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The Interim Regulation of Voluntary Greenhouse Gases Emission Trading in China

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Part I General Terms

1. The purpose for this regulation is to encourage the voluntary GHG emission trading and to ensure the trading activities conducted orderly.

2. The regulation is applied to the trading activities of the following 6 GHG emissions: CO2, CH4, N2O, HFCs, PFCs and SF6.

3. Chinese voluntary GHG emission trading should be practiced in the principles of openness, fairness, impartiality and good faith. The GHG emission reductions shall come from specific projects and be real, measurable, and additional.

4. NDRC is the Chinese national authority to take charge of the GHG emission trading activities.

5. National and international organizations, enterprises and individuals are all permitted to attend the trading.

6. Chinese GHG emission trading scheme is managed by record keeping system. All of the emission reduction projects participating the voluntary trading need to be registered and recorded in NDRC. The reductions shall be registered and recorded in NDRC and traded through the platform or organization approved by NDRC. China locally registered corporate legal persons are qualified to apply for GHG emission reduction projects and emission reduction registration and recording.

7. NDRC shall build up the registry system and manage the voluntary emission trading registration (“National Registration System”). All the emission trading projects and their emission reductions shall be registered with the National Registration System, which also includes the project details, the emission reduction records, the trading records, and the cancellation.

8. NDRC shall guide all the related parties and support the trading through distributing public information and providing national registration system searching services within 10 days after successful recording.

Part II Voluntary Emission Trading Project Management

9. All voluntary emission trading projects shall be applied with the methodologies that are recorded by NDRC and approved by the qualified organizations recorded in NDRC.

10. The methodology is defined as the method guidance to set up the baseline, to demonstrate the additionality, to calculate the emission reductions, to make the measurement plan, etc.
NDRC shall organize the experts to evaluate the methodologies approved by CDM EB of United Nations and allow those suitable to Chinese voluntary trading scheme recorded in China.

11. In term of newly developed methodology, the developer shall apply for recording in NDRC and submit all of support and design documents. NDRC shall organize the experts to do technical evaluations after receiving the recording applications. The evaluation shall be done no longer than 60 working days.
NDRC shall examine the experts' opinions and allow those methodologies that are rational, practical, completed and inconsistent to be recorded within 30 working days.

12. The voluntary trading projects shall be validated by qualified validation organizations registered in NDRC before they apply for recording in NDRC. The projects shall submit their validation report when they are applying for NDRC recording. The validation report shall include:
1) Project validation process and procedure.
2) Project baseline and the accuracy of the emission reduction calculation.
3) Project additionality.
4) The rationality of the measurement plan.
5) The main conclusion of the project validation.

13. The voluntary trading projects that apply for recording shall be started after Feb. 16, 2005, and belong to one of the following categories:
1) The projects that adopt the methodologies recorded in NDRC.
2) The pre-CDM projects that are approved by NDRC but not registered in UN CDM EB.
3) The pre-CDM projects that are approved by NDRC and generate emission reductions before registering in UN CDM EB.
4) The projects that are registered in UN CDM EB but their emission reductions are not issued.

14. The selected state-owned companies who are involved in GHG emission reduction directly and managed by State-owned Assets Supervision and Administration Commission of the State Council shall apply for voluntary reduction projects recording directly with NDRC. The name list of those selected state-owned companies shall be made, revised and published by the responsible authority.
The companies who are not listed in the name list mentioned above shall apply the project recording through DRC in their provinces, autonomous regions, or

municipalities. The provincial / autonomous regional/ municipal DRC shall transfer the application to NDRC after confirming the truth and integrity of the application forms.

15. Materials needed for voluntary emission reduction projects include:
1) Letter of application and application form;
2) Project information;
3) Business license;
4) The project's feasibility study report, project's approval document, and the project's recording document;
5) The project's environmental impact assessment approval document;
6) The project's energy saving assessment and evaluation opinion;
7) The certificate of the project's time of commencement;
8) The project development document made by NDRC recorded methodology;
9) The project's validation report.

16. NDRC shall invite the experts to do technical evaluation for the project that applies for recording with 30 working days.

17. NDRC shall examine the project recording application based on the experts evaluation result with 30 working days (experts' evaluation time excluded) and record and register the qualified projects. The qualified projects are:
1) Conformity with the law;
2) Belonging to one of the project categories specified by this regulation;
3) The application form is written correctly.
4) Adopting the proper methodology, baseline, emission reduction calculation, and measurement.
5) Proved with additionality.
6) The evaluation report is positive and written correctly.
7) Contributing to the sustainable development of the society.

Part III Projects' Emission Reduction Management

18. The emission reduction generated by the recorded projects shall be certified by the qualified certification organizations recorded in NDRC before it is applied for recording. The certification report shall include:
1) The certification process and procedure.
2) The implementation of the measurement.
3) The key conclusion of the emission reduction certification.
The validation organization that validates the project with over 60,000 tons of emission reductions is not allowed to certify the emission reduction of the same project.

19. Materials needed for emission reduction recording shall include:
1) Application form;
2) Project Development Document prepared by the project owner or consulting company;
3) Emission reduction certification report.

20. NDRC shall organize experts to evaluate the reductions technically after they get the emission reduction recording application. The time of reviewing shall not be longer than 30 working days.

21. NDRC shall review the emission reductions based on experts' evaluation results and allow those qualified reductions recorded within 30 working days (experts' evaluation time excluded). The qualified emission reductions shall satisfy the following requirements.
1) The project has recorded in NDRC.
2) The emission reduction measurement report is qualified.
3) The emission reduction verification report is qualified.
The recorded emission reductions are China Certified Emission Reduction (CCER). One CCER equals to one ton of CO2e.

22. The voluntary emission reductions shall be registered in the National Registration System after being recorded, and shall be allowed to trade within the recorded trading organizations. Those emission reductions that are used for offsets shall be canceled from the National Registration System after trading.

Part IV Emission Reduction Trading

23. The recorded emission reductions shall be traded by the organizations recorded in NDRC and be comply with the trading rules.
The trading systems of the recorded trading organizations shall be connected with the National Registration System and update the real-time reduction information.

24. Trading organizations shall apply for recording through the provincial, municipal or autonomous regional DRC first. The local DRC shall submit the applications to NDRC. The application materials include:
1) The explanation material specifies the trading organization's registered capital and shareholding structure.
2) The company articles of association, internal measurement system, and the relative equipment report.
3) The name list and bios of the company senior management team.
4) The specification of the location, internet facilities, equipments and human resources of the trading organization.
5) The trading rules.

25. NDRC shall review the trading organization's recording applications within 6 months and permit the qualified organizations to record.
1) The legal person registered in China with the registration capital not less than 100,000,000 RMB.
2) The operational location, trading system, clearing system, business information reporting system and other related equipments are qualified.
3) The applicant organization shall have employees with relevant experiences.
4) The applicant organization shall have strict internal supervision and risk control mechanism.
5) The trading rules shall be clear, integrated, and practical.

26. To the illegal or irregular transactions in the voluntary market, NDRC shall ask the trading organization to correct. To the severe illegal or irregular transactions, NDRC shall publish the organization's transaction records and cancel its trading qualification.

Part V Verification and Validation Management

27. The verification and validation organizations that validate the voluntary emission reduction projects and verify the emission reductions shall apply for recording in NDRC through the local DRC. They shall submit the application materials that include:
1) Business license;
2) The identity specification document of the legal person;
3) The business performance material in project validation and reduction verification;
4) The auditors' names and their working areas.

28. NDRC shall review the verification and validation organizations within 6 months after receiving their recording applications. The qualified organizations shall be recorded:
1) The establishment and operation are compliance with related national laws and regulations.
2) The organization has standardized management regulation.
3) The organization has good performance track records in verification and validation areas.
4) The organization has enough number of auditors who are experienced in the area and without back track records.
5) The solvency of the organization is required.

29. If the recorded trading organizations conduct irregular or illegal transactions in the voluntary market, NDRC shall ask them to correct immediately. To the severe illegal or irregular actions, NDRC shall publish the organization's transactions and cancel its trading qualification.

Part VI Supplementary Articles
30. This interim regulation shall be explained by NDRC only.
31. This interim regulation shall become effective since the day of release.

Attachment: The name list of the state-owned companies who are able to apply for voluntary emission reduction projects recording to NDRC directly
1. China Nuclear Corporation
2. China Nuclear Engineering Group
3. China National Chemical Corporation
4. China National Chemical Engineering Group
5. China National Light Industrial (Group) Corporation
6. China National Salt Industry Corporation
7. China National Materials Group Corporation
8. China National Building Material Group Corporation
9. China Electronics Technology Group Corporation
10. China Nonferrous Metal Mining (Group) Co., Ltd.
11. China National Petroleum Corporation
12. China Petrochemical Corporation
13. China National Offshore Oil Corporation
14. State Grid Corporation of China
15. China Huaneng Group
16. China Datang Corporation
17. China Huadian Corporation
18. China Guodian Corporation
19. China Power Investment Corporation

20. China Railway Group Ltd.
21. China Railway Construction Corporation Ltd.
22. Shenhua Group Corporation Ltd.
23. China Communications Construction Co. Ltd.
24. China National Agricultural Development Group Co., Ltd.
25. China Forestry Group Corporation
26. Aluminum Corporation of China
27. China National Aviation Holding Company
28. Sinochem Group
29. China Oil and Foodstuffs Corporation
30. China Minmetals Corporation
31. China State Construction Co., Ltd.
32. Sicohydro Group
33. State Nuclear Power Technology Corporation Ltd.
34. China Energy Construction and Environmental Protection Group
35. China Resources Group
36. China National Coal Group Corp.
37. China Coal Technology & Engineering Group
38. China National Machinery Industry Group
39. Sinosteel Corporation