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Research on a climate-friendly tariff-setting mechanism in China

Background

Over the past two decades, a wide variety of institutions have conducted research on reforming China's power system, including the World Bank's research on this in 1990s, the Energy Foundation's Power Sector Reform Report in 2002 and other reports on splitting grids and building micro-grids in 2002 and 2003.

Up to now, these reform discussions have concentrated on enhancing market influence in the sector, improving its regulation, and on how to carry out reforms in state-owned power enterprises. There has been little discussion of reforms in price-setting, although currently both the retail and feed-in tariffs are heavily regulated in ways that do not promote efficiency.

There has been even less research on pricing reforms that take environmental and climate considerations into account. This project aims to address the issue.

Project purpose

To make policy recommendations for a climate-friendly electricity pricing scheme in China; one in which tariffs would be determined by a sound combination of economic and environmental considerations.

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Main activities and outputs

- Establish a cross sector network to convene Chinese and international tariff-setting experts
- Make site visits to several typical Chinese cities and analyse international experiences in market-based pricing and feed-in tariffs
- Review China's current pricing scheme to establish the baseline for discussion of market-based pricing
- Propose a market-based pricing scheme to support environmental protection and energy efficiency
- Integrate carbon reduction goals into the market-based pricing proposal
- Set goals in two stages: first for a 40-45 % carbon intensity improvement target until 2020, and an absolute carbon reduction after 2020
- Promote and communicate the final report by publishing articles and making recommendations

Expected impacts

- Contribution to policy debate through a solid Climate-Friendly Electricity Pricing Scheme report
- Creation of a stakeholder network
- Transformation of power pricing to become a lever for promoting lower carbon generation and consumption
- Climate change mitigation
- Influence on China's future policy direction by integrating experts from the Energy Bureau of NDRC, the State Grid Research Institute and provincial electricity regulators

Project Information

Location:
China

Duration:
2013–2014

Sector:
Energy efficiency

Thematic focus:
Business

Total project budget:
€ 190,000

REEEP grant:
€ 150,000

REEEP donor:
Norway

Co-funding:
€ 40,000 from National Center for Climate Change Strategy and International Cooperation

Implementing partner:
National Center for Climate Change Strategy and International Cooperation