

## PART B: DETAILED QUESTIONS FOR RESPONSE

Please indicate your preference by providing comments as appropriate. Where there is insufficient space, please attach additional pages as necessary.

- (1) The first commitment period of the Kyoto Protocol will expire in 2012. The continuity of CERs as recognized carbon emission offsetting credits under the Kyoto Protocol is subject to a new international framework for the second commitment period under negotiation with a target completion in the United Nations Climate Change Conference in Copenhagen in December this year. Meanwhile, the US appears to be committed to develop a US emission trading scheme, but the details of the scheme are subject to further announcement and the relevance of CERs is uncertain. Against this background, do you think CERs should be the core carbon emission product to pursue in Hong Kong now or in a few years' time?

Not sure because we don't know the fate of CDM

- 1) The biggest projects and source of CERs might be excluded
- 2) China and India might be excluded post 2012 in favour of a new system (programmatic)

- (2) At this stage, the global CER market is dominated by European participants connected to the EU ETS and the delivery of CERs is based on the EU standard. Mainland China is the major supplier of CERs, which focuses on clean development projects and CER origination. Under Mainland China's policy, CERs are usually engaged by foreign investors based on forward sale agreements before they are issued by the United Nations. As such, the secondary CER trading market is not developed. European participants are using CER markets in Europe to manage their carbon emission trading needs and risk exposure. Under the existing market conditions, in what way can Hong Kong add value to the business process of the CER market and attract carbon emission trading participants to the Hong Kong marketplace? What are the success factors for Hong Kong to develop a commercially viable CER trading platform that can attract trading activities and develop trading liquidity? Do you think Hong Kong possesses the success factors? Please explain your view.

Not until NDRC changes its policy, namely

- 1) Find a primary buyer before going to registration (what Indian don't do)
- 2) Administer tariffs and minimum prices

- (3) Do you consider Hong Kong investing communities have sufficient knowledge in carbon emission trading and are they ready to participate in trading CERs products? Please explain your view.

Not sure. It requires a lot of years to start understanding the whereabouts. From all over the world carbon investor go to London because there are at least 50 counterparties + 5 brokers

- (4) If you are a financial intermediary, please respond to the following questions:

- (i) Do you see any potential in the asset class of carbon emissions and how would you rank the priority of carbon emission trading business among your other business initiatives? (high, medium or low)?

As far as Commodities are concerned, we would rank them Medium (World minus US) to High (for the US). Compared to fixed income and equities, it will remain a niche for years to come.

- (ii) How would you assess your clients' interest in carbon emission trading? Do you have the know-how and expertise in handling carbon emission trading related operations and providing advisory services to your clients?

Carbon does not enter in the Commodities Index (GSCI) . Therefore it is a specialist playground. Lots of interest, very little understanding due to the hybrid nature of Carbon (a negative virtual Commodity looking like a currency)

- (iii) Are you located in Hong Kong and if so are you an Exchange Participant of Hong Kong Futures Exchange?

[REDACTED]

- (5) Are there any other issues regarding the introduction of CER futures not mentioned in this consultation paper that we ought to consider? Please explain your view.

Forget CERs, list Iron Ore and Uranium (U3O8)

- (6) Do you have any other comments in relation to the overall development of emissions or pollutants trading markets in Hong Kong?

Too little, too late

- End -