Memorandum of Understanding to Enhance Cooperation on Emissions Trading between the European Commission and the Ministry of Ecology and Environment of the People's Republic of China

1. Purpose

The European Commission and the Ministry of Ecology and Environment of the People's Republic of China (hereinafter referred to as "the Participants"), building on the EU-China Climate Change Partnership and bilateral cooperation projects, aspire to enhance their strategic cooperation on Emissions Trading System as a key policy tool to combat climate change. The Participants fully acknowledge the urgency of addressing climate change and the importance of giving full effect to the Paris Agreement. They consider Emissions Trading System to be a cost-effective policy tool with a significant potential to contribute to a low-carbon economy and the necessary innovation and deployment of low carbon technologies.

Building on the initial roll-out of the nation-wide ETS in China and the last revision of the EU ETS, the Participants concur on the need for an enhanced cooperation between the two largest world Emissions Trading System partners.

In this spirit, the Participants envisage the implementation of further actions and are confident that, in the longer term, a more comprehensive cooperation on Emission Trading Systems will result in mutual benefits to both China and the EU, as well as in contributing to the promotion of carbon markets in general.

2. Areas of Dialogue

The Participants envisage establishing a dialogue in areas relating to:

- The implementation of emissions trading in China and the EU.
- The promotion of Emissions Trading System as a policy and regulatory tool to combat climate change.
- The exploration of possible forms of comprehensive cooperation between Emissions Trading System that could:
 - o Help to address common challenges accruing from emissions trading
 - Open up prospects to create broader carbon markets.

3. Forms of Implementation

Forms of implementation may include but are not limited to the following:

(1) An annual policy dialogue

Mechanism taking place alternately in the EU and China and led by Directorate-General for Climate Action of European Commission and the Department of Climate Change of Ministry of Ecology and Environment of the People's Republic of China, with a view to:

- o exchanging information, experience and expertise on and promoting mutual understanding of:
 - Policy design and regulatory developments related to or of relevance for emissions trading.
 - The institutions and governance structures responsible for implementation, compliance and enforcement of emissions reporting, verification, accreditation and trading.
- o Exchanging views on the development of international carbon markets and pricing mechanisms.
- o Promoting exchange and discussion among stakeholders, in particular relevant institutions, industries, enterprises and experts in China and the EU.
- o Providing the necessary steer to the overall cooperation on emissions trading.
- (2) The joint organisation of seminars, workshops and, if case may be, other types of dialogue to:
 - o increase the capacity on emissions trading,
 - o prepare the ground for more comprehensive technical cooperation on emissions trading
- (3) Joint research activities and ad-hoc working groups on topics relevant to emissions trading.

In this context, the participants welcome the ongoing cooperation project and the activities foreseen under it.

4. Final Provisions

• The cooperation under this MOU will start on the date of signature and continue for a period of five years. It will then continue automatically if one of the Participants does not notify the other in writing of its intention to end the cooperation under this MOU at least

three months in advance of such discontinuation. The MOU is not designed or intended to create legal rights or obligations under international law.

- With unanimous consent of the Participants, this MOU may be modified by direct consultation and agreement. The modification should be in writing and marked with the effective date.
- The end of cooperation under this MOU cannot affect the validity of any cooperation projects under implementation.
- This MOU demonstrates the common desire of the Participants to strengthen cooperation on Emissions Trading System. Disagreements concerning this MOU will be addressed by direct consultation between the Participants.
- SIGNED in duplicate in Beijing on this 16th day of July in the year 2018, in the English and Chinese languages, both texts being equally meaningful.

For the European Commission

For the Ministry of Ecology and Environment of the People's Republic of China

章; 圭