

Carbon market infrastructure for holding and trading certificates and units

Coversheet for submissions

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Do you want this submission to be treated as confidential? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

Submission instructions

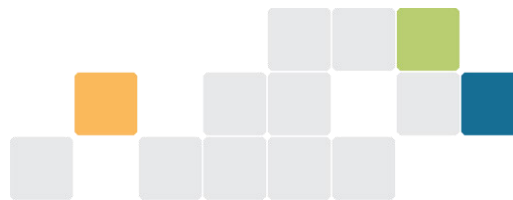
Submissions are due by **Friday 22 November 2024**. Any submissions received after this date will be considered at our discretion. Submit your submission via carbonmarkets@cer.gov.au. Include this coversheet with your submission.

Confidentiality and privacy

The Clean Energy Regulator will treat all submissions as public documents, unless the author requests the submission be treated as confidential. Public submissions may be published in full on the Clean Energy Regulator's website. If published, the submission will include the individual's or organisation's name along with the relevant state or territory.

A request may be made under the *Freedom of Information Act 1982* (Cth) for a submission marked 'confidential' to be made available. Such requests will be determined in accordance with provisions under the *Freedom of Information Act 1982*.

The agency will deal with personal information contained in, or provided in relation to, submissions in accordance with the [privacy policy](#).



National Stock Exchange of Australia Response to the Proposed Exchange Traded Model

5.2 Consultation questions (exchange trading model)

Please read the detailed outline of the proposed exchange-trading model at Appendix A before answering the consultation questions.

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

- a. Project proponent
- b. Emitter – compliance market (Safeguard responsible emitter)
- c. Emitter – voluntary market (not a Safeguard responsible emitter)
- d. Exchange participants
- e. Investor in ACCUs
- f. Other – please specify: Tier 1 Market Operator

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

CER has stated that:

The exchange model would operate in a similar way to the cash equities market where ACCUs can be traded, cleared and settled, using existing market infrastructure with an end-to-end solution

This model currently operates with multiple Tier 1 Market Operators, utilising the current only licenced Clearing and Settlement Facility through ASX Clear and ASX Settlement.

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

NSX believes that competitive markets thrive in a more open environment where innovation will prevail leading to a wider a deeper market with broader access. Hence CER should not mandate a single market model.

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 use of CDI's in the proposed exchange traded model is workable. Other exchange trade access to carbon products may also be possible and hence should be encouraged.

Would you use a carbon exchange that is developed using the prototype model outlined above and in Appendix A, and if so:

- g. what quantities of ACCUs do you anticipate buying or selling through the carbon exchange?
- h. how frequently do you anticipate buying or selling ACCUs through the carbon exchange?

Alternative models may be possible and should not be discouraged by CER.

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

- i. as a single generic class (option 1); or



- j. bifurcated into 2 classes – carbon sequestration and emissions avoidance (option 2)?

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

Bifurcation may create greater opportunities for a wider array and differentiation of products and access.

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

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:

- k. adversely impact your intended use of the carbon exchange? and
- l. 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)?

No Comment

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?

CER should consider a flexible approach to encourage innovation outside a central exchange model as proposed.

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

- m. 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?
- n. 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)?
- o. Some other form of restriction or disincentive?

Will the proposed exchange model complement the OTC market?

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?

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

It is a matter for market users to determine whether the homogenisation of ACCUs to concentrate liquidity [page 14] serves their needs – particularly where tangible co-benefits may be desirable but are obscured by design. If this approach fails to meet users' needs it might be expected that the market will remain substantially OTC.