Global Sustainable Buildings Guide - China

Regulation

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# What other national regulatory measures are there, such as taxes on energy consumption and/or tax reliefs on energy-saving measures, that can encourage more efficient use of energy in buildings?

In addition to the mandatory requirements and financial support under the various regulations outlined under “Energy performance certificates and minimum energy standards” and “Incentives for green retrofit”, China also issued the 2022 Tax Reliefs Policy Guidelines Supporting Green Development\*, which provides for income tax relief for qualifying building projects that use renewable energy or green lighting, or improve energy efficiency generally.

While the local authorities in China can grant various types of local regulatory support or financial incentives, they are not permitted to grant support in the form of tax support. For example, Beijing’s Incentive Fund for Green Building Development provides cash grants for buildings with nearly zero energy consumption and new green buildings that attain a 3-Star rating and are used for more than one year. The cash grant amount is up to CNY 60 per square meter based on the implemented construction area for new green buildings and up to CNY 200 per square meter based on the implemented construction area for buildings with nearly zero energy consumption. For both types of buildings, the cash grant amount should not exceed CNY 6 million per building project.

Beside the cash grant, local authorities can also grant plot ratio incentives for new green buildings. For example, in December 2023, Guangzhou issued the Green Buildings and Buildings Energy Conservation Management Regulation\*(taking effect on 1 March 2024). The regulation provides that some qualifying areas in new green buildings can be exempted from the calculation of the plot ratio, and, for certain types of buildings, the external wall areas up to 3% of the total building areas can be exempted from the calculation of the plot ratio.

Another example of how the local authorities provide indirect nontax support for energy efficiency is through the local carbon emission trading scheme (ETS). Since 2011, China has been testing a carbon ETS through establishing local carbon emission exchanges in Beijing, Tianjin, Shanghai, Chongqing, Guangdong, Hubei and Shenzhen. Under the local schemes in Beijing and Shanghai, designated major local buildings are required to participate in the carbon ETS. Participants will be granted carbon credits and can sell them in the local exchange for monetary income.

In 2021, China established its National ETS Exchange in Shanghai, in additional to the preexisting local exchanges. At this stage, mainly the major electricity power generation companies are mandated to participate in trading the carbon emissions quotas at the National ETS Exchange. Other sectors with heavy carbon emissions (such as steel, cement and chemicals) will also be mandated to participate in the National ETS Exchange in the near future. National and local authorities are actively studying how the building sector can participate in both local and national ETS.

In January 2024, China also started to allow trading of voluntary carbon credits in the energy sector. It is reasonably hoped that, in the longer term, voluntary carbon credits arising from energy-saving measures can also be traded in the national exchanges and all the local exchanges to deliver further nontax incentives for the building sector in China.

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