Shanghai Environment and Energy Exchange (SEE) was founded in 2008 as the first environment and energy exchange in China. Specialized in climate change mitigation and adaptation services, SEE provides services on carbon emissions trading, carbon financing, climate technology transfer, and consultancy on low carbon development.

SEE is the only trading platform for Shanghai Carbon Emission Allowance (SHEA), and one of the trading platforms for China Certified Emission Reduction (CCER).

SEE is the host organization of the Global Climate Change Technology Exchange of the South-South Global Assets and Technology Exchange system, a joint effort between the United Nations and the Chinese government.

SEE is also a member of the Climate Technology Centre and Network.

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CARBON MARKET DEVELOPMENT AND CARBON FINANCE INNOVATION IN SHANGHAI, CHINA
Shanghai Carbon Market Development

**Key Achievements**
- Reached 100% compliance for 3 years
- 191 covered companies reduced CO₂ emissions by 10% compared to 2013
- Trained about 3000 professionals

**Coverage (191 companies)**
- Industry
  - Steel, petrochemicals, chemicals, non-ferrous metals, electric power, building materials, textile, paper, rubber, chemical fiber industries, etc.
  - Enterprises with annual CO₂ emissions of more than 20,000 tCO₂
- Non-industrial sectors
  - Aviation, ports, airports, hotel, mega-malls and other large public buildings
  - Enterprises with annual CO₂ emissions of more than 10,000 tCO₂

Cap was set by considering the economic growth during the Twelfth Five Year Plan, the reduction target of carbon intensity per unit GDP and the contributions from pilot enterprises to carbon reduction in Shanghai.

**Historical Emission (Grandfathering) Method**
- Industries (not including Electric Power Industry) + large public buildings (hotels, megamalls, etc.).
- Allowances = Emission amount from historical base years + early actions + new projects

**Benchmarking Method**
- Electric Power, Aviation, Ports, etc.
- Allowances = Emission benchmarks of per business unit × Actual volume of business

Shanghai Carbon Finance Innovation

**Key Achievements**
- Innovated carbon financing mechanism
- Diversified investment channels
- Strengthened carbon assets management
- Explored risk management

**China Certified Emission Reduction Pledge Loan**
- CCER pledge loans are loans that enterprises can obtain when they own CCERs. To achieve that goal, enterprises and financial institutions should sign tripartite agreements with SEE. After signing contracts of a CCER loan, they should apply to SEE for CCER loan registration. SEE will freeze the CCER in the system to guarantee their pledge credits. Once the loan contract ends, both parties should unfreeze the CCER through SEE.

**Carbon Margin Trading**
- Carbon Margin Trading is for eligible institutions to deposit a certain amount of margin to borrow a certain amount of Shanghai carbon emission allowances from eligible enterprises or institutional investors at SEE. By the expiration of the borrowing term, the borrower returns the allowances to the lender and pays the agreed proceeds.

**Shanghai Emission Allowance Forward**
- Shanghai Emission Allowance Forward (SHEAF) is a hedging tool for carbon market participants to manage market risks. A SHEAF contract is between two parties to buy or sell Shanghai emission allowances at a specified price on a future date. SEE provides the trading platform for SHEAF while Shanghai Clearing House provides central counterparty clearing services. The pricing and settlement of SHEAF is in CNY, and the trading is by inquiry.