



By email < response@hkex.com.hk > and by post

31 August 2009

Our Ref.: C/CFC, M65179

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs,

[Re: Consultation Paper on Certified Emission Reduction \(“CER”\) Futures](#)

The Hong Kong Institute of Certified Public Accountants (“the Institute”) has considered the above-referenced consultation paper, which seeks views and comments on the business feasibility of developing an emissions trading platform in Hong Kong and CER futures as a product concept.

The consultation paper sets out the findings of a study conducted by the Hong Exchanges and Clearing (“HKEx”) on carbon emission trading, the initial market opinions collected from certain emission market players in Hong Kong, Singapore, Australia and the United Kingdom, regarding their trading needs and preferences and their interest in participating in the proposed CER futures market in Hong Kong, and the considerations in relation to the CER futures market. We note that:

- (i) the global CER market is dominated by European participants connected to the European Union Emission Trading Scheme (“EU ETS”) and the delivery of CERs is based on the EU standard;
- (ii) European participants are using CER markets in Europe to manage their carbon emission trading needs and risk exposures;
- (iii) the carbon emissions market in Asia is an over-the-counter market only, mainly focused on bilateral deals in the primary market of CERs;
- (iv) Asian participants so far appear to be confining themselves to bilateral deals and would not be likely users of the proposed CER futures market;
- (v) although China is the major supplier of CERs, CER trading in China is restricted to the primary market only and there is no CER secondary trading market in China so far, and the HKEx has yet to identify any sign of policy change in China to encourage CER trading in a spot or futures market; and
- (vi) the environmental policies among most Asian countries do not require a trading platform to support emission trading schemes both locally and regionally.



In the light of the above, and the other information provided in the consultation paper, it would seem that there is limited scope at the present time for Hong Kong to develop a commercially viable CER trading platform that would attract sufficient trading activity and develop trading liquidity.

Nevertheless, we would suggest that the HKEx retain an open mind on this issue in the longer term and, if there are indications of significant developments occurring in CER trading in Asia in the future, in particular greater potential for a secondary trading market, HKEx should be prepared to review its position.

If you have any questions on this submission, please feel free to contact me at the Institute on 2287 7084.

Yours faithfully,

A handwritten signature in black ink that reads 'Peter Tisman'. The signature is written in a cursive, flowing style.

Peter Tisman
Director, Specialist Practices

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