

Media Release

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China's national ETS could have material impact by mid-decade: new analysis

China's landmark national emissions trading scheme has the potential to reduce the country's carbon emissions by three to six billion tonnes a year by 2060, new analysis by the Asia Investor Group on Climate Change (AIGCC) and Schroders has found.

The new analysis finds that the initial impact of the national trading scheme (ETS) launched will be limited but could become more material for covered industries and companies by the mid-2020s as China aims to peak emissions before 2030.

Adopting two scenarios, the analysis projects that the emissions trading scheme could reduce Chinese emissions by 30 to 60 per cent by 2060 from 2020 levels depending on the rate of reduction in intensity caps, expansion of industry coverage and the carbon inhibition factor.

The utilities sector is expected to be the first to be materially affected by the ETS, followed by steel, cement, chemicals and aluminium.

Over time the trading scheme could drive significant changes to revenue and net profit, with companies in chemicals derived from coal, utilities and cement to be most impacted, followed by steel and aluminium.

AIGCC Vice Chair and Schroders Head of ESG Integration APAC, Wong Dan Chi, said: "The launch of the national emissions trading scheme could be one of the most significant drivers of carbon abatement in Asia and with the right settings will be instrumental in delivering China's goals of peak emissions before 2030 and carbon neutrality by 2060.

"Investors need to understand the growing and future impact of the national China ETS on a range of carbon-intensive industries and companies as part of their ongoing management of climate risk across their portfolios."

AIGCC Chief Executive Officer, Rebecca Mikula-Wright, said: "Investors are increasingly seeking to reduce their exposure to climate risks and better position themselves for the opportunities that will be created by China's commitment to carbon neutrality.

"Carbon pricing is generally supported by investors as an efficient way to mitigate emissions and help price climate risk in the economy. It is important that there is clear market information about the design and operation of any carbon pricing mechanism such as auctions, permit allocations and caps."

A full copy of the paper – China ETS: A new dawn – can be downloaded [here](#).

For more information please contact:

Tammie Kang
Asia Investor Group on Climate Change
+6588765101
tammie.kang@aigcc.net

Thomas Kwan
Hume Brophy Communications
+85290182500
thomas.kwan@humbrophy.com

ABOUT AIGCC

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity for investors to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy. With a strong international profile and significant network, AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a greener economy. AIGCC has 60 members from 13 countries representing over \$US26trillion in assets under management.
www.aigcc.net

ABOUT SCHRODERS

As a global active asset manager, the way we direct capital not only shapes the financial returns we achieve for our clients but also the impact that the companies in which we invest on their behalf might have on society. The relationship between these two outcomes has rapidly evolved as we see a fundamental shift in how companies are viewed and valued. Understanding the impact that they can have on society and the planet is crucial in assessing their ability to deliver risk-adjusted profits.

Our ongoing success is built on a history of experience and expertise, whereby we partner with our clients to construct innovative products and solutions. By combining our commitment to active management and focus on sustainability, our strategic capabilities are designed to deliver positive outcomes for our clients.

We are responsible for £700.4 billion (US\$967.5 billion)* assets of our clients, managed locally by 42 investment teams worldwide. As a global business with over 5,500 talented staff across 37 locations, we are able to stay close to our clients and understand their needs. We have over 200 years of experience in investment and innovation and remain committed to creating a better future by investing responsibly for our clients.

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*As at 30 June 2021

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Schroder Investment Management (Singapore) Limited
138 Market Street #23-01 CapitaGreen Singapore 048946
Co. Reg. No. 199201080H
Telephone +65 6800 7000 Fax +65 6536 6626