

# Appendix

## **Notice of People's Government of Guangdong on Issuing the Plan for Carrying out the Work about the Carbon Emissions Trading Pilot Program in Guangdong Province**

GD GOV [2012] No. 264

All municipal people's governments at and above the prefecture level, all county (city or district) people's governments, and all of the departments of and directly under the provincial government:

The *Plan for Carrying out the Work about the Carbon Emissions Trading Pilot Program in Guangdong Province* is hereby issued for your conscientious implementation. In case any problem takes place while executing the plan, please notify the provincial development and reform commission of the matter.

September 7, 2012

People's Government of Guangdong

## **Plan for Carrying out the Work about the Carbon Emissions Trading Pilot Program in Guangdong Province**

In light of the State Council's *Work Plan for Greenhouse Gas Emissions Control during the 12th Five-Year Plan Period* and the *Twelfth Five-Year Plan for National Economic and Social Development of Guangdong Province*, as well as the work deployment of the National Development and Reform Commission in carrying out the carbon emissions trading pilot program, the *Plan for Carrying out the Work about the Carbon Emissions Trading Pilot Program in Guangdong Province* is hereby formulated to conscientiously implement this pilot program in Guangdong

Province and fulfill the target in controlling greenhouse gas emissions based on market mechanism and at a lower cost.

## **1. Guiding Ideology and Work Objectives**

### **(1) Guiding ideology**

Center on the core tasks for expediting industry transition and upgrading, constructing a happy Guangdong, strengthening government guidance and market operation, and further raising the awareness of companies and all sectors of society of the importance in controlling greenhouse gas (GHG) emissions. Give full play to the role of market mechanism in fulfilling such objectives as energy conservation, carbon emissions cutbacks, and control of aggregate energy consumption during the 12th Five-Year-Plan period (2011–2015). Make innovations in the institutional mechanisms for promoting industry transition and upgrading and balancing development between regions. Learn from the carbon emissions trading experiences both home and abroad, take account of the specific situations of Guangdong Province, improve the system design of an emissions trading mechanism, and make explorations for building a nationwide carbon market in the future.

### **(2) Work Objectives**

By 2015, Guangdong shall have basically built an administration system for reasonable allocation of carbon emissions credit between market principals and between regions, and initially formed a carbon emissions trading scheme (ETS) that is based on the provincial situations, and characterized with a well-functioned structure, standardized administration and sound operation, and ranking a leading place among the regional carbon markets.

Guangdong ETS shall constantly develop and improve, and an interprovincial ETS shall take shape by 2020.

## **2. Overall Arrangement**

### **(1) Trading products**

The trading products in Guangdong carbon market mainly refer to the emissions allowances, i.e., the government will allocate quantified CO<sub>2</sub> emissions credit to companies and other trading principals. After filed with by the national or provincial development and reform commission, the China Certified Emission Reduction (CCER) is allowed to be traded as a supplementary product. Explorations in innovating carbon trading products are encouraged.

### **(2) Trading principals**

The trading principals in Guangdong carbon market refer to the companies that are involved in the ETS coverage scope (hereinafter referred to as the “regulated companies”); yet active explorations are also made in drawing in investment institutions, and other market players into the ETS regulation. The government

allocates emissions allowances to the covered enterprises and exercises supervision and administration of these companies which are obliged to cut CO<sub>2</sub> emissions in line with the quantity of allowances, and they are allowed to gain economic benefit or emissions rights and interests.

### **(3) Trading platform**

China (Guangzhou) Emissions Exchange (CGEE) is a designated carbon emissions trading platform for Guangdong carbon market, i.e., all of the provincial emissions trading activities shall be based on the platform.

### **(4) Phases of ETS implementation**

The implementation of Guangdong ETS pilot program is split into three phases: Phase I (2012–2015) is a trial period; Phase II (2016–2020) is a period where the ETS operation will be gradually improved; Phase III (2020 onward) is a period featuring mature operation of the ETS.

## **3. Major Tasks**

Gradually establish and improve a government-led mechanism for supervision and administration of carbon market principals, form a market mechanism that helps fulfill the targets in energy conservation and emissions reduction and industry restructuring, and safeguard smooth progress of carbon trading activities.

### **(1) Build an emissions information reporting and verification mechanism**

- i. Build an emissions information reporting system. Define the major companies that shall report their emissions information (hereinafter referred to as the “reporting companies”) in reference to the scope of key energy-intensive sectors, and gradually broaden the scope of reporting companies. All of the covered enterprises are obliged to report their emissions information.
- ii. Build a verification system for verifying the emissions from covered enterprises. Foster and authorize qualified third-party verification institutions to verify the carbon emissions information reported by the covered enterprises.
- iii. Build an electronic information service system. Establish a corresponding electronic information system to facilitate companies’ reporting and third-party institutions’ verification activities.

### **(2) Build an emissions allowance administration system**

- i. Strengthen administration of aggregate carbon emissions. Establish the provincial and municipal (prefectural) targets for emissions cutbacks in a scientific approach in reference to year-on-year decrease in carbon intensity, year-on-year decrease in aggregate emissions and relevant constraint indicators, and integrated with the actual situations in socioeconomic development. Such targets will serve as basis for emissions allowance administration.

- ii. Scientific and reasonable allocation of emissions allowances. Define the annual aggregate carbon emissions that fall under government regulation by taking full account of the socioeconomic growth trend and construction of key projects. Stipulate relevant rules, issue allowances to the covered enterprises, and include the newly built fixed-asset investment projects (at prescribed production scale) into allowance administration. Support relevant companies to establish a carbon asset administration system.
- iii. Set up an emissions allowance registration system. Build a corresponding electronic system for registration of allowance account and for recording the details about allowance distribution, alteration and cancelation, etc.

**(3) Build an allowance trading operational system**

- i. Standardize construction of CGEE. In accordance with the relevant national regulations, CGEE shall be built into an emissions allowance trading platform that facilitates allowance transactions within Guangdong Province and China at large.
- ii. Stipulate business rules for allowance trading. Work out and constantly improve the business rules for trading matchmaking, price formation, allowance delivery, review and verification, capital settlement, information disclosure, risk control, entrustment of an agent and dispute mediation. It is based on these rules that the transaction activities are carried out. And the allowance trading activities shall follow the principles of openness, fairness, and impartiality.
- iii. Set up an electronic transaction system. Build a supporting electronic information system that has the functions for online allowance bidding, opening transaction account, and recording transaction information, and it is able to create a complete hardware and software environment for carrying out allowance trading activities.
- iv. Build an allowance trading supervision and administration mechanism. Strengthen supervision and administration of allowance trading process and operation of emissions exchange.

**(4) Carry out GHG voluntary emissions reduction**

Actively promote the provincial institutions, companies, groups, and individuals to join in the national GHG voluntary emissions reduction in light of the *Interim Measures for the Administration of Greenhouse Gas Voluntary Emission Reduction*.

**(5) Explore the construction of an interprovincial ETS**

Make explorations in building an interprovincial ETS together with other provinces (municipalities), strive for government sponsorship and carry out such plan when the time is ripe.

## 4. Guarantee Measures

### (1) Strengthen organizational leadership

Under the framework of holding joint conferences on carrying out the national pilot low-carbon program in provinces, Guangdong has set up a special coordination and leading group for implementing the pilot ETS program, with the director of the provincial development and reform commission (DRC) as the chief, and the concerned officials with Guangzhou Municipal People's Government and the provincial DRC as deputy chiefs; the members of the group come from the provincial commission of economy and informatization, department of finance, department of forestry, state-owned assets supervision and administration commission, price bureau, quality and technology supervision bureau, office of legislative affairs and finance office, as well as from Guangzhou Municipal Development and Reform Commission, finance office, and CEGG. The office of the leading group is in the provincial DRC. The provincial DRC is the competent authority taking charge of the provincial carbon emissions and allowance trading, coordinating the work on the ETS. Establish a working group for ETS research and system design with the provincial experts as members and national experts as advisors. The competent institutions at both the municipal and provincial levels shall strengthen coordination, refine their work and tasks, and quicken the pace of work.

### (2) Strengthen construction of a legal system

Stipulate the interim measures for the administration of carbon emissions trading in Guangdong Province, define the scope of carbon trading principals, and work out the regulations on emissions reporting and verification, allowance allocation, transaction institution, responsibilities of supervision and regulation. Closely watch the implementation of the ETS pilot program, draw up experiences without delay, present legislation plans for tackling climate change or carbon emissions administration, and kick off the legislative procedure at an appropriate time.

### (3) Build up construction of capabilities

Emphasize the basic research about ETS, and constantly improve working ideas and approaches. Conduct exchanges with the foreign counterparts and learn from the advanced experiences both home and abroad. Develop the ETS consultation and verification agencies and strengthen their administration. Hold special trainings about carrying out the ETS in an extensive manner.

### (4) Increase financial support

In light of the relevant regulations, the provincial low-carbon development fund shall be mostly diverted to the ETS institutional researches and their work systems that are qualified candidates for receiving the fund.

### **(5) Increase publicity and guidance**

Broadly publicize the rationale, rules, and relevant policies and measures about the ETS, and guide companies and other market principals to actively perform their obligations in cutting GHG emissions and taking part in carbon trading.

## **5. Major Arrangements in Trial Period (2012–2015)**

### **(1) Scope of the companies that report carbon emissions**

The reporting companies refer to the industrial companies within the administrative area of Guangdong Province and emit 10,000 t/CO<sub>2</sub> and above (or consume comprehensive energy of 5000 tCO<sub>2</sub>e) in any year over 2011–2014. The name list of these companies shall be determined by the provincial development and reform commission and competent authorities after deliberation and consideration of the ETS implementation process and characteristics of the industrial sectors. They shall organize such companies to report their carbon emissions information by stages and step by step, and conduct studies on covering the key companies in transportation and construction sectors into the scope of reporting companies.

### **(2) Scope of the companies that cap aggregate emissions and join in allowance trading**

The covered enterprises refer to the industrial companies (electricity, cement, iron and steel, ceramics, petrochemical, textile, nonferrous, plastics, paper-making, etc.) within the administrative area of Guangdong Province and emit 20,000 t/CO<sub>2</sub> and above (or consume comprehensive energy of 10,000 tce) in any year over 2011–2014. The name list of these companies shall be determined by the provincial development and reform commission and competent authorities after deliberation and consideration of the ETS implementation process and characteristics of the industrial sectors. They shall organize such companies to cap their total emissions and join in carbon trading by stages and step by step. Efforts shall be made to draw the key companies in transportation and construction sectors to be subject to capping on total emissions and carbon trading.

### **(3) Allowance allocation**

The provincial development and reform commission shall, in light of the historical CO<sub>2</sub> emissions (2010–2012) of the covered enterprises and the characteristics of the corresponding industrial sectors, allocate the annual emissions allowances over 2013–2015 to these companies at one time. While considering the macroeconomic situations and the corporate last year's emissions, the commission shall appropriately adjust their current year's allowances. Put in place the allowance paid-use system, and integrate free allocation and paid allocation at the initial phase of the ETS, with the former playing a leading role.

Through an evaluation of the newly built fixed-asset investment projects, if their annual comprehensive energy consumption reaches 10,000 tce and above, then the provincial development and reform commission shall grant them with free

allowances or a portion of paid allowances based on the evaluation result and projected annual aggregate emissions of the province. Whether such projects are able to access to the allowances that are equal to the evaluation result may serve as the important basis for the investment authorities at all levels to go through approval formalities.

#### (4) **Allowance use**

The provincial development and reform commission shall, within a prescribed time span each year, deduct the allowances that are equal to the last year's actual emissions (verified) from the allowance account of the covered enterprises, in order to offset their last year's actual emissions. The covered enterprises are allowed to sell the surplus allowances or bank them for use in coming year (invalid by the 2015 compliance period). But they shall purchase additional allowances within a prescribed time limit to make up for inadequate allowances so as to perform their obligations in cutting emissions. The economic, legal, technical, and necessary administrative means shall be integrated to enhance the supervision and administration of the compliance of the regulated companies. For the owners of newly built projects, they may not trade the allowances before operation of the projects; in other words, their allowances will become tradable after the projects are put into operation in light of relevant regulations.

#### (5) **Complementary mechanism**

The provincial development and reform commission and the competent departments shall, in light of the special situations of Guangdong Province and the relevant national requirements, formulate the filing rules and operational approaches for the CCER from forestry carbon sequestration and similar projects. The CCER or GDCER are allowed to join in Guangdong's ETS system in light of relevant regulations.

#### (6) **Working progress**

The ETS pilot program of Guangdong places focuses of the Phase 1 work on testing the ETS pilot program in certain key industrial sectors. Phase I could be split into three stages:

- i. Preparation stage (2012-1H2013). Kick off the trading with project-based GHG VER. Stipulate relevant specifications and business rules, establish emissions information reporting and verification systems, emissions allowance registration, emissions supervision, and administration system. Establish an official carbon emissions exchange for listed trading.
- ii. Implementation stage (2H2013-2014). Kick off the allowances-based trading, and constantly improve the ETS administration and transaction systems. Conduct preliminary studies on constructing an interprovincial ETS, and strengthen coordination on the work for interprovincial ETS.
- iii. Deepening stage (2015). Promote the sound progress of GHG VER trading and provincial allowance trading, and strive to be the first in kicking off the

pilot work for a constructing interprovincial ETS. Summarize and evaluate the work about carrying out the ETS pilot program, and study the working ideas and implementation plan for implementing the ETS during the 13th Five-Year-Plan period (2016–2020).

## **Interim Measures for Carbon Emissions Administration in Guangdong Province**

### ***Chapter 1 General Provisions***

**Article 1** These measures are hereby formulated, in light of the special situations of Guangdong Province, for achieving the target for greenhouse gas (GHG) emissions control by giving full play to the role of market mechanism and standardizing administration of carbon emissions activities.

**Article 2** These measures are applicable to the carbon emissions reporting and verification, allowance allocation, settlement, and transaction within the administrative jurisdiction of Guangdong Province.

**Article 3** The administration of carbon emissions shall abide by the principles of openness, fairness, and integrity, and insist on government guidance and market-oriented operation.

**Article 4** Guangdong Provincial Development and Reform Commission takes charge of organization, implementation, coordination, and supervision of the work on provincial-wide carbon emissions administration.

All municipal people's governments at and above the prefecture level shall guide and support the companies within their jurisdiction to cooperate with them in carbon emissions administration.

All municipal development and reform commissions at and above the prefecture level shall organize the companies within their jurisdiction to perform the work in carbon emissions reporting and verification.

All provincial departments that take charge of economy and informatization, fiscal, housing and urban–rural construction, transportation, statistics, price regulation, quality supervision, or finance shall perform their own duties in carbon emissions administration.

**Article 5** Develop voluntary emissions reduction (VER) projects such as forestry carbon sequestration, guide companies and institutions to adopt measures for saving energy and cutting carbon emissions, raise the public awareness of participating in emissions reduction, and promote low-carbon and energy-saving actions across the whole society.



## ***Chapter 2 Carbon Emissions Reporting and Verification***

**Article 6** Guangdong Province has put in place the system for carbon emissions reporting and verification.

The industrial companies that emit carbon dioxide (CO<sub>2</sub>) at and above 10,000 tons annually, together with the institutions (hotels, restaurants, financial, commercial, and public organs) that emit CO<sub>2</sub> at and above 5000 tons annually are called “regulated companies/institutions”. The industrial companies that emit CO<sub>2</sub> more than 5000 tons but less than 10,000 tons annually are called “reporting companies”.

The norms and scope of the covered enterprises/institutions in transport sector are proposed by Guangdong Provincial Development and Reform Commission in collaboration of the transport department. In light of their carbon emissions administration, they will fall into the scope of reporting and verification in batches.

**Article 7** The covered enterprises/institutions shall produce carbon emissions report for the previous year as prescribed and submit the report to Guangdong Provincial Development and Reform Commission.

The covered enterprises/institutions shall entrust a verification institution to verify their carbon emissions report, cooperate with the verification institution and bear all expenses therefrom.

If the annual CO<sub>2</sub> emissions quantity recorded in the carbon emissions report differ from the result in the verification report by more than 10% (100,000 tons), the carbon emissions report shall be subject to a reverification organized by Guangdong Provincial Development and Reform Commission.

All municipal development and reform commissions at and above the prefecture level shall conduct a spot check of the carbon emissions report submitted by the covered enterprises, and the expenses therefrom are included into the fiscal budget at the corresponding level.

**Article 8** The verification institutions that verify the carbon emissions report shall have the corresponding qualifications associated with their verification activities, and fixed premises and necessary facilities that enable them to conduct verification within Guangdong Province.

Both the institutions and personnel that undertake verification shall perform carbon emissions verification according to law and in an independent and impartial manner; take responsibility for the standardability, authenticity, and accuracy of their verification report; and perform the obligation of confidentiality according to law and bear the legal liability.

**Article 9** The charging standards for verifying carbon emissions are determined by the pricing authority of Guangdong Province.

### ***Chapter 3 Administration of Allowance Allocation***

**Article 10** Guangdong Province has established a carbon emissions allowance (hereinafter briefed as “allowance”) administration system. The covered enterprises/institutions, together with the new entrants (including expanded or rebuilt ones) that emit CO<sub>2</sub> at and above 10,000 tons annually, are under allowance administration. The other emitting companies/institutions may apply to Guangdong Provincial Development and Reform Commission for joining in allowance administration.

**Article 11** The total amount of allowances are defined by People’s Government of Guangdong Province by taking account of the national overall target for GHG control, Guangdong’s development plan of the provincial key industries and the objective for reasonable control of aggregate energy consumption.

Of the total amount of allowances, despite the most portion granted to the covered enterprises/institutions, part of them are used as reserve allowances which are made up of the allowances distributed to new entrants and those for market regulation.

**Article 12** Guangdong Provincial Development and Reform Commission shall produce a provincial allowance allocation plan, and clarify the allocation principles, methodologies, and procedures, which are subject to review by the allowance allocation review board, and finally reported to People’s Government of Guangdong Province for ratification and announcement.

The allowance allocation review board consists of the technical, economic, low-carbon, and energy experts from Guangdong Provincial Development and Reform Commission and other competent authorities, industry associations, and companies. The number of experts may not be less than 2/3 of the total number of board members.

**Article 13** The annual allowances distributed to the covered enterprises/institutions are decided by Guangdong Provincial Development and Reform Commission with the Benchmarking and Grandfathering methodologies in light of sectoral baseline emissions, emission reduction potentials, and companies’ historical emissions.

**Article 14** The allowances distributed to the covered enterprises/institutions are based on free and paid allocation, with the percentage of free allowances gradually decreasing.

Guangdong Provincial Development and Reform Commission will allocate free allowances to the covered enterprises/institutions pursuant to the prescribed proportions on every July 1.

**Article 15** In case any incorporation occurs among the covered enterprises/institutions, their previous allowances and concomitant rights and obligations shall be inherited by the later incorporated companies/institutions; or if any separation occurs within a regulated company/institution, a separate allowance allocation plan

shall be produced and then reported to the provincial and municipal development and reform commissions to for archiving.

**Article 16** If the covered enterprises/institutions are forced to halt operation/production owing to changes on category of products and business scope, or encounter significant changes on their operation/production, they shall submit the applications to Guangdong Provincial Development and Reform Commission for redefining the amount of allowances.

**Article 17** If the covered enterprises/institutions revoke their business license, halt operation/production or move out of Guangdong Province, they shall, within one month before completion of the closure or removal formalities, submit the carbon emissions report and verification report and return the remaining allowances to the issuing authority.

**Article 18** The covered enterprises/institutions shall, in light of their last year's actual carbon emissions, settle the allowances and apply to Guangdong Provincial Development and Reform Commission for writing off their allowances. The annual surplus allowances may be banked for compliance in the following compliance period or used for trading.

**Article 19** The covered enterprises/institutions are allowed to use the Chinese Certified Emission Reduction (CCER) to offset a portion of their actual carbon emissions; yet the percentage of CCERs may not be over 10% of the companies' last year's actual emissions, and more than 70% of the CCERs shall stem from the VER projects within Guangdong Province.

If the CCERs are generated within the emission boundary of the covered enterprises/institutions, they are not allowed to offset the carbon emissions of the covered enterprises/institutions.

One ton of the Chinese Certified Emission Reduction (CCER) in CO<sub>2</sub> equivalent (1 t/CO<sub>2</sub>e) is able to offset one ton of carbon emissions.

**Article 20** The allowances granted to the new entrants are first confirmed by the municipal development and reform commission at and above the prefecture level which will validate their emissions assessment results, and then determined by Guangdong Provincial Development and Reform Commission. The new entrants may not access to free allowances before they purchase a certain proportion of paid allowances.

**Article 21** Guangdong Provincial Development and Reform Commission, by means of holding auctions, distributed paid allowances via the trading platform designated by People's Government of Guangdong Province regularly every year. The auction floor price is jointly determined by Guangdong Provincial Development and Reform Commission and pricing authority.

The allowances allocated via auction are granted to the existing covered enterprises/institutions and new entrants, and also reserved for market regulation.

**Article 22** All the allowances in Guangdong Province are subject to registered administration. The allowance allocation, alteration, settlement, and cancelation shall be registered in the designated allowance registry according to law and comes into effect as of the date of registration.

#### ***Chapter 4 Allowance Trading Administration***

**Article 23** Guangdong Province is implementing the carbon emissions allowance trading system. The trading principals are made up of the covered enterprises/institutions, new entrants, and other eligible organizations and individuals.

**Article 24** The trading platform is a carbon emissions exchange (hereinafter referred to as “emissions exchange”) which shall perform the following obligations:

- (1) Stipulate transaction rules;
- (2) Provide a transaction venue, system facilities, and services, and organize trading activities;
- (3) Establish a capital settlement system, conduct transaction settlement, liquidation, and fund supervision according to law;
- (4) Establish a trading information administration system, publish trading dynamics, prices and quantity, and promptly disclose the information that may lead to major market changes;
- (5) Establish a risk administration system which takes charge of risk control, supervision, and administration of trading activities; and
- (6) Shoulder other responsibilities that are provided for in accordance with law and relevant regulations.

The transaction rules shall not be published before examined and reviewed by the provincial development and reform commission and financial administration.

**Article 25** The allowance trading is carried out via open bidding, negotiated transfer, and other standardized approaches that are permitted by law and relevant regulations.

**Article 26** The allowance trading prices are determined by market participants based on the allowance supply–demand pattern. Neither entity nor individual may manipulate the trading prices via fraud, malicious collusion or other means.

**Article 27** The trading participants shall pay for the trading formality fees as required. The charging standard for the formality fee is proposed by the emissions exchange, and then executed upon validation of the provincial pricing authority.

**Article 28** Guangdong Province has been making explorations for building a trans-regional carbon emissions trading market, so it encourages nonlocal companies to take part in the provincial carbon trading.

## ***Chapter 5 Supervision and Administration***

**Article 29** Guangdong Provincial Development and Reform Commission shall, via government website or news media, regularly disclose the information about the implementation of these measures by the covered enterprises/institutions and reporting companies.

Guangdong Provincial Development and Reform Commission shall make public the directory of verification institutions, and strengthen supervision and administration of these institutions and their verification activities.

**Article 30** Guangdong Province shall establish the corporate emissions reporting and verification system and allowance transaction system. The covered enterprises/institutions and reporting companies shall, by following the instructions, open an account in corresponding systems and upload relevant data.

**Article 31** If the covered enterprises/institutions disagree with the verification result about their annual actual emissions or allowance allocation, they are allowed to apply to Guangdong Provincial Development and Reform Commission for a reverification according to law. If the dissension arises from verified annual emissions, Guangdong Provincial Development and Reform Commission shall entrust a verification institution to conduct a reverification. If the dissension arises from allowance allocation, the commission shall confirm the fact and make a written reply to the applicant within 20 days.

**Article 32** Guangdong Provincial Development and Reform Commission shall create credit files for the covered enterprises/institutions, verification institutions, and emissions exchanges, and record, integrate, and publish the credit-related information about their emissions administration and trading activities.

**Article 33** Under the same conditions, the companies that have performed their emissions reduction obligations are prioritized to apply for the special funds, e.g., national low-carbon development fund, energy saving and emissions reduction fund, renewable energy fund, and circular economy fund. And they are among the first applicants to receive support from provincial low-carbon fiscal subsidy and other special funds for encouraging energy saving and emissions reduction and development of circular economy.

**Article 34** Encourage financial institutions to explore the financing services about the products traded in carbon market and provide financing support for the companies/institutions that are subject to allowance administration.

**Article 35** The revenue from selling allowances and the expenditure therefor are under separate fiscal administration.

## ***Chapter 6 Legal Liabilities***

**Article 36** Any regulated company/institution or reporting company that violates Article 7 that are provided for in measures or commits one of the following actions, it shall to make a correction within a prescribed time limit as instructed by Guangdong Provincial Development and Reform Commission; otherwise, it shall be imposed a fine as follows:

- (1) If a regulated company/institution makes a false report, conceals or rejects to perform the obligation of reporting its emissions, it shall be imposed a fine of no less than 10,000 yuan but no more than 30,000 yuan;
- (2) If a regulated company/institution obstructs the verification institution to go for on-site verification and rejects to turn over the relevant evidence, it shall be imposed a fine of no less than 10,000 yuan but no more than 30,000 yuan, or a fine of 50,000 yuan under a serious circumstance.

**Article 37** If a regulated company/institution violates Article 18 that are provided for in measures and fails to pay off the allowances, it shall be urged by Guangdong Provincial Development and Reform Commission to perform the payment obligation; otherwise, it shall pay twice more than the amount of unpaid allowances in next compliance period, and imposed a fine of 50,000 yuan.

**Article 38** If the emissions exchange commits one of the following behaviors, it shall be urged by Guangdong Provincial Development and Reform Commission to make correction, and imposed a fine of no less than 10,000 yuan but no more than 50,000 yuan.

- (1) Fail to make public the transaction information as required;
- (2) Fail to establish and implement the risk administration system.

**Article 39** In case the verification institution violates the provisions in the second paragraph of Article 8 as provided for in these measures and commits one of the following behaviors, it shall be urged by Guangdong Provincial Development and Reform Commission to make correction within a prescribed time limit, and imposed a fine of no less than 30,000 yuan but no more than 50,000 yuan.

- (1) Produce a fake or false verification report;
- (2) Use or publish the business secrets and emissions information of the verified company/institution without permit.

**Article 40** If the development and reform commission and other competent authorities and their staff members violate the provisions as provided for in these measures and commit one of the following behaviors, they shall be urged by the superior authority or supervision agency to make correction and subject to public criticism. Under a serious circumstance, the persons in charge and persons directly responsible shall receive disciplinary sanction imposed by the department in charge of appointment and dismiss. Anyone that is suspected of committing a crime shall be transferred to the judicial organs for investigation of criminal responsibility

- (1) Seek unjust benefit by taking advantage of the work related to allowance allocation, emissions verification and validation, and administration of verification institution;
- (2) Fail to correct or punish the illegal activities that he/she has discovered;
- (3) Disclose the confidential information about allowance trading in violation of the relevant regulations and thereby cause serious consequences; and
- (4) Commit any other violations like abuse of power, neglect of duty or irregularities for favoritism.

## ***Chapter 7 Supplementary Provisions***

**Article 41** The specific provisions about the verification of corporate carbon emissions report, allowance allocation, and financial services are separately provided by the provincial development and reform commission and financial authority in reference to the provisions of these measures.

**Article 42** Definitions of the terminology in these measures:

- (1) *Carbon emissions allowance* is quantified emissions credit which is issued by government to companies for their production and operation activities. One ton of allowance equals one ton of CO<sub>2</sub> emissions.
- (2) *Allowances to new entrants* represent the estimated annual CO<sub>2</sub> emissions allowances granted to the newly operated projects; such allowances are defined and issued by the development and reform commission in light of the CO<sub>2</sub> emissions evaluation report for these projects.
- (3) *Reserve allowances* refer to the portion of allowances reserved by government for adjusting carbon prices so as to tackle the fluctuating carbon market and volatile economic situations; the quantity of such allowances is 5% of the combined allowances to the covered enterprises/institutions.
- (4) Chinese Certified Emission Reduction (CCER) is generated from the greenhouse gas VER projects that are filed by the National Development and Reform Commission in light of the *Interim Measures for the Administration of Greenhouse Gas Voluntary Emission Reduction*.

**Article 43** These measures shall come into effect as of March 1, 2014.

## **Carbon Emissions Allowance Administration and Implementation Rules in Guangdong Province**

### ***Chapter 1 General Provisions***

**Article 1** For the purpose of strengthening and standardizing the carbon emissions allowance administration in Guangdong Province, ensuring the authenticity, the *Carbon Emissions Allowance Administration and Implementation Rules in*

*Guangdong Province* are hereby formulated (hereinafter referred to as the “Implementation Rules”) in light of the *Interim Measures for the Administration of Carbon Emissions Trading* (NDRC No. 17) and the *Interim Measures for Carbon Emissions Administration in Guangdong Province* (GD GOV No. 197) and based on the practical work for carrying out the pilot program for carbon emissions trading scheme.

**Article 2** As regarding the covered enterprises/institutions (hereinafter referred to as “regulated companies”), new entrants (including expanded and rebuilt companies, similarly hereinafter), other qualified institutions and individuals within the jurisdiction of Guangdong Province, their carbon emissions allowance (hereinafter referred to as the “allowance”), clearing for compliance and transactions are subject to provisions of the Implementation Rules.

**Article 3** The allowance administration of Guangdong Province shall abide by the following principles:

- (1) Achieve emissions reduction and promote socioeconomic development. By means of allowance administration, Guangdong will be able to effectively control the greenhouse gas (GHG) emissions, fulfill the binding indicators for saving energy and cutting carbon emissions, and promote sustainable development of the entire province.
- (2) Put efficiency in the first place and take account of fairness. In light of the provincial socioeconomic situations, Guangdong shall take full consideration of the benchmarking emissions of covered enterprises and their historical annual emissions, so as to ensure fair and reasonable allocation of allowances.
- (3) Mainly rely on free allocation and gradually increase paid allowances. Guangdong shall combine both free and paid allocation of allowances, with free allocation playing a leading role at the preliminary stage of the ETS program, and then increase percentage of paid allowances step by step.
- (4) Fair transaction and effective supervision. Fair transaction of the allowances shall be conducted on the carbon emissions trading platform (hereinafter referred to as the “trading platform”) designated by the provincial government, the process of transaction shall be conscientiously supervised and managed.

**Article 4** Being the competent authority responsible for the provincial allowance administration, the provincial development and reform commission takes charge of administration, supervision, and guidance of the ETS implementation, and works together with other competent departments to build an allowance allocation review board and a technical assessment panel for defining sectoral allowances, and then authorize the technical assessment panel or qualified social organizations/institutions to carry out the related work.

All municipal development and reform commissions at and above the prefecture level shall collaborate with the provincial competent authority in reviewing the application from the new entrants with their administrative area for buying paid allowances, and urging the covered enterprises with their administrative area to carry out the allowances clearing and compliance.



**Article 5** The provincial development and reform commission shall establish a carbon emissions allowance registration system in Guangdong Province (hereinafter referred to as the “registry”) to take charge of unified electronic information management of allowance creation, allocation, alteration, clearing, and cancelation. The information recorded in the registry serves as final basis for defining ownership and obligation of allowances. The allowances will become valid as of the date of registration, since then the allowance owners are able to make earnings via trading, transfer or mortgage of the allowances or through other legitimate means.

**Article 6** The registry shall create accounts of varied functions for the provincial competent authority, covered enterprises, new entrants, investment institutions and other market players. After opening the accounts in light of the requirements of the competent authority, the market players may start operations about allowances administration in the registry.

## ***Chapter 2 Allowance Allocation***

**Article 7** The provincial development and reform commission, by taking a full account of the sectoral baseline emissions and emissions reduction potentials, and companies’ historical emissions level, develops the allowance plan for Guangdong Province. Before published and enforced, the plan shall be first reviewed by the provincial allowance allocation review board and then ratified by the provincial people’s government.

The allowance plan shall involve the name list of covered enterprises and new entrants, and amount of annual allowances; percentage of free and paid allowances; allocation methodologies, approaches, and processes; quantity of the paid allowances via bidding; and allocation platform and provisions.

**Article 8** The technical assessment panel for defining sectoral allowances, which consists of the experts with industry associations and corporate representatives, takes charge of collecting, summarizing, and processing the opinions or suggestions reflected by the companies in the same industrial sector, evaluates the allowance calculation methodologies, emissions factor, benchmark value and annual depreciation factor in light of economic operation, and development characteristics of industries, and then submits the evaluation report to the provincial development and reform commission in a timely manner.

**Article 9** In reference to production process, product characteristics, and data basis of an industrial sector, the provincial development and reform commission adopts the benchmarking and grandfathering methodologies to define the allowances to the covered enterprises and new entrants. The allowances granted to companies are a sum of the allowances for each production process (generating unit or product); their calculation formulas are shown as follows:

## (1) Benchmarking:

Allowances allocated to covered enterprises = last year's actual production  $\times$  correction factor for current year's production  $\times$  benchmark value  $\times$  current year's depreciation factor;

Allowances allocated to new entrants = designed production capacity  $\times$  benchmark value.

## (2) Grandfathering:

Allowances allocated to covered enterprises = historical average carbon emissions  $\times$  current year's depreciation factor;

Allowances allocated to new entrants = projected annual comprehensive energy consumption  $\times$  factor of converted carbon emissions.

The correction factor for sector production, benchmark value, and annual depreciation factor or calculation approaches shall be clarified in the annual allowance allocation plan.

**Article 10** The provincial development and reform commission allocates free allowances to covered enterprises via the registry in light of the allowance allocation plan. Regarding the covered enterprises that receive benchmarking-based allowances, the provincial development and reform commission shall launch a province-wide emissions verification and then define the amount of allowances, and finally make up for the deficiency or take back excess allowances via the registry.

**Article 11** The provincial development and reform commission organizes auctions for allocation of paid allowances in light of the allowance allocation plan. The covered enterprises may purchase the paid allowances voluntarily via the paid allowance bidding platform (hereinafter referred to as "bidding platform"). The new entrants, before transforming into covered enterprises, shall purchase sufficient paid allowances in light of the provisions in Chapter 4 in the Implementation Rules.

The revenue from paid allowance allocation shall be exclusively spent on the carbon emissions reduction and construction of relevant capacity.

**Article 12** If the covered enterprises or new entrants disagree with the allocation results, they may apply for a reverification to the provincial development and reform commission which will send them a written reply within 20 days after reviewing the application.

If major changes happen to the production or operation of companies owing to changing economic situations or industrial development, the provincial development and reform commission shall authorize the technical assessment panel to evaluate their amount of allowances, and then draw up an overall program to adjust the allocation plan.

### ***Chapter 3 Allowance Clearing and Compliance***

**Article 13** Before every June 20, the covered enterprises shall fulfill their compliance for turning over sufficient allowances via the registry based on last years' actual carbon emissions which are verified by the verification institution and ratified by the provincial development and reform commission. The allowances which are frozen for mortgage or financing may not be used for the clearing and compliance of the covered enterprises.

If the allowances are not enough to clear for compliance, the covered enterprises shall purchase certain allowances via the bidding platform in advance for making up for the deficiency. In case of any surplus allowances, after the covered enterprises have fulfilled their compliance, they shall be used for next year's compliance or trading.

**Article 14** If the covered enterprises revoke their business license, halt production/operation and move out of the province, their allowances shall be handled as follows:

- (1) The covered enterprises shall submit their carbon emissions information report and verification report to the municipal development and reform commissions at and above the prefecture level within one month before they halt production/operation or move out of the province, then the latter shall report such matter to the provincial development and reform commission.
- (2) Before completion of the formalities for halting production/operation or moving out of the province, the covered enterprises shall clear the allowances based on the verified actual emissions of the current year, the free allowances for the companies, production lines, generating units or installations during abnormal production months (operation rate of the month is below 50%, similarly hereinafter) shall be handed over to the provincial development and reform commission to be canceled, while the remaining allowances may be used or traded by the companies.

**Article 15** If the covered enterprises (production lines, generating units or installations) autonomously halt production for over 6 months in the current year, they shall hand over the free allowances for abnormal production months to the provincial development and reform commission for cancelation after confirmation.

**Article 16** The covered enterprises are allowed to use the Chinese Certified Emission Reduction (CCER) or the carbon reductions of companies/institutions or individuals validated and issued by Guangdong Province to offset their actual carbon emissions. The CCER shall satisfy the relevant provisions in the *Interim Measures for Carbon Emissions Administration in Guangdong Province*, uniformly registered in light of the national relevant regulations and meeting the following conditions concurrently:

- (1) Mainly come from the carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>) emissions reduction projects, i.e., these two gases shall account for over 50% of all GHG emissions cutbacks;
- (2) The electricity generation, heat supply, and surplus energy (waste heat, water pressure, and waste gas) utilization projects that are free from consumption of hydropower or such fossil energy as coal, petroleum, and natural gas (excluding coal-bed methane); and
- (3) Exclude the emissions reductions generated by the Clean Development Mechanism (CDM) projects before registered at the Executive Board of CDM of the United Nations.

**Article 17** If the covered enterprises intend to use the CCER to offset their actual carbon emissions, they shall submit the offset application and relevant certifications to the provincial development and reform commission before every June 10 in light of the provisions of Article 16 in the Implementation Rules; the offset could not be carried out unless it is confirmed qualified.

The procedures for the offset with CCER or the carbon reductions of companies/institutions or individuals validated and issued by Guangdong Province are separately stipulated.

**Article 18** If the covered enterprises fail to clear the allowances in full amount in violation of the provisions of the Implementation Rules, the provincial development and reform commission shall urge them to make correction; otherwise, the commission may impose a penalty upon such companies in light of the *Interim Measures for Carbon Emissions Administration in Guangdong Province*. And the violations of the companies will be input into the provincial financial credit system and social credit system according to relevant regulations, and make public via the official website of government and social media.

#### ***Chapter 4 Allowance Administration for New Entrants***

**Article 19** The companies that are newly operated with annual CO<sub>2</sub> emissions at 10,000 tons and above (hereinafter referred to as “new entrants”) shall be included into allowance administration.

**Article 20** The new entrants shall purchase paid allowances in line with the following procedures and requirements:

- (1) The new entrants shall submit the application and relevant certification documents for buying paid allowances, the content of application involves but not limited to the following points:
  - i. Project profile;
  - ii. The energy-saving evaluation report and review opinions ratified or archived by the competent authority; and
  - iii. Projected annual CO<sub>2</sub> emissions of the new entrants.

- (2) The application materials shall be first examined by the municipal development and reform commissions at and above the prefecture level according to the principle of territory, and then reported to the provincial development and reform commissions for validation. The provincial companies are able to report their application materials directly to the provincial development and reform commission for validation.
- (3) Based on the verified quantity of paid allowances to the new entrants, the companies may purchase paid allowances in full amount via the bidding platform before acceptance check of the new projects.

**Article 21** After the new entrants (production lines, generating units or installations) have fulfilled the acceptance check and undergone 12 months of operation, they shall be subject to verification of the verification institution designated by the provincial development and reform commission, those are fully qualified will officially join in the rank of covered enterprises.

If the new projects are owned by the existing covered enterprises, the latter shall revise their carbon emissions monitoring plan in a timely manner. After the new entrants (production lines, generating units or installations) have fulfilled the acceptance check and undergone 12 months of operation, they shall be incorporated into the existing covered enterprises.

## ***Chapter 5 Allowance Transaction***

**Article 22** The trading principals joining in the allowance transaction are made up of covered enterprises, owners of new projects, qualified institutional, and individual investors. The transaction platform administration institution (hereinafter referred to as “transaction institution”) shall specially build a professional transaction system that for allowance trading. The transaction system shall link with the allowance registry, enable data exchange, and make sure that the transaction information could be promptly inputted into in the registry.

**Article 23** The institutional investors that join in the allowance transaction shall meet the following conditions concurrently:

- (1) Being an independent legal entity;
- (2) Being a well-organized institution with both internal control and risk management systems;
- (3) With sound commercial credit; and
- (4) Conform to the national and provincial relevant provisions.

**Article 24** The individual investors that join in the allowance transaction shall meet the following conditions concurrently:

- (1) Being a natural person at an age of 18 and above;
- (2) Passing the transaction risk evaluation; and
- (3) Conform to the national and provincial relevant provisions.

**Article 25** The quantity of allowances held by each trading principal shall meet the following conditions:

- (1) Before their annual actual carbon emissions are verified by the provincial development and reform commission, the covered enterprises may not transfer over 50% of their current year's free allowances in their registered account to the transaction account for trading. After clearing the allowances for compliance, the covered enterprises may transfer all of the surplus allowances to their transaction account for trading.  
When the covered enterprises intend to deal with all of the allowances in their registered account owing to revocation of business license, halting production or removal out of the province, they shall go through the procedures as provided for in Article 14 in Chapter 3. The remaining allowances are at their own discretion.
- (2) Before being incorporated into the covered enterprises, the owners of new projects may have unlimited quantity of allowances.
- (3) The quantity of allowances held by institutional and individual investors may not exceed 3 Mt.

**Article 26** All trading principals shall register at the registry and open an account at the transaction system at the same time. The provincial development and reform commission shall handle the application for opening an account made by the covered enterprises, the owners of new projects and overseas registered agencies, and authorize the transaction institution to handle the application for opening an account made by institutional and individual investors.

The transaction institution shall establish a transaction risk evaluation system, regularly report to the provincial development and reform commission about the transaction activities and approval results about the account opening applications made by institutional and individual investors.

**Article 27** The provincial development and reform commission shall build allowance market regulation mechanism to safeguard market stability and supervise the business of the transaction institution. The transaction institution shall regularly evaluate and improve the transaction rules. After being stipulated, the transaction rules shall be first reported to the provincial development and reform commission and financial department for review and ratification before execution.

**Article 28** The financial agencies are encouraged to explore the financial services like allowance mortgage finance, while such conduct shall be confirmed at the registry. The provincial development and reform commission shall entrust the transaction institution to do a good job in inquiring ownership and obligations of companies' allowances and mortgage registration.

## ***Chapter 6 Supplementary Provisions***

**Article 29** The Implementation Rules are subject to interpretation of the provincial development and reform commission.

**Article 30** Regarding the time limit as provided for in the Implementation Rules, if the date of expiration happens to be the national statutory holiday, then the first workday after the holiday is deemed as the date of expiration.

**Article 31** The Implementation Rules come into effect as of March 1, 2015 and have a period of validity of five years. In case any relevant provision published before are inconsistent with the Implementation Rules, it is the latter that shall prevail.

## **Implementation Rules for Corporate Carbon Emissions Reporting and Verification in Guangdong Province**

(The *Implementation Rules for Corporate Carbon Emissions Reporting and Verification in Guangdong Province* (GD DRC Climate Change Office [2015] No. 80) were issued by Guangdong Provincial Development and Reform Commission on February 16, 2015 and executed as of March 1, 2015.)

### ***Chapter 1 General Provisions***

**Article 1** For the purpose of standardizing the corporate carbon emissions reporting and verification in Guangdong Province, ensuring the authenticity, accuracy, and reliability of corporate carbon emissions information, the *Implementation Rules for Corporate Carbon Emissions Reporting and Verification in Guangdong Province* (hereinafter referred to as the “Rules”) are hereby formulated in light of the *Interim Measures for the Administration of Carbon Emissions Trading* and the *Interim Measures for Carbon Emissions Administration in Guangdong Province*.

**Article 2** The Rules are applicable to the monitoring, reporting, and verification (MRV) of carbon emissions information of the covered enterprises/institutions within the administrative area of Guangdong Province.

**Article 3** The provincial development and reform commission takes charge of overall coordination, supervision, and administration of the MRV of all of Guangdong’s covered enterprises, and draws up carbon emissions reporting guidelines and verification specifications in collaboration of the provincial competent authorities. All municipal development and reform commissions at and above the prefecture level shall take charge of the MRV of the covered enterprises within their jurisdiction.

**Article 4** The MRV regime of Guangdong Province deals with the covered enterprises/institutions and reporting companies based on their category. The specific name list of these companies/institutions is defined by the provincial development and reform commission and other relevant authorities through deliberation.

By taking account of the carbon emissions administration and progress of carbon trading, such industrial sectors as electricity, cement, iron and steel, petrochemical, ceramics, nonferrous, textile, chemical, and paper-making, as well as the public buildings and the companies/institutions that engage in transportation, are included into the MRV regime in batches. Any company/institution that intends to participate in the carbon emissions administration voluntarily shall report to the provincial development and reform commission for approval, and then join in the MRV regime in light of the same requirements for the covered enterprises/institutions.

**Article 5** If the annual actual carbon emissions of the covered enterprises are verified to be lower than the prescribed amount for 3 years in a row, they will be degraded to reporting companies after confirmed by provincial development and reform commission. If the annual actual carbon emissions of the reporting companies are lower than the prescribed amount for 3 years in a row, they will be removed out of the carbon emissions administration after confirmed by provincial development and reform commission.

If the annual actual carbon emissions of the covered enterprises/institutions and reporting companies are lower than the prescribed amount, which is resulting from major changes on their production or operation activities, they shall be degraded to reporting companies or removed out of the carbon emissions administration after confirmed by provincial development and reform commission. Such major changes refer to altered production capacity (e.g., dismantled production line), production scope or product mix, or serious accident, technical revamp, and plant relocation which halts production for 2 years or more.

**Article 6** The covered enterprises/institutions and reporting companies shall establish and improve the carbon emissions administration system, and perform monitoring and reporting obligations as required. The covered enterprises/institutions shall collaborate with the verification institutions to carry out the verification activities.

**Article 7** The provincial development and reform commission shall build the Carbon Emissions Information Reporting and Verification System (hereinafter referred to as the “Information System”) to take charge of information management of the MRV of companies/institutions.

## ***Chapter 2 Carbon Emissions Monitoring and Reporting***

**Article 8** The carbon emissions monitoring plan is an important basis for the covered enterprises/institutions and reporting companies to report their emissions information, and for the verification institutions to carry out the verification



activities. The covered enterprises/institutions and reporting companies shall produce an emissions monitoring plan and submit to the provincial development and reform commission together with their emissions report which is delivered for the first time.

**Article 9** The carbon emissions monitoring plan, which is produced on basis of the *Carbon Dioxide Emissions Reporting Guidelines for Companies in Guangdong Province*, is made up of the following key points:

- (1) Basic information about the emitting sources, including process flow diagram and inventory of main equipment;
- (2) Available monitoring devices, approaches, and measurement frequency;
- (3) Patterns for data recording, keeping statistics, processing, summarizing and storing;
- (4) Quality control and guarantee measures; and
- (5) Other relevant information.

In case any change occurs to the above contents, the covered enterprises/institutions and reporting companies shall modify their carbon emissions monitoring plan and submit the revised plan to the provincial development and reform commission within 3 months after the change takes place.

**Article 10** The covered enterprises/institutions and reporting companies shall produce an annual emissions monitoring plan and deliver the plan via the aforesaid Information System by March 15 every year. The reporting companies shall also deliver an official monitoring plan in written plan to the municipal development and reform commission at and above the prefecture level. The covered enterprises/institutions shall, before May 5 each year, deliver the verified annual emissions report and verification report, both in written form, to the municipal development and reform commission at and above the prefecture level which shall summarize the reports and then deliver them to the provincial development and reform commission before May 10 each year.

**Article 11** The carbon emissions information report, which is produced on basis of the *Carbon Dioxide Emissions Reporting Guidelines for Companies in Guangdong Province*, is made up of the following key points:

- (1) The basic information about companies' production and operation;
- (2) The information about the energy, materials, and production process associated with companies' carbon emissions;
- (3) The parameters, methodologies, and results of carbon emissions metering;
- (4) Data quality control and guarantee;
- (5) Submit the entrustment agreement if a service agency is entrusted to produce the carbon emissions information report; and
- (6) Other matters that need to be explained.

**Article 12** The covered enterprises/institutions shall cooperate with the verification institution to carry out the relevant work, provide necessary documents and

materials, then modify the carbon emissions information report in reference to the opinions presented by the verification institution, and finally resubmit the improved report.

### ***Chapter 3 Carbon Emissions Verification***

**Article 13** The verification institution shall, by following the verification specifications and instructions of Guangdong Province, carry out the verification activities by means of document review and on-site check, and submit the verification report via the Information System by April 30 each year, and produce a written verification report to the covered enterprises/institutions.

**Article 14** According to the regulations on government procurement, the provincial development and reform commission may entrust a verification institution to verify (including reverification and spot check) the emissions information report submitted by the covered enterprises/institutions, and bear the corresponding expenses.

**Article 15** If any change happens to the verification institution, including the changes on the legal representative, premises, business scope, verification scope, and verifiers, it shall report such matter to the provincial development and reform commission within ten workdays after the change takes place. If the verification institution is unable to satisfy the verification requirements, provincial development and reform commission shall confirm such matter and no longer invite this verification institution.

**Article 16** Before carrying out the verification activities, the verification institution shall report the name list of the concerned verifiers to the provincial development and reform commission, and organize the concerned verifiers to take part in the verification trainings sponsored by the commission.

The verification trainings held by the provincial development and reform commission are free from charge.

**Article 17** In light of the verification specifications of Guangdong Province, the verification institution shall produce a verification report and affix their signatures and seals on the report for confirmation. The verification report consists of the following key points:

- (1) Basic information about the verification institution;
- (2) Information about the personnel composition of the verification team;
- (3) Basic information about the verified companies/institutions;
- (4) Record of the verification process;
- (5) Annual carbon emissions amount of companies/institutions and methodologies for emissions calculation;
- (6) Verification conclusion;
- (7) The content of the emissions information report that needs to be clarified or revised;

- (8) Impartiality statement;
- (9) Other matters that need to be explained.

**Article 18** The provincial development and reform commission shall hold a review of the emissions information report produced by the covered enterprises/institutions and the verification report. If there is no dissent opinion about these reports, the commission shall confirm the annual emissions amount of the covered enterprises/institutions and deliver the feedback to them before May 20 each year; otherwise, the commission shall organize a reverification and feed back the annual emissions amount to the covered enterprises/institutions before June 5 each year.

**Article 19** Upon receipt of the feedback from the provincial development and reform commission, if the covered enterprises/institutions hold different views toward the defined annual emissions amount, they are entitled to apply for a reverification to the commission within seven workdays upon receipt of the feedback.

#### ***Chapter 4 Supervision and Administration***

**Article 20** The covered enterprises/institutions take responsibility for the authenticity of their emissions monitoring plan, reported data and information. If any regulated or reporting company/institution fails to receive the mandatory emissions verification, they shall be fined in light of the *Interim Measures for Carbon Emissions Administration in Guangdong Province*.

The provincial development and reform commission shall strengthen supervision and administration of the carbon emissions monitoring plan produced by the covered enterprises/institutions, and present opinions for modification if the plan is found inconsistent with the actual carbon emissions.

If any regulated or reporting company/institution fails to report their carbon emissions or not collaborate with the verification institution, the provincial development and reform commission shall entrust the verification institution to calculate their annual carbon emissions, which shall be deemed as basis for the concerned company/institution to perform their obligations in allowance settlement.

**Article 21** The provincial development and reform commission shall exercise dynamic administration of the verification institution, organize assessment and appraisal of the verification report, and establish a “blacklist” system for the non-compliant verification institutions.

**Article 22** When the provincial development and reform commission or all municipal development and reform commissions at and above the prefecture level are performing their obligation of supervising the verification report, the concerned companies/institutions shall collaborate during the supervision process by providing relevant files and materials, instead of rejection, obstruction or concealment.

**Article 23** The verification institution and its staff members shall carry out the verification activity according to law and in an independent and impartial manner; take responsibility for the standardization, authenticity, and accuracy of the verification reform; and perform the obligation of confidentiality, bear legal liability, and accept public supervision. If the verification institution or its staff members commit one of the following actions, the provincial development and reform commission shall make public their violation and impose a fine in light of the *Interim Measures for Carbon Emissions Administration in Guangdong Province*; those whose offenses are serious enough to constitute a crime shall be prosecuted for criminal responsibility according to law.

- (1) Produce a false and inconsistent verification report;
- (2) Serious mistakes are found in the verification report or the verified emissions are greatly different from actual emissions.
- (3) Use or publish the commercial secrets and carbon emissions information of the verified companies/institutions without authorization;
- (4) Any other acts of violations.

**Article 24** The provincial development and reform commission shall create a credit file for the covered enterprises/institutions, reporting companies and verification institutions, and incorporate their credit information into the Social Credit System and Financial Credit System in a timely manner.

**Article 25** If the employees with the development and reform commissions at all levels and competent authorities commit any of the misconduct like abuse of power, neglect of duty, practicing frauds for personal gains or disclose the confidential information about the covered enterprises/institutions shall be imposed an administrative sanction or disciplinary sanction. Those whose offenses are serious enough to constitute a crime shall be prosecuted for criminal responsibility according to law.

**Article 26** The provincial development and reform commission, covered enterprises/institutions, reporting companies and verification institutions shall make archive for the carbon emissions report, verification report and relevant files. Such materials shall be kept by the provincial development and reform commission for 30 years, while such materials shall be kept by covered enterprises/institutions, reporting companies, and verification institutions for 15 years.

## ***Chapter 5 Supplementary Provisions***

**Article 27** The Rules are due to be explained by the provincial development and reform commission.

**Article 28** If the last calendar day of the deadline as prescribed in the Rules happens to be a statutory holiday, then the last workday ahead of the holiday is deemed as the date of expiration.

**Article 29** The Rules shall come into effect as of March 1, 2015 and have a period of validity of 5 years. In case the provisions in the Rules are inconsistent with the provisions that are published before, it is the Rules that shall prevail.

## **Carbon Emissions Trading Rules of China (Guangzhou) Emissions Exchange**

### ***Chapter 1 General Provisions***

**Article 1** For the purpose of standardizing the carbon emissions trading activities, maintaining market order, and safeguarding the legitimate rights and interests of market players, the *Carbon Emissions Trading Rules of China (Guangzhou) Emissions Exchange* are hereby formulated in light of the *Interim Measures for Carbon Emissions Administration in Guangdong Province*.

**Article 2** The Rules are applicable to China (Guangzhou) Emissions Exchange (hereinafter referred to as “CGEE”) that hosts and organizes the carbon emissions trading activities of Guangdong Province.

**Article 3** The parties that engage in CGEE-based carbon trading shall observe the relevant laws and regulations, and the rules and provisions of CGEE, and follow the principles of openness, fairness, impartiality, voluntariness, equality, honesty, and credibility.

### ***Chapter 2 Trading Market***

#### **Section 1 Venue for Transaction**

**Article 4** CGEE is obliged to provide a transaction venue, relevant facilities, and services for the carbon trading parties.

**Article 4** A transaction venue and associated facilities shall consist of a trading hall, data center, information disclosure system, settlement system, and a supporting system relevant to carbon trading.

#### **Section 1 Participants in Trading Activities**

**Article 6** Trading participants, which refer to all parties that purchase or sell the carbon emissions allowances in CGEE, are made up of the following parties:

- (1) The covered enterprises/institutions and new entrants that are involved in the carbon emissions scheme (ETS) in Guangdong Province; and
- (2) Other investment institutions, organizations, and individuals that conform to relevant regulations.

**Article 7** CGEE has established a membership administration system. The trading parties shall become a CGEE member or entrust a CGEE member to take part in the allowance trading. CGEE shall report the name list of the members to the provincial development and reform commission in a regular manner.

The membership administration for emissions allowance trading is separately provided for by CGEE.

**Article 8** The trading parties are entitled to the following rights:

- (1) Join in the emissions allowance trading and associated activities;
- (2) Attend the relevant trainings organized by CGEE;
- (3) Use the relevant equipment and facilities provided by CGEE;
- (4) Receive the information and services that concern about the emissions allowance trading that are provided by CGEE;
- (5) Supervise the work of CGEE and present suggestions or opinions;
- (6) Other legitimate rights that are granted by law.

**Article 9** The trading parties shall perform the following obligations:

- (1) Abide by relevant laws and regulations, the Rules, and any other administrative systems that are established by CGEE;
- (2) Properly preserve the transaction account and password, bear the legal liability for the trading directive issued from the transaction account and the transaction outcome, and bear all liability for the consequences generated by the use of the transaction account;
- (3) Learn about the information, announcements, and systems that are disclosed by CGEE, and bear the losses arising from underperformed obligation of reasonable concern;
- (4) Bear the corresponding risks and legal liabilities for the contract that stipulated by trading parties, and strictly perform the contract and join in emissions allowance trading in a fairness, impartial, and open manner;
- (5) Take care of the CGEE-based facilities, safeguard its reputation, and pay for various expenses based on the contract;
- (6) Notify CGEE of the major event that may impact the allowances trading;
- (7) Ensure the authenticity, integrity, and validity of the submitted materials, and undertake corresponding legal liabilities therefor;
- (8) Perform other obligations according to law.

### **Section 3 Objects and Specifications of Transaction**

**Article 10** The objects of transaction of CGEE mainly consist of the following products:

- (1) The carbon emissions allowances of Guangdong Province (GDEA);
- (2) Other tradable products that are approved by the provincial development and reform commission.

**Article 11** The emissions allowance trading in CGEE is measured in the following basic units:

- (1) Trading unit: per ton of carbon dioxide emissions (tCO<sub>2</sub>);
- (2) Price quotation unit: yuan/t (rounded up to percentile);
- (3) Minimum trading volume: one ton;
- (4) Minimum price fluctuation unit: 0.01 yuan/t.

### **Section 4 Time of Transaction**

**Article 12** The transactions in CGEE are held from 9:30 to 11:30 a.m. and from 13:30 to 15:30 p.m. from Monday to Friday (subject to the time of the transaction server). No transaction is held on the national statutory holidays or any closure day as announced by CGEE.

If it is required for market development, CGEE is allowed to adjust time of transaction and make an announcement about this matter.

**Article 13** No transaction is postponed even if a market closure takes place within the trading hours for some reason.

## ***Chapter 3 Trading of Carbon Emissions Allowance***

**Article 14** Carbon emissions allowance is traded via listed bidding, click choosing, one-way bidding, negotiated transfer, and any other approaches ratified by the provincial development and reform commission.

The viable trading approach is decided by CGEE in light of specific situations and announced to the public.

**Article 15** All trading parties shall open an allowance transaction account via the registry of CGEE, and also open a transaction account and settlement account in their real name as required.

**Article 16** Before sending out the declaration orders to the transaction system, all trading parties shall make sure that the allowances or funds in their transaction account are enough to meet the transaction conditions.

**Article 17** Upon completion of the trading activity, the transaction system will automatically generate an electronic transaction voucher which is of the corresponding legal effect.

### **Section 1 Listed Bidding**

**Article 18** In listed bidding, the trading parties shall send out the declaration orders via the transaction system which will then rank and disclose the declaration orders, and finally arrange one-time and one-way matching for the declaration orders within the time span as prescribed by the transaction system.

**Article 19** The transaction time span for listed bidding is for sending out declaration orders and paired trading.

During the declaration time span, the trading parties shall send out the declaration orders to the transaction system. The declaration orders are made up of code of transaction object, quantity, price, and trade direction. Upon completion of the declaration, the corresponding transaction object and funds will be frozen.

During the paired trading time span, the transaction system shall, by following the principle of “price priority and time priority”, carry out the paired trading, and disclose the final result. Any untraded declaration order will enter into the next transaction time span.

**Article 20** The transferor and transferee may cancel their declaration orders within the declaration time span, then the frozen transaction object or fund will be unfrozen automatically; the completed declaration orders may not be canceled; as for the partially completed declaration orders, only the uncompleted portion may be canceled. During the paired trading time span, neither declaration nor withdrawal is allowed. The untraded declaration orders will be canceled automatically after the transaction hours of listed bidding.

### **Section 2 Click Choosing**

**Article 21** In click choosing, the trading parties shall propose listed declarations for sales or purchase to define the quantity and price of transaction object, the intentional transferor and transferee shall view the real-time listed orders, click on the intentional order, and submit the declarations for sales or purchase.

**Article 22** The trading parties shall submit the listed declaration orders to the transaction system for attracting intentional transferor or transferee. The listed orders shall include the code of transaction object, quantity, unit price, and trading direction. Upon completion of the declaration, the corresponding transaction object or fund will be frozen and enter into the queue of listed orders.

The intentional transferor or transferee shall view the real-time listed declaration orders, click on the intentional orders, submit the declaration, and complete the



trading. By following the principle of “price priority and time priority”, the intentional transferor is only allowed to click on the minimum priced sales order, while the transferee shall click on the maximum price purchase order. The order is closed based on its declared price and quantity.

**Article 23** All of the untraded listed declarations may be canceled any time. For the partially traded listed declarations, only the untraded portion may be canceled and available to be listed again.

### **Section 3 One-Way Bidding**

**Article 24** In one-way bidding, transferor shall submit the listed orders to the transaction system, define quantity, and reserve price of the transaction object, and the intentional transferee shall conduct online bidding on their own and finish the transaction with the prescribed time limit.

**Article 25** The transferor shall submit the listed orders for one-way trading to the transaction system for attracting intentional transferee. The listed orders shall include the code of transaction object, quantity, reserve price, and time limit for the bidding. Upon completion of the declaration, the corresponding transaction object will be frozen and enter into the bidding process at the time set by the transaction system.

The bidding process is made up of free bidding and time-bound bidding. During free bidding, the intentional transferor is able to give full quotations for the transaction object; when the quotation price is higher than the existing highest quotation price (opening price is allowed for the first quotation), it is deemed as valid quotation price. After completion of the free bidding process, the transaction system will postpone the preset limit cycle automatically, and enter into the time-bound bidding process which shall be within the trading hours as announced by the CGEE. Upon completion of the time-bound bidding, the latest valid quotation price will become the strike price.

### **Section 4 Negotiated Transfer**

**Article 26** Negotiated transfer refers to a transaction pattern where the two trading parties complete the transaction by reaching consensus through negotiations. When the negotiated transfer is practiced, the quantity of single transaction shall reach 100,000 tons or above.

**Article 27** In case of negotiated transfer, the quotation price may not be 130% higher or 70% lower than the closing price of the previous trading day.

**Article 28** The trading parties submit the listed orders based on negotiated transfer to the transaction system. In addition to the code of transaction object, quantity, price, and trade direction, the information about the intentional transferee shall be

included. The transaction is completed upon confirmation by the intentional transferee in the transaction system and approval of CGEE.

**Article 29** The trading price based on negotiated transfer is not included in the real-time quotations of CGEE; yet the trading volume thereof is reckoned into CGEE's gross trading volume of the allowances on that day.

## ***Chapter 4 Fund Supervision, Clearing, and Allowance Delivery***

**Article 30** CGEE has established a third-party custody system for clearing the funds for allowance transaction.

Neither institution nor individual may embezzle, occupy, or borrow the transaction clearing funds that are deposited in bank in the name of CGEE, or use the funds for providing guarantee for others without CGEE's approval.

**Article 31** CGEE shall deal with the transaction clearing after completion of the transactions on the same day. The allowances shall be transferred from the transaction account of transferor to that of transferee, while the funds shall be transferred by the clearing bank from the transaction account of transferee to that of transferor.

The transferor is able to transfer the clearing funds from its transaction account into its fund account on the following trading day.

**Article 32** The allowance delivery is uniformly organized by CGEE. The provincial development and reform commission shall, in light of relevant regulations and the clearing results of CGEE, ratify the transfer of the ownership of allowances via the allowance registry.

**Article 33** CGEE arranges fund clearing and allowance delivery from 15:30 to 17:00 p.m. on each trading day. In case the time for fund clearing and allowance delivery is altered under a special circumstance, it shall be separately announced by CGEE.

The system for allowance clearing is separately stipulated by CGEE.

## ***Chapter 5 Other Transaction Matters***

### **Section 1 Opening Price, Closing Price, and Increase/Decrease Rate**

**Article 34** The opening price at CGEE is the closing price of listed bidding or click choosing of the previous trading day, while the closing price is weighted average price of aggregate trading prices of the listed bidding or click choosing on the same day. In case of no closing price or transaction on that day, the closing price of the previous trading day is deemed as the valid closing price.

**Article 35** The closing price of listed bidding or click choosing shall be  $\pm 10\%$  of the opening price. In case the one-way bidding is practiced, the reserve price shall be  $\pm 10\%$  of the opening price.

## **Section 2 Suspension, Resumption, and Termination of Transactions**

**Article 36** In case one of the following circumstances takes place, CGEE shall suspend the transaction of certain allowances or the entire transaction system. In case any transaction is made and leads to a serious consequence, CGEE may adopt appropriate remedial measure and deem it invalid.

- (1) Partial or whole transaction is undone owing to technical breakdown or unlawful intrusion of transaction system, contingency, or matters of force majeure;
- (2) Any transaction that is suspected of violating law or relevant regulations, trading volume exceeding the prescribed scope, high-frequency transaction, or other abnormal situations;
- (3) Any other circumstance that interrupts normal operation of transactions or the circumstance where CGEE deems necessary to suspend transactions.

When CGEE decides to suspend transactions, it shall report such decision to the provincial development and reform commission and make announcement about such matter.

**Article 37** CGEE may decide to resume transactions after dispelling the interrupting circumstances. The specific timing and approach for suspending or resuming the transactions are decided by CGEE in light of the specific situations.

**Article 38** During the period where the transactions are suspended, the transaction system no longer accepts the declarations about the suspended transactions or all of the declarations. Upon resumption of the transactions, the directives made before the suspension shall enter the normal trading process.

**Article 39** In case the trading parties or allowances no longer have the trading qualifications or conditions in light of the relevant laws, regulations, rules or policies, CGEE shall terminate the relevant transaction activities and make announcement about such matter.

**Article 40** CGEE is exempted from bearing the liability for the losses arising from transaction suspension, resumption or termination.

## ***Chapter 6 Transaction Information***

**Article 41** CGEE shall publish the real-time quotations and public information about the allowance transactions on each trading day.

**Article 42** CGEE shall regularly produce the statistical statement and analysis report about the allowance transactions and release them on time.

**Article 43** CGEE, trading parties, and clearing bank may not disclose the commercial secrets that they have obtained when dealing with the allowance transactions.

CGEE is allowed to provide relevant information to the competent authority or other relevant institutions in light of relevant regulations and carry out the regulations on commercial secrets.

**Article 44** CGEE is allowed to adjust the means for publishing information and its content in line with the need for market development.

The system for administration of allowance transaction information is separately stipulated by CGEE.

### ***Chapter 7 Supervision and Administration***

**Article 45** CGEE has established the system for limiting the holdings of allowances. The allowances held by each trading party may not exceed the prescribed limit.

**Article 46** CGEE has established the system for control of clearing risks, and exercises administration of members' clearing funds based on separate accounts.

**Article 47** CGEE shall conduct supervision and inspection of the trading parties, clearing bank, and other participants in allowance transaction in light the provisions in these Rules and other relevant regulations, and regularly report such matters to the provincial development and reform commission.

**Article 48** If CGEE has discovered that the trading parties are involved in insider dealing, market manipulation, abnormal transactions, and other violations by means of supervision, complaints reporting or notification of competent authority, it shall order the concerned party to make correction; in light of the seriousness of the case, CGEE may impose such penalties as conversation reminder, written warning, public criticism, restriction of transaction, suspension or termination of transactions, or revocation of their qualifications for other businesses or membership.

CGEE shall preserve a poor credit record for all trading parties, record their violations during transactions, and make public such discreditable conducts.

### ***Chapter 8 Resolution of Transaction Disputes***

**Article 49** In case any dispute arises from the allowance transaction, the concerned trading parties may resolve such matter on their own through negotiations, apply for arbitration by an arbitration institution according to law or file a lawsuit to the local people's court.

## ***Chapter 9 Transaction Expenses***

**Article 50** When the trading parties join in the allowance transactions held by CGEE, or any institution or individual uses the information provided by CGEE, they shall pay for the transaction service, information use, and other necessary fees to CGEE.

**Article 51** The amount of allowance transaction formality fee is decided in line with the relevant regulations of the provincial pricing authority, while other charging items and standards are separately decided by CGEE.

## ***Chapter 10 Supplementary Provisions***

**Article 52** These Rules are stipulated and explained by CGEE. Based on the provisions of these Rules, CGEE is able to draw up implementation provisions or measures.

**Article 53** These Rules shall come into effect as of the date of issuance.

China (Guangzhou) Emissions Exchange  
July 30, 2015

# **Trading Rules for Chinese Certified Emission Reduction at China (Guangzhou) Emissions Exchange**

## ***Chapter 1 General Provisions***

**Article 1** For the purpose of standardizing the transactions of Chinese Certified Emission Reduction (hereinafter referred to as “CCER”), maintaining market order and safeguarding the legitimate rights and interests of market players, the *Trading Rules for Chinese Certified Emission Reduction at China (Guangzhou) Emissions Exchange* are hereby formulated in light of the *Interim Measures for the Administration of Greenhouse Gas Voluntary Emission Reduction* and the *Interim Measures for Carbon Emissions Administration in Guangdong Province*.

**Article 2** The Rules are applicable to China (Guangzhou) Emissions Exchange (hereinafter referred to as “CGEE”) that hosts and organizes the CCER trading activities.

The parties that engage in CGEE-based CCER trading shall observe the relevant laws and regulations, and the rules and provisions of CGEE, and follow the principles of openness, fairness, impartiality, voluntariness, equality, honesty, and credibility.

**Article 3** The CCER that is referred to in these Rules represents the Chinese Certified Emission Reduction that is ratified by the National Development and Reform Commission (hereinafter referred to as the “NDRC”).

## ***Chapter 2 Trading Market***

### **Section 1 Venue for Transaction**

**Article 4** CGEE is obliged to provide a transaction venue, relevant facilities, and services for the carbon trading parties.

**Article 5** A transaction venue and associated facilities shall consist of a trading hall, data center, information disclosure system, settlement system, and a supporting system relevant to carbon trading.

### **Section 2 Participants in Trading Activities**

**Article 6** Trading participants, which refer to all parties that purchase or sell the CCER in CGEE, are made up of the following parties:

- (1) Owners of CCER;
- (2) The covered enterprises/institutions and new entrants that are involved in the pilot program for carbon emissions scheme (ETS) in Guangdong Province; and
- (3) Other investment institutions, organizations, and individuals that conform to relevant regulations.

**Article 7** CGEE has established a membership administration system. The trading parties shall become a CGEE member or entrust a CGEE member to take part in the CCER trading.

The membership administration for CCER trading is separately provided for by CGEE.

**Article 8** The trading parties are entitled to the following rights:

- (1) Join in the CCER trading and associated activities;
- (2) Attend the relevant trainings organized by CGEE;
- (3) Use the relevant equipment and facilities provided by CGEE;
- (4) Receive the information and services that concern about the CCER trading that are provided by CGEE;
- (5) Supervise the work of CGEE and present suggestions or opinions;
- (6) Other legitimate rights that are granted by law.

**Article 9** The trading parties shall perform the following obligations:

- (1) Abide by relevant laws and regulations, the Rules, and any other administrative systems that are established by CGEE;
- (2) Properly preserve the transaction account and password, bear the legal liability for the trading directive issued from the transaction account and the transaction outcome, and bear all liability for the consequences generated by the use of the transaction account;
- (3) Learn about the information, announcements, and systems that are disclosed by CGEE, and bear the losses arising from underperformed obligation of reasonable concern;
- (4) Bear the corresponding risks and legal liabilities for the contract that stipulated by trading parties, and strictly perform the contract and join in emissions allowance trading in a fairness, impartial, and open manner;
- (5) Take care of the CGEE-based facilities, safeguard its reputation, and pay for various expenses based on the contract;
- (6) Notify CGEE of the major event that may impact the CCER trading;
- (7) Ensure the authenticity, integrity, and validity of the submitted materials, and undertake corresponding legal liabilities therefor;
- (8) Perform other obligations according to law.

### **Section 3 Object and Specifications of Transaction**

**Article 10** In these Rules, the object of transaction of CGEE refers to CCER.

**Article 11** The CCER trading in CGEE is measured in the following basic units:

- (1) Trading unit: per ton of carbon dioxide emissions (tCO<sub>2</sub>);
- (2) Price quotation unit: yuan/t (rounded up to percentile);
- (3) Minimum trading volume: one ton;
- (4) Minimum price fluctuation unit: 0.01 yuan/t.

### **Section 4 Time of Transaction**

**Article 12** The transactions in CGEE are held from 9:30 to 11:30 a.m. and from 13:30 to 15:30 p.m. from Monday to Friday (subject to the time of the transaction server). No transaction is held on the national statutory holidays or any closure day as announced by CGEE.

If it is required for market development, CGEE is allowed to adjust time of transaction and make an announcement about this matter.

**Article 13** No transaction is postponed even if a market closure takes place within the trading hours for some reason.

## ***Chapter 3 CCER Trading***

**Article 14** CCER is traded via listed bidding, click choosing, one-way bidding, negotiated transfer, and any other approaches ratified by the competent authority.

The viable trading approach is decided by CGEE in light of specific situations and announced to the public.

**Article 15** All trading parties shall open a CCER transaction account via the registry of CGEE, and also open a transaction account and settlement account in their real name as required.

**Article 16** Before sending out the declaration orders to the transaction system, all trading parties shall make sure that the CCER or funds in their transaction account are enough to meet the transaction conditions.

**Article 17** Upon completion of the trading activity, the transaction system will automatically generate an electronic transaction voucher which is of the corresponding legal effect.

### **Section 1 Listed Bidding**

**Article 18** In listed bidding, the trading parties shall send out the declaration orders via the transaction system which will then rank and disclose the declaration orders, and finally arrange one-time and one-way matching for the declaration orders within the time span as prescribed by the transaction system.

**Article 19** The transaction time span for listed bidding is for sending out declaration orders and paired trading.

During the declaration time span, the trading parties shall send out the declaration orders to the transaction system. The declaration orders are made up of code of transaction object, quantity, price, and trade direction. Upon completion of the declaration, the corresponding transaction object and funds will be frozen.

During the paired trading time span, the transaction system shall, by following the principle of “price priority and time priority”, carry out the paired trading, and disclose the final result. Any untraded declaration order will enter into the next transaction time span.

**Article 20** The transferor and transferee may cancel their declaration orders within the declaration time span, then the frozen transaction object or fund will be unfrozen automatically; the completed declaration orders may not be canceled; as for the partially completed declaration orders, only the uncompleted portion may be canceled. During the paired trading time span, neither declaration nor withdrawal is allowed. The untraded declaration orders will be canceled automatically after the transaction hours of listed bidding.



## Section 2 Click Choosing

**Article 21** In click choosing, the trading parties shall propose listed declarations for sales or purchase to define the quantity and price of transaction object, the intentional transferor and transferee shall view the real-time listed orders, click on the intentional order, and submit the declarations for sales or purchase.

**Article 22** The trading parties shall submit the listed declaration orders to the transaction system for attracting intentional transferor or transferee. The listed orders shall include the code of transaction object, quantity, unit price, and trading direction. Upon completion of the declaration, the corresponding transaction object or fund will be frozen and enter into the queue of listed orders.

The intentional transferor or transferee shall view the real-time listed declaration orders, click on the intentional orders, submit the declaration and complete the trading. By following the principle of “price priority and time priority”, the intentional transferor is only allowed to click on the minimum priced sales order, while the transferee shall click on the maximum price purchase order. The order is closed based on its declared price and quantity.

**Article 23** All of the untraded listed declarations may be canceled any time. For the partially traded listed declarations, only the untraded portion may be canceled and available to be listed again.

## Section 3 One-Way Bidding

**Article 24** In one-way bidding, transferor shall submit the listed orders to the transaction system, define quantity, and reserve price of the transaction object, the intentional transferee shall conduct online bidding on their own and finish the transaction with the prescribed time limit.

**Article 25** The transferor shall submit the listed orders for one-way trading to the transaction system for attracting intentional transferee. The listed orders shall include the code of transaction object, quantity, reserve price, and time limit for the bidding. Upon completion of the declaration, the corresponding transaction object will be frozen and enter into the bidding process at the time set by the transaction system.

The bidding process is made up of free bidding and time-bound bidding. During free bidding, the intentional transferor is able to give full quotations for the transaction object; when the quotation price is higher than the existing highest quotation price (opening price is allowed for the first quotation), it is deemed as valid quotation price. After completion of the free bidding process, the transaction system will postpone the preset limit cycle automatically, and enter into the time-bound bidding process which shall be within the trading hours as announced by the CGEE. Upon completion of the time-bound bidding, the latest valid quotation price will become the strike price.

## **Section 4 Negotiated Transfer**

**Article 26** Negotiated transfer refers to a transaction pattern where the two trading parties complete the transaction by reaching consensus through negotiations.

**Article 27** The trading parties submit the listed orders based on negotiated transfer to the transaction system. In addition to the code of transaction object, quantity, price, and trade direction, the information about the intentional transferee shall be included. The transaction is completed upon confirmation by the intentional transferee in the transaction system and approval of CGEE.

**Article 29** The trading price based on negotiated transfer is not included in the real-time quotations of CGEE; yet the trading volume thereof is reckoned into CGEE's gross trading volume of the CCER on that day.

## ***Chapter 4 Fund Supervision, Clearing, and CCER Delivery***

**Article 29** CGEE has established a third-party custody system for clearing the funds for CCER transaction.

Neither institution nor individual may embezzle, occupy or borrow the transaction clearing funds that are deposited in bank in the name of CGEE, or use the funds for providing guarantee for others without CGEE's approval.

**Article 30** CGEE shall deal with the transaction clearing after completion of the transactions on the same day. The allowances shall be transferred from the transaction account of transferor to that of transferee, while the funds shall be transferred by the clearing bank from the transaction account of transferee to that of transferor.

The transferor is able to transfer the clearing funds from its transaction account into its fund account on the following trading day.

**Article 31** The CCER delivery is uniformly organized by CGEE. The provincial development and reform commission shall, in light of relevant regulations and the clearing results of CGEE, ratify the transfer of the ownership of CCER via the CCER registry.

**Article 32** CGEE arranges fund clearing and CCER delivery from 15:30 to 17:00 p.m. on each trading day. In case the time for fund clearing and allowance delivery is altered under a special circumstance, it shall be separately announced by CGEE.

The system for CCER clearing is separately stipulated by CGEE.

## ***Chapter 5 Other Transaction Matters***

### **Section 1 Opening Price, Closing Price, and Increase/Decrease Rate**

**Article 33** The opening price at CGEE is the closing price of listed bidding or click choosing of the previous trading day, while the closing price is weighted average

price of aggregate trading prices of the listed bidding or click choosing on the same day. In case of no closing price or transaction on that day, the closing price of the previous trading day is deemed as the valid closing price.

**Article 34** The closing price of listed bidding or click choosing shall be  $\pm 10\%$  of the opening price. In case the one-way bidding is practiced, the reserve price shall be  $\pm 10\%$  of the opening price.

## **Section 2 Suspension, Resumption, and Termination of Transactions**

**Article 35** In case one of the following circumstances takes place, CGEE shall suspend the transaction of certain CCER or the entire transaction system. In case any transaction is made and leads to a serious consequence, CGEE may adopt appropriate remedial measure and deem it invalid.

- (1) Partial or whole transaction is undone owing to technical breakdown or unlawful intrusion of transaction system, contingency, or matters of force majeure;
- (2) Any transaction that is suspected of violating law or relevant regulations, trading volume exceeding the prescribed scope, high-frequency transaction, or other abnormal situations;
- (3) Any other circumstance that interrupts normal operation of transactions or the circumstance where CGEE deems necessary to suspend transactions.

When CGEE decides to suspend transactions, it shall report such decision to the provincial development and reform commission and make announcement about such matter.

**Article 36** CGEE may decide to resume transactions after dispelling the interrupting circumstances. The specific timing and approach for suspending or resuming the transactions are decided by CGEE in light of the specific situations.

**Article 37** During the period where the transactions are suspended, the transaction system no longer accepts the declarations about the suspended transactions or all of the declarations. Upon resumption of the transactions, the directives made before the suspension shall enter the normal trading process.

**Article 38** In case the trading parties or allowances no longer have the trading qualifications or conditions in light of the relevant laws, regulations, rules, or policies, CGEE shall terminate the relevant transaction activities and make announcement about such matter.

**Article 39** CGEE is exempted from bearing the liability for the losses arising from transaction suspension, resumption or termination.

## ***Chapter 6 Transaction Information***

**Article 40** CGEE shall publish the real-time quotations and public information about the CCER transactions on each trading day.

**Article 41** CGEE shall regularly produce the statistical statement and analysis report about the CCER transactions and release them on time.

**Article 42** CGEE, trading parties, and clearing bank may not disclose the commercial secrets that they have obtained when dealing with the CCER transactions.

CGEE is allowed to provide relevant information to the competent authority or other relevant institutions in light of relevant regulations and carry out the regulations on commercial secrets.

**Article 43** CGEE is allowed to adjust the means for publishing information and its content in line with the need for market development.

The system for administration of CCER transaction information is separately stipulated by CGEE.

## ***Chapter 7 Supervision and Administration***

**Article 44** CGEE has established the system for control of clearing risks, and exercises administration of members' clearing funds based on separate accounts.

**Article 45** CGEE shall conduct supervision and inspection of the trading parties, clearing bank, and other participants in CCER transaction in light the provisions in these Rules and other relevant regulations, and regularly report such matters to the provincial development and reform commission.

**Article 46** If CGEE has discovered that the trading parties are involved in insider dealing, market manipulation, abnormal transactions, and other violations by means of supervision, complaints reporting or notification of competent authority, it shall order the concerned party to make correction; in light of the seriousness of the case, CGEE may impose such penalties as conversation reminder, written warning, public criticism, restriction of transaction, suspension or termination of transactions, or revocation of their qualifications for other businesses or membership.

CGEE shall preserve a poor credit record for all trading parties, record their violations during transactions, and make public such discreditable conducts.

## ***Chapter 8 Resolution of Transaction Disputes***

**Article 47** In case any dispute arises from the CCER transaction, the concerned trading parties may resolve such matter on their own through negotiations, apply for arbitration by an arbitration institution according to law or file a lawsuit to the local people's court.

### ***Chapter 9 Transaction Expenses***

**Article 48** When the trading parties join in the CCER transactions held by CGEE, or any institution or individual uses the information provided by CGEE, they shall pay for the transaction service, information use, and other necessary fees to CGEE.

**Article 49** The amount of CCER transaction formality fee is decided in line with the relevant regulations of the provincial pricing authority, while other charging items and standards are separately decided by CGEE.

### ***Chapter 10 Supplementary Provisions***

**Article 50** These Rules are stipulated and explained by CGEE. Based on the provisions of these Rules, CGEE is able to draw up implementation provisions or measures.

**Article 51** These Rules shall come into effect as of the date of issuance.

China (Guangzhou) Emissions Exchange  
January 7, 2016