

Press release

LCQ10: Development of a carbon emissions trading platform

Wednesday, December 2, 2009

Following is the question by the Hon Audrey Eu and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (December 2):

Question:

Hong Kong Exchanges and Clearing Limited (HKEx) conducted consultation this summer on the business feasibility of developing a carbon emissions trading platform in Hong Kong. In this connection, will the Government inform this Council whether:

- (a) it has found out from HKEx the result of the above consultation; if so, of the details; if not, the reasons for that;
- (b) it has assessed the impact of developing such a platform in Hong Kong on the economy; and
- (c) it has estimated the amount of greenhouse gas emissions which can be reduced by developing such a platform in Hong Kong?

Reply:

President,

My reply to the question is as follows -

- (a) The consultation on certified emission reduction (CER) futures ended on August 31, 2009. The Hong Kong Exchanges and Clearing Limited (HKEx) is studying the views received during the consultation and has planned to issue a consultation conclusion report before the end of 2009.

(b) The impact of developing a trading platform for CER futures in Hong Kong on the economy depends on the amount of trading of CER futures to be attracted to this new platform, which in turn depends largely on the development of the international co-operation framework and target for reduction in greenhouse gas (GHG) emissions, and whether key players of the CER futures market, particularly the Clean Development Mechanism (CDM) project participants and financial intermediaries, see any competitive advantage of making use of a new trading platform in Hong Kong. On the former, the first commitment period of the Kyoto Protocol will expire in 2012 and the post-Kyoto arrangement is being discussed. On the latter, HKEx is studying the views received during the consultation.

(c) The Environment Bureau has advised that according to the report of the Intergovernmental Panel on Climate Change established under the United Nations, a well-designed carbon emissions trading system can establish carbon price and provide incentive for mitigation action. As a result, establishing a carbon emissions trading platform can facilitate market participants to conduct trading in a more effective manner and provide information like price level to the market in a transparent manner. The impact of establishing a carbon emissions trading platform on the amount of GHG emissions is affected by the design and operations of the emission reduction mechanism which includes, inter alia, how the emission credits are generated, their market price, and the international arrangements on reducing GHG emissions. Such being the case, it is not feasible at this stage to give an assessment on the impact of establishing a CER futures trading platform in Hong Kong on local or global level of GHG emissions.

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