

22 November 2024
Clean Energy Regulator

Submitted online: <https://cer.gov.au/news-and-media/public-consultations/carbon-market-infrastructure-holding-and-trading-certificates-and-units>

Dear Sir/Madam,

RE: Enabling deep, liquid, transparent and accessible carbon markets in Australia

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Clean Energy Regulator's (CER) 'Enabling deep, liquid, transparent and accessible carbon markets in Australia' Discussion Paper.

Origin is a large Australian integrated energy company with activities in energy retailing, power generation, natural gas production and LNG export. Origin has experience in exploring new product offerings and is focused on areas such as solar & storage, connected homes, electric vehicles (EVs) and Low Carbon Liquid Fuels (LCLFs). We unequivocally support the Paris Agreement and actions to limit the global temperature increase to 1.5°C above pre-industrial levels. Origin has extensive experience in carbon markets in Australia including under the National Greenhouse and Energy Reporting (NGER) Scheme, Renewable Energy Target (RET), and Safeguard Mechanism. Origin's key views on the paper are:

- **API Functionality & Resilience:** Origin requires both inbound and outbound API functionalities to perform tasks like transaction execution, certificate tagging, and integration with Energy Trading and Risk Management (ETRM) systems and inventory management systems. The registry must ensure resilience during API downtimes, scalability for peak periods, and real-time tracking of holdings.
- **Methodology, Co-benefits, and Verification Framework:** Origin emphasizes the importance of transparent methodologies for certificate allocation (e.g., FIFO), with optional reporting on co-benefits, such as those benefiting First Nations Peoples. These co-benefits must be verified to prevent self-claims, potentially aligning with international frameworks. For example, the IPCC's or World Bank's MDB Framework.
- **Registry Transition & Safeguard Compliance:** Origin seeks clarity on transitional arrangements for the FY2023-24 Safeguard Compliance dates, with ACCUs remaining in the existing Registry and SMCs moving to the new Registry. Further guidance on Safeguard Responsible Emitters is requested ahead of the 31 March 2025 compliance deadline.
- **Exchange Trading Model & ACCU Bifurcation:** While Origin's needs are met by the existing OTC market, we acknowledge that smaller exchanges may attract other buyers and believe the investment in creating a new central carbon exchange should be carefully assessed for its market effectiveness.

We have provided more detailed responses to the consultation paper questions below. If you wish to discuss any aspect of this submission further, please contact Maria Woloszyn Senior Business Analyst - Carbon on [REDACTED] or [REDACTED] Or Vanessa Moskal, Carbon Integration Manager, on [REDACTED] or [REDACTED]

Yours sincerely



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Registry features and functionality (Q1-Q7)

Origin considers the new Unit and Certificate Registry is an important opportunity to offer API functionality while having resilience if API goes down, scalability for peak times, transparency of methodology, and details of certificates, such as verified co-benefits.

Notably, Origin recommends the CER utilise the existing feedback from users regarding experience from the various Registries. Such feedback could also serve as an example to follow for the new Unit and Certificate Registry for SMCs, Guarantee of Origin Certificates, ACCUs, and more as existing and new certificates are migrated across to the new Registry.

The REC Registry provides several key functions that Origin values, including tagging certificates, transferring them between intercompany accounts, searching and downloading certificate activity and details, and managing account users. The public registers available to non-account holders are beneficial. Enhancing these internal and external features in the new registry would add significant value.

API Functionality

Origin requires both inbound and outbound API functionalities to enable our systems to perform a variety of tasks in mandatory compliance and voluntary goals.

These tasks include executing transactions in the registry, such as tagging, transferring between inter-company accounts, facilitating transfers (offers and accepts) with other counterparties, handling voluntary surrenders, and processing creation requests.

Additionally, the system needs to receive the output of executed transactions from the registry for each account or commodity. This output should include transactional data at the certificate level, encompassing all certificate attributes, certificate serial number ranges, and transactional header information, including transaction IDs. Another consideration is the ability to easily tag and ring fence certificates for specific purposes, including the ability to select specific ranges of certificates that have been tagged.

The system should also include integration error handling and health checks to ensure smooth operations. An extension of the current public API will be required to support these functionalities, along with real-time tracking of holdings.

For more specific requirements, clear and timely communication and notifications must be facilitated between the registry and APIs. Furthermore, the system should have the ability to integrate with ETRM systems and inventory management systems. Also, that attributes on status, sales and source of the certificate to marry up on inventory. This integration will streamline transactions and help reduce operational risks, such as ensuring transfers align with parameters defined in contracts or agreements.

It is important that the system has resilience. In particular, should API fail, the situation would not break business. It is desirable to be able to access all data, across multiple financial years, at their lowest grain even without APIs, in extractable reports. A significant attribute is the capacity of the new Registry to have scalability in peak times.

Transparency of Surrenders

Origin recommends that registry users be provided with the ability to surrender certificates on behalf of customers by allocating or linking the surrender to the customers' accounts. This approach would improve transparency in reporting and claims. For instance, if Origin is retiring credits on behalf of Customer X, the process could involve requesting Customer X's registry account number and completing the surrender with a direct linkage to their account.

Further, it would be beneficial to have a Report generated for surrenders (including voluntary surrender) that can be sent on to the customer as confirmation. Having a surrender certificate with perhaps a public hyperlink would foster greater transparency of surrenders. This ability to capture customer name on the surrender and reflect details is more authentic, and auditable that this has happened on their behalf, coming from CER.

Transparency of Methodology

The methodology for allocating certificates for Surrender and/or Transfer should be both configurable and auditable. For example, users should be able to set their preferred method, (set certain conditions, if applicable) and apply, such as First In First Out (FIFO), where the oldest certificates in inventory are traded out first. This ensures that older certificates are prioritised for removal. The default allocation method should be FIFO but flexibility for configuration is essential.

Co-benefits in Registry and Verification of Claims

Origin supports the detail of co-benefits to be available in the new Registry as more information may drive differing value, treatment, or reporting. For instance, a buyer may be interested in co-benefits to First Nations Peoples as part of their organisation's Reconciliation Action Plan. However, this must be carefully verified with third-party independent verification and not self-claimed. Making co-benefits information available for ACCUs would be a useful alignment to international registry's such as VERRA.

Internationally, countries use several frameworks to assess co-benefits, particularly in the context of climate change adaptation and mitigation. The CER may wish to consider the following frameworks below:

- World Bank's Joint Multilateral Development Bank (MDB) Methodology: This framework is used to track climate finance and assess climate co-benefits in projects. It involves a detailed process to identify and quantify the benefits of climate adaptation and mitigation measures
- IPCC Guidelines: The Intergovernmental Panel on Climate Change (IPCC) provides guidelines that link mitigation, adaptation, and sustainable development. These guidelines help in evaluating the synergies and trade-offs between climate actions and other sustainable development goals. In Australia, NGER reporting currently uses IPCC framework.

Ways to assess co-benefits:

- Analytical methods to quantify co-benefits
- Tracking climate finance
- Supporting climate action while furthering development objectives
- Considering co-benefits in decision-making to avoid trade-offs between developmental and environmental issues.

With this considered, Origin is of the view that reporting requirements for co-benefits should be optional and market appetite for this information will drive project owners to decide how they use this option.

Other considerations

It is worth noting that the CER has advised of a transitional arrangement for FY2023-2024 Safeguard Compliance, with ACCUs remaining in the existing Registry and SMCs to be available in the new Registry. Origin requests further guidance for Safeguard Responsible Emitters, ahead of the 31 March 2025 compliance deadlines.

Exchange Trading Model Q9-Q22

Regarding the Exchange Trading Model, Origin has the perspective of a (b) emitter in the compliance market as a Safeguard responsible emitter, as well as (d) an exchange participant and (e) an investor in ACCUs.

Concerning ACCUs being bifurcated into two classes, if such classification is considered necessary to align with legislation, then the vintage can also be a key criterion to bucket the inventory, as most buyers for certificates look for vintage criteria as well.

In essence, Origin, at its large size and its access to the market, is not necessarily the target for the creation of a new central carbon exchange or the use of ACCUs being turned into CDIs for exchange on the ASX. Our needs are largely supported by existing OTC market. However, other buyers may be more interested, such as those wishing to diversify their portfolio and engage in trading of ACCUs in smaller exchanges. Origin would raise that the investment and effort to create the exchange should be weighed against modelling on its use and effectiveness in the market.

With the implementation of the new platform, some questions remain whether there will be updates to the terms of use for this registry. Also, whether the users be consulted on the document to provide feedback and if there is a process in place to notify users for any updates and changes to the terms of use.