

**Memorandum of Understanding to Enhance Cooperation on Emissions Trading Systems
Between the Government of Shenzhen Municipality of the People’s Republic of China and
the Government of the State of California of the United States of America**

Based on the Memorandum of Understanding to Enhance Cooperation on Climate Change, Energy and Environment between the Government of the People’s Republic of China and the Government of the United States of America signed in July 2009, and in order to enhance cooperation in the area of low carbon development, the Government of Shenzhen Municipality and the Government of the State of California (hereafter referred to as “the Participants”) have reached the following understandings:

1. Purpose

The purpose of this Memorandum of Understanding (MOU) is to support efforts of the Participants to address the global issue of climate change and to help each Participant achieve its low carbon development goals. This MOU establishes a fundamental framework for the Participants to carry out pragmatic exchange and cooperation based on the principles of equality and mutual benefits and does not provide Participants or third parties with any legal rights, or incur legal obligations by Participants or third parties.

2. Areas of Cooperation

The Participants focus cooperation on low carbon development efforts, including but not limited to: emissions trading systems (ETS) and low carbon technological exchange.

Specific areas of cooperation include, but are not limited to, the following:

- 1) Ensuring robust and effective monitoring, reporting, and verification systems that are based on quality data;
- 2) Establishing an effective compliance and enforcement system to ensure environmental integrity;
- 3) Selecting offsets that are limited in quantity and are of high quality;
- 4) Increasing ETS compliance obligations of direct emission sources through a stepwise restriction of emission allowances issued to direct sources;
- 5) Identifying complementary measures and regulations to support ETS systems, including performance standards to reduce emissions of carbon dioxide;
- 6) Employing the most effective tools and information to characterize the impacts of climate policies, including fuel savings and reductions in the emission of toxic pollutants;
- 7) Supporting low carbon economic growth that creates jobs and improves competitiveness of local industries;
- 8) Promoting and following the best and most recent climate science and technology; and
- 9) Other items of interest to the Participants.

3. Forms of Cooperation

The Participants can use the following forms of cooperation:

- 1) Exchange of relevant experience and lessons learned, including information related to methodologies for measuring, quantifying and verifying greenhouse gas emissions inventories and regulations, programs, and emissions control technologies for greenhouse gases;
- 2) Exchange and visits between the Participants' relevant personnel;
- 3) Exchange of scientific research or joint research and technology development;
- 4) Co-organization of relevant seminars, workshops, exhibitions and trainings;
- 5) Shared investments in low carbon development opportunities; and
- 6) Other forms of collaboration as agreed upon by the Participants.

4. Cooperation Mechanism

- 1) The Participants have decided to establish a Working Group on Enhancing Cooperation on ETS between the Parties in order to strengthen liaison and communication and negotiate specifics of cooperation on a regular basis. The Working Group from Shenzhen is composed of the Development and Reform Commission of Shenzhen Municipality and other entities as defined by the Development and Reform Commission of Shenzhen Municipality. The Working Group from California is composed of the California Air Resources Board and other entities identified by the State of California.
- 2) The Government of Shenzhen Municipality and the Government of the State of California respectively designate the Development and Reform Commission of Shenzhen Municipality and California Air Resources Board as the Executive Agencies responsible for coordinating the implementation of relevant cooperation activities between Shenzhen and California.
- 3) During the period of validity of this MOU, the Executive Agencies shall report on the progress of cooperation to the Mayor of the Government of Shenzhen Municipality and the Governor of California once a year and improve the cooperation plans based on their suggestions.
- 4) As appropriate, the Participants will utilize third party organizations that are agreed upon by both parties to assist with the implementation of this MOU. These third party organizations, under the direction of the Participants, will help to coordinate information exchange, activities, travel delegations and collaboration between the Participants. These organizations will also explore funding sources to enable travel and other forms of collaboration between the Participants.
- 5) All activities carried out based on the MOU must abide by the Participants' respective laws, rules and regulations and shall be subject to the availability of funds, personnel and other resources available to each Participant.
- 6) Consultation and exchange of information and documents shall preserve the security and integrity of the systems, processes, and information (including trade secrets) of each Participant and be without prejudice to Participants' legal

requirements or obligations, which may prevent the exchange of certain confidential information and documents under this MOU.

5. Supplementary provisions:

- 1) The Participants have decided that any disagreement arising from the implementation of this MOU be settled over amicable discussion.
- 2) This MOU is valid for two years upon the date of signature. The MOU may be extended and modified with the mutual consent of the Participants.
- 3) This MOU may be terminated by either party with a written statement to the other. After the termination of the MOU, the Participants must take necessary measures to conclude the ongoing activities in a swift and appropriate manner.
- 4) Nothing in this MOU precludes the Government of Shenzhen Municipality or the State of California from entering into any other agreement with an entity inside or outside of the United States of America or the People's Republic of China.
- 5) This MOU is signed in Shenzhen Municipality on June 18, 2013. This MOU shall be provided in two copies in both English and Chinese. Each party holds one copy and the two copies are equally authentic.

Authorized Representative from the Government of Shenzhen Municipality

Shenzhen Development and Reform Commission

Director General Xu, Anliang

Authorized Representative from the Government of the State of California

California Air Resource Board

Chairman, Mary Nichols

June 18, 2013

June 18, 2013