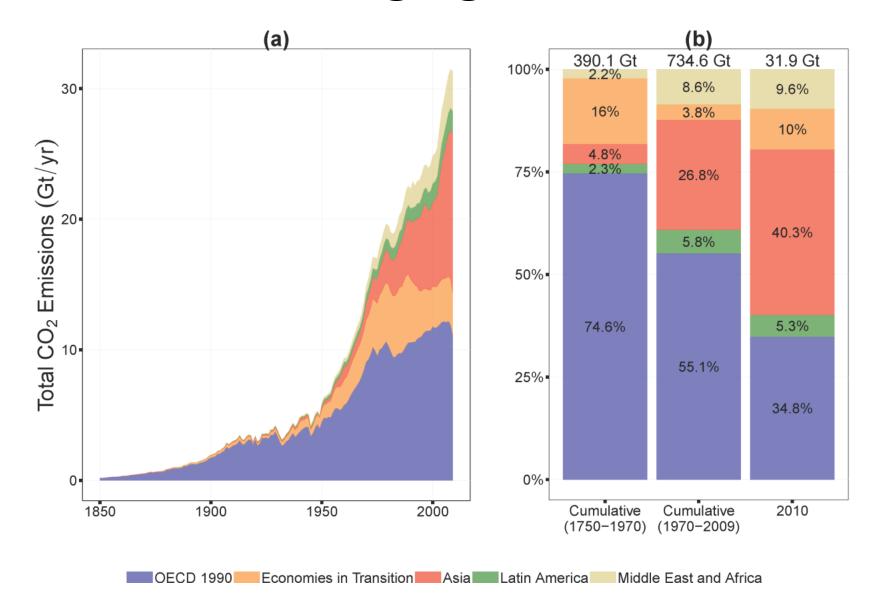
Strategic Study on The Integrated Asia Carbon Market: Activity 1 and 2

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Emerging Asia



Korea

GHG	CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ .			
Sectoral scope	-60% of the national total GHG emissionsInclusion threshold: Entities emitting more than 125,000 tCO ₂ e; Individual facilities emitting over 25,000 tCO ₂ e.			
Compliance periods	-Compliance periods (CP): CP1 2015-2017, CP2 2018-2020. -CPs to last 5 years from CP3.			
Allocation	-Over 95% free allowances in CP1 and CP2100% free for energy-intensive trade-exposed sectorsFuture allocation by Presidential decree.			
Auctions	Early auctioning allowed.			
Banking & borrowing	-Banking allowed over a CP and first year of the following CPBorrowing allowed over a CP only.			
Other cost containment	A maximum of 25 % allowances will be reserved for the new entrant.			
Offsets	Applicable standards (e.g. CDM and/or own standard) and utilization limit for international offsets to be specified by Presidential decree (expected in 2012)			
Penalty for non-compliance	Up to 3 allowances for each allowance not surrendered (at most) with the maximum cap of 10 million Korean Won (KRW) per allowance (8,800 US\$).			
Linking	Considered in the future.			

China

Jurisdiction	Population 2010 (Mln)	GDP 2010 (Bln US\$) ²⁹²	YOY Change (%)	GDP per capita 2010 (US\$)	YOY Change (%)	GDP by sector I/ II/III 2010 (%)	2015 energy int. target (% 2010)	2015 carbon int. target (% 2010)	ETS status (as of April 2012)
Beijing Municipality	20	208	+10.3	11.2	+7.8	0.9 / 24.0 / 75.1	17	18	-Pilot ETS Plan approved. -Release of the design discussion draft in March 2012.
Tianjin Municipality	13	136	+17.4	10.8	+16.7	1.6 / 52.4 / 46.0	18	19	-Pilot ETS Plan approved. -Market design study to start in June 2012.
Shanghai Municipality	23	254	+10.3	11.2	+10.0	0.7 / 42.1 / 57.2	18	19	Pilot ETS Plan approved.
Hubei Province	57	236	+14.8	4.1	+23.1	13.4 / 48.7 / 37.9	16	17	Pilot ETS Plan approved.
Chongqing Municipality	29	117	+17.1	4.1	+20.4	8.6 / 55.0 / 36.4	16	17	Pilot ETS Plan approved.
Guangdong Province	104	680	+12.4	6.6	+8.7	5.0 / 50.0 / 45.0	18	19.5	-Pilot ETS Plan approved -Kick-off meeting on market design held in September 2011.
Shenzhen Municipality ²⁹³	9	141	+12.0	13.9	+7.60	0.1 / 47.5 / 52.4	19.5	21	Pilot ETS Plan approved.

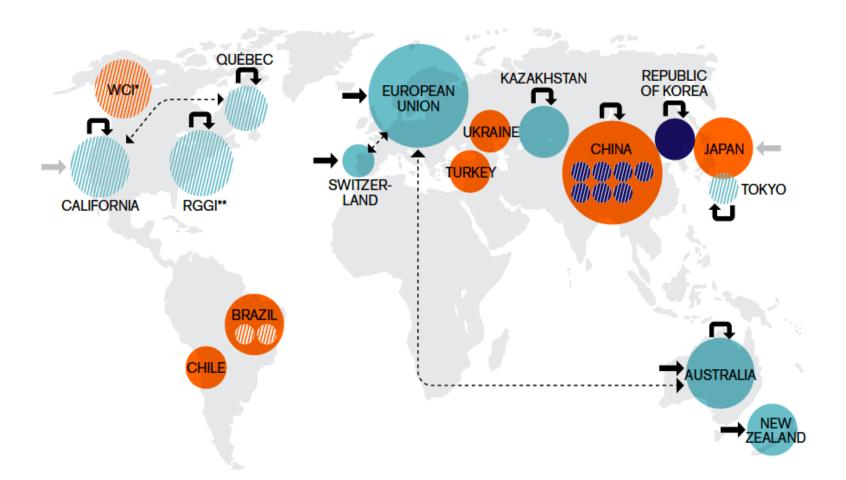
Japan

- Japan's Voluntary Emission Trading Scheme (JVETS) (launched in 2005)
 - Comprehensive rules/modalities
 - Monitoring Reporting Guideline based on ISO14064-1 and -3
 - Verification Guideline based on ISO14065
 - Registry system for accurate tracking of allowance
 - Emission reporting system
 - Emission reporting format

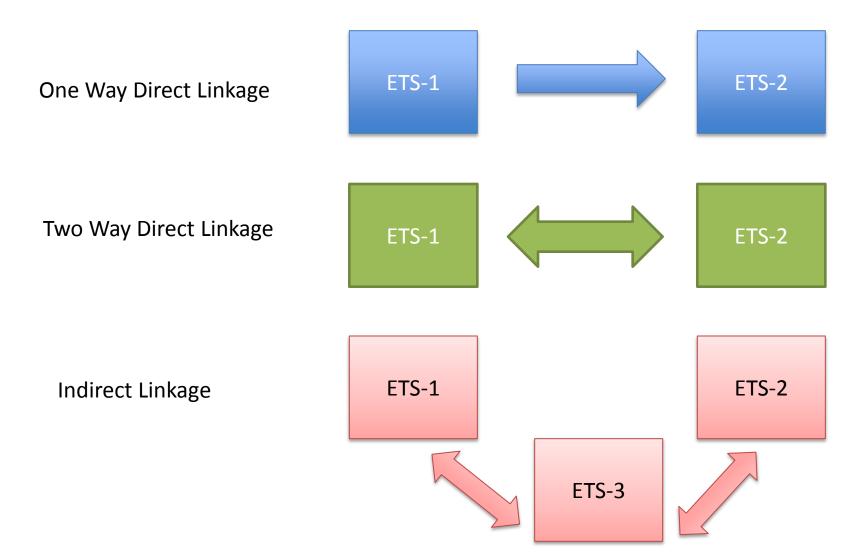
Japan

- J-VER scheme (launched in 2008)
 - Positive list for selected technologies leading to GHG reduction/removal
 - A series of MRV methodologies based on ISO14064-2 and -3
 - Monitoring reporting guideline based on ISO14064-2 and -3
 - Verification guideline based on ISO14065
 - Emission reduction/removal reporting format

Linking ETS



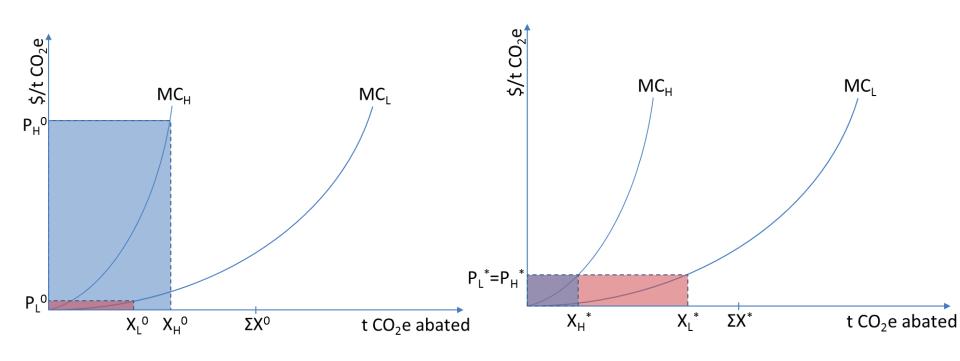
Type of Linkage



Linking Practice

	System 1	System 2	Start
One way linking	Norway	EUETS	2005
	Australia	EUETS	2014
	RGGI	Other CAT	2009
	EU ETS	CDM, JI	2004
	Australia	CDM, JI	2012
	New Zealand	CDM, JI	2008
	Tokyo	CDM	2008
	RGGI	Any credit system	2009
	California	Any credit system	NA
Two way linking	EU ETS	Australia	2018
	EU ETS	Switzerland	
	EU ETS	Iceland	
	California	Quebec	

Economic Incentives for Linking



No Linkage Case

Linkage Case

Obstacles for Linking

- Technical:
 - MRV: guidelines, registry, scope, third party verification.
- Policy:
 - Distribution of units; offset, etc;
 - Allocation; banking, borrowing, etc;
- Legal:
 - Legal nature of units;
 - Compliance system;
 - Dispute or resolution;
- Political:
 - Transfer of wealth;
 - Competitiveness;

The role of linking in international climate regime

- Linking vs Interaction among ETS, especially between China, Korea and Japan;
- The role of linking ETS and post 2020 climate regime:
 - Option 1: Linking ETS in a bottom-up world. Bilateral linkage, without a centralized coordination on linkage;
 - Option 2: Linking as a step from bottom-up to topdown regime; e.g. GATT
 - Option 3: Linking as a key element in a top-down climate regime;

Key elements for linking

- Harmonized technical design: MRV guidelines (gases covered, methodologies, scopes, etc);
- Coordinated policy design: sector covered, allocation scheme, distribution of units (auction or free allocating), etc;
- Multi recognized legal design: compliance system, dispute and resolution; etc;
- Centralized political design: cap setting, stringency of cap, time table etc;

Combination of Options

	Bottom-up	Bottom up to Top down	Top down
Two way direct linkage	T, PO	T, PO, L,	T, PO, L, PL
One way direct linkage	T	T, L	T, L, PL
Indirect linkage	BOCM		CDM like