

**Annual Project Progress Report**

**Capacity Building for Demonstration Construction of Carbon Trade and Green Finance Platform in China** [2012-12-27]

**Basic Project Information**

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| **Project Title:** | |
| UNDP Award ID | 00051952 |
| UNDP Project ID |  |
| CRIS Contract Number |  |
| Project Duration | 2010-2014 |
| Reporting Period | January-December,2014 |
| Total Approved Project Budget | 3 million US$ |
| Participating UN agencies | United Nation Development Programme |
| Implementing Partners/  National collaborating agencies | China International Center for Economic and Technical Exchanges |
| International collaborating agencies |  |
| Cost-sharing third parties | 2.5 million US$ |
| UNDP Contact officer | Wu Peng |
| Project website | http://www.cbeex.com.cn/ |

**Executive Summary**

2014 is the first compliance year of China Pilot Carbon Trading Market The Chinese government figures the ecological progress more prominently in order to build a beautiful country and achieve sustainable development by this low social cost mechanism. The ultimate goal of this project is to achieve environmental, economic and social development by means of carbon trading, which is in conformity with the government policy as well as the priority of the government work. With the support of the United Nations Development Programme (UNDP), the China International Economic and Technical Exchange Centre as well as other relevant departments of agencies, under the efforts of the staff of CBEEX, this project is progressing well in achieving the expected targets. It is anticipated that by the completion of the project, all the fixed targets will be achieved.

The project realized following goals: it promoted the establishment of carbon trading markets and carbon trading platform in Beijing, it achieved the emission reduction targets of the 12th Five-Year Plan, it deepened the research as well as the government agencies’ and the general public understanding of green development and carbon trading, it promoted the voluntary emission reduction(VER) research, it promoted the establishment of domestic VER trading platform and retail platform, it contributed to the eradication of extreme poverty and hunger, it also promoted gender equality and feminine rights，all of which made contributions to achieving the Millennium Development Goals ( MDGs ).

In the next stage, it is suggested to strengthen the exchanges and cooperation among other sub-projects as well as the UNDP projects in other countries.

**1. Background**

**Development Context**

In 2014, further policies about adopting carbon emissions trading to promote energy conservation and to respond to climate change were launched in succession. From the beginning of this year, National Development and Reform Commission (Hereinafter referred to as NDRC), through record management, published a pack of new CCER methodologies, National Carbon Trading Exchanges, DOEs and CCER projects. By 29th June 2014, seven launched pilots, which include Beijing, Tianjin, Shanghai, Chongqing, Shenzhen, Guangdong and Hubei, had accumulated 8.56million tons CO2 and 338million RMB turnover. In the meantime, NDRC started National Carbon Market Building with publishing《Carbon Emissions Trading Management Interim Measures》, study total amount control target and decomposition scheme of national carbon trading, further research and formulate Greenhouse Gas Accounting and Reporting Guidelines of key industries, build up national carbon trading registration system. In January, NDRC issued the notice to organize Greenhouse Gas Accounting and Reporting work of key industries to provide the emission data support for National Carbon Trading.

**Project Objectives and Strategy**

The program, aiming at building a market-based carbon trading platform which is not only international but also standard, carries out research and guides the establishment of the overall strategy and layout of green financial system with Chinese characteristics by cultivating the seller’s market through the Panda Standard and projects, fostering the buyer's market through China Carbon Neutral Alliance and Beijing Emissions Trading Association (BETA) as well as finding the market price of carbon trading based on the low-carbon index. The final purpose of this project is to adopt carbon trading as a tool to improve the environmental, economic and social conditions. The purpose of the project is in line with the Chinese government priorities, which is to develop a low-carbon economy, promote green development and construct new rural areas that will benefit China's rural residents.

Under the guidance and the supervision of the UNDP and the CICETE, the project obtained necessary institutional support to provide capacity-building for the project implementation parties.

**2. Key Results**

This project is progressing well in achieving the expected targets in the reporting period. It is anticipated that by the completion of the project, all the fixed targets will be achieved.

In this stage, the project successfully held the Fifth Earth Temple Forumand completed the first compliance period of Beijing Carbon Trading Pilot which enhanced the Chinese government and public awareness of the positive effect of carbon trading to Ecological Civilization Construction. Continually Entrusted by the Beijing Municipal Government, the project issued payment of government subsidies to owners and businesses for the elimination of old vehicles, in the meantime, issued payment of government subsidies to old vehicle enterprises’ owners which enabled the general public to enjoy the interests brought by the development of low-carbon economy. Research on Pathway to Realize Carbon Emissions Trading of Beijing Transportation System was also conducted in this period.

This program contributed to the eradication of extreme poverty and hunger and promoted gender equality and feminine rights, all of which made contributions to achieving the Millennium Development Goals.

**Project Outcomes**

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**Outcome 1: Set up China First Domestic VER Standard.**

Indicators： 1.1-2 methodologies included in Standard;

2. Standard Classification of Agriculture and Forestry

3. Several workshops and meetings

**Outcome 2： Establish a strong research and promotion platform for promoting green development through setting up institutions, associations, long-term communication mechanism and EMC platform.**

Indicators： 1. Establishment of long-term communication mechanism-The Temple of Earth Green Finance Forum

2. Establishment of research organizations for carbon finance-Beijing Emissions Trading Association (BETA)

3. EMC trading platform

4. Trainings and sessions for capacity building

5. "Carbon Neutralization" Green Trips

**Outcome 3：Conduct researches on VER and construct carbon trading platform suitable for domestic VER transactions and also construction of Carbon Retail Platform.**

Indicators： 1、Volumes of domestic VER transactions;

2、Volumes of VER retail transactions;

3、GHG reductions associated with such projects.

4、Website update

5、Several education campaigns

In the project reporting period, outcome 1-3 achieved expected goals. The smooth progress of the project benefited from the support and guidance of the relevant government departments, as well as domestic and foreign co-operation of relevant authorities.

**Activities and Outputs**

**Set up China Domestic VER Standard**

**Activity 1.1** Draft Standard Sectoral Specifications for Forestry, AFOLU (adding relevant agriculture, grassland, land use activities to scope), Standard Sectoral Specifications for Agriculture and Standard Poverty Alleviation Criteria (or incorporate in AFOLU Sectoral Specifications)

**Activity 1.2** Develop the methodology of Mine Reclamation and Plain Afforestation Carbon Sink.

**Establish a strong research and promotion platform for promoting green development through setting up institutions, associations, long-term communication mechanism and EMC platform and the Temple of Earth Green Finance Forum.**

**Activity 2.1** Establishment of a long-term communication mechanism- The Temple of Earth Green Finance Forum to be held each year. Preparation for the Forum including cooperation partner and guests invitation, media promotion, forum arrangement etc.

**Activity 2.2** Beijing old vehicle elimination and renewal government subsidy issuance system renewal

**Activity 2.3** Workshop regarding climate change, carbon trading, energy saving and pollution emission trading

**Activity 2.4** International study tour including holding Green Development Perspective conferences during the visit.

**Activity 2.5** Conduct related consultancy work on emission trading system, energy saving and low carbon development.

**Conduct researches on VER and construct carbon trading platform suitable for domestic VER transactions and also construction of Carbon Retail Platform.**

**Activity 3.1** Develop the specification for the China domestic ETS trading system. Construct several carbon trading sub-system, including project collation system, information release system, transaction system, registration system, project tracking system and settlement system.

**Activity 3.2** Testing and maintenance of ETS trading system and several carbon trading sub-system, including project collation system, information release system, transaction system, registration system, project tracking system and settlement system.

**Sustainability**

In the reporting period, in order to ensure and consolidate the sustainability of the project, three measures were taken as follows:

1. Actively seeking and establishing cooperation with authorities home and abroad, such as the government agencies China International Economic and Technical Exchange Center, Asian Development Bank, SynTao Global Reporting Initiative Organization. Through the collaboration with government agencies, policy support for the sustainable development of the project can be obtained. By the cooperation with other domestic and foreign institutions, project publicity can be expanded. Effective communications with both government agencies and relevant institutions create a favorable environment for sustainable development.
2. Promote the public understanding for green development to gain public support for the sustainable development of the project.
3. Establish China - the United Nations Corporate Social Responsibility and Sustainable Development Service Platform to strengthen low-carbon and environmental protection awareness and achieve sustainable development.

**MDG Targets**

The project contributes to the Millennium Development Goals of ensuring environmental sustainability and eradicating extreme poverty and hunger in the reporting period:

The project helps to promote carbon trading programs in rural areas and enhance the rural low carbon development. It also helps to realize city compensation for rural areas and explore new ways for green development in rural areas as well as increase rural residents’ income, all of which contribute to the eradication of extreme poverty and hunger.

The project at the same time contributes to the establishment of the carbon trading system to respond to climate change and to achieve energy conservation and greenhouse gas emission targets set by 12th Five Year Plan so as to realize low carbon and sustainable development.

**Development Effectiveness**

Convenient channels of communication and consultation offered by the close ties with the CICETE and the Beijing Municipal Finance Bureau effectively ensured the implementation of the project. CBEEX actively communicates with Equity Exchange (center) in other provinces and cities to strengthen cooperation and promote the establishment of local Environment Exchange (center).

CBEEX works to strengthen international cooperation through the formation of joint ventures, international exchange and build cooperation projects. CBEEX also enhance its brand influence by strengthening the existing international partnerships and seek new partners at home and abroad.

**Cross-cutting Issues**

In addition to focusing on solutions to environmental problems, the project can reduce the time for rural women and children to pick up firewood, so that girls have more time for their education and adult women have more time to seek ways to get rich. This is conducive to the promotion of gender equality and feminine rights.

**3. Project Management and Oversight**

During the reporting period, UNDP effectively supported the progress of the project by strict supervision of the project scheduling, project human resource arrangement and financial management. In order to ensure the realization of project objectives, UNDP, taking strong measures to avoid risk, also provided the feedback opinion and made positive response to the project demand changes.

**Implementation Status**

In the reporting period, the project activities had been carried out in a timely manner as planned and had realized its expected targets. Therefore, there is no need of extension and additional project investment.

The high quality of the project implementation is conducive to the project development and the rational use of funds.

During the reporting period, the project cost-effectiveness was improved through the coordination between the implementation arrangements of this project and projects of other stakeholders. Strategic cooperation agreement for low-carbon development was signed between CBEEX and the People’s Government of Baoding City, under which, CBEEX will utilize its own financial, technological and professional platform advantages to provide Baoding City low carbon service; CBEEX also implemented low-carbon consultant work for Huhehot New District; For spreading the carbon trading consciousness, CBEEX developed a mobile APP for carbon asset management; as an annual event, CBEEX attended the COP20 in Peru to present the constructive work of combating Climate Change.

In addition, the purpose of the project is in consistent with the priority of the government work of construction of “Carbon Trading Pilot Test” to achieve energy conservation as well as to promote the new rural development by establishing carbon trading pilot.

**Monitoring and Evaluation**

Annual assessment work has been carried out.

**Human Resource Management**

During the reporting period, the human resources of the project were effectively managed which provided full support for the realization of the project objectives

**Risk Management**

The communication between the sub-projects of the China Green Development Programs as well as the communications between similar projects of the United Nations Development Programme (UNDP) in other countries is not close enough, which may hinder the spread of the useful experience of the project, limit the project to maximize its positive impact and affect the sustainable development of the project.

To address this problem, the United Nations Development Programme (UNDP) and the China International Center for Economic and Technical Exchanges (CICETE) has entrusted the CBEEX to provide trainings for other sub-projects of China in order to strengthen the communication.

In the reporting period, no other actual projects’ risks or potential risks were found.

**Inter-Agency Coordination and Delivering as One**

Project helps to ensure the sustainable development of environment, to respond to climate change and promote the green development and the low carbon economy. In the mean time, the project also provides a platform that makes China more widely participate in international efforts to cope with climate change. Therefore, the project is in accordance with the United Nations framework for development aid.

Through the seminar (as mentioned above) and participation in the training of the United Nations Development Programme (UNDP), the project ensured the coordination between the inter agencies.

**Communication and Advocacy**

No advocacy of the project was carried out.

**4. Financial Management**

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| Budget Summary (US$)  As of [2013-12-31] | | |
| **Total approved project budget** | UNDP | 500,000 |
| Other UN agencies |  |
| Counterpart funding |  |
| Cost-sharing third parties | 2,500,000 |
| **Total** | 3,000,000 |
| **Estimated total budget committed to date** | UNDP |  |
| Other |  |
| **Total** |  |
| **Estimated total budget disbursed to date** | UNDP | 1,822,453 |
| Other |  |
| **Total** |  |

|  |  |  |
| --- | --- | --- |
| Expenditure by Activity (US$)  [dates] | | |
| **Activity** | **Cost item** | **Expenditure** |
| The Fifth Earth Temple Forum |  |  |
| **Subtotal** | 42,213 |
| Beijing old vehicle elimination and renewal governrnent subsidy issuance system renewal |  |  |
| **Subtotal** | 49,060 |
| Low-carbon consultant service for Huhehot New District |  |  |
| **Subtotal** | 32,706 |
| Low-carbon interactive APPLow-carbon interactive APP |  |  |
| **Subtotal** | 163,848. |
| Expert fees |  |  |
| **Subtotal** | 2,397 |
| **TOTAL** |  | 290,224 |

**5. Management Recommendations**

**5.1 List recommendation here.**

During the reporting period, CBEEX provided trainings for other sub-projects under the Green Development Program, which enhanced the communication. Through the Green Development platform, it is hoped that the experiences and lessons of sub-projects can be shared, cooperation opportunity can be expanded.

**5.2 List recommendation here.**

Through the communication and cooperation with other related institutions abroad, the project learned useful experience of foreign countries. It is suggested that the UNDP offers a platform for its projects in other countries to communicate and share experience, which at the same time can introduce the successful experience of China's Green Development Program to other countries.

**6. Conclusion**

During the reporting period, this project is progressing well in achieving the expected goals. It is anticipated that by the completion of the project, all the fixed goals will be achieved.

The project realized following goals: it completed the first compliance period of Beijing Carbon Trading Market; It deepened the research as well as the government agencies’ and the general public understanding of green development and carbon trading; It promoted the VER research; It promoted the establishment of domestic VER trading platform and retail platform; It enhance the driving force of Carbon Emissions Reduction of Enterprises, it contributed to the eradication of extreme poverty and hunger; It also promoted gender equality and feminine rights, all of which made contributions to achieving the Millennium Development Goals ( MDGs ).

Through the cooperation with domestic and foreign institutions and trainings for other sub-projects, the public understanding and support for the green development has been deepened and the project sustainability was ensured.

Under the guidance and the supervision of the UNDP and the CICETE, the project obtained necessary institutional support to provide capacity-building for the project implementation parties and ensured the smooth progress of the project.

In the next stage, it is suggested to strengthen the exchanges and cooperation among other sub-projects as well as the UNDP projects in other countries.

7. Annexe/s

Appendix 1 - list of project activities

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| **Output**  **1** | Draft Standard Sectoral Specifications for Forestry, AFOLU (adding relevant agriculture, grassland, land use activities to scope), Standard Sectoral Specifications for Agriculture and Standard Poverty Alleviation Criteria (or incorporate in AFOLU Sectoral Specifications) | The methodology of “Land Reclaim and Revegetation non Non-Coal Mine Area” has been developed. |
| Develop the methodology of Mine Reclamation and Plain Afforestation Carbon Sink. | The new methodology of Panda Standard “Land Reclaim and Revegetation non Non-Coal Mine Area” has been successfully developed and submitted to national authority(i.e.National Development and Reform Commission) for the registration of CCER(China Certificated Emission Reduction) methodology. |
| **Output**  **2** | Establishment of a long-term communication mechanism- The Temple of Earth Green Finance Forum to be held each year. Preparation for the Forum including cooperation partner and guests invitation, media promotion, forum arrangement etc. | Hold the Earth Temple Green Finance Forum that provides a high-level international platform for government, businesses and the public.  This year’s forum gave an exhibition of companies that can provide advanced technologies, equipments and services for air pollution control.  Officers from government disclosed the latest news on China Carbon Market policies, and participants in China carbon market had a great ideas exchange in this forum. |
| Beijing old vehicle elimination and renewal government subsidy issuance system renewal | Under the guidance of the Plan for Further Promoting Beijing Old Vehicle Elimination and Renewal from 2013 to 2014distributed by People's Government of Beijing Municipality, the project continued updating the government subsidy issuance system according to the constructive suggestions of vehicle owners and enterprises, which make the operation procedure easy to approach, which will accelerate old vehicle elimination.  In this reporting period, the project continued to conduct the maintenance work for the system of old vehicle elimination; the project also construct the subsidy issuance system and audit process for the new energy vehicle subsidy; investigation and related research have also been done for the old vehicle elimination policy adjustment. |
| Workshop regarding climate change, carbon trading, energy saving and pollution emission trading | Carried out the series training course of “China Carbon Trader”, and has successfully hold two courses in August and September.  Carried out the series workshop of .”Discussion Hall on Carbon” and has successfully hold two sessions in July and August.  Successfully kicked off the workshop of “Energy Savings Transaction Training” which started in August. |
| International study tour including holding Green Development Perspective conferences during the visit. | Preparing work for the organization of the China Pavilion in COP20 in Peru was carried out including guest invitation , propagation and visa application, several senior executives have confirmed the attendance. |
| Conduct related consultancy work on emission trading system, energy saving and low carbon development. | Strategic cooperation agreement for low-carbon development was signed between CBEEX and the People’s Government of Baoding City. |
| **Output**  **3** | Develop the specification for the China domestic ETS trading system. Construct several carbon trading sub-system, including project collation system, information release system, transaction system, registration system, project tracking system and settlement system. | Low-carbon interactive APP applied on mobile phones has been developed. |
| Testing and maintenance of ETS trading system and several carbon trading sub-system, including project collation system, information release system, transaction system, registration system, project tracking system and settlement system. | Under preparation. |