

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?

I do believe CERs will play a very important role in post 2012 period and will have global compliance status.

I would recommend for HKEX and China to develop a Chinese reduction unit that will meet a Chinese Internal carbon Scheme

Chinese Carbon Credits should be specially designed according to Chinese situation.

A SOX and NOX contract for regional use (incl Shanghai?) could be very attractive as well

- (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.

I believe that in post 2012 global climate deal CERs from China will need a price risk management tool in the same time zone but also closer to the trading community in the Far East

New Japanese and Korean ETS will help to develop a true Pan Asian CER marketplace where HKEX can play a crucial role

European players will lose ground to other new markets developing after Copenhagen agreement

- (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.

CER know how is there and anyway HKEX financial community have show steep learning curve in any new financial product
Hedging will become for many more communities and FX risks more common in the region

- (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)?

Carbon is in my view HIGH as they will be linked to energy markets

- (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?

Have started ECX in 2004 together with Peter Koster , have been presenting and training compliance parties in whole continental Europe .

Was responsible for sales and marketing and succeeded in making ECX the worlds leading exchange

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

I am not located in Hong Kong (yet)

- (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.

Believe you did a very good study on the market to come

- (6) Do you have any other comments in relation to the overall development of emissions or pollutants trading markets in Hong Kong?
Make it a true Hong Kong Chinese product that will attract foreign traders as well

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