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30 November 2007

Climate Change Group  
Department of the Prime Minister and Cabinet  
PO Box 6500  
Canberra ACT 2600

By email: [emissionstrading@pmc.gov.au](mailto:emissionstrading@pmc.gov.au)

Attention: Climate Change Group

**Re: ASX Submission to Early Abatement Incentives Discussion Paper**

The Australian Securities Exchange (ASX) welcomes the opportunity to comment on the proposed approaches and issues outlined in the discussion paper on Early Abatement Incentives published by the Department of the Prime Minister and Cabinet.

The focus of ASX's comments to this, and subsequent discussion papers, will relate to how the design of Australia's Emissions Trading Scheme (ETS) can enhance the ability of the financial markets to:

- reduce transaction costs (the costs of buyers and sellers finding each other);
- facilitate price discovery and the transfer of risk (underpinning investment decision-making); and
- minimise the prospect for counter-party and settlement default.

At the core of ASX's submission is the premise, supported by the successful precedent set in the European Union ETS, that the introduction of a forward market on emission permits and fungible credits at the earliest opportunity will generate the 'carbon signal' needed to facilitate informed investment decision-making, including investment decisions relating to early abatement and offset mechanisms.

The pre-requisites for the establishment of a forward market are the provision of legislative certainty for the key design features of the scheme and the setting of emission reduction targets, ie the supply constraint.

As outlined in our Media Release of 4 June 2007, ASX anticipates that it will be able to introduce a futures market prior to the issuance of emission permits. ASX's futures market for emission permits and fungible credits will facilitate the forward price discovery and risk transfer necessary for firms to factor future carbon prices into their investment decisions. Additional information, including briefing notes, discussion papers and previous submissions, are available on ASX's website – [www.asx.com.au/investor/emissions\\_trading](http://www.asx.com.au/investor/emissions_trading).

ASX's submission also highlights the importance of there being an interface to the Government registry for emission permits and fungible credits in order to efficiently facilitate clearing and settlement for the spot and forward markets.

It is imperative that a settlement service exists to support Australia's ETS. The late development of stand-alone registries in the EU ETS, without an interface to a settlement service for over-the-counter trading, has given rise to inefficiencies in the related spot and forward markets. The lack of settlement infrastructure has also been detrimental to the existing environmental schemes in Australia such as the Mandatory Renewable Energy Target scheme and the NSW Greenhouse Gas Reduction Scheme.

ASX intends to use its existing Austraclear infrastructure to provide Delivery vs Payment settlement services to support the settlement of spot and forward trades in emission permits and fungible credits. ASX Austraclear is already fully integrated into the back office processes and systems of almost all of the likely participants in Australia's ETS.

Given the lead times likely to be associated with interfacing settlement systems with the Government registry, the opportunity to have input to its design, and specifically its proposed interface mechanism, would ensure that critical market infrastructure will be available at the earliest opportunity.

ASX remains committed to providing its market infrastructure to facilitate emissions trading and working with the Commonwealth Government to optimise the design of its emissions trading scheme. We look forward to providing any further support you may require.

Yours faithfully

A handwritten signature in black ink, appearing to read "R. Elstane", is positioned to the left of a vertical red line. The signature is written in a cursive style.



## **ASX Submission to Early Abatement Incentives Discussion Paper**

In making this submission on the proposed approaches and issues outlined in the discussion paper on ‘Abatement Incentives Prior to the Commencement of the Australian Emissions Trading Scheme’, ASX has limited its response to those areas where it has relevant expertise and experience. We have not addressed all of the paper’s sections only those numbered below.

The focus of ASX’s comments relate to how the design of Australia’s emissions trading scheme (ETS) can enhance the ability of the financial markets to:

- reduce transaction costs (the costs of buyers and sellers finding each other);
- facilitate price discovery and the transfer of risk (underpinning investment decision-making); and
- minimise the prospect for counter-party and settlement default.

Wherever possible, ASX’s response specifically addresses the key approaches and questions identified in the discussion paper.

### **Summary of Key Points**

The establishment of a forward market on emission permits and fungible credits at the earliest opportunity will provide the most efficient means for firms to factor future carbon prices into their investment decisions – including decisions relating to abatement and offset mechanisms prior to the formal commencement of the ETS.

Firms will not be able to make informed decisions about pursuing abatement prior to the commencement of emissions trading in the absence of robust forward prices and the ability to transfer risk using financial market infrastructure, including clearing and settlement to minimise their settlement and counter-party risks. Specifically, in the absence of a robust forward market, firms will not know the marginal cost at which to cease investment in abatement or offset mechanisms.

Price signals from the forward market for emission permits and fungible credits will have greater significance for investment decisions relating to abatement prior to and during the ETS, than secondary trade in early action and offset credits, or the periodic auctioning of emission permits.

The prerequisites, at least those under the control of policy makers, for the forward market to commence are the:

1. setting of short-term emission reduction targets, ie the supply constraint; and,
2. provision of legislative certainty on the design of the scheme, including sufficient detail of the proposed registry for the forward markets to specify a delivery mechanism.

The above pre-requisites should be met as soon as is practicable.

An interface between the register containing early action and offset credits (and in time, emission permits) and the settlement provider (such as ASX Austraclear) to provide settlement services is critical. It is important to note that such infrastructure is missing for the NSW Greenhouse Gas Reduction Scheme (GGAS) and the Mandatory Renewable Energy Target (MRET) scheme.

The discussion paper notes, quite rightly, that incentives to achieve additional abatement in the period prior to the commencement of the ETS is not costless and that achieving maximum value at least-cost will be central to any decision to encourage such additional abatement. The value of additional abatement prior to commencement is likely to be small relative to what is required to be achieved over the life of the ETS.

Given the short window to develop infrastructure and protocols to support early action and offset credits, and the significant amount of other work ahead, the highest priority should be to provide legislative certainty on key design aspects of the ETS, including emission reduction targets, at the earliest opportunity. In turn, the forward markets will generate a robust carbon price signal for informed decision-making and risk transfer within the economy, including ‘carbon price informed’ short and long-term investment decisions during the period prior to the commencement of the ETS.

## **2. Ensuring Allocation Rules Maintain Abatement Incentives**

### ***Issues for stakeholder consideration***

*It is proposed that the emissions trading scheme regulator use verified emissions data from the first mandatory reporting period under the National Greenhouse and Energy Reporting System as the input into permit allocations.*

*It is proposed that the regulator supplement this with verified abatement data from the previous year and draw on other relevant sources of data where this would assist in ensuring firms receive an appropriate allocation of permits.*

As per one of its objectives, verified emissions data from the first mandatory reporting period of the National Greenhouse and Energy Reporting System should be used as an input into permit allocations. However, as the discussion paper notes: ‘there are many

other factors that may affect these calculations’; and that ‘permit allocation will be the subject of extensive consultation in 2008’.

A particularly challenging issue in finalising the permit allocation process will be to avoid the over-allocation of permits to firms that, due to their investment cycles, are already factoring in emission constraints into their business practises and decision-making as part of business-as-usual. The over-allocation of permits, as per the experience with the European Union ETS (Phase I), would reduce the effectiveness and credibility of Australia’s ETS.

The discussion paper notes that incentives to pursue abatement in the period leading up to the commencement of emissions trading necessitates permit allocation rules that ensure firms continue to undertake abatement prior to the commencement of trading and factor future carbon prices into investment decisions. ASX’s response to this is that firms cannot factor future carbon prices into their investment decisions, including decisions about abatement, prior to the commencement of emissions trading. In the absence of a forward market, facilitating price discovery and risk transfer, investment and abatement decisions are likely to be either postponed or sub-optimal.

### **3. Positive Incentives to Undertake Additional Abatement**

#### **3.1 Standards for abatement recognised by the scheme**

##### ***Issues for stakeholder consultation***

*It is proposed that credits can only be provided for activities that represent abatement that has actually occurred, is additional, permanent, measurable, and verifiable.*

For Australia’s ETS to be credible it is important that credits are only provided for activities that represent abatement that has actually occurred and is additional, permanent, measurable and verifiable. Specific tests for additionality in relation to credit for early action will have to be particularly rigorous given that - as referenced in the previous section - ‘many firms, due to their investment cycles, are already factoring in emission constraints into their business practises and decision-making as part of business-as-usual’.

#### **3.2 Eligible Activities**

##### ***Issues for stakeholder consultation***

*It is proposed that there be no restriction on the types of activities that can earn credits prior to 2011 for use in the emissions trading scheme, provided they represent abatement that is additional, has actually occurred, and is permanent, measurable, and verifiable.*

*It is proposed that early action credits be generated from eligible projects for abatement after 3 June 2007 until the commencement of the scheme due in 2011.*

*Similarly, it is proposed that offset credits for use in the emissions trading scheme can be generated from eligible projects for abatement after 3 June 2007.*

*To be eligible, it is proposed that projects would need to be established after 3 June 2007.*

*Abatement projects could only be approved following final decisions as to eligibility of activities for offsets or early action credits for use in a future emissions trading scheme.*

Eligible activities, particularly the distinction between early action and offset credits, are well defined in the discussion paper. One challenge for firms is that a significant period of uncertainty will pass after 3 June 2007 before it is definitively known what activities for offsets or early action credits are eligible for use in Australia's ETS.

### **3.3 Administrative Arrangements**

#### ***Issues for stakeholder consultation***

*It is proposed that the Australian Government's Greenhouse Friendly programme provide the initial administrative mechanism for approving offsets and early action credits for use in the emissions trading scheme.*

*It is proposed that the existing Greenhouse Friendly Protocol for new forest offsets be used to assess eligibility following any Government decision, but be reviewed in 2008.*

Given the Australian Government's Greenhouse Friendly programme already develops protocols and administers the approval of carbon offset projects, it makes sense to leverage this existing infrastructure.

It will be important that sufficient Government resources are allocated to streamline protocol development and administer the process of accreditation. Lengthy delays in finalising protocols or accrediting projects would compromise the credibility and level of investment in early action and offset credits.

Protocol development should be consistent with international best practice. Moreover, a conservative approach to protocol development should be taken so not to preclude future linkages with other schemes.

### 3.3.2 Streamlining Administration of Offsets and Early Action Credits

***Issues for stakeholder consideration***

*It is proposed that stream-lined protocols be developed for eligible early action and offset projects. Stakeholder feedback is sought on priority project activities for protocol development.*

See comments above. ASX has no specific feedback on priority project activities for protocol development other than the obvious point that the Government should focus on areas where the most benefit is likely to be derived.

### 3.4 National Register for Offsets and Early Action Credit

***Issues for stakeholder consideration***

*The Government proposes to develop as soon as practical a national offset register to track early action credits and offsets that could be recognised under the emissions trading scheme.*

A register to track all dealings in relation to credits which could be recognised in the ETS is a prerequisite for secondary trading in the market for early action credits and offsets. It is assumed that the same national register would, in time, record the issuance of emission permits and any other fungible instruments.

The clearing and settlement for the spot and forward markets required to underpin the success of Australia's ETS will need an efficient interface with the Government's registry for emission permits and any fungible credits.

Attachment 1 documents the settlement risks that currently exist in the EU ETS where the late development of stand-alone registries in several countries, and the lack of a settlement service for trades in the over-the-counter (OTC) market, has impeded the development of the spot and forward markets for EU emission allowances.

Attachment 2 provides more detail of how ASX intends to use existing ASX Austraclear infrastructure to facilitate Delivery vs Payment (DvP) settlement services for emission permits and fungible credits recognised by the Australian ETS.

### 3.6 Transitioning Early Action Credits into the ETS

#### *Issues for stakeholder consideration*

*It is proposed that the scheme regulator exchange early action credits for emission permits dated for use in the first year of the scheme.*

*It is proposed that there be no limit on the number of early action credits that would be recognised.*

*It is proposed that early abatement be taken into consideration when setting the emissions caps in the initial phase of the scheme.*

It is important that early action and offset credits are fully fungible with emission permits. For meeting obligations to comply with the ETS it should make no difference how the early action or offset credits were generated. This differentiation may be important for the voluntary market where participants often place a premium on how credits are generated. For the purpose of the ETS and to ensure efficient secondary and derivative markets, one tonne of CO<sub>2</sub> should equal one tonne of CO<sub>2</sub>.

Consistent with this fungibility, there should be no limit on the number of early action credits to be recognised, particularly *if early abatement is taken into consideration*<sup>1</sup> when setting the emissions caps in the initial phase of the ETS.

### 3.8 Voluntary Market Access to Offsets Accredited for Use in the ETS.

#### *Issues for stakeholder consideration*

*It is proposed that participants in the voluntary market would have access to early action credits and offsets credited for use in the emissions trading scheme.*

It is eminently practical to make the offset standard of the Australian ETS, and infrastructure such as the register, available to the voluntary market.

Such an approach would provide much needed credibility and efficiency to the voluntary market. For example, the voluntary market would also have access to financial market infrastructure that is unlikely to be duplicated for separate offset standards and associated stand-alone registries.

ASX has not developed market infrastructure for the voluntary market due to diversity of offset methodologies, the lack of critical mass and the inevitable duplication with the forthcoming ETS. There is also a fundamental credibility issue, namely that

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<sup>1</sup> It would be more apt to state '*if the expected amount of early abatement be taken into consideration*' because the emissions caps should be set at a very early stage so the forward market can establish a price that will enable informed decision-making regarding the actual level of early abatement.

buyers of voluntary credits at the present time have no assurance that what they are buying will be fungible with the forthcoming Australian ETS.

Providing legislative certainty regarding key design aspects of the ETS and setting emission reduction targets should ensure price parity for like-products between the voluntary and mandatory markets. A robust price signal for the voluntary market is currently lacking as price is determined by the marginal cost of generating credits from offset mechanisms and not by an overall cap on emission levels. In the absence of a national standard, a supply constraint and a robust and transparent forward market, it is currently difficult for buyers of offset credits in the voluntary market to ascertain the value of what it is they are buying.

Providing legislative certainty regarding key design aspects of the ETS and setting emission reduction targets should also provide the 'credibility' for mainstream financial institutions and brokers to service the emissions market.

## Attachment 1 - A Case Study of Settlement Risks in the EU ETS

Those exchanges currently facilitating the spot and futures markets in EU emission allowances have their own accounts at the various registries through which they administer DvP settlement services<sup>2</sup>.

It is worth noting, however, that DvP settlement services do not exist for the ‘non-centrally cleared’ OTC market for EU emission allowances. For example, with trading pursuant to:

- EFET and IETA agreements, payment occurs on the 20<sup>th</sup> day of the calendar month after the month in which allowances are delivered.
- ISDA agreements, the payment date is agreed between the parties – which is typically five business days after allowances are delivered.

In other words, ‘settlement risk’ – the risk in this instance that payment is not received after delivery has occurred - exists between the delivery date and the payment date. Note there is also operational inefficiency because ‘title transfer’ occurs through stand-alone registries and payment occurs through a completely different mechanism.

In other financial markets, such as the spot and OTC markets for debt instruments in Europe and Australia, title and payment are transferred simultaneously through DvP settlement services or a futures clearing house (as is the case for the exchanges facilitating spot and futures contracts in EU emission allowances). No exchange traded market or OTC spot/ forward market can operate efficiently without DvP settlement.

Trading EU emission allowances in the OTC (and exchange-based) markets was able to commence prior to the operation of the national registries in the EU ETS because there was sufficient definition of the registries for the OTC agreements (and exchange rules) to define a delivery mechanism. Spot markets, however, did not develop as readily, principally due to the late development of country-specific registries. Many of the national registries in the EU ETS, required to facilitate title transfer resulting from spot transactions, were not operational at the commencement of the EU ETS (Phase I) on 1 January 2005.

For the success of the Australian ETS there needs to be open and efficient access to the registry through an interface mechanism to enable the provision of settlement services, namely the simultaneous transfer of ‘title’ for payment. Such a settlement service is lacking for the existing NSW GGAS and MRET scheme. In the absence of DvP settlement services, settlement risk will impede liquidity in the spot and forward markets.

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<sup>2</sup> The simultaneous transfer of title for payment such that settlement risk, the risk that title is transferred and payment not received (or vice versa), is effectively eliminated.

## **Attachment 2 – A Case Study of ASX Austraclear**

This attachment provides an overview of how ASX Austraclear could interface with the Government registry for emission permits and fungible credits in order to provide DvP settlement services. The details will obviously depend upon the legislative framework for emission permits and fungible credits.

Austraclear is Australia's primary wholesale Central Securities Depository (CSD) and securities settlement system. The range of clearing and settlement capabilities offered include:

- clearing and settlement of Australian dollar debt securities, high-value cash payments, FX transactions and Australian dollar OTC derivative transactions.
- the facilitation of the settlement of high-value transactions, with simultaneous DvP transfer of cash and securities via a Real-Time Gross Settlement link with the RBA.
- registry and depository functionality.
- access to an extensive range of reports online to assist in the monitoring and managing of transactions.
- extensive straight-through-processing options, using either the Austraclear proprietary interface (SAFE) or SWIFT.
- Settlement of the financial component of electronic conveyancing transactions via batch settlement link with the RBA.

As at November 2007 there was approximately A\$920 billion of debt securities held in custody within Austraclear of which A\$54 billion were Commonwealth Government Securities (CGS) and A\$74 billion were State Government-issued securities. Austraclear is also the prescribed payment system for settlements in the National Electricity Market (NEM) and the West Australian Electricity Market.

Austraclear is an independent provider of market infrastructure. Austraclear is a licensed clearing and settlement facility as defined in the Corporations Act, and is supervised by the Australian Securities and Investments Commission (ASIC) and the RBA, who have oversight of Australia's payment system.

Most of the participants in the proposed ETS are among the 795 existing Austraclear Participants, including licensed Australian banks, NEM participants, SFE Clearing Participants and many large corporations. Austraclear Participants can maintain holdings in accounts on behalf of their customers including small corporates, individual investors and market speculators.

### **How Would DvP Settlement For Emission Permits and Fungible Credits Work Within Austraclear?**

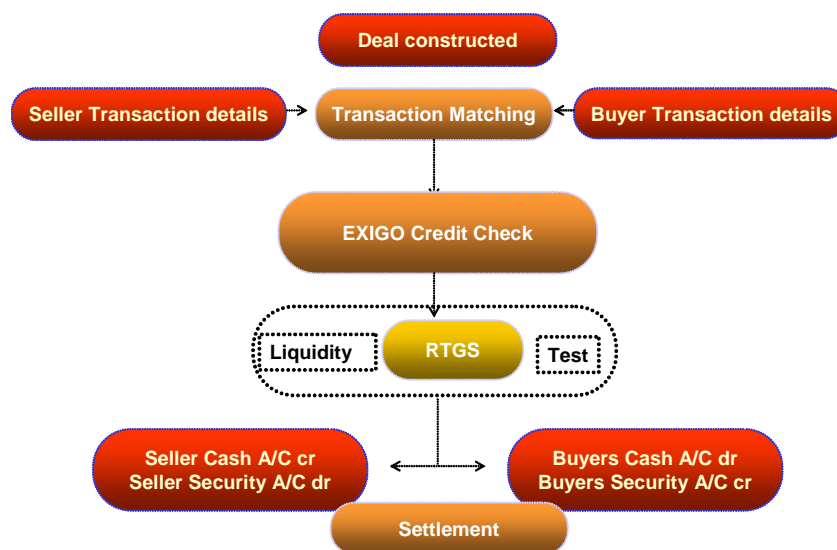
Each Austraclear Participant has an account(s) that records the instruments they have lodged with the ASX Austraclear CSD. In practice, owners of emission permits and fungible credits would lodge these in Austraclear's account at the register and in turn be issued with beneficial ownership of the same instruments within Austraclear. At

anytime beneficial owners can request lodgement of their emission permits and credits back into their account at the register by withdrawing them from the Austraclear depository.

Austraclear would become the legal owner of the instrument on the Government’s register with beneficial ownership recorded through the sub-register structure (security accounts) within Austraclear, in which each holder’s interests are recorded and updated as those interests change. Through this method the security account records changes in the beneficial ownership of the instrument.

The use of Austraclear does not negate the ability of the Government’s register to record and track the legal ownership of emission permits and fungible instruments at all times. It is important, however, that the legislative framework underpinning Australia’s ETS does not preclude the creation of beneficial interests in emission permits and fungible credits. We would be happy to discuss further how the legislative framework and the use of Austraclear could be structured to best facilitate the efficient settlement of credits and permits, in addition to all other aims of the ETS.

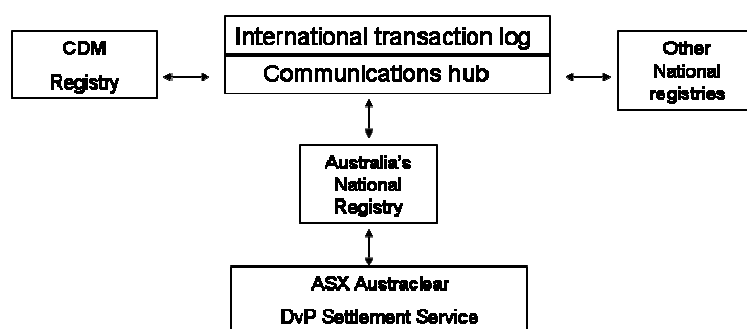
The sub-register, when combined with Austraclear’s Real-Time Gross Settlement (RTGS) link with the RBA’s RITS system, can simultaneously exchange title for payment. The following flow chart illustrates how DvP settlement occurs after a deal has been constructed.



Austraclear maintains a cash record for each participant, but does not actually handle funds. A more robust methodology is used in which each participant (user) of the Austraclear process must have an account with a bank which has an exchange settlement account with the RBA. Each such bank agrees with Austraclear to act as a banker to the relevant participant for this purpose. When funds need to change hands as a result of a transaction, Austraclear sends a real-time message to the RBA which moves the funds directly between the banks of the two participants to the transaction. Austraclear is specifically approved by the RBA to use this process and this methodology is already used extensively by Austraclear in its existing operations.

Note that Austraclear is not a trading system and that deals can be negotiated bi-laterally or via a broker in the OTC market, or through any centralised market – including markets not operated by ASX Ltd.

With Australia now intending to ratify the Kyoto Protocol, Australia’s ETS is likely to recognise Certified Emission Reduction (CER) credits and, subject to important decisions regarding linkages with other schemes, the ability to move units from one country to another (through emissions trading or Joint Implementation projects). As a consequence, the Government’s registry will require a link with the international transaction log put in place and administered by the United Nations Framework Convention on Climate Change (UNFCCC) secretariat. The following diagram illustrates how ASX Austraclear would interface with Australia’s national registry, with the latter retaining sole responsibility for all processes (other than DvP settlement) defined in the ETS, eg accreditation, banking, surrender, etc.



### **ASX Austraclear and CGS Issuance (an Example of DvP Settlement for a Third Party Registry)**

The relationship between Austraclear and the RBA, acting as registrar of CGS and issuer representative for the Australian Office of Financial Management (AOFM) within the Austraclear system, provides a good precedent for how ASX is proposing that Austraclear interact with the Commonwealth Government’s register for emission permits and fungible credits.

The raising, management and retiring of CGS are overseen by the AOFM. CGS are issued to the market by competitive tender at regular intervals.

Once the CGS tender process is complete Austraclear is advised of the tender details and lodges the CGS into the account of the RBA. The RBA then inputs transactions (electronically) into the Austraclear system matching the sale of the CGS with the accounts of successful bidders.

At the time of lodgement, title ownership is transferred to Austraclear Limited on the RBA register while the beneficial ownership details are recorded within the Austraclear sub-registry structure. In relation to CGS, the RBA acts as registrar, whereas State Governments generally use a combination of independent registrars (including Austraclear Services). In all cases Austraclear appears as the legal title

owner on the register. CGS lodged in Austraclear can be removed at any time through a withdrawal process.

Whilst in the system the CGS can be freely traded among Austraclear Participants with settlement occurring on a real-time DvP basis.

A variation of the above model would be a fully integrated registry and DvP settlement service, in which ASX would be the registrar for Australia's national registry on behalf of the Commonwealth Government. As described above, ASX already provides such a service for several State Governments.

### **The Benefits of Using Austraclear for Emission Permits and Fungible Credits**

The provision of DvP settlement services for emission permits and fungible credits would reduce the risk of settlement default in the related spot, forward and futures markets.

The simultaneous transfer of title and payment would also maximise operational efficiency, including straight-through processing into market participants' own systems with full access to transaction and account audit trails. The electronic participant interface structure of Austraclear allows for a number of processing efficiencies, including automated transaction entries, transaction matching and transaction settlement.

Use of Austraclear would minimise the requirement for new settlement infrastructure development to support Australia's ETS. Austraclear, an independent provider of market infrastructure, is already fully integrated into the back office processes and systems of almost all of the likely participants in Australia's emissions trading scheme.

Austraclear introduced a new software system in August 2006, developed and built specifically to handle Australian CSD requirements.

Austraclear operates a system which can be integrated with other systems, including the Government's registry for emissions permits and fungible credits. There are a number of different ways that Austraclear can interface with participants. Many participants opt to interface with Austraclear through SWIFT-based messaging or Austraclear's File Export Service (SAFE)<sup>3</sup>, both of which create significant savings in operational costs, and substantially reduce settlement errors and delays.

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<sup>3</sup> A secure HTML internet protocol.

### **Attachment 3 – A Summary of Earlier ASX Comments**

This attachment presents an excerpt from an ASX Media Release issued on 4 June 2007 after the (then) Prime Minister announced that the Commonwealth Government would introduce a ‘cap and trade’ ETS.

Important lessons to highlight from the EU ETS in the context of an ETS in Australia are:

1. Maximise the use of existing financial market infrastructure.

The European Climate Exchange (ECX), a related entity of the Chicago Climate Exchange) did not develop new infrastructure to facilitate the trading of futures contracts based on EU emission allowances. Instead, the ECX leveraged the existing services and infrastructure of the Intercontinental Exchange (ICE) and LCH.Clearnet.

ASX already operates a futures market and OTC clearing services for interest rate, equity, commodity and energy products. ASX Austraclear also provides payment services for Australia’s financial, electricity and existing environmental markets. New financial market infrastructure is not required to underpin an ETS.

2. Do not impede the development of derivative markets.

Approximately 95% of the total volume in the European carbon market has been in the form of derivative trades (forwards, futures and options) with the remaining in spot trades. Similar volumetric relationships exist between derivative and spot markets generally. Derivatives markets provide the lowest cost and most efficient markets to manage price risk.

As per the experience of the EU ETS, the majority of trading in an Australian ETS is likely to occur in the futures market as participants seek to manage their risk at the lowest cost.

3. Ensure open and efficient access to the registry.

The proliferation of different registries for emission allowances in the EU ETS has created significant additional complexity, cost and delay to the inception and liquidity of the spot market, which in turn has impacted on the forward market.

The development of an accessible and efficient registry service is key to the success of an ETS. Several lessons have been learnt from the introduction of stand-alone registries for the Renewable Energy Certificate Scheme, NSW Greenhouse Gas Abatement Certificate Scheme and the Queensland Gas Energy Certificate Scheme.

The introduction of a robust futures market and/or the clearing of OTC derivatives at ASX will be contingent upon the introduction of legislation to underpin a national ETS and its registry. Sufficient detail of the registry to underpin a delivery mechanism will also be required before any forward contract can be traded.