



ASX Environmental Futures

Commodities Markets Fact Sheet | Australia and New Zealand

ASX is working on the development of a suite of Environmental Futures products designed to support Australia and New Zealand's decarbonisation efforts and energy transition toward net zero. Environmental Futures will provide a transparent forward curve for the market to hedge and price the energy transition as the world moves toward crucial emission reduction targets. A liquid Environmental Futures market at scale could assist capital to flow from those making the net-zero commitments into the hands of those with the ability to reduce and remove carbon.

ASX plans to list three Environmental Futures contracts underpinned by three separate markets, subject to final internal and regulatory approvals. These three contracts cover Large Generation Certificates (LGC's), New Zealand Emissions Units (NZU's) and Australian Carbon Credit Units (ACCU's).

Carbon Market

- Demand for carbon credits continue to increase with the Government and corporates heavily focused on meeting their compliance and voluntarily emissions targets over the coming years
- The Australian and New Zealand Governments have committed to achieving net-zero emissions by 2050 and are targeting a reduction of 43% and 50% respectively¹ in Green House Gas (GHG) emissions by 2030
- Much of the private sector have also committed to net zero emissions by 2025 or 2030
- Green energy and carbon reduction infrastructure requires significant investment and time to develop
- Carbon offsets (i.e. carbon credits) support the energy transition by directing funds to renewable energy projects and decarbonisation efforts whilst allowing organisations to meet their emissions targets

Key features

- *Transparent forward curve* – Environmental Futures may improve price and data transparency by creating a liquid forward curve that is readily tradable and based on transaction and/or bid offer data
- *Standardised* – Each Futures Contract is generic with one Future equal to 1,000 tonnes of CO2 equivalent² not released into the atmosphere
- *Deliverable* – A deliverable contract offers an alternative avenue to access carbon credits. Those holding positions at expiry will be required to deliver or take delivery of underlying certificates with ASX facilitating end to end delivery to maintain anonymity

Benefits of Exchange Traded Markets

- Price transparency and liquidity
- Immediate execution and confirmation
- Reduction of counterparty risk
- Centralised clearing supported by a clearing guarantee, centralised risk management, collateral management and operational efficiency

¹ 43% and 50% reduction below 2005 levels

² Or 1,000 MWh of renewable energy generation for LGC's



Delivery process and features

ASX Environmental Futures are deliverable into the ASX Clear (Futures) account maintained at the relevant Environmental Registry. ASX Clear (Futures) will effect delivery with Clearing Participants acting on behalf of end clients.

The key delivery processes and timings are outlined below.

ACCU and LGC delivery timings

Day	Time (AEST/AEDT)	Details
Final Trading Day	12:00pm	On market trading ceases
	12:00pm – 5:00pm	Special blocks (1 lot minimum) are available to close out open positions
	5:30pm	Clearing Participants to notify ASX of delivery intentions
Final Trading Day + 2	4:30pm	Clearing Participants with short positions must ensure eligible Certificates or Units have been transferred to the nominated ASX account within the relevant registry
	5:00pm	ASX Clearing Operations runs final reconciliation
	5:30pm	ASX Clearing Operations sends invoice to Clearing Participants
Final Trading Day + 3	10:30am	Buyer payments to be made by 10:30am (via Austraclear)
	12:30pm	ASX to transfer payment to sellers
	From 2:30pm	ASX to commence transfer of Certificates or Units to buyers

NZU delivery timings

Day	Time (NZST/NZDT)	Details
Final Trading Day	12:00pm	On market trading ceases
	12:00pm – 5:00pm	Special blocks (1 lot minimum) are available to close out open positions
	5:30pm	Clearing Participants to notify ASX of delivery intentions
Final Trading Day + 2	4:30pm	Clearing Participants with short positions must ensure eligible Certificates or Units have been transferred to the nominated ASX account within the relevant registry
	5:00pm	ASX Clearing Operations runs final reconciliation
	5:30pm	ASX Clearing Operations sends invoice to Clearing Participants
Final Trading Day + 3	10:30am	Buyer payments to be made by 10:30am (via Swift)
	12:30pm	ASX to transfer payment to sellers
	From 2:30pm	ASX to commence transfer of Units to buyers



DRAFT Contract Specifications for the Australian Carbon Credit Unit (ACCU) Future

Commodity Code	CA
Launch date	July 2024, subject to final internal and regulatory approval
Underlying commodity	Australian Carbon Credit Units, which represent one tonne of carbon dioxide equivalent (CO ₂) greenhouse gas that is not released into the atmosphere
Contract Unit	1 Futures contract is equal to 1,000 underlying certificates (ACCU's)
Contract Months	March, up to five years ahead
Price quotation	Prices are quoted in Australian dollars per tonne to two decimal places
Minimum Price Movement	AUD \$0.01 per tonne
Final Trading Day	4 th March or, if 4 th March is not a Business Day, the next Business Day
Settlement Method	Deliverable. ACCU's must be delivered into the nominated account at the ANREU registry by no later than 4:30pm (AEST/AEDT) on the second Business Day following the Final Trading Day (Final Trading Day + 2)
Trading Hours	10:00am – 4:00pm Australian Eastern Standard Time (AEST) / Australian Eastern Daylight Time (AEDT)
Nomination Window	Sellers intending to go to delivery may commence transferring certificates to the ASX registry account from the Final Trading Day up to 4:30pm (AEST/AEDT) on the second Business Day following the Final Trading Day
Settlement Period	Three Business Days following the Final Trading Day
Block trade threshold	25 lots
Vendor codes	Bloomberg: AAOA Comdty Refinitiv: 0#YCA



DRAFT Contract Specifications for the Large Generation Certificate (LGC) Future

Commodity Code	CL
Launch date	July 2024, subject to final internal and regulatory approval
Underlying commodity	Large Generation Certificates (excluding wood waste), which represent one megawatt hour of renewable energy generation Vintage: Only Certificates created in the assessment year or earlier are accepted (Vintage Rule)
Contract Unit	1 Futures contract is equal to 1,000 underlying certificates (LGC's)
Contract Months	January, up to five years ahead
Price quotation	Prices are quoted in Australian dollars per tonne to two decimal places
Minimum Price Movement	AUD \$0.01 per tonne
Final Trading Day	27 th January or, if 27 th January is not a Business Day, the next Business Day
Settlement Method	Deliverable. LGC's must be delivered into the nominated account at the REC registry by no later than 4:30pm (AEST/AEDT) on the second Business Day following the Final Trading Day (Final Trading Day + 2)
Trading Hours	10:00am – 4:00pm Australian Eastern Standard Time (AEST) / Australian Eastern Daylight Time (AEDT)
Nomination Window	Sellers intending to go to delivery may commence transferring certificates to the ASX registry account from the Final Trading Day up to 4:30pm on the second Business Day following the Final Trading Day
Settlement Period	Three Business Days following the Final Trading Day
Block trade threshold	25 lots
Vendor codes	Bloomberg: LCAA Comdty Refinitiv: 0#YCQ



DRAFT Contract Specifications for the New Zealand Unit (NZU) Future

Commodity Code	CN
Launch date	July 2024, subject to final internal and regulatory approval
Underlying commodity	New Zealand Units (NZU's), which represent an allowance to emit one tonne of carbon dioxide equivalent (CO ₂ -e) greenhouse gas under the New Zealand Emissions Trading Scheme.
Contract Unit	1 Futures is equal to 1,000 underlying certificates (NZU's)
Contract Months	May, up to five years ahead
Price quotation	Prices are quoted in New Zealand dollars per tonne to two decimal places
Minimum Price Movement	NZD \$0.01 per tonne
Final Trading Day	4 th May or, if 4 th May is not a Business Day, the next Business Day
Settlement Method	Deliverable. NZU's must be delivered into the nominated account at the NZETR registry prior to 4:30pm (NZST/NZDT) on the second Business Day following the Final Trading Day
Trading Hours	10:30am – 4:00pm New Zealand Time
Nomination Window	Sellers intending to go to delivery may commence transferring certificates to the ASX registry account from the Final Trading Day up to 4:30pm (NZST/NZDT) on the second Business Day following the Final Trading Day
Settlement Period	Three Business Days following the Final Trading Day
Block trade threshold	25 lots
Vendor codes	Bloomberg: UNSA Comdty Refinitiv: 0#NCN

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