforms. Private sector and civil society organisations will be involved as appropriate during project implementation. Efforts will be made to ensure appropriate participation of Chinese counterparts.

The coordination mechanism composed of Commission Services (DG CLIMA, INTPA, FPI) and the EEAS will be kept up-to-date on activities of this action that are relevant to dedicated strategic communication and/or public diplomacy actions. The implementing partner or other relevant sections in the EU Delegation will facilitate the organisation of policy dialogue meetings, under the chairmanship of the Head of EU Delegation.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of

the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

## 5. PERFORMANCE MEASUREMENT

### 4.4 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The implementing partners are responsible for day-to-day monitoring and reporting based on the agreed indicators in the logframe. For baseline and/or endline targets that need to be defined for specific indicators, the implementing partners shall take the responsibility to collect data using appropriate tools including surveys and present the results in the progress report for approval by the contracting authority. Funding for the baseline and endline data collection will be incorporated into the overall budget within the implementing partners. Adjustments to the agreed indicators will be subject to a discussion and approval of the contracting authority. The contracting authority will also be responsible for the approval of interim progress reports and updated current values of logframe indicators in OPSYS.

Stakeholder engagement will be ensured by appropriate governance mechanism and communication and engagement strategy, monitored closely by the contracting authority during contract implementation.

The data collected will take into consideration the gender perspective.

### 4.5 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action via independent consultants contracted by the Commission.

- A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that complement with specific aspects that can be highlighted such as an innovative action or a pilot being tested, etc.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

## 4.6 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

# 5 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.