



A Climate Connect Limited Website

CHINA CARBON MARKET REVIEW

February 2015

Market Commentary

Trading in February was curtailed as exchanges suspended trading for the Chinese New Year. As expected, trader activity was significantly low and all but two markets ended in red with lower month-on-month traded volume.

Beijing Emission Allowances (BEAs) rallied 3% during the month backed by a 38% increase in the traded volume. BEAs showed significant strength in a market where cheaper CCERs are also available. The allowances touched multi-month lows twice but recovered with low volumes.

Traded volume in Guangdong jumped nearly three times the volume in January. While the allowances managed to gain 1% they continued to be traded at near all-time lows of \$3.35.

Emission allowances in yet another market touched all-time lows with low trading volumes.

Prices of Hubei Emission Allowances (HBEAs) nose-dived on the last trading day before exchanges closed for the New Year. The allowances hit an all-time low of \$3.42 with a 38% cut in traded volume, month-on-month basis.

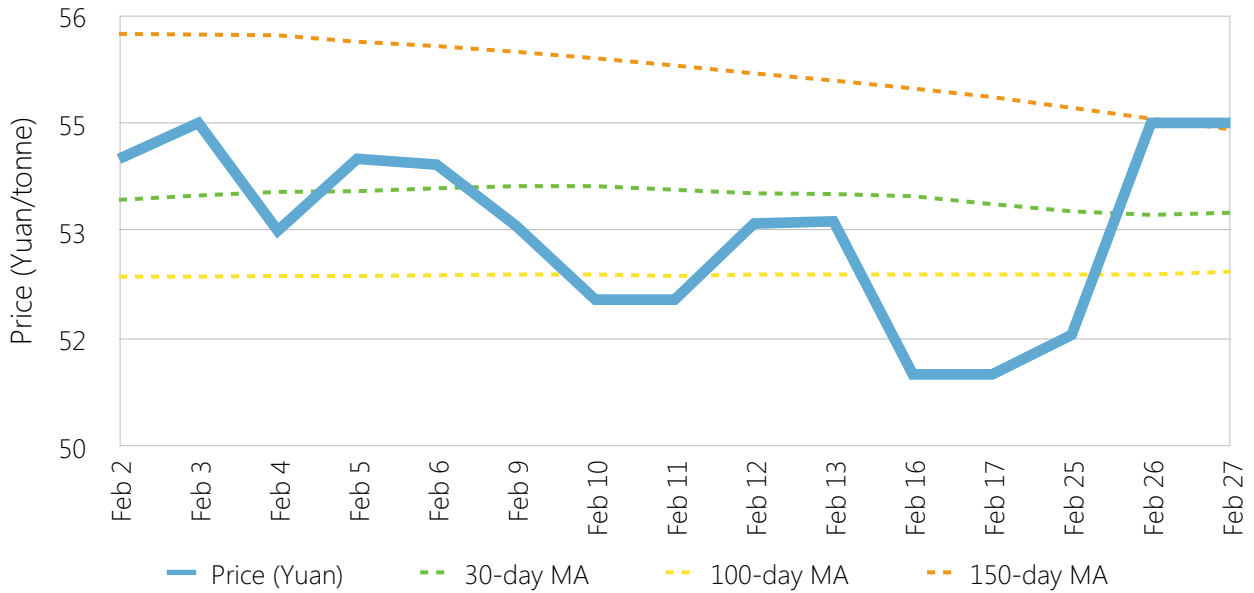
Shanghai saw brisk trading even though prices declined by almost 2% month-on-month. The average daily traded volume jumped to 21,422 in February compared to 13,559 in January. The traded volume during almost all the trading sessions remained higher than the 30, 100, and 150-day moving averages.

Verification and compliance timelines have been announced in several carbon markets including Guangdong and Hubei. The covered entities are expected to fulfil their obligations during the second quarter.

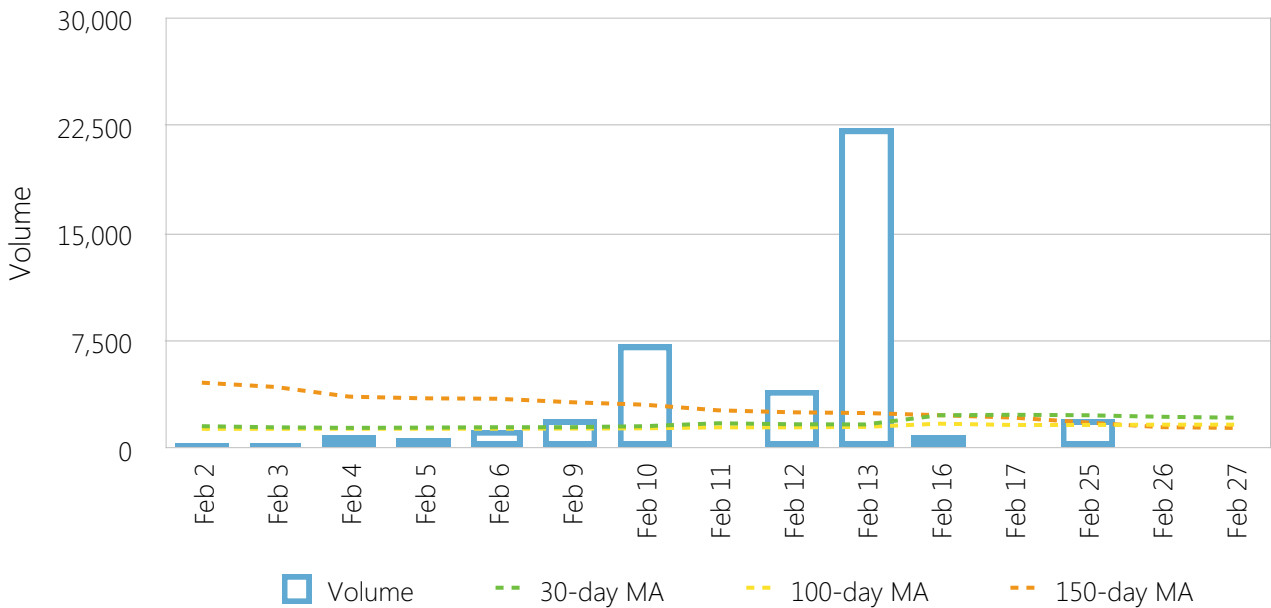
Compliance entities may look to purchase CCERs at a lower prices compared to emission allowances to fulfil their obligations.

BEIJING CARBON MARKET

Price Trends in February 2015 & Technical Indicators



Volume Trends in February 2015 & Technical Indicators

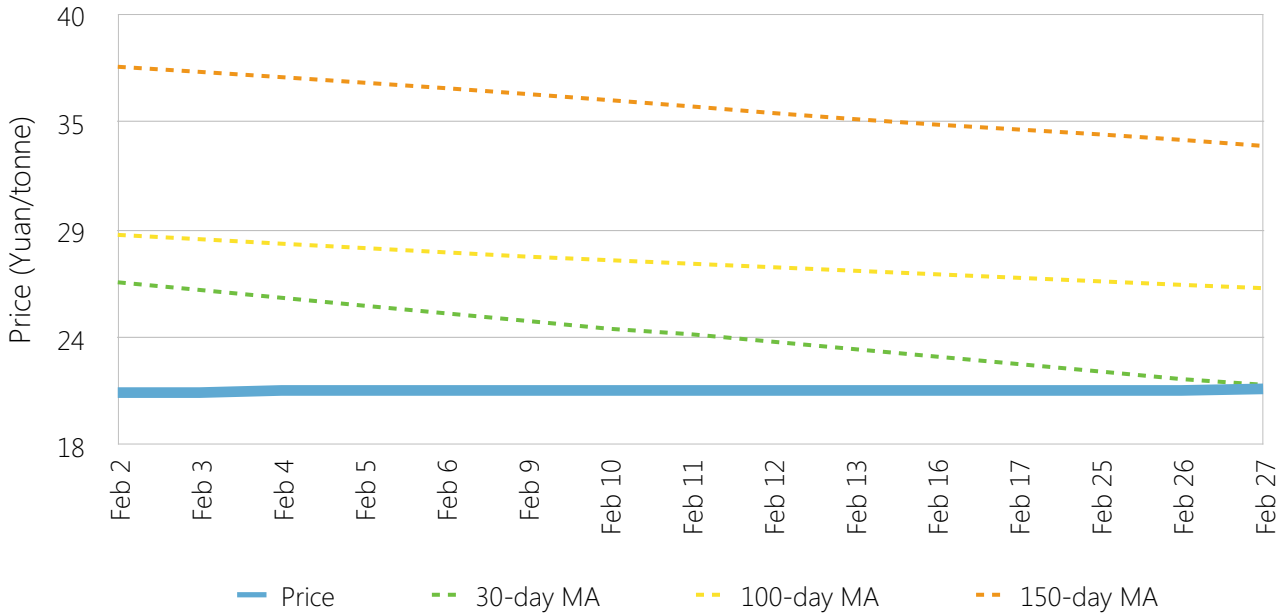


Trading Summary & Highlights

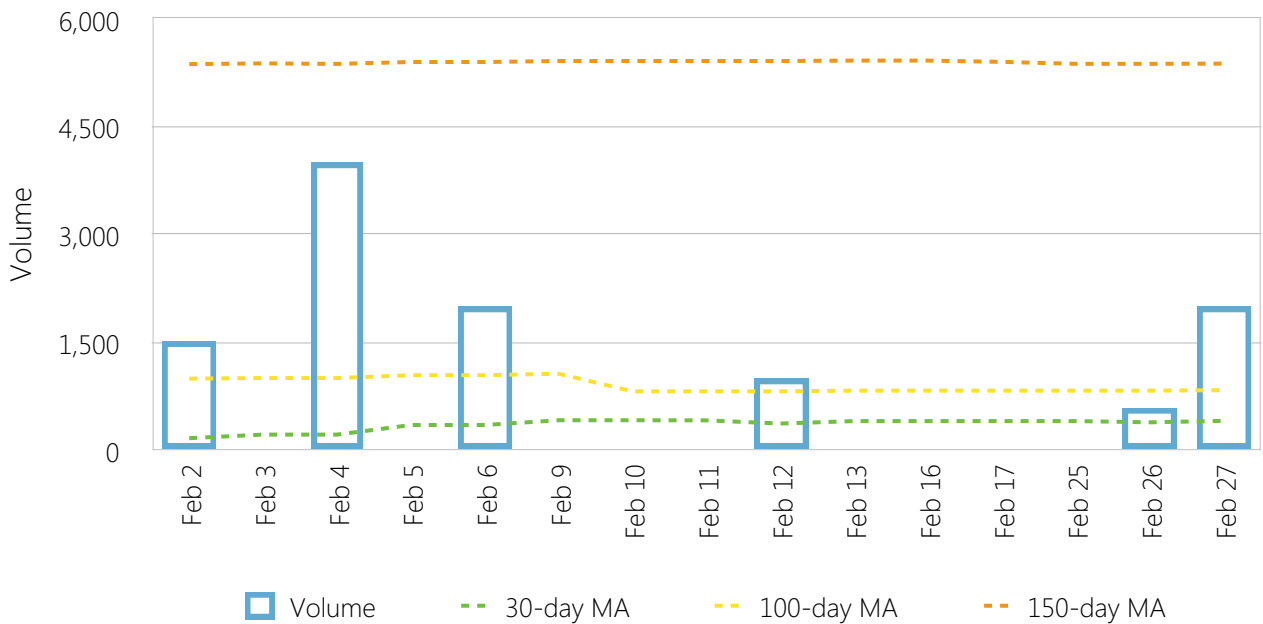
| | Volume Traded | Highest Price | Lowest Price | Highest Daily Volume |
|---------------|---------------|------------------|------------------|----------------------|
| February 2015 | 42,590 | 元54.50 \$8.69 | 元51.00 \$8.14 | 22,290 |
| January 2015 | 31,000 | 元55.00 \$8.78 | 元52.43 \$8.37 | 5,200 |
| February 2014 | 9,800 | 元52.82 \$8.43 | 元50.80 \$8.10 | 1,300 |

GUANGDONG CARBON MARKET

Price Trends in February 2015 & Technical Indicators



Volume Trends in February 2015 & Technical Indicators

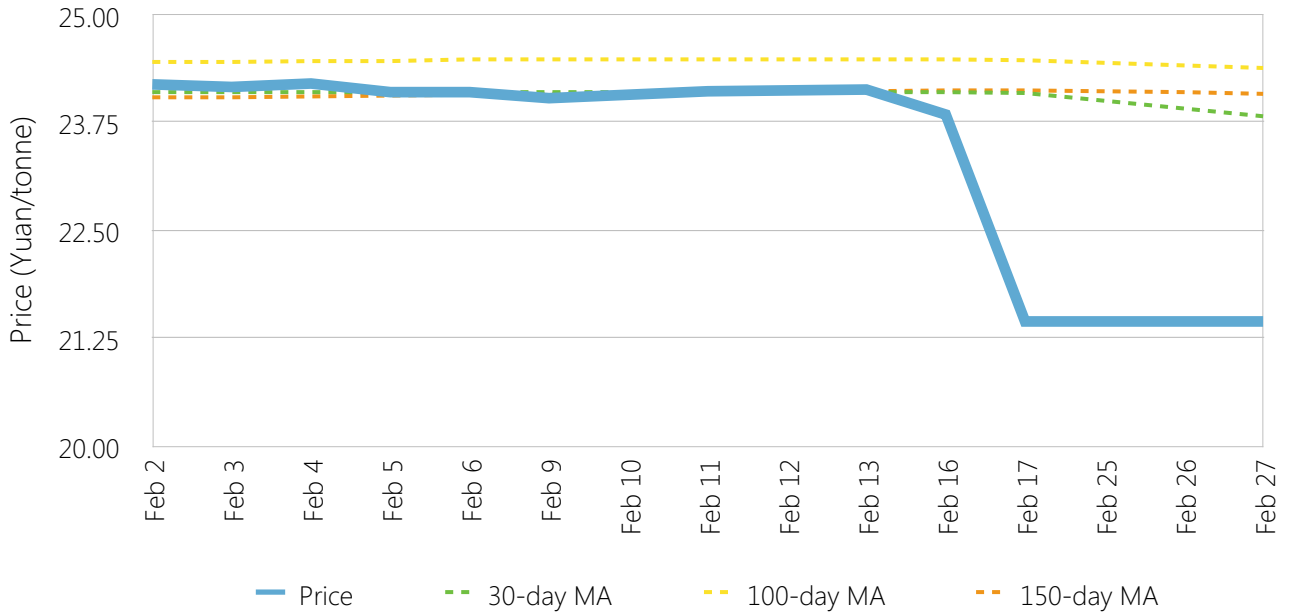


Trading Highlights & Summary

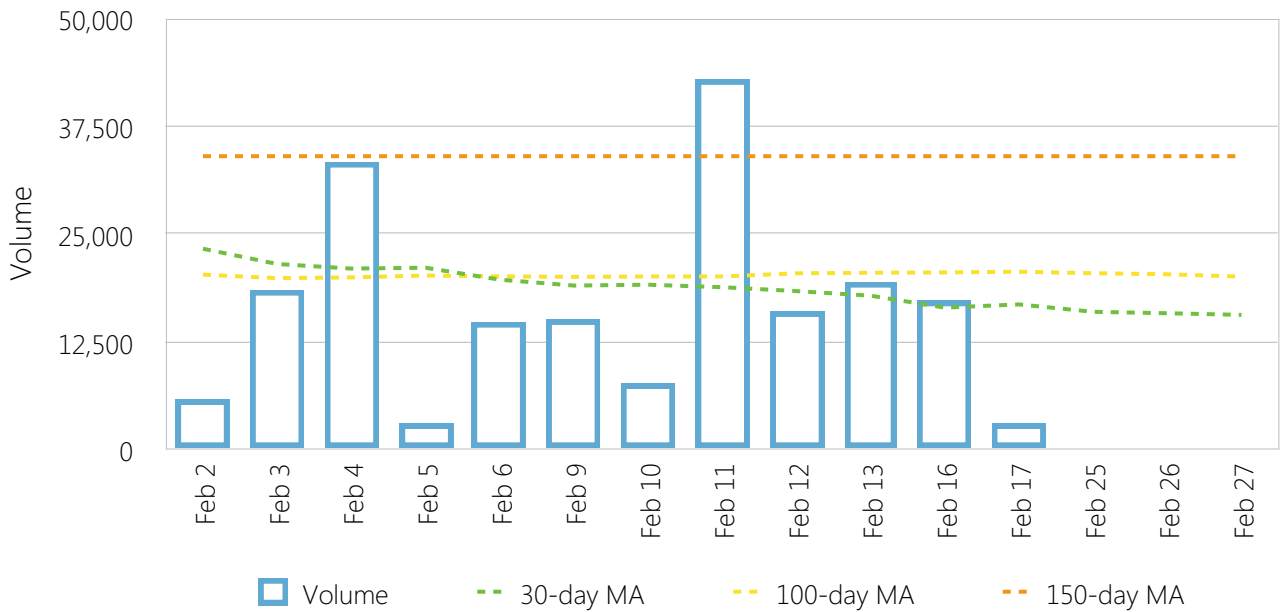
| | Volume Traded | Highest Price | Lowest Price | Highest Daily Volume |
|---------------|---------------|------------------|------------------|----------------------|
| February 2015 | 9,584 | 元20.88 \$3.33 | 元20.69 \$3.30 | 4,000 |
| January 2015 | 3,424 | 元32.57 \$5.21 | 元20.60 \$3.29 | 1,913 |
| February 2014 | 0 | 元60.00 \$9.84 | 元60.00 \$9.84 | 0 |

HUBEI CARBON MARKET

Price Trends in February 2015 & Technical Indicators



Volume Trends in February 2015 & Technical Indicators

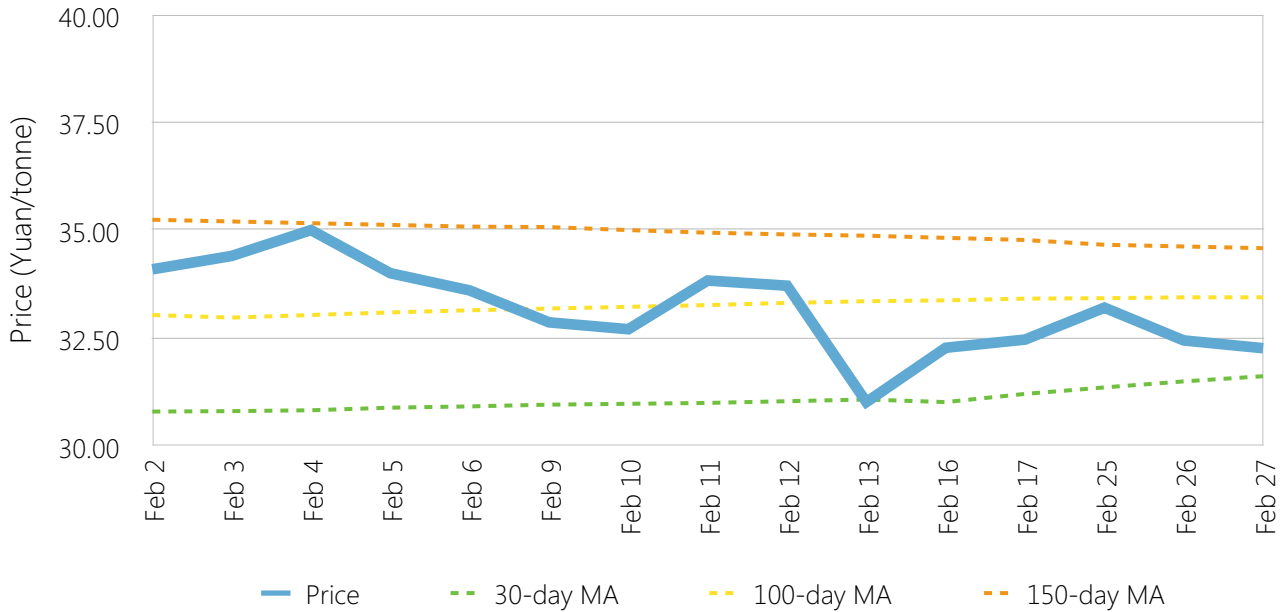


Trading Highlights & Summary – Hubei Carbon Market

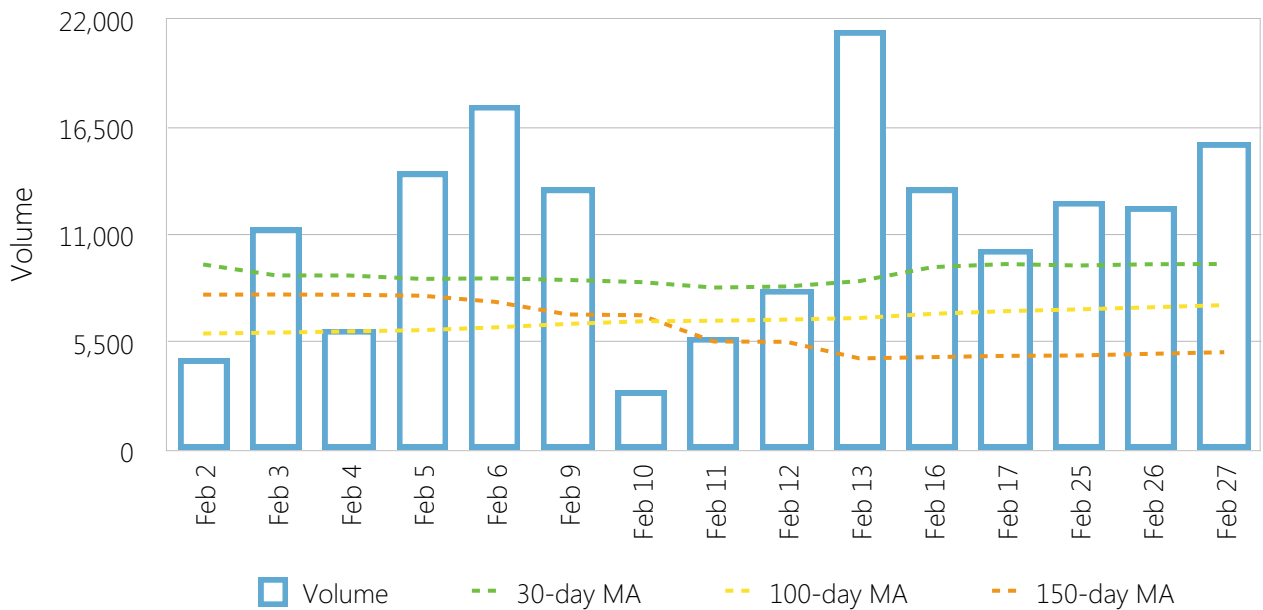
| | Volume Traded | Highest Price | Lowest Price | Highest Daily Volume |
|---------------|---------------|------------------|------------------|----------------------|
| February 2015 | 196,254 | ¥24.20 \$3.86 | ¥21.44 \$3.42 | 42,992 |
| January 2015 | 317,202 | ¥24.40 \$3.90 | ¥23.78 \$3.80 | 66,828 |

SHANGHAI CARBON MARKET

Price Trends in February 2015 & Technical Indicators



Volume Trends in February 2015 & Technical Indicators

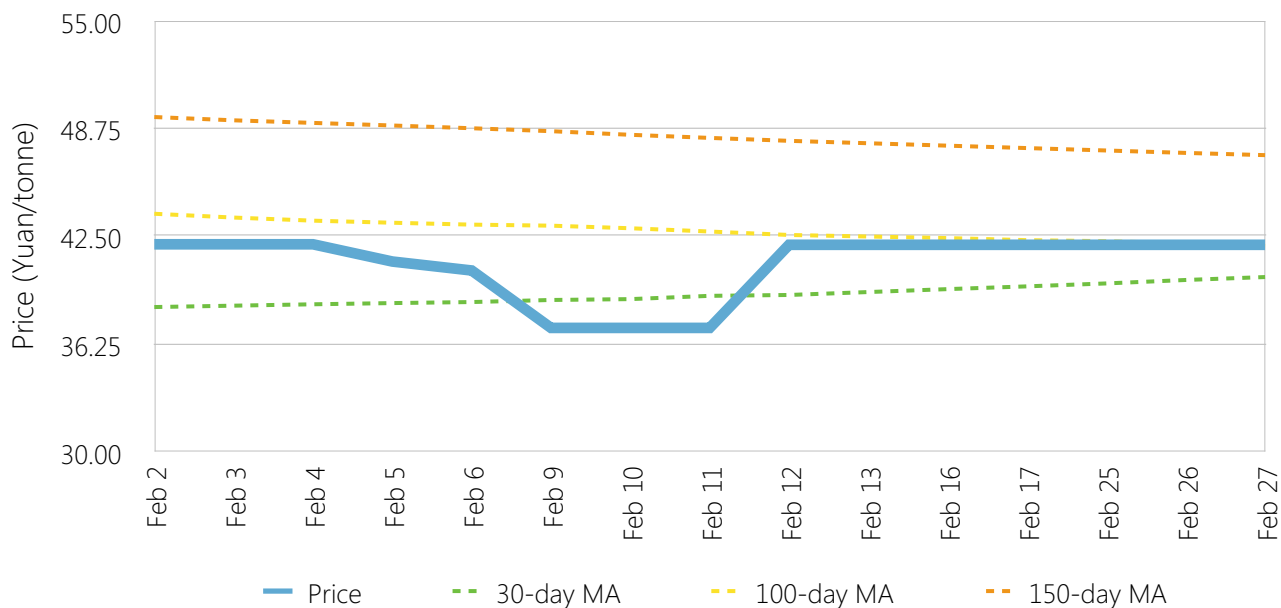


Trading Highlights & Summary – Shanghai Carbon Market

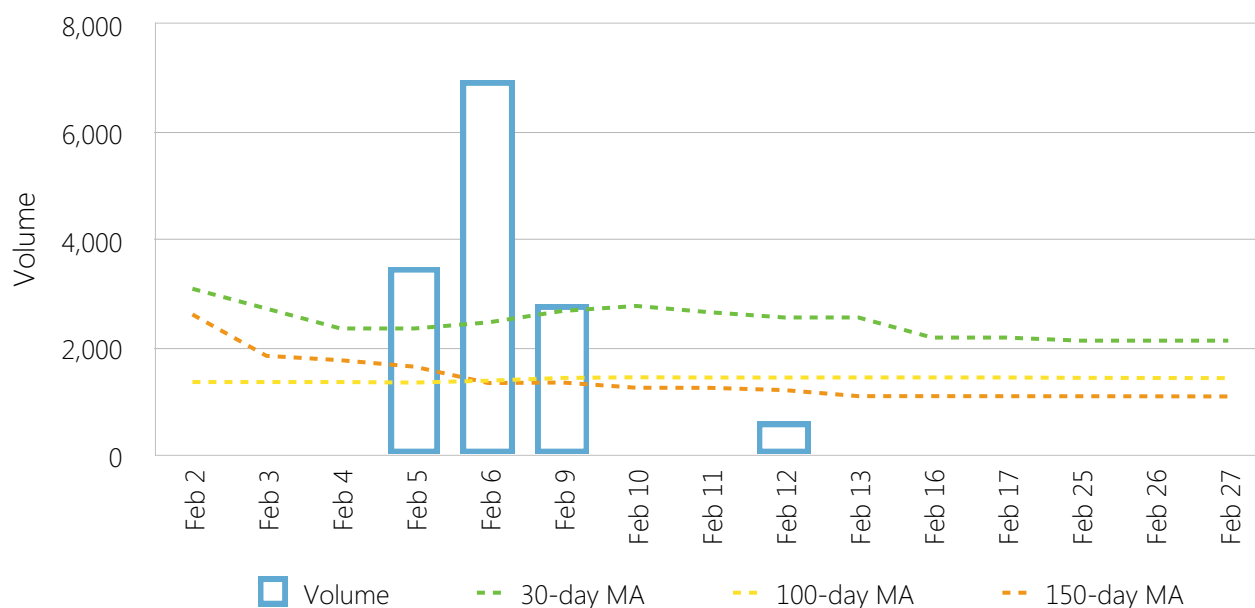
| | Volume Traded | Highest Price | Lowest Price | Highest Daily Volume |
|---------------|---------------|------------------|------------------|----------------------|
| February 2015 | 170,107 | 元35.00 \$5.58 | 元31.01 \$4.95 | 21,422 |
| January 2015 | 174,370 | 元35.88 \$5.73 | 元29.76 \$4.75 | 13,559 |
| February 2014 | 61,002 | 元44.91 \$7.17 | 元34.10 \$5.44 | 20,600 |

SHENZHEN CARBON MARKET (SZA2013)

Price Trends in February 2015 & Technical Indicators



Volume Trends in February 2015 & Technical Indicators

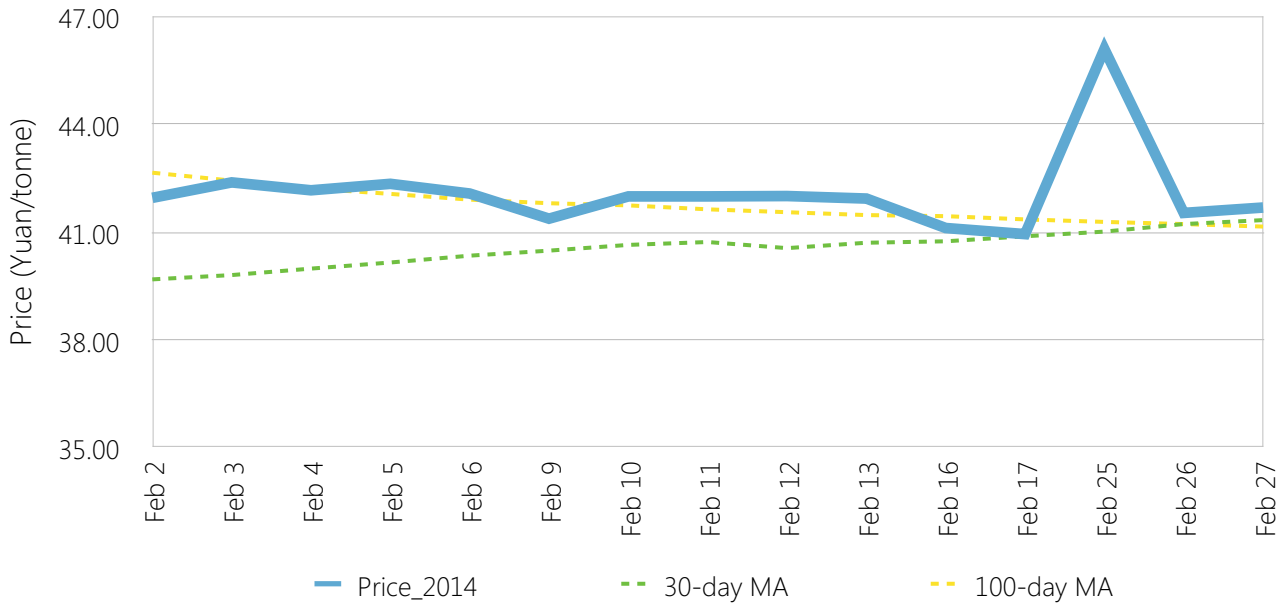


Trading Highlights & Summary – Shenzhen Carbon Market (SZA2013)

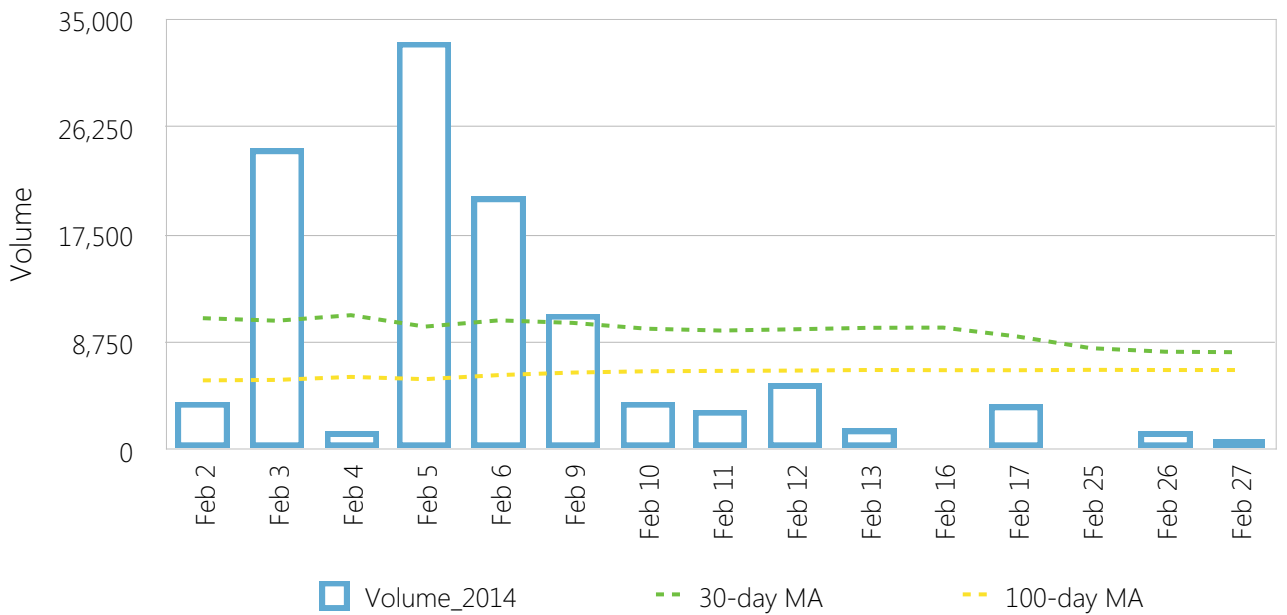
| | Volume Traded | Highest Price | Lowest Price | Highest Daily Volume |
|---------------|---------------|-------------------|-------------------|----------------------|
| February 2015 | 13,850 | 元42.03 \$6.71 | 元37.18 \$5.93 | 6,960 |
| January 2015 | 51,616 | 元42.03 \$6.71 | 元38.98 \$6.23 | 12,410 |
| February 2014 | 8,126 | 元85.00 \$13.56 | 元70.58 \$11.26 | 2,178 |

SHENZHEN CARBON MARKET (SZA2014)

Price Trends in February 2015 & Technical Indicators



Volume Trends in February 2015 & Technical Indicators

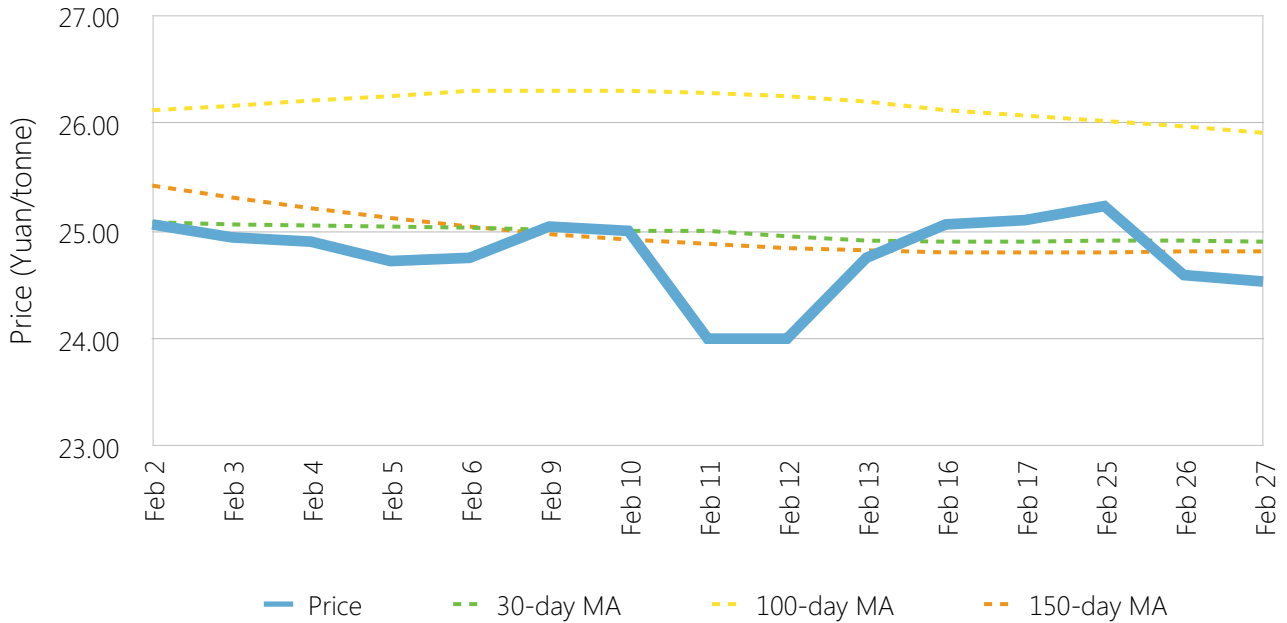


Trading Highlights & Summary – Shenzhen Carbon Market (SZA2014)

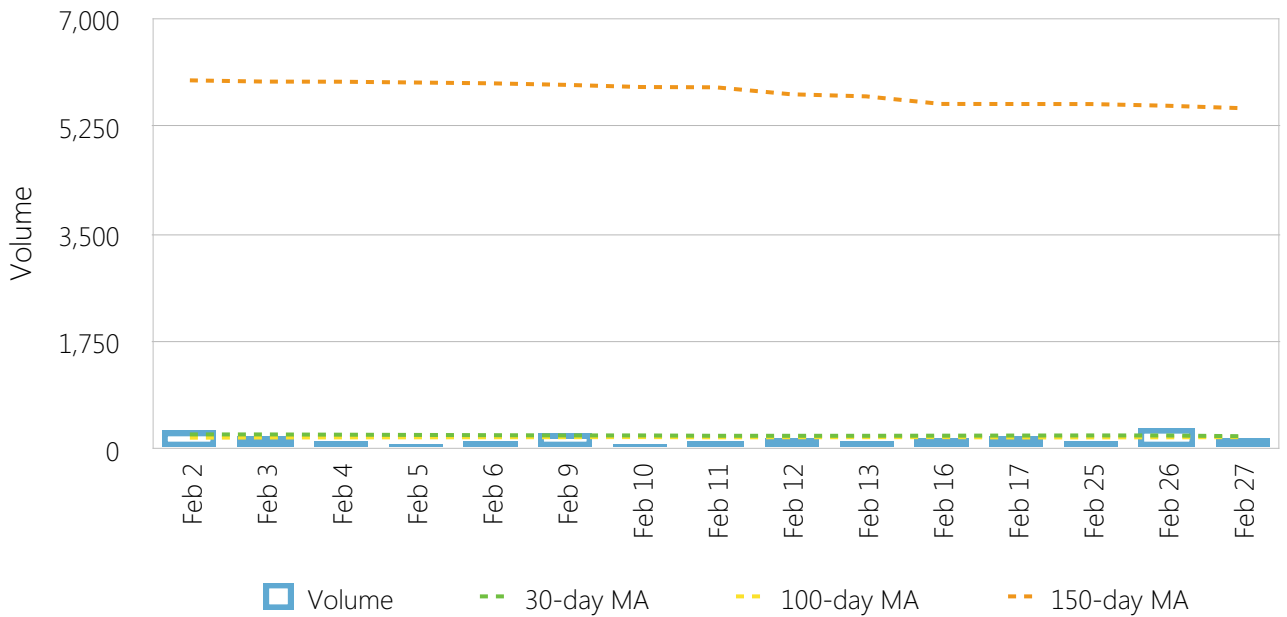
| | Volume Traded | Highest Price | Lowest Price | Highest Daily Volume |
|---------------|---------------|------------------|------------------|----------------------|
| February 2015 | 114,776 | 元46.09 \$7.35 | 元40.94 \$6.53 | 33,206 |
| January 2015 | 189,097 | 元43.69 \$6.98 | 元36.83 \$5.88 | 32,207 |

TIANJIN CARBON MARKET

Price Trends in February 2015 & Technical Indicators



Volume Trends in February 2015 & Technical Indicators



Trading Highlights & Summary – Tianjin Carbon Market

| | Volume Traded | Highest Price | Lowest Price | Highest Daily Volume |
|---------------|---------------|------------------|------------------|----------------------|
| February 2015 | 2,560 | 元25.23 \$4.03 | 元24.00 \$3.83 | 340 |
| January 2015 | 5,100 | 元25.13 \$4.01 | 元24.60 \$3.92 | 700 |
| February 2014 | 18,860 | 元30.08 \$4.80 | 元25.51 \$4.07 | 2,020 |

TECHNICAL INDICATORS

Traded Volume Trends Across Pilot Carbon Markets

| Program | Volume Traded | February '15 Volume as % of Total 2014 Volume | Size of Emissions Cap (Million tCO ₂ e) | February '15 Volume as % of Emissions Cap |
|------------------------------|---------------|--|--|---|
| Beijing | 42,590 | 3.9 | 50 | 0.09 |
| Chongqing | 0 | 0.00 | 125 | 0.00 |
| Guangdong | 11,094 | 0.9 | 408 | 0.00 |
| Hubei* | 196,254 | 2.7 | 324 | 0.06 |
| Shanghai | 170,107 | 28.6 | 160 | 0.11 |
| Shenzhen (2013) | 13,850 | 0.9 | 32 | 0.40 |
| Shenzhen (2014) [#] | 114,776 | 7.7 | | |
| Tianjin | 2,560 | 0.2 | 160 | 0.00 |

* Trading started in April 2014

Trading started in August 2014

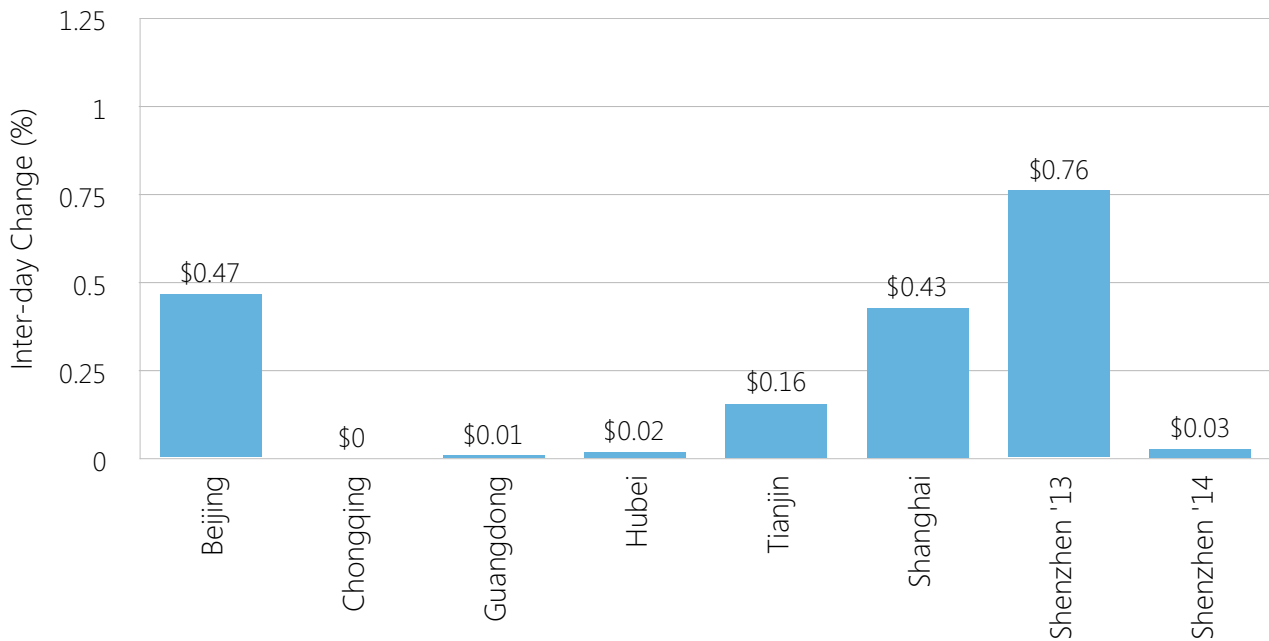
Price Comparison Across Global Carbon Markets

| Program | Price Range (\$/tonne) | Month-end Price (\$/tonne) | Monthly Price Change (%) | Differential to 100-day MA (%) |
|-----------------------|---------------------------|-------------------------------|-----------------------------|-----------------------------------|
| Beijing | 8.14 - 8.70 | 8.70 | + 2.80 | + 3.90 |
| Chongqing | 4.92 - 4.92 | 4.92 | 0.00 | NA |
| Guangdong | 3.30 - 3.33 | 3.33 | + 0.96 | - 19.70 |
| Hubei | 3.42 - 3.86 | 3.42 | - 12.10 | - 12.00 |
| Shanghai | 4.95 - 5.58 | 5.14 | - 1.70 | NA |
| Shenzhen (2013) | 5.93 - 6.71 | 6.70 | - 0.07 | + 0.10 |
| Shenzhen (2014) | 6.53 - 7.35 | 6.65 | - 0.70 | + 1.30 |
| Tianjin | 3.83 - 4.03 | 3.91 | - 1.70 | - 5.30 |
| EU ETS (EUA Spot) | 7.31 - 8.12 | 7.50 | 0.00 | + 3.80 |
| California (CCA Spot) | 12.58 - 12.88 | 12.59 | - 2.25 | + 3.20 |
| RGGI [#] | 5.36 - 5.56 | 5.56 | + 3.15 | + 4.10 |

covers power sector emissions only

INTER-DAY PRICE CHANGE

Absolute Average Change in Inter-day Prices (\$ per tCO₂e)



NEWS UPDATES

NDRC updates grid emission factors for carbon offset projects

Two separate sets of emission factors have been determined – one for projects using methodology CM-006 and the second for all other projects. CM-006 corresponds to the controversial ACM0013 methodology under the CDM used for addressing clean coal power plants. The climate change division has determined emission factors for six regional grids as power generation mix varies significantly across China.

Guangdong bans CCERs from hydro, waste heat & power and pre-CDM projects

Projects that produce reductions in CO₂ and CH₄ emissions only would be allowed to sell CCERs. CO₂ and CH₄ emission reductions should comprise of at least 50% of the total emissions reductions claimed by the project.

Shanghai issues GHG reporting guidelines for companies covered by pilot ETS

Oil and gas producers and coal producers would be required to report CO₂ and CH₄ emissions from multiple sources while coking coal producers and petrochemical companies would be required to report only CO₂ emissions. Monitoring of all emissions would be done in accordance with IPCC rules. All industries would be required to monitor and report emissions for net electricity purchase, apart from the respective industrial operations.

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