

Regional Carbon Trading Legislation Supervision Coordination Mechanism Research

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Abstract: During 2014 Beijing APEC meeting, China planned to set maximum limits for carbon emissions in 2030. In reference to a more mature regional carbon emissions trading legislation of the EU and the United States, this article describes the formation of information exchange, coordination and balance of interests of the conflicts and other function, inter-regional coordination mechanism to build legislative carbon emissions trading by establishing cross-regional coordination committee. In this article, it developed regional carbon emissions trading legislation supervision for reasonable allocation of the carbon quotas, cross-region trading, and consolidated supervision, together to enforce the law.

Keywords: Carbon emission, Carbon emissions, trading legislation supervision, Cross-regional carbon trading

Introduction

Currently, controlling the emissions of carbon dioxide is the major method to control the atmospheric pollution. According to this condition, the cooperation of the affected states becomes important. Based on the member state in different carbon development stage of realistic background, a composited cross-regional carbon emissions market is satisfied to establish through scientific positioning function of the market, the main task of the stage, the total control, to perfect the market structure, the Legislation Coordination Mechanism and improve supposing measures etc.

Introduction of carbon emission trade

The global climate change has become the concerns of the whole world today. Climate change would press great threat to the natural system and economical society. So it's necessary for each government to decrease and restrain the emission of greenhouse gas in order to slow down the trend of global warming. The attitude of our government in the World Climate negotiations is positive and responsible. Chinese government has taken measures to reduce the greenhouse gas emissions and carried out the experimental work of the carbon emissions trading in domestic.

The carbon emission trading has developed remarkably in China while global trading grows rapidly. Carbon trading will provide its market mechanism. Building regional carbon trading is an important part of the multi-level carbon market in China from overall

trends. The cross-regional carbon trading mechanism is based on the market to reduce carbon emissions. Establishing cross-regional carbon trading mechanism is an effective way and a priority to reduce emission level and cope with climate change and master initiative rights on climate change negotiations. It is suggested that we should follow the way of regional experiments and implementation in China. Based on the practice and experience of RGGI, it's put a forward the pathway of cross-regional carbon emission system and purpose policy suggestion.

Methods

This article uses following research methods, such as literature study, empirical analysis, comparing study and economic analysis. By collecting articles, getting lately researches and studies, studying the present articles, the author has systematical frame of present carbon trading legal system, and makes good foundation to further study. On the other side, this article makes researches on the market setting-up, trading schedule, and typical cases of carbon trading legal system in and out of China which is good to do further researches in future [1].

Furthermore, by comparing EU and USA's carbon trading legal system, set forth useful suggestions to China's setting-up of carbon trading legal system. Based on the profit-and-cost Research on EU and USA Legal System of Carbon Emission Trading Discussion on the Foundation of China's legal System of Carbon Emission Trading [2].

Necessity and Feasibility Analysis of Carbon Trade under Legislation Supervision

As a kind of stimulating means of carbon emission reduction economy, carbon emission trade can not only mitigate the climate change, but also ensure energy security. However, totally free carbon emission trade can induce the financial risk due to the inherent flaws of the market, such as unfairness of social distribution of carbon emission permit, and imperfect competition of carbon emission permit trade. The government needs to cultivate the external conditions for the good running of the market as the development of the carbon emission permit trade market is not mature. The market will replace the government to play a fundamental regulatory role when the market becomes mature gradually. When the market works improperly, the government can correct it. China's carbon emission

permit trading has the necessity and feasibility of government supervision[3].

The revelation of International Carbon Emission Trading on China's Emission Trading

Before the linkage of carbon market, the compatible problems of the design principle of carbon commodity, carbon offsets credit, the monitoring target of carbon emission, contain measure of carbon price become the main obstacle to the linkage of carbon market. After the linkage of the carbon market, the participant of the linkage will benefit from the scale effect, price effect and the wealth effect. In order to fully get the benefit of linkage of carbon market and avoid risk, in the establishment of Chinese carbon market, the decision makers need take into account the target of linkage, to strengthen the risk monitoring and international policy coordination [4]. The figure 1 is the international of climate change framework.

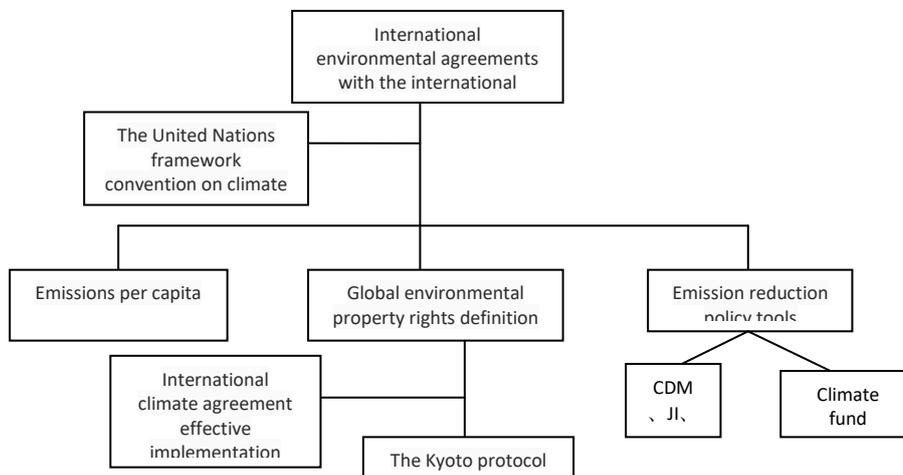


Fig-1: International climate change framework

The initial Allocation Mechanism of the EU Carbon Emissions Quota

Considering most of the present researches pay attention to frame, USA's carbon trading legal system in many aspects, such as trading subject, trading object, emission quota distribution, certification, registration and clearing, while analysis their different reasons and sum up what we have to learn from the beneficial experiences of EU's carbon trading legal system[5].

The quota allocation principles and methods in the EU's Member States have various sectors. Study the grandfather method distribution principles allocation and standards law principles. Learning the free allocation of quota distribution and full auction allocation, proposed the advantages and disadvantages of this two allocation method. Free allocation will make more and more enterprises into the system, complete auction is the most efficient way, but it faces many

difficulties; mixed distribution way is a way of transition, can better adapt to the carbon trading system by the enterprises, in order to realize efficient distribution of auction to lay a solid foundation[6].

The Supervision and Inspiration on EU's carbon emissions trading mechanism

The carbon trade market was established according to the regulations, in this market, people do transactions by the use and circulation of carbon emission quota. Unlike physical goods, the quota of carbon emissions is not tangible, which leads to the difficulty of the supervision of this market, and from the very beginning, this man-made market has many defects which become increasingly evident in the process of its development. With constant occurrence of carbon trade scandal in the market, it has become an international consensus to strengthen the supervision of the market. European Union and the United States have formed

their special modes of carbon trade supervision system based on the development of their national carbon markets[7].

As the most influential emission trading system, EU Emission Trading Scheme is a good sample of compulsory carbon trading legal system and offers practicing-experiences to other countries. The government of USA, although hasn't formed the countrywide system of compulsory carbon trading legal system, has very effective voluntary carbon trading legal system, especially the schedule-design of Chicago Exchange which gave useful suggestions to other countries' carbon trading legal system.

EU's legislative response to climate changes and agrees with the role of local governments in their cooperation of ecological management. The paper also argues that relevant legislation should be positioned as a "promotion oriented legislation" with regional legislation as early attempts breaking through the concept of cooperation by expanding the dimension of cooperation, and using incentive measures and legal liability appropriately[8].

China regional carbon emissions trading legislation system construction

Construct "Measurable, Reportable, Verifiable" legal System

The core of non-compliance mechanism of UNFCCC is the supervision system. The existing Kyoto mechanism supervision system includes reporting system, registration system and compliance mechanism. The trend of the post 2012 international climate negotiations is that the compliance mechanism of Kyoto Protocol will give way to a weaker legally binding "Measurable, Reportable and Verifiable system"(MRV). The new international rules of MRV system is going to be modified and reconstructed under the framework of UNFCCC and Kyoto Protocol. The international standard is to be further unified and clarified. The MRV rules of local pilot sites of carbon emissions trading have showed different content and features. The unity of MRV system and legal regulatory framework needs to be established in the national carbon emissions trading system[9].

Carbon Emission Trade under Government Supervision

As a kind of stimulating means of carbon emission reduction economy, carbon emission permit trade can not only mitigate the climate change, but also ensure energy security. However, totally free carbon emission permit trade can induce the financial risk due to the inherent flaws of the market, such as unfairness of social distribution of carbon emission permit, and imperfect competition of carbon emission permit trade.

The government needs to cultivate the external conditions for the good running of the market as the development of the carbon emission permit trade market is not mature. The market will replace the government to play a fundamental regulatory role when the market becomes mature gradually. When the market works improperly, the government can correct it. By the analysis of the basic principle of the carbon emission permit trading, China's carbon emission permit trading has the necessity and feasibility of government supervision[10].

China regional carbon emissions trading legislation system Specific plans

The regulations on carbon trade in USA and EU help states to master pricing-to-market both in domestic markets and international carbon markets, means of carrying out legal collaborations of greenhouse gas trading and constructing the whole orders of domestic carbon trading markets. The consensus which developed countries have been reached in the course of price regulations of carbon trading include such aspects as legislative constructions of carbon trading market systems, effective supervisions on the basis of cost-and-benefit analyses, tool support of financial innovations and future establishments of global carbon trading markets. Specific plans are as follows:

Firstly, enact the carbon trading legal system legally and define the objects of carbon trading legal system ; secondly, establish primary allocation and the total amount controlling systems of carbon trading legal system. thirdly, confirm the subject, object, trading market and trading schedule in law to make the system operatively and practically.

Finally, concentrate on special process of carbon trading legal system, and issue administrative and monitoring laws about china's carbon trading legal system, especially on environmental audit as well as legal and effective monitoring of carbon trading legal system. We need to improve the legal situation of carbon trading legal system, and widen its systematical space to balance the economic development and environmental protection in design.

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