China’s National Carbon Market: An industry-to-industry dialogue

Overcoming technical issues

Chongqing, January 21st, 2016
Monitoring emissions

Measuring your emissions correctly determines your liability but also your assets.

Important areas of focus include:
- **Testing the monitoring guidelines** you want to know beforehand if you will have problems
- **Engaging with peers** to better understand how they did it and if they have similar issues
- **Providing timely input to policy makers** the windows of opportunities are limited

Consolidating your monitoring procedure quickly is key as it is an activity with which you will have to live for a long time

**Example of specific monitoring issues**

- Uncertainty and risk management
- Sampling modalities and frequency of coal shipping
- Oxidation factor coefficients
- Laboratory qualification and certification
The allowance is a new type of object on the accounts:

- **Identifying the nature of the allowance** – Is it a concession, an input, a financial instrument, a non material asset
- **Placing the right value** – Allowances value on the accounts could be booked at purchasing value or market value
- **Tax treatment** – The type of tax treatment will vary depending on the nature of the asset
Putting the right price on Carbon

Getting the price right plays a critical role as it will affect:

- **Investment plans** – By impacting your expected production costs it will affect your capital investment decisions
- **Procurement strategies** – Market price expectations will determine how much and when to buy
- **Financial accounting** – Depending on accounting treatment price variation will affect your periodic financial reporting
Ensuring traceability

Emission data will have to be **traceable** in order to be reliable and verified.

Procedures will need to identify:

- **Activities to be performed** to generate the data
- **Process owners** responsible for the different phases
- **Auditing of the system** to ensure its performance

The activity will become **more and more relevant as the value of the allowance increases**

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**Example of specific elements do be documented**

- the sequence and interaction of data acquisition and handling activities
- risk assessment of the definition and evaluations of the control system
- management of the necessary competences for the responsibilities assigned
- quality assurance of the measuring equipment and information technology used (if applicable)
- internal reviews of reported data
- outsourced processes
- corrections and corrective action
- records and documentation

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Lessons learned

- **Monitoring emissions** – Make sure you test your monitoring and then consolidate it quickly

- **Accounting** – Interact with other parts of the company in charge of measuring performance and putting together the accounts

- **Putting the right price on carbon** – Early understanding of the market and its evolution in terms of drivers, volatility and expected long term trends will support risk mitigation

- **Ensuring traceability** – Make sure that what you do is traceable as at some point someone will come and ask how you did it