

Supplementary Notes for Hong Kong enterprises to implement CDM projects on the Mainland

The Environmental Protection Department (EPD) today (December 1) announced the Supplementary Notes on the Implementation of Projects under the Clean Development Mechanism (CDM) by Hong Kong enterprises on the Mainland.

The Supplementary Notes aim to facilitate Hong Kong enterprises to participate in CDM projects on the Mainland.

The Supplementary Notes have been drawn up in accordance with the principles of “One Country, Two Systems” and the specific situation of the Hong Kong SAR following deliberations between the National Development and Reform Commission (NDRC) and EPD. Reference has also been made to the “Measures for Operation and Management of CDM Projects in China”.

Since the announcement of the arrangements for the Implementation of CDM Projects in Hong Kong in June last year, the Environmental Protection Department successfully obtained agreement with NDRC to enhance the level of participation by Hong Kong enterprises, allowing qualified enterprises to develop CDM projects on the Mainland, an EPD spokesman said.

“Requirements and related application procedures for Hong Kong enterprises to develop CDM projects on the Mainland are clearly set out in the Supplementary Notes announced today. These include provision of statutory declarations and documentation for verification of information such as the enterprises’ board of directors and share holding through Hong Kong lawyers qualified for notary services on the Mainland,” the spokesman said. “The Environmental Protection Department will issue the Letter of Certification for Hong Kong enterprises under the ‘Measures for Operation and Management of CDM Projects in China’ to those Hong Kong enterprises meeting the requirements. To allow them to meet the requirements of application for developing CDM projects on the Mainland, they will be treated as Chinese enterprises by NDRC in processing the applications,” the spokesman said.

“CDM projects have enormous potential. About one third of all CDM projects are being carried out on the Mainland, involving substantial capital and major technology

transfer. By developing CDM projects, Hong Kong enterprises can make investment in appropriate energy efficiency projects, participate in development of new energy or renewable energy and explore opportunities in green business. They can also contribute to efforts to combat climate change by facilitating the Mainland and Hong Kong in further reducing greenhouse gas emissions and achieving sustainable development,” he said.

CDM is a mechanism formulated under the United Nations to encourage the transfer of technology and to help reduce greenhouse gas emissions. CDM allows Annex I Parties to the United Nations Framework Convention on Climate Change, in co-operation with the non-Annex I Parties on project basis, to acquire “certified emission reductions” generated by activities from the projects for the purpose of counting towards achievement of their emission reduction targets. Non-Annex I Parties can in turn obtain the necessary technological and financial means to undertake the emission reduction projects.

The Supplementary Notes are available on the EPD’s website (<http://www.epd.gov.hk/>)

Requirements for the application of a Letter of Certification for Hong Kong enterprises under the “Measures for Operation and Management of CDM Projects in China” are in Annex.

Requirements for the application of a Letter of Certification for Hong Kong enterprises under the “Measures for Operation and Management of CDM Projects in China”.

Enterprises meeting the following three criteria are eligible to apply to the EPD for a Letter of Certification for Hong Kong enterprises under the “Measures for Operation and Management of CDM Projects in China”:

1. The concerned company should be registered and set up in Hong Kong, and its principal location of business operation or its headquarters should be situated in Hong Kong;
2. The executive director of the concerned company should be a PRC national or a holder of Hong Kong Permanent ID Card; and that more than half of the board members should be PRC nationals or holders of Hong Kong Permanent ID Card if a board of directors has been set up for the company; and
3. The ratio of non-tradable shares should be over 50% if the concerned company is listed.