

**Arrangements for the Implementation of Clean Development Mechanism Projects in
the Hong Kong Special Administrative Region
(the Implementation Arrangements)**

Article 1 The People’s Republic of China is a party to the United Nations Framework Convention on Climate Change (hereinafter referred to as “the Convention”) and its Kyoto Protocol (hereinafter referred to as “the Protocol”). Following consultation with the Government of the Hong Kong Special Administrative Region, the Central Government notified the United Nations that the Convention and the Protocol were extended to the Hong Kong Special Administrative Region (HKSAR) with effect from May 2003. Under the Convention and the Protocol, HKSAR is required to work jointly with the Mainland to fulfil the obligations imposed upon Parties not included in Annex I to the Convention (non-Annex I Parties).

Article 2 According to the Protocol, the Clean Development Mechanism (CDM) is a project-based mechanism under which Parties included in Annex I to the Convention (Annex I Parties) cooperate with non-Annex I Parties in order to meet part of the greenhouse gas (GHG) emission reduction obligations of Annex I Parties. The purpose of this mechanism is to assist non-Annex I Parties in achieving sustainable development and in contributing to the realization of the ultimate objective of the Convention as well as to assist Annex I Parties in achieving compliance with their quantified GHG emission limitation and reduction commitments. The core of the CDM is to allow Annex I Parties, in cooperation with non-Annex I Parties, to acquire “certified emission reductions (hereinafter referred to as “CERs”)” generated by the projects implemented.

Article 3 The Measures for Operation and Management of CDM Projects in China (hereinafter referred to as “the Measures”) are formulated by the Central Government in accordance with the provisions of the Convention and the Protocol ratified and approved by China, and the relevant decisions adopted by the Conference of the Parties, with a view to strengthening the effective management of CDM projects, protecting China’s rights and interests, and ensuring proper operation of CDM project activities.

Article 4 In accordance with the principles of “One Country, Two Systems” and the relevant provisions of the Basic Law, the Implementation Arrangements for CDM projects in HKSAR are set out below. They have been drawn up with reference to the Measures, following consultation between the National Development and Reform Commission (NDRC) and the Environmental Protection Department of the HKSAR Government (HKEPD).

Article 5 NDRC is the Central Government’s Designated National Authority for CDM project activities, whereas HKEPD is the liaison agency for CDM projects relating to HKSAR.

Article 6 Companies which are incorporated or established according to the Companies Ordinance or other relevant legislation of HKSAR, and have obtained a valid Business Registration Certificate, are able to implement CDM projects within HKSAR. The project shall conform to the requirements of the Convention, the Protocol and relevant decisions by the Conference of the Parties, and shall not introduce any new obligation for China or HKSAR other than those under the Convention and the Protocol.

Article 7 Any application, reports and supporting information provided by project owners implementing CDM projects within HKSAR shall be submitted through HKEPD. They will be forwarded by HKEPD to NDRC within 5 working days upon receipt of full documentation. In case of any problems, NDRC will inform the project owner through HKEPD.

Article 8 Project owners shall submit the following documents in making applications for the implementation of CDM projects in HKSAR:

1. Letter of Application for the CDM project
2. Application Form for CDM Project Activity
3. CDM Project Design Document
4. Relevant information on the engineering construction project and project financing (including a copy of the approval letter on the environmental impact assessment report approved under the laws of HKSAR, if applicable)

The format of documents submitted shall conform to the specific requirements of NDRC, the Chinese version of which shall be presented in simplified characters. Apart from

conforming to the specific requirements of NDRC on the number of copies of documents to be submitted, two extra copies each shall be included.

Article 9 According to the Measures, NDRC shall entrust relevant organizations for expert review of the project application and submit those project applications approved by the experts after review to the National CDM Board (hereinafter referred to as “the Board”). Representatives from HKEPD will participate in the work of the Board upon the Board’s review of CDM projects to be implemented in HKSAR.

Article 10 Other procedures and approvals required for the construction projects shall be processed in accordance with the statutory requirements of HKSAR.

Article 11 Project owners shall, according to the Measures, present to NDRC and designated operational entity via HKEPD project implementation and monitoring reports. To ensure the quality of the CDM project activities, HKEPD may conduct monitoring on the implementation of the CDM projects in HKSAR and present the findings to NDRC.

Article 12 If no foreign buyer is determined by the time a CDM project to be implemented in HKSAR is submitted for approval, and as a result the price information of the transferable CERs is not available, it must be indicated in the project design document that the emission reductions generated by the project will be transferred into China’s national account. The project owner may transfer these reductions out from the national account for use upon notifying the Central Government’s Designated National Authority for CDM via HKEPD.

Article 13 For the time being, no charges will be levied by the Central Government or the HKSAR Government on the revenue generated from the transfer of CERs of CDM projects implemented in HKSAR, including projects on energy efficiency improvement, development and utilization of new and renewable energy, as well as methane recovery and utilization.

Article 14 The Implementation Arrangements take effect from 6 June 2008.