



## Media Release

### Delay in carbon trading causes investment uncertainty

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While we have always held that to provide certainty for business the government should not deviate from its announced 1 July 2010 start, AFMA recognises the reasons given for today's decision to postpone the start date of the Carbon Pollution Reduction Scheme.

We nonetheless remain concerned about the investment uncertainty it has generated.

In effect, the fixed price regime for 2011-12 means the cap and trade market start-up has been delayed for two years, with consequent adverse impact on development of a forward market.

Companies that made prudent investment decisions to hedge carbon exposures based on a 2010 start date will have to revise their strategies and likewise, their financiers may well review credit terms.

Users of electricity derivatives maturing past 30 July 2010 with an embedded carbon price will make windfall gains or suffer windfall losses. We note that OTC market participants who chose to incorporate the AFMA "Carbon Benchmark Addendum" into trade documentation will be largely insulated from this impact as it allows for future adjustment.

The delay will give the Government time to address some aspects of carbon market design raised by AFMA, including the setting of a price cap, classification of emissions trading units as financial products and the application of GST to sales of carbon permits.

#### Notes for Editors:

##### *Australian Financial Markets Association (AFMA)*

The Australian Financial Markets Association is the peak industry association for Australia's wholesale banking and financial markets. These markets play a pivotal role in the Australian economy by making it possible for Australian financial institutions and companies to conduct business with each other and with their counterparts overseas.

AFMA represents industry participants in the wholesale banking and financial markets, including Australian and foreign banks, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

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