



## **Guidance Note: Execution and Settlement Guide for Environmental Product Transactions**

AFMA is publishing this guide to help ensure the smooth execution and settlement of transactions for the purchase and sale of renewable energy certificates and other environmental products.

### **On-boarding process**

- Before two parties transact, each party should properly identify the other. This may require the completion of a counterparty identification form covering matters such as a party's full legal name and ABN, its address, its registry and bank account details and the email address and other details of the party's contact person.

### **Execution**

- Two parties may settle the commercial terms of an environmental product transaction in various ways. They may settle those terms directly between themselves, or those terms may be settled using the services of a broker.
- No matter which way the commercial terms are settled, it is best practice for a written agreement to be executed by both parties and for there to be nothing legally binding between the parties until that has occurred. That agreement will include the detailed terms and conditions of the environmental product transaction including the settled commercial terms.
- Unless the parties have otherwise agreed, it is expected the seller of the environmental products will prepare and issue the proposed form of agreement by the business day following the day the commercial terms are settled.
- The buyer should review the proposed form of agreement as soon as possible and either confirm to the buyer that it is acceptable or take up with the seller any issues the buyer has with the terms and conditions proposed.
- Once the parties are ready, the agreement should be executed by an authorised representative of each party.

### **Transfer of environmental products**

- On or before the agreed transfer date, the seller should ensure the relevant environmental products are transferred to the buyer. If a delay in transfer is anticipated, the seller should notify the buyer.
- The seller should ensure that the environmental products transferred are of the agreed type and otherwise conform to the agreed vintage and fuel source, etc. The buyer is entitled to reject any transfers of non-conforming environmental products.
- Unless alternative arrangements have been agreed, the environmental products must be transferred to and from the parties' respective registry accounts with the buyer entitled to

reject any transfer of environmental products from any third party's registry account.

- Representatives of both parties should be available on the agreed transfer date, to facilitate the transfer of the relevant environmental products to the buyer.

### **Invoicing and payment**

- The seller should provide the buyer with a valid tax invoice no later than midday, one business day before the agreed payment date. Any delay in providing a valid tax invoice may result in delayed payment.
- The ATO's website is a good source of information regarding the content requirements for tax invoice requirements. As a guide:

<b>Reference</b>	<b>Requirements</b>
1	That the document is intended to be a tax invoice
2	The seller's identity and ABN
3	The buyer's identity and ABN
4	The date the invoice was issued
5	A brief description of the EPs sold, including quantity and price
6	The GST amount (if any) payable – this can be shown separately or, if the GST amount is exactly one-eleventh of the total price, as a statement such as 'Total price includes GST'
7	The extent to which each sale on the invoice is a taxable.

- The ABNs included in the tax invoice should match exactly those of the parties as included in their agreement.
- The seller should also include the seller's bank account details on the tax invoice.

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