



## MARKET NOTICE

**Market Notice:** 2 - 2014

**Date:** 24 June 2014

**Subject:** Carbon Reference Price under the AFMA Australian Carbon Benchmark Addendum

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The AFMA Electricity Committee has met frequently in recent months to discuss the prospect and implications of potential retrospective application of the Carbon Tax Repeal legislation after 30 June 2014, and the role of the Committee in regard to the Australian Carbon Benchmark Addendum.

At issue was how the Committee would make a determination with respect to the calculation of the Carbon Reference Price (CRP) for the financial year 2014/2015. This determination had been made complex by the government's stated intention to repeal the carbon tax on a retrospective basis if necessary sometime after 1 July 2014. The Committee has consulted with a wide section of market participants, relevant authorities and legal experts in relation to these issues prior to making a determination.

On the 19<sup>th</sup> June 2014, a significant majority (80%) of Committee members voted to support the following option:

*The base CRP for each calculation period in 2014/2015 is \$25.40. However, in the event of retrospective carbon tax repeal passing both Houses of Parliament by the 18th of July 2014, the base CRP will be \$0 for and with effect from the calculation period commencing at 12:00am on 1st of July 2014. However, in the event of carbon tax repeal (retrospective or otherwise) passing both Houses of Parliament after the 18th of July 2014, the base CRP will be \$0 for and with effect from the calculation period commencing at 12:00am on the day after royal assent to the carbon tax repeal legislation is given.*

For the purposes of parties who have contracts utilising the Australian Carbon Benchmark Addendum, the AFMA Electricity Committee has selected the following methodology for the CRP for 2014/2015:

*The methodology for determining CRP for each Calculation Period commencing at or after 12:00am (AET) on 1 July 2014 until the Calculation Period commencing at 11.30pm (AET) on 30 June 2015 is the following:*

*(a) subject to paragraphs (b) and (c), \$25.40;*

*(b) where the Parliament of Australia has, on or before 18 July 2014, passed legislation:*

- (i) repealing the Clean Energy Act 2011 with effect from 1 July 2014; or*
- (ii) removing the obligation to surrender eligible emissions units under the Clean Energy Act 2011 with effect from 1 July 2014,*

*in each case whether or not the relevant legislation has received Royal Assent on or before 18 July 2014, then CRP is \$0 with respect to each Calculation Period commencing at or after 12:00am (AET) on 1 July 2014;*

*(c) where the Parliament of Australia has, after 18 July 2014, passed legislation:*

- (i) repealing the Clean Energy Act 2011; or*
- (ii) removing the obligation to surrender eligible emissions units under the Clean Energy Act 2011,*

*then CRP is \$0 with respect to each Calculation Period commencing at or after 12:00am (AET) on the date immediately following the date of Royal Assent to the relevant legislation.*

#### **About AFMA**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.