

28/05/2024

Regulatory Reform and Implementation
Australian Securities and Investments Commission

Subject: Response to Consultation Paper 378 - Update to RG236

[REDACTED] welcomes the opportunity to provide feedback on the consultation for amendments to the Safeguard Mechanism Reforms, Update to RG 236.

Please see our specific responses to the consultation questions on the page below.

[REDACTED] is happy to have our submission made public, but without personal names or our organisation name.

[REDACTED]

[REDACTED]

[REDACTED]

Response to proposals and and questions

To preface our response to consultation we feel it is important to understand how [REDACTED] (and other AP's) fit within the *lifecycle* of financial instruments such as ACCU's and SMC's; that being from project kick off, through to creation, assessment and verification, buying and selling and finally retirement. [REDACTED] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

B1Q1 Do you think that any additional guidance is needed to assist financial services providers in applying for or varying an AFS licence so that they are authorised to provide financial services in relation to SMCs? If so, please detail the additional guidance required.

[REDACTED] does not have any additional feedback on this question [REDACTED]
[REDACTED]

B2Q1 Is the updated example provided for derivatives practical and useful in understanding when there may be a derivative involving an emissions unit? If not, how can the example be improved or made clearer?

[REDACTED] believes the provided example in RG 236.118 provides practical and useful information when read in combination with RG 236.116.

B2Q2 Are there any other common real-world scenarios where there may be a derivative involving an emissions unit that would further assist in understanding the application of s761D for ASIC to provide guidance on? If so, briefly describe other relevant scenarios.

Whilst the overall information eventually assists [REDACTED] to understand [REDACTED] [REDACTED] would not constitute as a financial service, there is a need to read multiple scenarios and examples to come to this conclusion. We would suggest that providing an example, such as we have, about how we fit within the lifecycle of a financial instrument would assist all stakeholders participating in emission reduction schemes.

Example

A customer who has assets of >2.5M or turn over of 250K p.a. have responsibilities under the National Greenhouse and Energy Reporting Scheme to report their emissions and as a business make their own financial decision to offset their emissions through the purchasing and surrendering of ACCU's.

The customer does not have access to or qualify for a carbon registry account and therefore engages an Accredited Provider such as [REDACTED] who has access to a carbon registry to buy and surrender certificates, generated from a specific project type to meet their business requirements.

The AP investigates the market and returns factual information to the customer with several ACCU options to consider, providing information about 1) What type of project

[REDACTED]

created the ACCUs, 2) What co benefits the project has had linked to it and 3) What price the ACCUs from each project are from each supplier. The customer makes their own decision around which project they wish to acquire and surrender ACCUs from and instructs the AP, to complete the transaction on their behalf. Evidence of the transaction is provided by the AP to the customer.

B2Q3 Is the updated example for an ACCU Scheme aggregated project at Example 3 useful in understanding when such an arrangement may involve the operation of a managed investment scheme? If not, how can this example be enhanced to provide improved guidance?

believes the updated example in Example 3 provides practical and useful information when read in combination Figure 2.

B2Q4 Is the updated example of ACCUs generated from multiple ACCU Scheme projects to fulfil a single carbon abatement contract at Example 4 useful to demonstrate circumstances where such an arrangement may not be a managed investment scheme? If not, how can this example be enhanced to provide improved guidance?

believes the updated example in Example 4 provides practical and useful information.

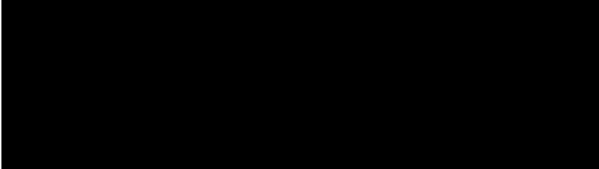
C1Q1 Does our updated guidance assist your understanding of whether you may be providing financial product advice? If not, briefly describe any additional guidance that would enhance your understanding of when financial advice relating to regulated emission units is being provided.

As with question B2Q2, whilst the overall information eventually assists to understand would not constitute as a financial service, there is a need to read multiple scenarios and examples to come to this conclusion. We would suggest that providing an example, such as we have, about how we fit within the lifecycle of a financial instrument would assist all stakeholders participating in emission reduction schemes.

C2Q1 Does our proposed additional guidance assist your understanding of when you may be making a market? If not, what further explanation may assist your understanding of when a person is making a market in ACCUs or SMCs?

believes the additional guidance regarding making a market provides practical and useful information and assists with our understanding of making a market.

Please do not hesitate to reach out if any of the above requires further clarification or any other questions.



Kind Regards,

