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For information

**Emissions Trading Pilot Scheme for Thermal Power Plants
in the Pearl River Delta Region**

PURPOSE

This paper seeks to brief Members on the implementation framework of the Emissions Trading Pilot Scheme for Thermal Power Plants in the Pearl River Delta (PRD) Region.

BACKGROUND

2. To improve regional air quality, the Government of the Hong Kong Special Administrative Region (HKSAR) reached a consensus with the Guangdong Provincial Government in April 2002 to reduce, on a best endeavours basis, the emission of four major air pollutants, namely sulphur dioxide (SO₂), nitrogen oxides (NO_x), respirable suspended particulates (RSP) and volatile organic compounds (VOC) by 40%, 20%, 55% and 55% respectively in the region by 2010, using 1997 as the base year. Achieving these targets will not only enable Hong Kong to meet its air quality objectives but also significantly improve the air quality of the PRD and relieve the regional smog problem.

3. A close partnership with the Mainland authorities is crucial to achieving the 2010 emission reduction targets. The two sides have been pursuing various enhanced control measures under the PRD Regional Air Quality Management Plan. One of these measures is the Pilot Scheme, the implementation framework of which (see Annex) was announced on 30 January 2007 by the Environmental Protection Department of the HKSAR and the Environmental Protection Bureau of Guangdong Province.

PILOT SCHEME

4. The Pilot Scheme is an achievement of the co-operation between Guangdong and Hong Kong. Both sides hope that through the setting up of this platform, thermal power plants from both sides will participate on a voluntary basis in emissions trading. By making use of market forces and the flexibility of emissions trading, power plants can be more proactive in pursuing different cost-effective emission reduction projects such that air pollutant emissions in the whole PRD Region can be reduced, meeting the interests of various parties.

5. The implementation framework sets out the eligibility criteria for participation, trading mechanism, application procedures and monitoring methods. Both sides will actively introduce the pilot scheme to thermal power plants/power companies in the PRD Region, with a view to allowing prospective parties to identify trading partners and drawing up emissions trading agreements.

6. In parallel, the two sides will jointly set up the Emissions Trading Management Panel as soon as possible to assist the environmental protection authorities of both sides in the management of emissions trading matters under the pilot scheme. It will include management of the transfer and write-off of emission credits, announcement of the distribution of emission credits, proposed operational rules of emissions trading as well as training of personnel. The environmental protection authorities of the two sides will take up the monitoring role to ensure the smooth implementation of the pilot scheme.

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