



Clean Energy Regulator

Carbon market infrastructure for  
holding and trading certificates and  
units

**submission**

November 2024



**Carbon  
Market  
Institute**



# Clean Energy Regulator: Carbon market infrastructure for holding and trading certificates and units

## submission

The Carbon Market Institute (**CMI**) welcomes this opportunity to provide feedback on the new unit and certificate registry (**Registry**) and proposed **Carbon Exchange** by responding to the Clean Energy Regulator's (**CER**) discussion paper, 'Enabling deep, liquid, transparent and accessible carbon markets in Australia' (**Discussion Paper**). Consultation opened on the 11 October 2024.

CMI is an independent, member-based institute that promotes the use of market-based solutions and supports best practice in decarbonisation to limit warming to 1.5°C. Our membership of approximately 150 includes primary producers, carbon service providers, First Nations organisations, legal and financial institutions, technology firms and emissions-intensive companies in Australia and the Asia Pacific. The CMI Board updates CMI's Policy Positions annually, which draw on practical insights from—but are ultimately independent of—members.<sup>1</sup> CMI also administers the Australian Carbon Industry Code of Conduct (**ACI Code**), which was established in 2018 to steward consumer protection and market integrity.<sup>2</sup>

CMI consults members to gain practical feedback to inform our positions. The recommendations put forward in this submission are ultimately CMI's view, independent of members, and do not represent any CMI individual, member company or industry sector.

The new, modern Registry presents an important opportunity to improve transparency in Australia's carbon markets as the Australian Government continues to implement the recommendations of the Independent Review of Australian Carbon Credit Units (**ACCU Review**).

While CMI welcomes consultation on the proposed Carbon Exchange, greater clarity is required on the demand drivers or use cases supporting its establishment. Further consideration is also required on the exchange model, in particular the associated risks and anticipated costs.

CMI's recommendations are grouped thematically from member feedback. The themes were informed by the CER's discussion paper questions but do not map to individual questions.

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<sup>1</sup> CMI 2023, 'CMI Policy Positions', [https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions\\_FINAL-2023.pdf](https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf).

<sup>2</sup> CMI 2024, 'Australian Carbon Industry Code of Conduct', <https://carbonmarketinstitute.org/code/>.



## CMI Recommendations

### 1. **New modern Unit and Certificate Registry**

#### 1.1 **The Registry should support market visibility, interoperability and connectivity**

In our recent submission to DCCEEW that provides feedback on the exposure draft to implement proposed ACCU Scheme project-level transparency improvements,<sup>3</sup> CMI recommends that the ACCU Project Register support visibility of additional project information like, audits timelines, voluntary disclosure of co-benefits and voluntary disclosure of other data which may support project verification and/or public confidence. We consider that this information should be linked in with relevant ACCUs on the new Registry.

Data-sharing across platforms is key to the design of the new Registry. To support this, the Registry and Project Register designs should allow additional information to be visible in multiple places. However, information should be held on one repository to create a single source of truth and reduce administrative burden. The CER should develop standards and procedures to operationalise and standardise data management.

CMI further suggests that the Registry be integrated with the national data platform that the Australian Government committed to setting up as part of longer-term ACCU Review implementation.<sup>4</sup> Integration between the Registry and any national data platform would support a holistic approach to data sharing, and should be streamlined to facilitate interoperability, as well as the visibility and accessibility of information. Designing the Registry in this way would serve to enhance Australia's data capabilities more generally as the economy transitions, a core position in CMI's policy positions.<sup>5</sup>

#### 1.2 **Costing model for third-party API access should facilitate broad and expansive use of the registry to support better visibility of market dynamics**

To support real-time visibility of ACCU Scheme market dynamics, aggregate information from the new Registry could be displayed on third-party platforms.

The cost to third parties of accessing API functionality and integrating into the Registry should therefore balance commercial benefits to these third parties with the interests of supporting broader market visibility. The new Registry can support transparency and accessibility goals if costings are set such that they do not constitute a barrier to uptake and use.

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<sup>3</sup> CMI 2024, 'Proposed ACCU scheme transparency changes', [https://carbonmarketinstitute.org/app/uploads/2024/10/FINAL\\_CMI-Submission\\_CFI-Rule-Exposure-Draft\\_transparency\\_signed.pdf](https://carbonmarketinstitute.org/app/uploads/2024/10/FINAL_CMI-Submission_CFI-Rule-Exposure-Draft_transparency_signed.pdf).

<sup>4</sup> See recommendation 4 in: I Chubb et al. 2022, 'Independent Review of Australian Carbon Credit Units: Final Report', <https://www.dcceew.gov.au/sites/default/files/documents/independent-review-accu-final-report.pdf>.

<sup>5</sup> See Position 2B in: CMI 2024, 'Policy Advocacy Positions October 2024', <https://carbonmarketinstitute.org/app/uploads/2024/10/CMI-Policy-Advocacy-Positions-October-2024.pdf>.



### **1.3 API functionality should be brought forward and road-tested before release**

CMI welcomes that the new Registry is an API-first solution as it facilitates interoperability, data visibility and connectivity required for transparency, public confidence and expansive use of data. However, engagement with the CER as part of the consultation process indicated that third party access to API integrations would not be available until all units and certificates—including Guarantee of Origin and Nature Repair Certificates—have been migrated onto the Registry, which may be any time from late 2025 onwards.

While CMI is alive to resourcing challenges, we note that the CER has promoted the new Registry as an API-first solution. Therefore, to manage industry/user expectations, we encourage the CER explore solutions for making this functionality available to third parties earlier and provide a clearer indicative timeline of when this functionality could be made available.

We note that user road testing will be required to develop procedures and guidelines for allowing third-party access to the API functionality of the new Registry. These will be important to ensure that the API function is intuitive for end-users and sets reasonable limits on visibility of holdings for third parties.

To support the development of such procedures and guidelines and prepare to launch of this feature for third parties, CMI suggests that the CER convenes an industry reference group to road-test this feature throughout 2025, which could be comprised of organisations including relevant CMI members.

## **2. Proposed Carbon Exchange**

### **2.1. Demand drivers or use case for the Carbon Exchange should be clarified**

Consultation with CMI members suggests there is confusion about the Carbon Exchange across many sectors, with a number of those consulted unsure if they would utilise the Carbon Exchange.

CMI notes that if the exchange is intended primarily for Safeguard Mechanism compliance trading, the proposed exchange may not be fit for purpose as many entities engaging with the ACCU Scheme have a strong preference towards procuring beyond least cost. This preference will likely be reinforced by reporting requirements under mandatory climate-related financial disclosure from 1 January 2025. The CER's publishing requirements for ACCUs surrendered by Safeguard-covered entities also signal a desire to understand the type of units companies are investing in.

Additionally, the CER discussion paper refers to the Carbon Exchange as potentially supporting market access for retail investors. Some members suggested the exchange, in its currently proposed form, would not be attractive to retail for reasons including the lack of visibility of the ACCU credentials until after purchase under the single or bifurcated asset class model options proposed in the Discussion Paper.

Offering a retirement service through the Carbon Exchange could encourage use by retail investors including smaller organisations looking to procure ACCUs by offering them more direct access to the carbon market instead of procuring credits via a larger provider with an ANREU Account and Australian Financial Services Licence. However, as noted above, the current single asset class or bifurcated Carbon Exchange model proposed in the discussion paper may be unattractive to these potential users who may be more interested in procuring ACCUs from particular methods to support environment, social and



governance (ESG) goals adjacent to climate action. We elaborate on this point below under Recommendation 2.2.

CMI encourages the CER to consult with potential retail investors and other potential users on the attractiveness of a Carbon Exchange retirement service and how this could be provided.

## **2.2. The Carbon Exchange model (proposed asset classes) should be changed to support user needs and good procurement practice**

If the Carbon Exchange is pursued, CMI's members expressed general support for a model with more granularity on ACCU types.

One option would be to divide the market using ACCU methods to mirror common market vernacular (i.e., method-based) rather than the suggested categories of avoidance and sequestration. The proposed categories may be less meaningful/useful to market participants as they do not align with commonly used market descriptions.

While borrowing the asset classes already used on the OTC market could be another option—e.g., 'Generic', 'Generic No AD', 'HIR', etc.—CMI advises caution on adopting a model that diverges from the language of prescribed legislative instruments (i.e., methods, abatement type, etc.).

Additionally, the proposed categories may impede companies with maturely crafted carbon credit purchasing guidelines from being able to comply with their own policies due to ambiguity regarding an ACCU's credentials until after its purchased.

Moreover, the attempt to improve liquidity, by reducing the number of ACCU types, could make the market incompatible with the end user needs and so reduce use and thus liquidity. Buyers may be seeking ACCUs from specific methods to meet company policy and compulsory markets, while sellers will be aiming to realise premiums for more desirable ACCUs (also see recommendation 2.1 above).

## **2.3. Potential adverse impacts of 'cycling' need to be clearly articulated before designing deterrents**

The possible negative impacts of 'cycling', where ACCUs are traded multiple times through the exchange until a buyer receives and ACCU with certain attributes, were unclear and there were mixed views in CMI's membership about whether cycling would be problematic.

Although there were some concerns about market outcomes being manipulated via cycling, some members were generally not supportive of deterrents to cycling as the deterrents may limit trade volume and overall use of the Carbon Exchange.

A proposal for possible deterrents to cycling and a description of perverse outcomes they are intended to mitigate would enable more considered and comprehensive feedback.



#### **2.4. Cost of accessing the Carbon Exchange should not constitute a barrier to market participation**

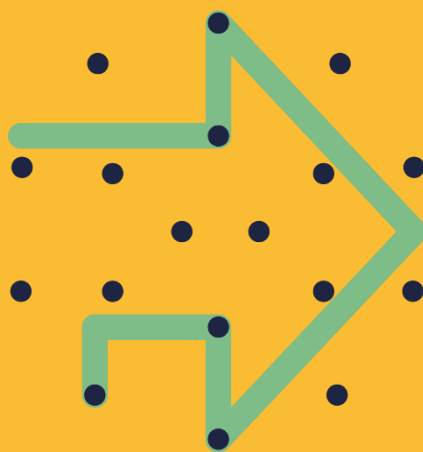
Costs to access the Carbon Exchange should be carefully considered. Cost may be employed as a tool to mitigate against participant cycling credits through the exchange. However, this should be balanced against the need for broad participation to support the utilisation of the exchange. We note that the consultation paper is silent on potential cost sharing models. Further details on potential cost sharing arrangements such as proposed brokerage fees would support more fulsome feedback.

Should you wish to discuss this submission and the recommendations therein in greater detail, please contact Gabriella Warden ([gabriella.warden@carbonmarketinstitute.org](mailto:gabriella.warden@carbonmarketinstitute.org)).

Yours sincerely

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The Carbon Market Institute is at the centre of climate change policy and business in Australia. Independent and non-partisan, we bring business, policy makers and thought leaders together to drive the evolution of carbon markets towards a significant and positive impact on climate change.

Engaging leaders, shaping policy and driving action, we're helping business to seize opportunities in the transition to a negative emission, nature positive economy.

