



16 November 2007

Greenhouse and Energy Reporting Taskforce  
Australian Greenhouse Office  
Department of the Environment and Water Resources  
GPO Box 787  
CANBERRA ACT 2601

Email: [reporting@greenhouse.gov.au](mailto:reporting@greenhouse.gov.au)

Dear Sir/Madam

**Submission on National Greenhouse and Energy Reporting System  
"Regulations Discussion Paper"**

The Australian Financial Markets Association (AFMA) is pleased to make this submission on the Regulations Discussion Paper.

AFMA has played a leading role in the development of spot and forward trading in Renewable Energy Certificates, NSW Greenhouse Abatement Certificates and other environmental product markets in Australia. As the national association for participants in the wholesale financial markets, we have established trading protocols and developed standard contract documentation, as well as providing data services, dealer accreditation, training and other services to facilitate the efficient operation and development of the markets.

This submission focuses on two interrelated issues:

- The utility of the system from an information user's perspective, and
- The application of the system to a future AETS.

AFMA Members include information reporters and information users and in some cases both. We expect that our Members who are information reporters will submit on reporting issues via alternative channels and thus we focus here on the information user's perspective.

**The Information User's Perspective**

We note that the system design is intended to be multi-purpose, seeking to streamline reporting for a number of uses as well as, at a minimum, informing the introduction of an AETS.

The primary interest of AFMA Members is in the latter, specifically in the provision of high quality, consistent and centrally collected information on emissions by AETS liable parties. This will provide significant foundation information about the supply/demand situation for emission units under an AETS with its consequent influence on price formation. Interpretations of this information will, of course, vary from analyst to analyst, but the availability of high quality, consistent and commonly accessible information should promote

market efficiency and user confidence, leading to a more evenly informed and liquid market.

In this context, we note and express concern about:

- The requirement to report Scope 2 emissions as well as energy consumption, which infers double-input and redundancy as well as introducing potential errors through inconsistency;
- The option to voluntarily report emissions other than Kyoto Protocol defined emissions and sources; and
- The option to voluntarily report Scope 3 emissions.

AFMA has no fundamental objection in this regard, but submits that the public reporting of such data should be clearly segmented and be unambiguous as to its categorisation as either an AETS emission or a non-AETS emission.

Consequently, AFMA strongly supports that Scope 1 and Scope 2 emissions be clearly separately reported, thus aligning with a future AETS dataset.

We are aware of some uncertainty as to the continued ready availability of the data that is necessary for the efficient operations of existing State-based compliance markets. The lack of this data may lead to disruption in those markets. Whilst these markets continue, it is important that there be no impediment under this system to the effective and efficient operation of those markets by virtue of barriers to information supply.

Finally, we recommend that information be supplied from this system at no cost and in an open and readily accessible manner. We note that, when making all data from the Australian Bureau of Statistics free of charge from December 2005, the Treasurer highlighted the importance of business decision-makers having "... readily available statistical information with which to make informed decisions".

**The Application to a Future AETS**

We assume it is intended that this system also acts as the compliance reporting system under a future AETS.

AFMA is strongly supportive of a single reporting system that can extend its multi-purpose functionality to that required under an AETS.

However, AFMA has concerns about aspects of such a system and its future legislative underpinnings on a number of fronts:

- A single system that seeks to serve "multiple masters" (ie compliance reporting, other emissions/energy reporting, voluntary reporting) will potentially expose itself to a greater risk of user error (eg high value compliance inputs mixed with low value voluntary inputs);
- We expect that different, additional and specific legislative instruments will be required to give effect to an AETS and are concerned about the possibility of an evolution and/or multiplicity of potentially inconsistent definitions of, for example, "greenhouse gases", "emissions", "eligible offsets" etc between the reporting system and the AETS;
- This system appears to be based on June-end financial year reporting, whereas the clear international standard for emissions compliance is

based on a calendar year. Therefore some adjustment is required to accommodate calendar year reporting in an AETS; and

- Under an AETS, AFMA strongly advocates quarterly submission and public release of emissions information, as is proposed for the New Zealand ETS. This would promote a regularly informed market, thereby minimising the likelihood of seeing the excessive price volatility witnessed in the EU ETS around annual data releases.

To discuss any of the issues raised in this letter, please contact Allen Young, Senior Policy Executive, on (02) 9776 7941 who can make the necessary arrangements.

Yours sincerely

A handwritten signature in cursive script that reads "Duncan Fairweather".

**Duncan Fairweather**  
**Executive Director**