

# Frequently Asked Questions

ASX Environmental Futures | July 2024

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## 1. What are Environmental Futures?

Environmental Futures are exchange traded derivative products designed to support Australia and New Zealand's energy transition and decarbonisation efforts. Environmental Futures provide a transparent forward curve out to five years, sending important price signals for risk management and investment.

ASX offers three deliverable Environmental Futures Contracts covering:

- Australian Carbon Credit Units (ACCU's)
- Large-scale Generation Certificates (LGC's)
- New Zealand Units (NZU's)

## 2. What are the key features of the contract?

**Standardised:** Each contract is generic with one future equating to 1,000 tonnes of carbon dioxide equivalent Green House Gas not released into the atmosphere or 1,000 MWh of renewable energy generation (LGC's). Alternatively, one Futures contract is equal to 1,000 underlying Certificates or Units.

**Deliverable:** The contracts are deliverable, meaning at expiry those holding short (sell) Futures positions will be required to deliver commensurate Certificates or Units. Those holding long (buy) positions must make payment and take delivery of the Certificates or Units in accordance with the contract specifications detailed in the ASX 24 Operating Rules and Procedures.

**Transparent:** Five annual futures contracts per product will be listed at any one time, providing a transparent forward curve out to five years.

**Support the energy transition:** A transparent forward curve should assist in the allocation of capital to fund projects and initiatives that support the energy transition.

## 3. Why is ASX listing Environmental Futures?

ASX offers exchange traded commodity derivatives covering electricity, gas and grains markets. ASX intends to build on this and deliver an integrated transitional eco system to help the market manage the uncertainty and risk of the energy transition. Environmental Futures will be a key part of this, supporting the growth and maturity of Australia and New Zealand's carbon and renewable energy markets.

## 4. How can I gain access to trade Environmental Futures contracts?

Environmental Futures are available to trade on ASX 24 to wholesale clients only. Wholesale clients can gain access to trade the new contracts via a Clearing Participant who supports these products. A list of ASX 24 Clearing Participants can be found [here](#).

## 5. Do I need a registry account to trade ASX Environmental Futures?

A registry account is not required to trade Environmental Futures. However, to be a party to delivery, both Clearing Participants and end clients will need an account at the relevant registry. The delivery process takes place within the relevant registry and is facilitated by ASX Clear (Futures).

For the Clearing Participants and clients that do not intend or are not able to go to delivery, open positions need to be closed out prior to market close (at 12:00 pm Sydney time<sup>1</sup>) on the Final Trading Day.

Clearing Participants that do not maintain an account at the relevant registry must have appropriate procedures in place to ensure close out of any open client positions prior to the Final Trading Day cut off times and must provide an attestation to this effect to and in the form prescribed by the Market Operator.

## 6. Do I need to set up a house and client account at the registry (Clearing Participants only)?

Clearing Participants must maintain house and client sub accounts at the registry for the purpose of effecting delivery with ASX Clear (Futures). Clearing Participants are required to notify ASX of the relevant house and client sub account numbers for the purpose of reconciliation with ASX Genium positions.

## 7. How do I get a registry account?

A registry account can be set up by contacting the relevant registry directly. The guidance and email contact for each registry are as follows:

### *Australian Carbon Credit Units (ACCU's):*

**Registry:** Australian National Registry of Emissions Units (ANREU)

**Account Opening:** <https://www.cleanenergyregulator.gov.au/OSR/ANREU/Opening-an-ANREU-account>

**Contact Details:** [ParticipantAssessment@cer.gov.au](mailto:ParticipantAssessment@cer.gov.au) (account specific queries),

[CER-RegistryContact@cer.gov.au](mailto:CER-RegistryContact@cer.gov.au) (generic queries)

**Time to open account:** recommend allowing 6 months to complete process from start to finish

### *Large Generation Certificates (LGC's):*

**Registry:** Renewable Energy Certificates (REC) registry

**Opening a REC account:** <https://www.cleanenergyregulator.gov.au/OSR/REC/Create-an-account>

**Contact details:** [enquiries@cleanenergyregulator.gov.au](mailto:enquiries@cleanenergyregulator.gov.au)

**Time to open account:** recommend allowing 2 months to complete process from start to finish

### *New Zealand Units (NZU's):*

**Registry:** New Zealand Emissions Trading Register (NZETR)

**Opening an NZETR account:** <https://emissionsregister.govt.nz/Common/Guidance.aspx>

**Contact details:** [emissionstrading@epa.govt.nz](mailto:emissionstrading@epa.govt.nz)

**Time to open account:** recommend allowing 4 months to complete process from start to finish

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<sup>1</sup> 10:00am Sydney time for NZU's

## 8. What are the registry opening hours?

All three registries are open 24 hours a day, 7 days a week.

## 9. What are the contract expiry dates?

In order to claim emission offsets, Certificates or Units must be surrendered to the government by the underlying surrender date. ASX's delivery period is set 2-4 weeks ahead of the government surrender date<sup>1</sup> for the underlying scheme allowing sufficient time for the market participants to source the Certificates/Units by taking the futures contract to delivery. The Final Trading Day and delivery day for Environmental Futures and the associated underlying surrender dates are listed below.

Product	Final Trading Day (ASX 24)	Settlement (delivery)	Government surrender date
ACCU Future	4th March or, if 4th March is not a Business Day, the next Business Day	Three Business Days following the Final Trading Day (FTD + 3)	31 <sup>st</sup> March <sup>1</sup>
LGC Future	27th January or, if 27th January is not a Business Day, the next Business Day	Three Business Days following the Final Trading Day (FTD + 3)	14 <sup>th</sup> February <sup>1</sup>
NZU Future	4th May or, if 4th May is not a Business Day, the next Business Day	Three Business Days following the Final Trading Day (FTD + 3)	31 <sup>st</sup> May <sup>1</sup>

<sup>1</sup> Government Surrender dates at the time of contract listing in July 2024

## 10. How is the Daily Settlement Price calculated?

The Daily Settlement Price will be calculated in accordance with ASX 24 Operating Rule Procedure 2500.1 – Futures Daily Settlement Price Procedures as outlined below.

### Procedure 2500.1 Futures Daily Settlement Price Procedures

- (a) Immediately following the Close of a Market, a Daily Settlement Price for each Futures Contract shall be displayed on the Trading Platform. Daily Settlement Prices shall be calculated by the Market Operator by using any one, or a combination, of the following methods:
- (i) where there is a final bid and a final ask that is within the tick range set out below, the mid-point between the final bid and final ask, rounded up shall be the Daily Settlement Price;

Futures Contracts	Specified Tick Range
Environmental Futures	5 Dollars

or

- (ii) where there is either a final bid or a final ask, and there is a last trade price, then the last trade price shall be the Daily Settlement Price, unless the last trade price is below the final bid or above the final ask, then the final bid or final ask shall be the Daily Settlement Price; or

- (iii) where there is either a final bid or a final ask, and there is no last trade price, then the final bid or final ask shall be the Daily Settlement Price; or
- (iv) where there are no final quotes, and there is a last trade price then the last trade price shall be the Daily Settlement Price; or
- (v) where there are no final quotes and no last trade, then the previous day's Daily Settlement Price, adjusted to maintain the previous days differential to the spot month or underlying index of the relevant Equity Index Futures Contract, shall be the Daily Settlement Price; or
- (vi) where there are no final quotes and no last trade in the spot month, then the previous day's Daily Settlement Price shall be the Daily Settlement Price; or
- (vii) where appropriate, a Daily Settlement Price can be determined based on a differential with an Inter-Commodity related product;

### 11. What time is the Expiry Settlement Price declared and how is this calculated?

The Expiry Settlement Price is the Daily Settlement Price on the Final Trading Day of the futures contract and is published at 12:00pm local time<sup>2</sup>.

### 12. How do margins and the delivery of margins work throughout the product lifecycle and delivery period?

All futures traded on ASX 24 are margined in accordance with SPAN margining system. Initial Margin will be calculated at the time a position is opened while Variation Margin will be calculated based on closing prices each day. On the Final Trading Day, Initial Margin minus Spot Month Isolation Rate (SMIR) will be returned. SMIR plus Variation Margin will be held for positions being taken to delivery and returned on the Final Trading Day + 3, once all positions are closed out.

### 13. What are the trading fees?

Fee Type	ACCU Futures	LGC Futures	NZU Futures
Trading fee	AUD \$50 per lot	AUD \$50 per lot	NZD \$50 per lot
Delivery fee	AUD \$65 per lot	AUD \$65 per lot	NZD \$65 per lot
EFP fee	AUD \$50 per lot	AUD \$50 per lot	NZD \$50 per lot
Block Trade fee	AUD \$50 per lot	AUD \$50 per lot	NZD \$50 per lot
Block Trade registration fee	AUD \$20 per block registered	AUD \$20 per block registered	NZD \$20 per block registered

<sup>2</sup> For ACCU's and LGC's, the Expiry Settlement Price is published at 12pm AEST. For NZU's, the Expiry Settlement Price is published at 12pm NZST (10am AEST).

#### 14. Does GST apply to the physical delivery of Certificates/Units?

GST will be applied to the invoice for LGC physical delivery only. ACCU and NZU physical delivery invoice will not include GST.

All ASX trading fees (listed in the table above) will be subject to GST.

#### 15. What are the Certificates and Units eligible for delivery?

##### *ACCU's eligible for delivery*

There are over 30 different methods for ACCU generation, some of which have co-benefits attached which can result in a perceived value differential between ACCU's. Co-benefits are additional benefits created as a result of the method of generation such as environmental, social and cultural benefits.

For the purpose of government surrender to meet compliance obligations, all ACCU's are considered equal. ASX will accept all ACCU methods as eligible for delivery in alignment with government policy. If government policy changes in the future, ASX will reconsider the ACCU delivery eligibility criteria.

A full list of ACCU scheme methods can be found on the [Clean Energy Regulator website](#).

##### *LGC's eligible for delivery*

LGC's are classified into a number of categories. Wood waste certificates are not considered acceptable for delivery in the LGC Over The Counter market and are excluded in the AFMA Environmental Products Conventions. ASX excludes wood waste from delivery.

All LGC's, with the exception of wood waste, are considered equal and fungible and will be accepted for delivery provided their creation occurred prior to the year of futures contract expiry ([Vintage Rule](#)). **The Clean Energy Regulator designates that only certificates created in the assessment year or earlier are eligible for surrender.** For example, a January 2025 LGC Futures contract will expire in January 2025. Only LGC's created prior to 2025 will be accepted for delivery in January 2025.

##### *NZU's eligible for delivery*

All NZU's are considered equal and fungible and will be accepted for delivery.

#### 16. How does the delivery process work?

The delivery process takes between 3-4 Business Days to complete from start to finish, commencing on the Final Trading Day. ASX will only engage with Clearing Participants throughout delivery.

Clearing Participants are ultimately responsible for client open positions held at the time of contract expiry (Final Trading Day 12:00pm). Clearing Participants retain the ability to close clients out of positions prior to market close if they are not willing or able to go to delivery.

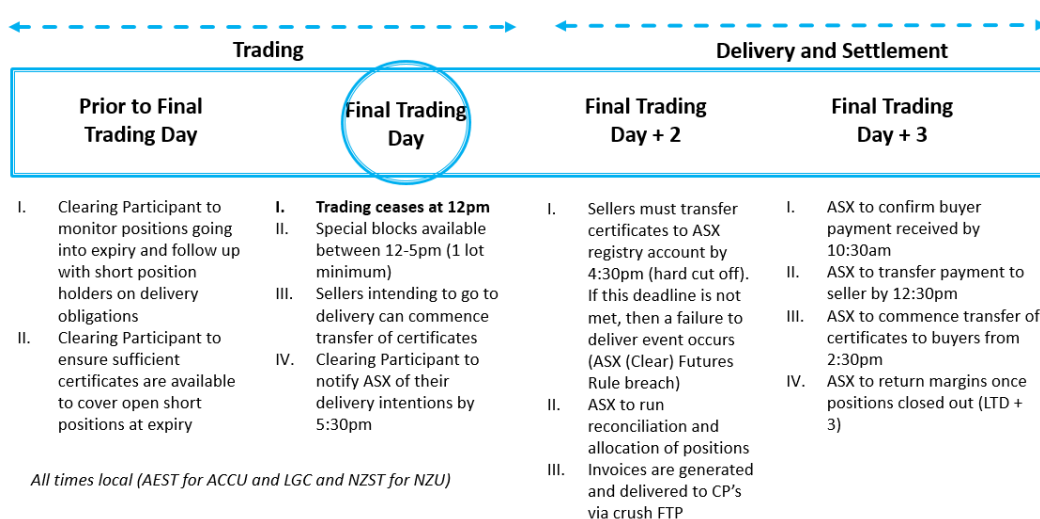
Sellers (clients) who intend to hold a short position to expiry can deliver Certificates or Units into their Clearing Participant's registry account at the relevant registry ahead of the Final Trading Day.

Clearing Participants are required to notify ASX Operations of their delivery intentions by 5:30pm on the Final Trading Day via email ([clearing@asx.com.au](mailto:clearing@asx.com.au)) or file delivery via SFTP. The Clearing Participant must then transfer the Certificates or Units into the nominated ASX Registry account by the designated cut off time i.e. 4:30pm Sydney time (2:30pm Sydney time for NZU) on the second Business Day following the Final Trading Day.

ASX will run reconciliation and allocation of positions from 5pm Sydney time (3pm Sydney time for NZU) on the Final Trading Day + 2 and the invoices are generated and delivered to Clearing Participant's via SFTP from 5:30pm Sydney time (3:30pm Sydney time for NZU) on the Final Trading Day + 2.

On the Final Trading Day + 3, ASX will confirm the receipt of payments by 10:30am Sydney time (8:30am Sydney time for NZU) from the buyers and initiate transfer to the sellers by 12:30pm Sydney time (10:30am Sydney time for NZU). The transfer of Certificates or Units to the buyers will commence from 2:30pm Sydney time (12:30pm Sydney time for NZU) onwards and the margins will be returned once all positions are closed out.

Clearing Participants facilitating delivery should have a process in place to ensure Certificates and Units are fairly and objectively allocated among buyers.



### 17. How do we notify ASX of our delivery intentions (Clearing Participants only)?

Clearing Participants are required to notify ASX Operations of their delivery intentions by 5:30pm Sydney time (3:30pm Sydney time for NZU's) on the Final Trading Day via email ([clearing@asx.com.au](mailto:clearing@asx.com.au)) or file delivery via SFTP using the form provided by ASX Operations.

### 18. What is the final time to transfer Certificates/Units on Final Trading Day + 2?

For ACCU's and LGC's, the Clearing Participants with short positions must ensure eligible Certificates or Units have been transferred to the nominated ASX account within the relevant registry by 4:30pm Sydney time (2:30pm Sydney time for NZU) on the Final Trading Day + 2.

A failure to deliver event will occur if the designated cut off time is not met and will be treated as a breach of the ASX Clear (Futures) Operating Rules.

### 19. What is the final time to receive Certificates/Units on Final Trading Day + 3?

Clearing Participants with long positions must ensure payment has been made to ASX by 10:30am Sydney time (8:30am Sydney time for NZU) on the Final Trading Day + 3. Once all buyer payments have been received, ASX will transfer payment to sellers by 12:30pm Sydney time (10:30am Sydney time for NZU) on Final Trading Day + 3.

The transfer of Certificates/Units will commence from 2:30pm Sydney time (12:30pm Sydney time for NZU) on Final Trading Day + 3. ASX will endeavour to complete all Certificate/Unit transfers by 5:00pm on the Final Trading Day + 3.

## 20. What happens in a failure to deliver scenario?

It is the obligation of the Clearing Participant to monitor client positions into expiry and follow up with clients on their intention to go to delivery, particularly where a short (sell) position is held. In the event that a Clearing Participant fails to deliver on a short position prior to the designated cut off time, a failure to deliver event occurs, resulting in a breach of ASX Clear (Futures) Operating Rules for the Clearing Participant.

Where there is a failure to deliver, buyers will be cash settled at the Expiry Settlement Price. Buyers may still need to source underlying Certificates or Units in the OTC market to satisfy surrender or on sell obligations. Compensation may be provided where those Buyers have incurred a financial loss when sourcing underlying Certificates or Units, subject to the satisfaction of the below criteria:

- A. Buyers must have taken all steps necessary to effect delivery
- B. Failure to deliver must not be a result of the cancellation or revocation of Certificates or Units by the relevant Environmental Registry
- C. Buyers must source Certificates or Units within two business days of a failure to deliver
- D. Buyers must present evidence of Certificates or Units purchased, including the purchase date, Certificate or Unit type (method for ACCU's) and purchase price to ASX within three business days of a failure to deliver
- E. Compensation is calculated as the difference between the ASX Expiry Settlement Price (with ASX acting as the calculation agent) and the purchase price of underlying Certificates or Units and may cover OTC brokerage fees that are reasonably incurred. The below criteria will be applied to the compensation calculation
  - A price ceiling will be applied to ACCU compensation. ACCU compensation will be limited to the average spot price of Generic ACCU's
  - The ACCU Generic spot price will be determined based on an average of prices sourced from a minimum of two OTC brokers
  - GST on physical transfers will only apply to LGC's

Compensation will be paid out of the Spot Month Isolation Rate (SMIR) plus the Variation Margin of the defaulting Clearing Participant. If the margin withheld does not cover the compensation amount, then ASX will recover the shortfall from the defaulting Clearing Participant.

## 21. What is the process to claim compensation in this scenario?

Compensation claims should be submitted by Clearing Participants (on behalf of their client) to [commodities@asx.com.au](mailto:commodities@asx.com.au) within three business days of a failure to deliver or Default event. Clearing Participants have up until 5pm on the third business day to submit the claim. Payment will be made to the relevant Clearing Participant within five business days of the event.

## 22. What happens if the registry is unavailable during delivery?

**Circumstances Delaying Delivery** specified under *Environmental Futures Contracts* in the *ASX 24 Operating Rules* will apply. The rule states that "If any delivery of Certificates or Units (as applicable) required cannot be effected by the time specified in the ASX 24 Operating Rules Procedures due to the unavailability of the Environmental Registry or other issue, such delivery shall be made as soon as possible and in accordance with

any instructions that may be given by the Market Operator in consultation with the Approved Clearing Facility.”

**Circumstances Preventing Delivery** specified under *Environmental Futures Contracts in the ASX 24 Operating Rules* will apply in the event delivery cannot occur within the timeframe outlined in the ASX 24 Operating Rules Procedures. The rule states that “If, due to circumstances beyond the control of the Buyer or Seller (as applicable or their Clearing Participants) the Seller is permanently unable to deliver the Certificates or Units (as applicable) or the Buyer is permanently unable to accept the Units as required under these Rules, the Market Operator or Approved Clearing Facility will cancel the delivery process and the contracts of the Buyer and Seller will be cash settled at a price determined and advised by the Market Operator or Approved Clearing Facility.”

Circumstances beyond the control of the Buyer or Seller are limited to the following:

- the services provided by the Environmental Registry to the Approved Clearing Facility in connection with the Environmental Futures Contracts are terminated or amended in a manner which prevents the performance of delivery obligations in accordance with these Rules, including where the Environmental Registry or Issuer cancels or revokes the Units;
- natural disasters;
- fires, floods or explosions;
- acts of Government including governmental restriction or control on export, import or foreign exchange;
- war;
- strikes; or
- any other circumstances which the Market Operator or Approved Clearing Facility determines to be beyond the control of the Buyer or Seller;

which was not reasonably foreseeable by the Buyer or Seller (as applicable).

### 23. How do Clearing Participants ensure Units/Certificates are fairly and objectively allocated?

Clearing Participants should design their own process that will appropriately manage / mitigate any perceived or actual conflicts when transferring Certificates/Units among buyers. For example, an allocation process primarily based on a volume matching criteria where the largest volumes on the buy and sell side are matched first until there are no Certificates/Units left to match. The allocation process is self-managed by each Clearing Participant and will not be reviewed or approved by ASX.

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