

H1 2026 China ETS

Supply, Demand & Price Update



Introduction

China's National Emissions Trading System (CN ETS) underwent rapid policy evolution throughout 2024 and 2025, which included the release of a [high-level roadmap](#) on the CN ETS, the release of the [2035 Nationally Determined Contributions \(NDC\) target](#), expansion of the market beyond the power sector, and the gradual ramp up of the relaunched China Certified Emissions Reduction

(CCER) program. With the potential wind-down of the carry-over policy and tighter supply, the CEA price is set to face upward pressure in 2026.

In 2025, the Carbon Emission Allowance (CEA) price averaged CNY62.36/tonne, down from the 2024 average CNY96.02/t, amid the bearish pressure of the carryover policy. However, in 2025, the Ministry of Energy and Environment (MEE) clarified some of the potential directions for the CN ETS.

Figure 1: CN ETS Expansion Timeline

Industry	Expected Inclusion Year
Oil Refining	2026
Chemicals	2026
Pulp & Paper	2026
Aviation	2027

Figure 1 Footnotes – Source: LSEG Carbon Research.

Calculation Methodology

The CN ETS model forecasts Supply & Demand by calculating power and industry emissions separately. For a more detailed breakdown of the formulas used in the calculation of power demand, please see our [methodology](#) (Workspace subscription required). The full version of this report includes an overview of LSEG Carbon Research's expectations for China's Power Markets and Industry demand through 2035. For more information, please reach out to market.response@lseg.com.

The annual balance of supply and demand for allowances is impacted by trading behaviour and market expectations of future ETS policy changes, which can then be used to determine the projected pathway of allowance prices. Previous LSEG Carbon Research forecasts have indicated that during the first compliance period from 2019 to 2021, emissions totalled 8.68 billion tonnes and total issued allowances were 9.01 billion tonnes, indicating oversupply. However, China has already implemented policies designed to tighten the cap as more industries are added to the ETS.

Scenarios & Results

LSEG Carbon Research has modelled three potential scenarios for policy development in the CN ETS. These include: a baseline "as-is" scenario, which reflects current policy trajectory and no additional tightening; an "aggressive" scenario which reflects an escalation in climate ambition, including a tighter emission cap; and a "conservative" scenario that captures a more conservative rollout out of emissions policy than currently forecast under existing plans. Despite their differences, all three scenarios should result in price increases in the CEA market.

We forecast that China’s ETS price will average CNY86.7/t (approx. €10.56) in 2026. From 2027 onwards, under the baseline scenario, ETS prices are expected to rise steadily due to the continuous tightening of supply and introduction of an auction mechanism, as well as the switch to cap-and-trade mode across some, but not all of the sectors. By 2030, CEA prices are projected to reach approximately CNY160.50/t (approx. €19.56), and by 2035, they are expected to rise to around CNY270.50/t (approx. €32.96).

Based on the experience of past years, China’s MEE is due to release an updated Annual Carbon Markets Report in late-2026, following the annual conference. This report may include additional detailed information and firm figures—particularly regarding allowance supply—that is relevant for the purposes of the LSEG Carbon Research supply, demand and pricing forecast.

Figure 2: LSEG Carbon Research CN ETS Price Forecast (CNY/t)

Scenarios	2026	2027	2028	2029	2030	2035
Baseline	86.7	93.3	105.6	126.5	160.5	270.5
Conservative	[NEW]	[NEW]	[NEW]	[NEW]	[NEW]	[NEW]
Aggressive	[NEW]	[NEW]	[NEW]	[NEW]	[NEW]	[NEW]

Figure 2 Footnotes – Source: LSEG Carbon Research. LSEG Workspace.

For more information, as well as a copy of the full report which includes all pricing scenarios, please reach out to market.response@lseg.com.

LSEG Carbon Research

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