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Q1

Contact name

John Lawson

Q2

Company name

Midway Limited

Q3

Contact email

[REDACTED]

Q4

Respondent skipped this question

We will treat all submissions as public documents, unless you request it to be confidential. We may publish non-confidential submissions on our website. Submissions will be published with the name, company name email address information included.

Page 3: The new Unit & Certificate Registry

Q5

What registry features and functionality will be the most important to address the current challenges faced by carbon markets?

The proposed exchange will broaden the set of potential buyers for project proponents generating generic ACCUs.

Additionally, this will create market engagement activities for those operating small projects that may not have wanted to participate in the ERF auction process, and been too small to attract offtake through current markets.

Finally, this will allow the broader public to participate in carbon market investment.

Q6

What registry features and functionality will be the most important to take advantage of the opportunities presented by the growth in carbon markets?

The key challenge for market participants currently is information asymmetry. Current market participants that are not seeing large trade volumes are highly reliant on a small number of market monitors, each with a fragmented view of the market.

Additionally, many trades are undertaken directly between project proponents, and liable entities and voluntary market participants.

While the proposed exchange is unlikely to materially change the behavior of those currently trading bilaterally over the counter, trading volumes currently moving through brokerage houses are significantly more likely move onto the exchange. This increase in market transparency (and likely liquidity) will help significantly in providing price signals.

Building on the point above, the simplicity and broader demand pool will also materially increase liquidity, which is another challenge for certain methods in particular. The proposed approach would allow for a designation of sequestration, which will help in increasing the liquidity of premium land based offsets; however, the inability to flag more premium ACCUs (including plantation forestry and environmental plantings) will likely mean that these ACCUs continue to see lower liquidity and stay off the exchange.

Q7

Should information about the co-benefits associated with units and certificates (for example, First Nation community outcomes and environmental benefits) be made available in the registry? If so, should this include third-party verified and unverified information?

Yes, this should include third-party verified and unverified information

Comment:
Any ability to flag specific co-benefits will be a strong selling point for participating in the exchange; however, this potential participation will still be limited by the ability for buyer to price discriminate based on the verified co-benefits.

Q8

What existing frameworks could be relied upon to verify co-benefits?

The proposed Nature Repair Market would be a robust verification framework for nature based offsets, beginning with environmental plantings and hopefully expanding into other land based offsets activities providing biodiversity and landscape enriching activities, such and plantation forestry.

In addition to this verification framework, the NSW Government's Biodiversity Fund and similar domestic frameworks, and reputable international verification standards such as Verra's Climate, Community and Biodiversity Standard, and other international voluntary and UNFCCC water, biodiversity and environmental improvement standards.

Q9

What types of digital platforms and marketplaces would be useful to have connected directly to the registry? What are the key benefits and risks of allowing this connectivity?

The proposal is sufficient.

Q10

Yes

Are the criteria (see page 11 of the discussion paper) to allow external systems to connect directly to the registry appropriate?

Q11

What registry data would external systems connecting directly to the registry need access to?

Ideally, market participants would be able to access information on the number of units being traded, the price, the methods of the underlying units and any flagged co benefits.

Q12

Are there any other areas, suggestions or concerns with the registry that should be noted?

A potential problem with this as I see it is that this will likely incentivise speculative buying of ACCUs. This is not an issue in other markets that use CDI (bonds for example) as there isn't an underlying compliance demand pool for these, but for ACCUs, removing these from the compliance market will exacerbate the expected ACCU shortage and put upward pressure on prices.

This could put pressure on the ACCU compliance market.

Page 4: The proposed exchange-trading model

Q13

Project proponent

Please identify the specific carbon exchange user segment(s) applicable to you:

Q14

Does the market need a central carbon exchange to be established?

No,

Comment:

This is not a necessity; however, in the absence of more transparent and trade level data from the ANREU itself, this exchange could improve the current information asymmetry.

Q15

Are there alternative options to a carbon exchange that could provide greater accessibility, liquidity and price discovery for ACCUs and other certificates?

Yes, collection of price data and deidentified trade level data out of ANREU is another approach that would solve the underlying transparency problem, without creating speculative demand pressure on price.

Q16

What challenges do you foresee in the use of the CDI framework to support the carbon exchange and the proposed process to convert CDI holdings into ACCU holdings? How might these challenges be mitigated?

The primary risk is to exacerbate the potential looming undersupply in the ACCU compliance market. Speculative demand from a broader set of buyers could drive prices unsustainably high, with liable entities having no option but to buy the over priced ACCUs or default on their liability.

Q17

Would you use a carbon exchange that is developed using the prototype model outlined above and in Appendix A (see page 17 in the discussion paper)?

No. Midway primarily produces and trades premium land based offsets and would be unlikely to get the true value of our ACCUs through the proposed exchange.

Q18

What quantities of ACCUs do you anticipate buying or selling through the carbon exchange?

na

Q19

How frequently do you anticipate buying or selling ACCUs through the carbon exchange?

na

Q20

Do you prefer the quotation of ACCUs on the carbon exchange to be:

Other (please specify),

Comment:

There should be at least three classes of ACCU, further separating sequestration ACCUs to include premium land based offsets with co benefits.

Q21

Do you anticipate any market implications from bifurcating listing to carbon sequestration and emissions avoidance?

This may create an asymmetry in liquidity; however, would allow purchasers with specific needs or minimum offsets integrity standards to better price discriminate between units.

Q22

Are there other classes that should be considered for quotation of ACCUs on the carbon exchange?

Yes, as above

Q23

Would the public disclosure of the project method of an ACCU that is received, and then subsequently surrendered or cancelled, under a system generated random allocation process when converting CDIs to ACCUs:

	Yes/no
adversely impact your intended use of the carbon exchange?	No
is any such adverse impact mitigated by option 2 above, that is, limiting ACCUs received to those generated under a project method classified as involving 'carbon sequestration' or 'emissions avoidance' (as applicable to the class of ACCUs traded)?	Yes
Comment: As above	

Q24

Do you support placing controls or disincentives on the cycling of ACCUs off and onto the exchange with the intention of exchanging one ACCU with certain attributes for another, or should such cycling be allowed?

Yes,

Comment:

Having better flagging and the ability to discriminate between method subgroups, as above, would remove the need for cycling. While cycling itself is likely not problematic, it is inefficient and could muddy trade data, undermining one of the key benefits of the exchange.

Q25

If controls or disincentives against cycling off and onto the exchange are to be introduced, should they involve:

	Yes/no
Restrictions on the use of ACCUs following the collapse of a CDI so that they must be surrendered for Safeguard Mechanism compliance or voluntary cancellation for offsetting purposes?	Yes
Restrictions or economic disincentives on cycling ACCUs allocated upon conversion from CDIs back onto the exchange but not otherwise restricting the use of those ACCUs (e.g. so that they may be sold on the OTC market)?	Yes
Some other form of restriction or disincentive?	Yes
Other (please specify): As above, the best way to disincentivise cycling is to render the need moot through broadening of unit classes.	

Q26

Will the proposed exchange model complement the OTC market?

No,

Comment:

Premium ACCUs are highly unlikely to move to the proposed exchange.

Q27

Are there other issues beyond those set out in this paper with only identifying the project method and other specific attributes of an ACCU after conversion from a CDI?

Yes,

Comment:

As outlined above. In addition, allowing the establishment of forward offtakes and/or the incorporation of futures within the proposed exchange may make it more appealing to those trading premium land based offsets.

Q28

Are there any other areas, suggestions or concerns with the proposed exchange trading model that should be noted?

Again, much of the benefit of the proposed exchange could be achieved through changes to the public reporting out of ANREU.

Q29

Respondent skipped this question

If you would like to submit additional materials to support your response, please attach documents here.
