

# Shanghai ETS: Prospect, Action and Challenge

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# Outline

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**Introduction of SEEE**

2

**Current state of SH ETS**

3

**Future roadmap**



# Introduction of SEEE

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## Establishment of SEEE

Approved by Shanghai Municipal Government [2008] NO.55, SEEE was established on August 5, 2008.

## Reform of SEEE

- SEEE has completed reform in the year of 2011.
- SEEE has become Co. Ltd. After equity structural reform .
- Total capital registered has reached 250 million RMB.



## Structure of Shareholders

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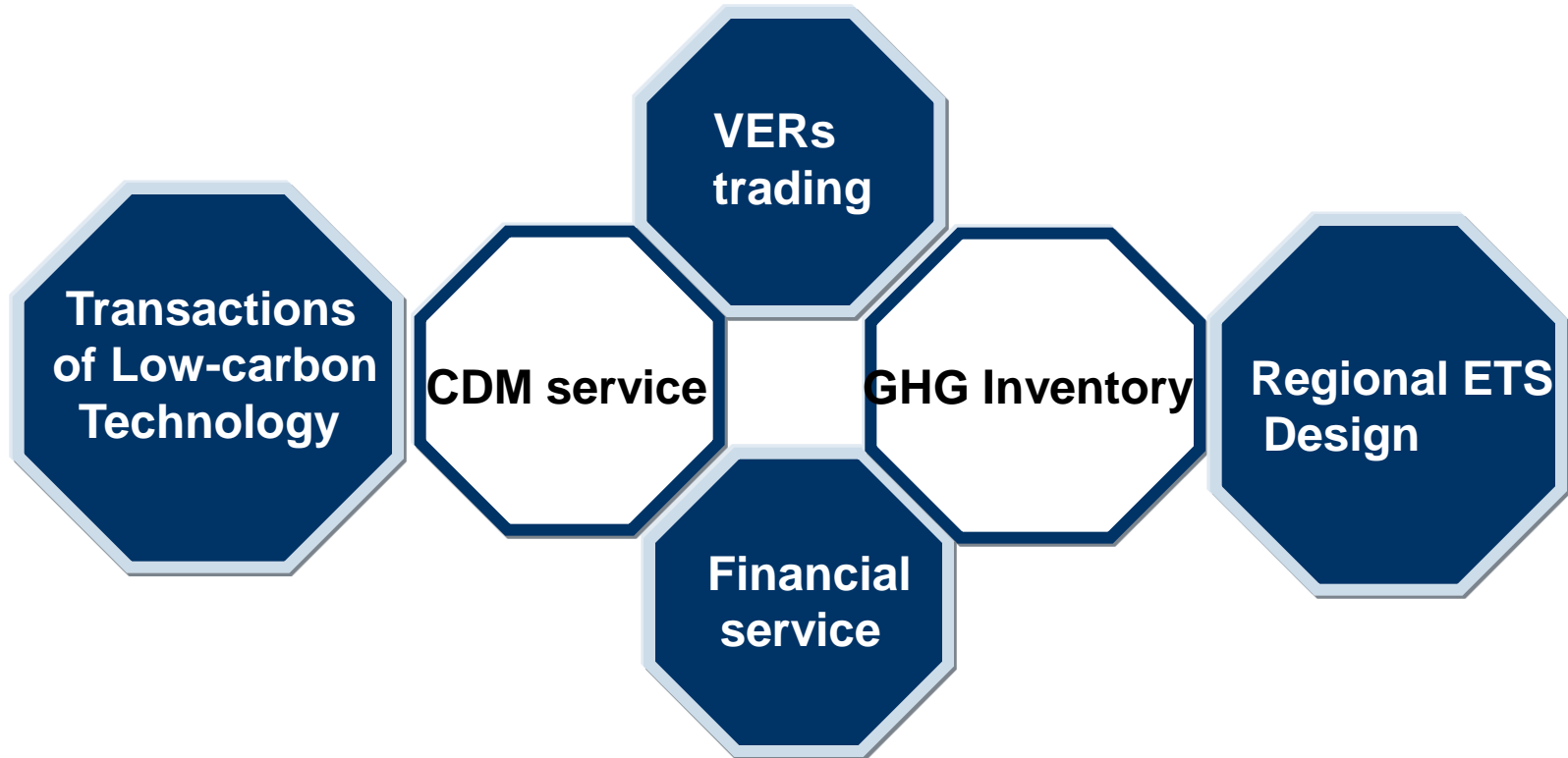
- Introduced 10 state-owned enterprises and institutions as shareholders. They will also be great stakeholders in ETS.
  - CDM Fund Centre of National Finance Ministry
  - Yingda International Holdings Corporation, Ltd (State Grid Corporation of China)
  - Shanghai United Assets and Equity Exchange
  - Bao Steel Ltd
  - Huaneng Carbon Asset Management Co., Ltd (China Huaneng Group)
  - Shenergy Group
  - Shanghai Energy Conservation and Environment Protection Center
  - Shanghai Alliance Investment Ltd
  - Shanghai Municipal Electric Power Company



## Core business

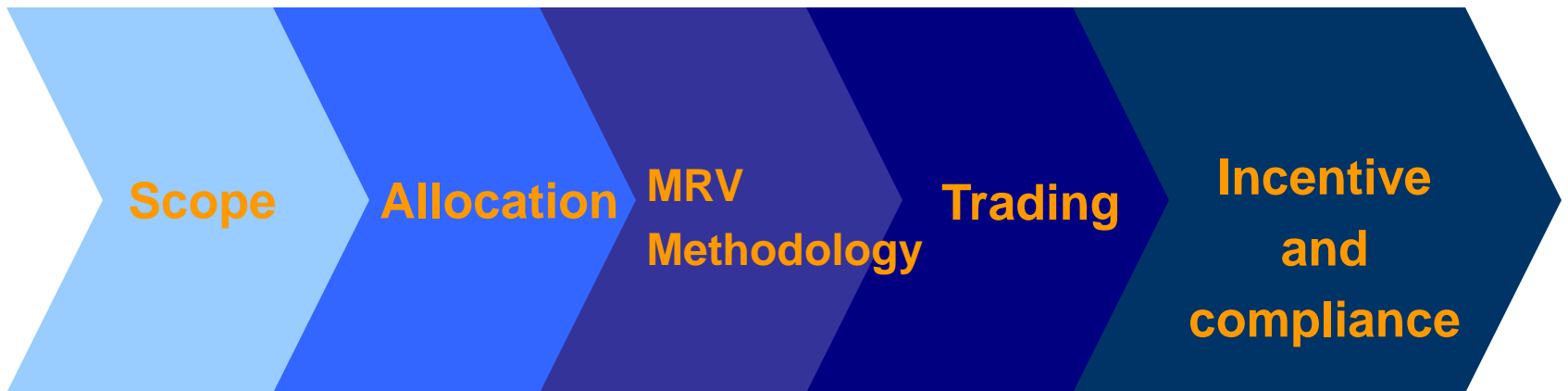
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SEEE core business



# ETS Elements

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**Risk control and regulation**



## Shanghai ETS pilot

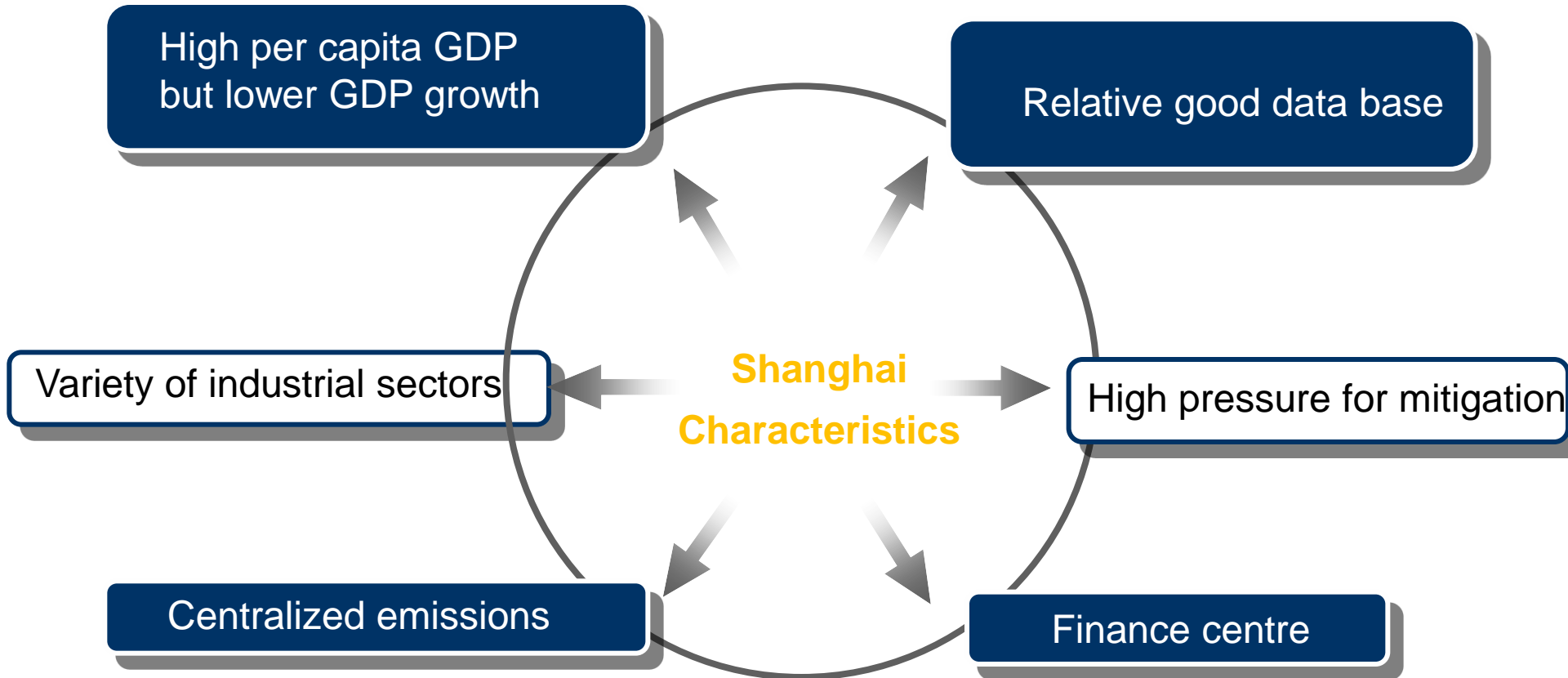
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- Shanghai was designated as one of the seven ETS pilots by NDRC, 2011.
- Shanghai ETS will have a target based on carbon intensity target in 12<sup>th</sup> five-year-plan, potential GDP growth and individual sector development.
- Shanghai DRC is responsible for the whole ETS pilot design project.
- Shanghai municipal government will sign the approval of SH ETS pilot proposal action.
- **3 Steps**
  - Phase I: 2012-2013 Preparation;
  - Phase II: 2013-2015 Pilot operation;
  - Phase III: 13<sup>th</sup> Five-Year–Plan National ETS.



# Shanghai Situation

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## Coverage

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### Standard

- Industry: > 20 thousand CO<sub>2</sub>teq, from high emission intensity sectors
- Non-industry: > 10 thousand CO<sub>2</sub>teq

Scale + Intensity

### Target enterprises

Over 10 sectors, 197 enterprises.

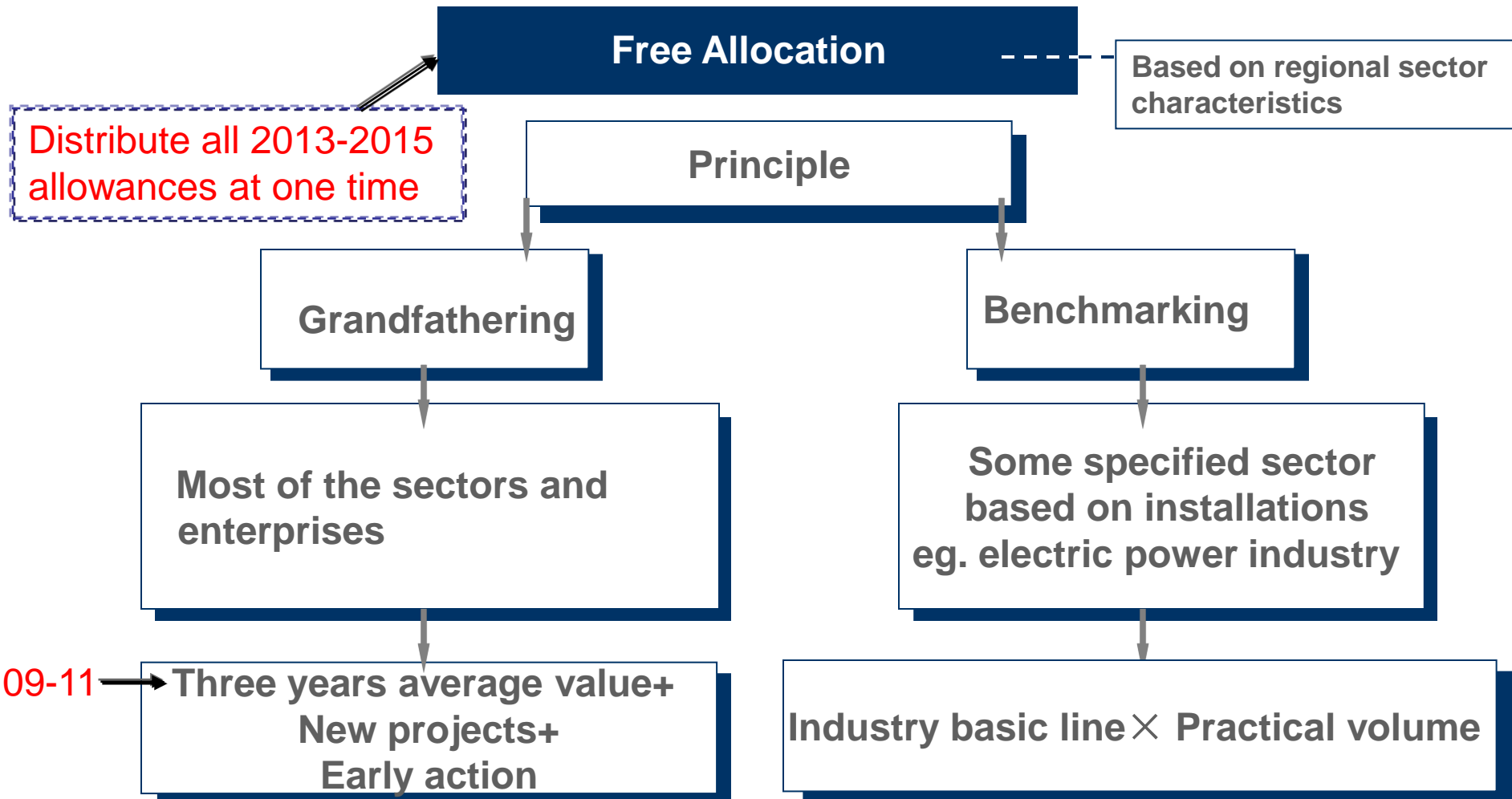
New entrants not included.

Part industrial companies.

⇒ Mandatory reporting system



# Allocation



# Monitoring, Reporting, and Verification (MRV)

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- 1+9
- General Guidelines
- Sectional Methodologies

## Industry

- Non-ferrous metals
- Chemicals
- Steel
- Electricity and power
- Textile
- Paper industry

## Non-industry

- Transportation station
- Hotels, Commercial center, housing, office buildings
- Airlines



# Monitoring, Reporting, and Verification (MRV)

- Finished 2009-2012 data reporting



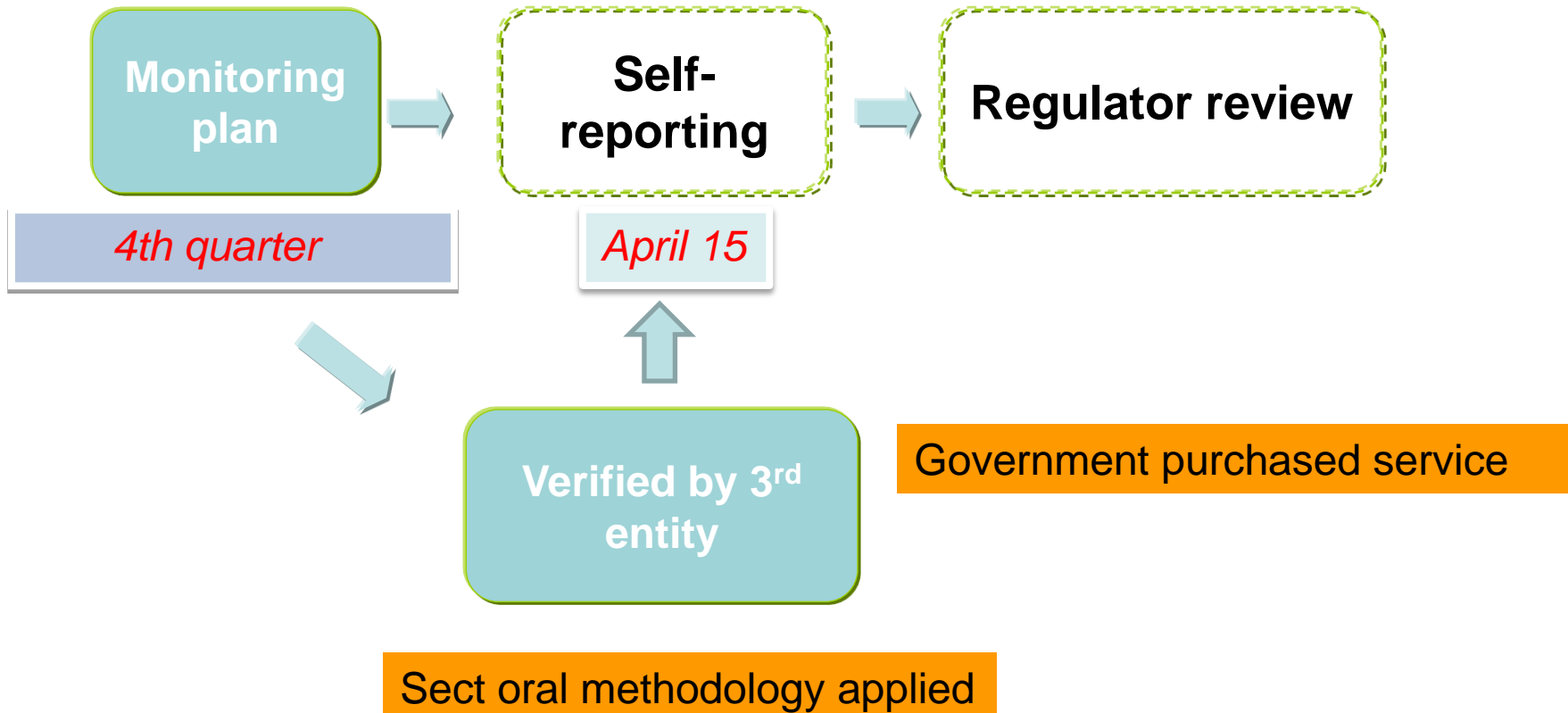
- Establish 2013 monitoring plan

Electronic Reporting system



## MRV procedures

- Monitoring, reporting and verification

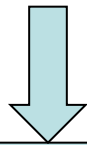


# Emission Auditing

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**Verification Report from 3rd entity**

April 15



**Responsible Department**

May

*results of auditing*



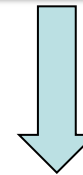
**Pilot enterprises**

*trading*



Compliance

*Jun. 1-Jun. 31*



**Emission Report from pilot enterprises**

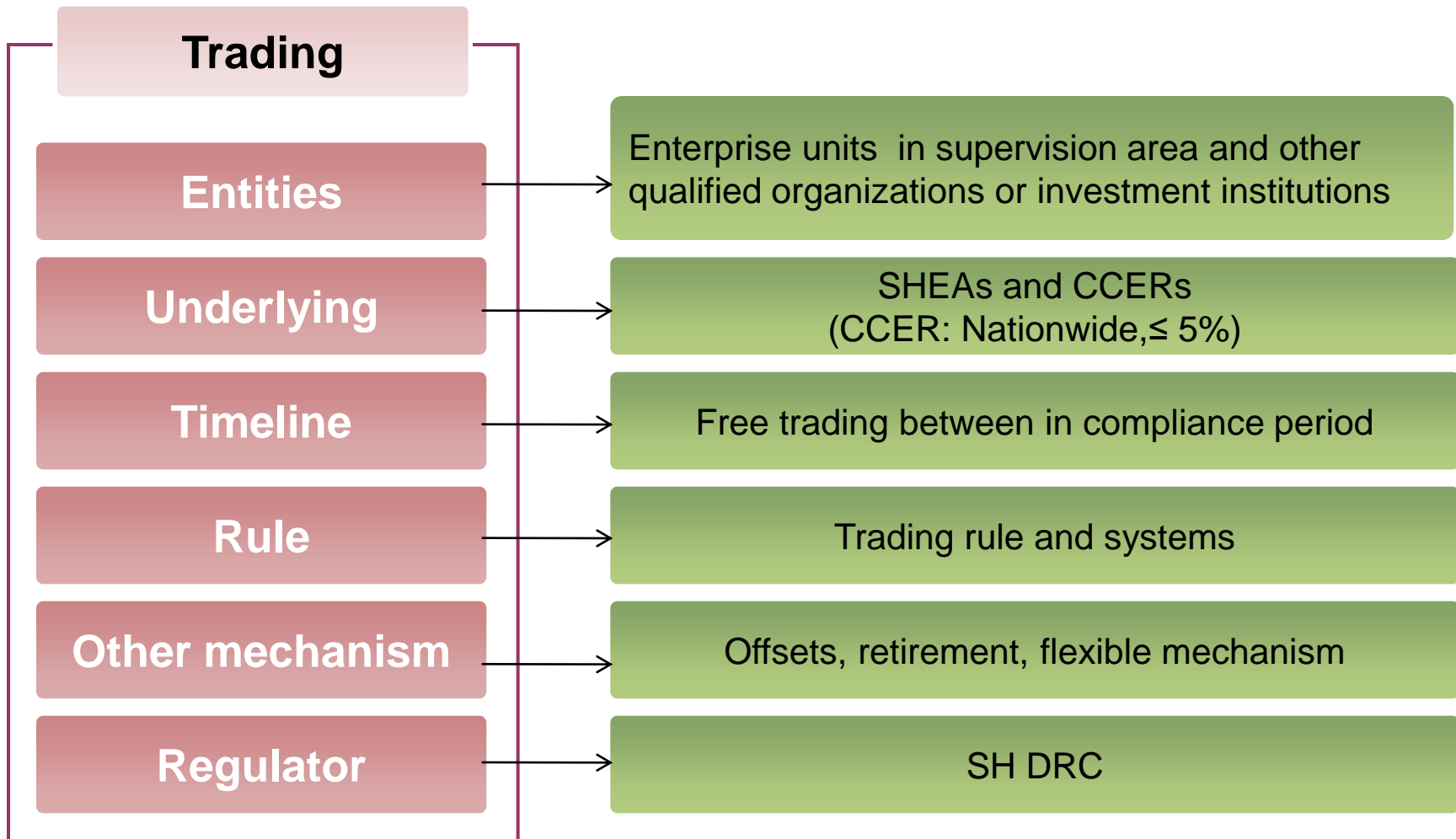
March 31



**Registry**



# Trading



# Trading

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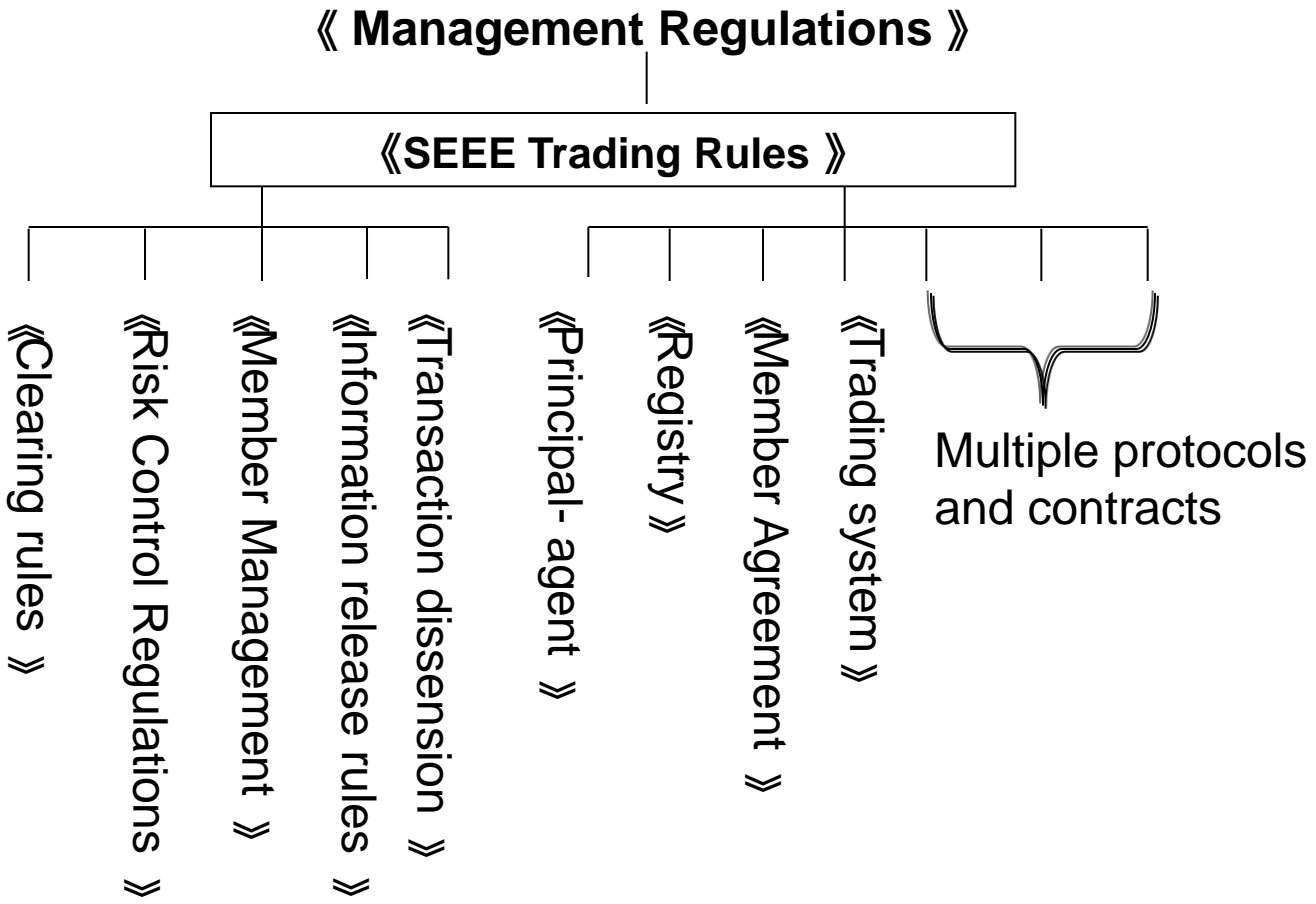
- Transaction platform: **SEEE**
- Main trading mode: Open outcry and Negotiated transition
  - **Open outcry**: small transaction
  - **Negotiated transition**: large order
- Transaction object : **13、 14、 15 SHEAs+ CCERs**





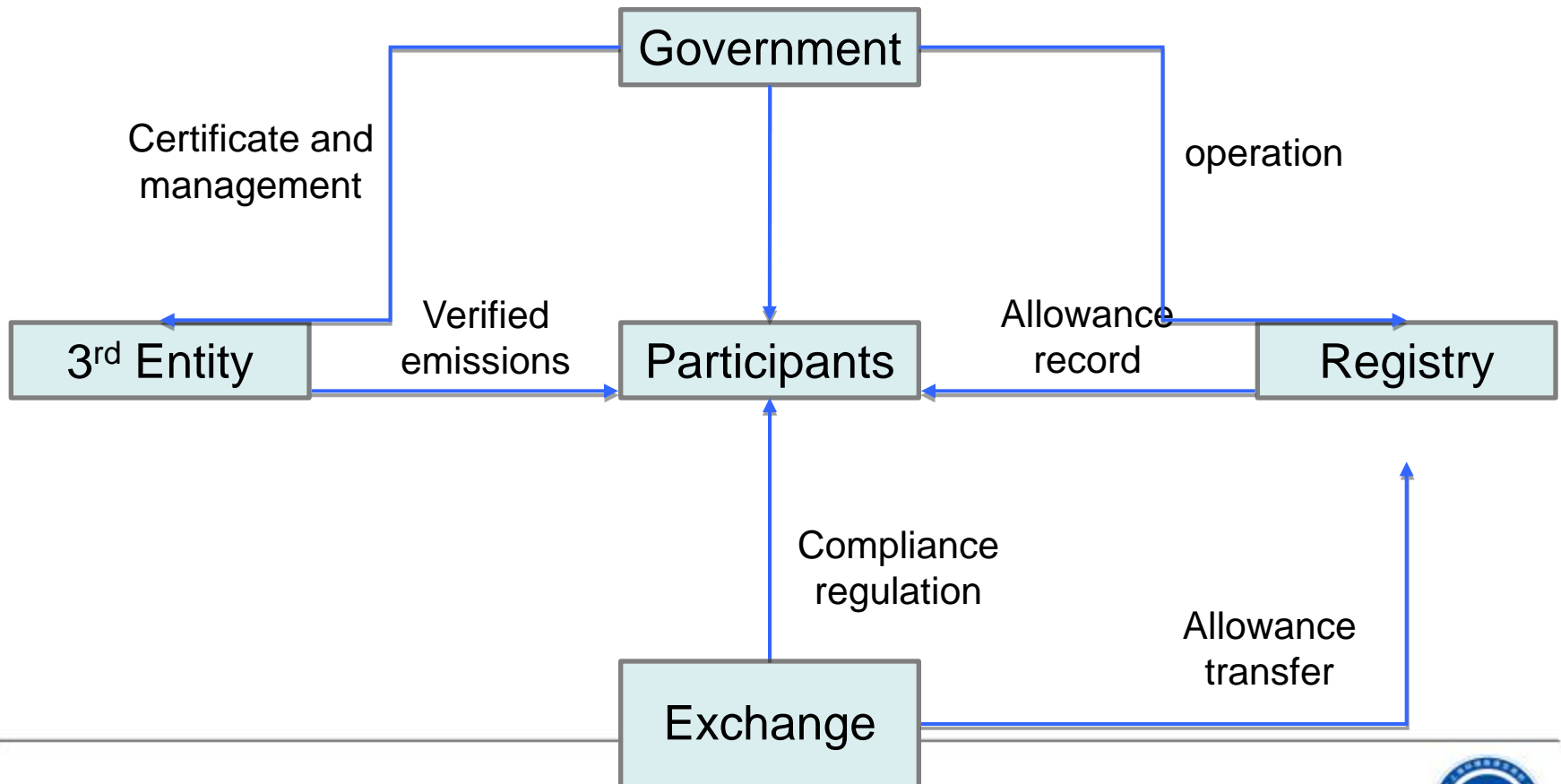
# Trading rule structure

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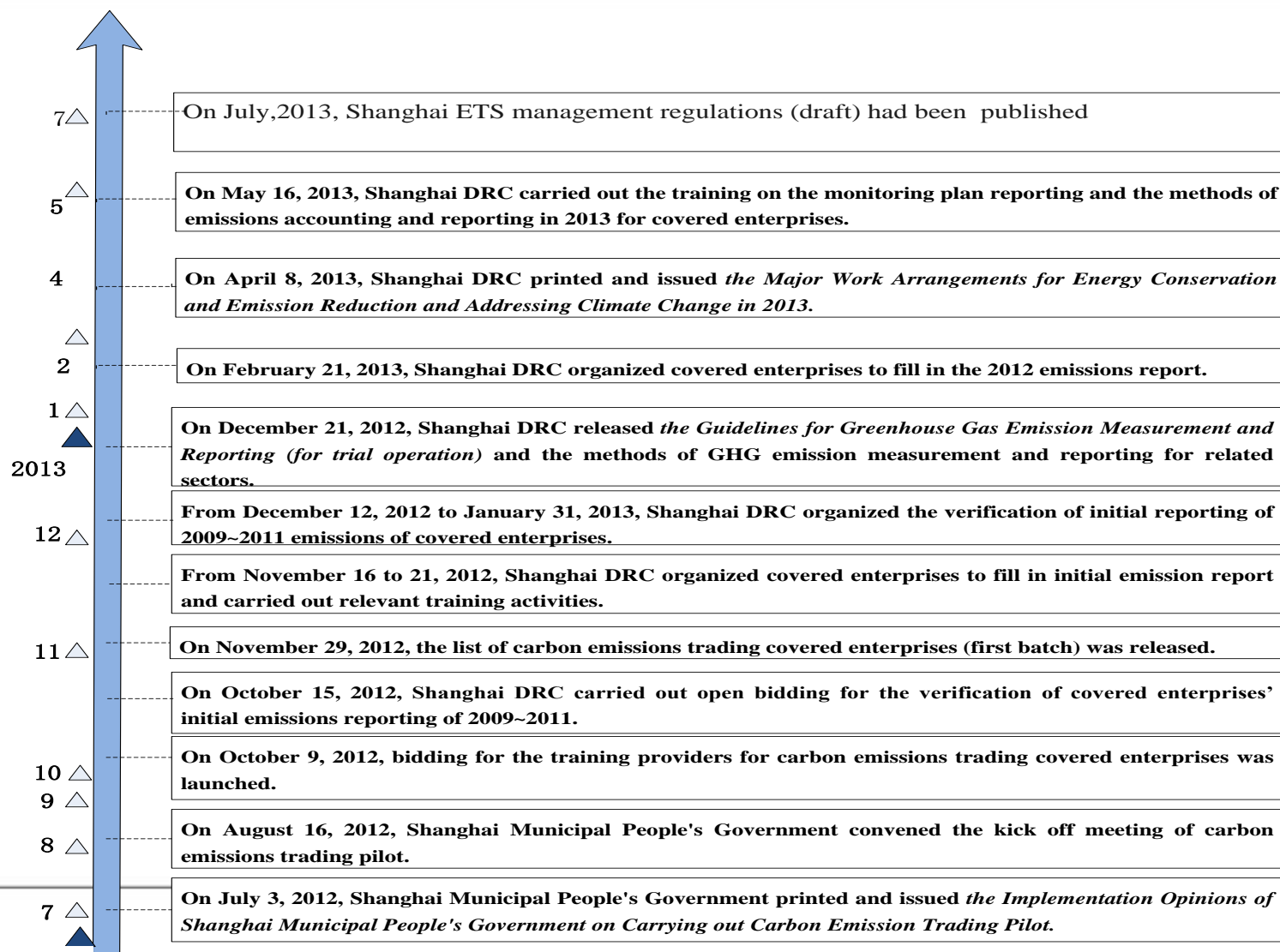


# Regulation

Government- comprehensive regulation; Bureau – Specified regulation



# Shanghai ETS pilot preparatory work



## Carbon Finance

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- Encourage financial institutions and guarantee agencies to supply mortgage financing and low-carbon finance service



# Financial institutions in ETS

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- Transaction
- Financing-investment
- Green credit
- Green financial derivatives



## Future strategy

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**System construction**



**Stakeholders negotiation**



**Shanghai ETS kicks off**



**Carbon Finance**



# Thank you!

September 11st, 2013

