



ASX

AUSTRALIAN SECURITIES EXCHANGE

# ASX Renewable Energy Certificate (REC) Futures

ASX Renewable Energy Certificate (REC) Futures allow those with exposure to or interest in electricity and renewable energy markets to better manage their risks.

REC Futures support the Large-Scale Renewable Energy Target (LRET) and enhance the transparency and liquidity of the existing over-the-counter (OTC) spot and forward markets.

The diverse range of REC market participants and the Australian Government's commitment to a target of 20% renewable energy by 2020 presents opportunities and risks that need to be managed.

## The REC market in Australia

As of 1 January 2011, the enhanced Renewable Energy Target (RET) was split into two parts, the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

The two schemes have been established to encourage additional generation of electricity from a variety of renewable energy sources and provide a mechanism by which small-scale systems and renewable energy power stations can create and sell certificates based on the amount of renewable energy that they generate or displace.

The existing REC market is characterised by compliance-based primary project transactions as well as trading activity that benefits from participation by financial intermediaries and liquidity providers.

The emergence of new entrants and the significantly increased renewable energy generation requirements under the RET is spurring increased investment in renewable energy project development and trading activity in REC spot and forward markets.

## ASX REC Futures

REC Futures listed on ASX assist the development of the REC market by:

- **Promoting transparency.** REC Futures provide a transparent forward price curve that can be referenced for derivative pricing and risk management purposes;
- **Reducing counterparty credit risk through central counterparty clearing.** Existing OTC forwards can be registered through the Exchange For Physical (EFP) and Block Trade mechanisms;
- **Enhancing risk management.** Existing and new entrants in the clean tech/renewable energy sector are able to more effectively manage price and obligation risk;
- **Facilitating trading opportunities.** REC Futures are part of the extensive suite of ASX listed energy and environment products that enable cross-commodity trading between gas, electricity and environmental product schemes;
- **Providing global market access.** ASX markets seamlessly integrate with all of the existing financial institutions and brokers that already service the domestic and broader global energy and environmental markets.

# REC Contract Specifications

## RENEWABLE ENERGY CERTIFICATE (REC) FUTURES CONTRACT SPECIFICATIONS

Unit:	1,000 Renewable Energy Certificates (RECs). Renewable Energy Certificates (RECs) being large-scale generation certificates as defined in the Renewable Energy (Electricity) Act 2000 (Cth) as of 1 January 2011 except for RECs generated from wood waste sources the criteria of which is under the Renewable Energy (Electricity) Regulations 2001 and as indicated on the register of large-scale generation certificates as defined in the Renewable Energy (Electricity) Act 2000 (Cth) as of 1 January 2011. <sup>1</sup> RECs eligible for delivery have a creation period under the Renewable Energy (Electricity) Act 2000 (Cth) (see Rule 7000(a)) being any period up to 31 December in the calendar year preceding the Settlement Day.
Contract Term:	Yearly denomination up to five years ahead on the basis of January delivery.
Commodity Code:	EO
Minimum Price Movement:	Prices are quoted in dollars and cents per REC The minimum fluctuation of AUD \$0.05 is equal to AUD \$50.00
Last Trading Day:	Three (3) Business Days prior to Settlement Day
Settlement Month:	January
Settlement Day:	15th day of Settlement Month or next Business Day
Trading Hours:	Australian Eastern Standard Time 9.00 am - 4.00 pm
Settlement Method:	Deliverable
Designated Registry	The registry of large-scale generation certificates as defined in the Renewable Energy (Electricity) Act 2000 (Cth) as of 1 January 2011 operated by Office of the Renewable Energy Regulator (as replaced or re-named from time to time)



<sup>1</sup> Amendments to the REC Futures and Options Contract Determinations which clarify the types of RECs acceptable for delivery under the ASX 24 Operating Rules take effect on 9 May 2011.

# REC Delivery Process

REC Futures expire on the 15th of the expiry month or the next business day if the 15th is not a business day.

Positions remaining open after trading ceases on the last day of trading will go to delivery. Delivery is a T+3 delivery process (i.e. delivery and settlement occurs 3 days after last trading day) with Clearing House protection provided throughout the delivery process.

Payments occur via ASX Austraclear and the delivery of RECs occurs between the registry accounts of ASX Clear (Futures) Clearing Participants (or alternatively directly between buyer and seller accounts if desired).

The following diagrams outline the various steps in the REC Futures delivery process.

## T+1- POSITION CONFIRMATION AND DELIVERY MATCHING

### 10.00am – Expiring position confirmations sent to ASX



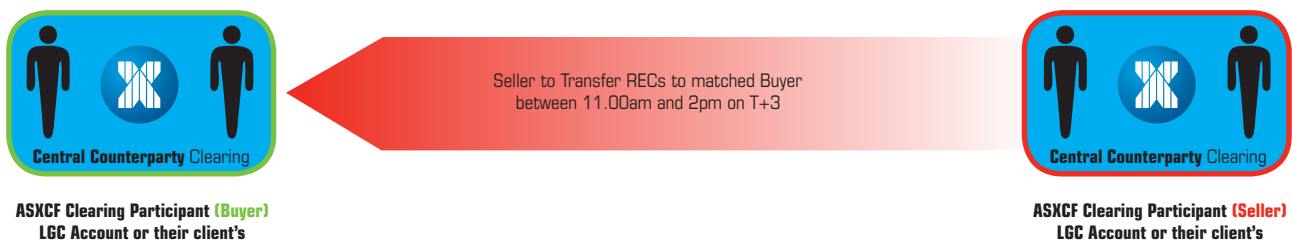
### 2.00pm – Invoice and Summary sent to Participants



## T+3 – DELIVERY AND SETTLEMENT



### LGC Registry Transfers



### Confirmation of Receipt & Settlement



## About ASX

ASX is a multi-asset class, vertically integrated exchange group, and one of the world's top-10 listed exchange groups measured by market capitalisation.

ASX's activities span primary and secondary market services, central counterparty risk transfer, and securities settlement for both the equities and fixed income markets. It functions as a market operator, clearing house and payments system facilitator. It monitors and enforces compliance with its operating rules, promotes standards of corporate governance among Australia's listed companies and helps to educate retail investors.

ASX's diverse domestic and international customer base includes issuers of securities and financial products, investment and trading banks, fund managers, hedge funds, commodity trading advisers, brokers and proprietary traders, market data vendors and retail investors.

By providing its systems, processes and services reliably and fairly, ASX generates confidence in the markets that depend on its infrastructure. This is integral to ASX's long-term commercial success.

More information on ASX can be found at:  
[www.asx.com.au](http://www.asx.com.au)

## Further Information

For more information, including the contact details for brokers and Clearing Participants, please visit [www.asx.com.au/products/futures/recs](http://www.asx.com.au/products/futures/recs)

or contact:

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For this contract the market is operated by Australian Securities Exchange Limited ABN 83 000 943 377