

	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