

13 February 2015



Mr John Lee
Analyst
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: ERF@treasury.gov.au

Dear Mr Lee,

Re: Corporations Amendment (Emissions Reduction Fund Participants) Regulation 2015

Thank you for the opportunity to make a submission on the Government's proposed exemptions from the *Corporations Act 2001* and *Corporations Regulations 2001* (the corporations law) for participants in the Emissions Reduction Fund's (ERF) processes.

Corporate Carbon Advisory (Corporate Carbon) is a company completely invested into the business of developing greenhouse gas abatement projects under the Carbon Farming Initiative (CFI). We have been involved in the development of the CFI since its inception and were the first private Australian company to author a methodology and have it 'determined' and entered into CFI Regulations. We have also held an Australian Financial Services Licence (No: 43019) for over two years. Now we are actively pursuing opportunities to establish new carbon abatement projects under the Emissions Reduction Fund (ERF) and working with existing CFI projects to ensure a smooth transition.

We welcome the Government's commitment to encourage participation in the ERF and have already seen positive signs that this commitment is bearing fruit (for example, the work of the Clean Energy Regulator and the work around the development of new ERF Method Statements).

This current submission addresses:

- support for proposed exemption for carbon abatement contracts
- no need for any other AFSL exemptions for aggregators or other ERF participants.

Corporate Carbon Advisory looks forward to participating in and ensuring the success of the ERF.

Regards,

A handwritten signature in black ink, appearing to read "Matthew Warnken", is written over a thin, curved line that serves as a separator or underline.

Matthew Warnken
Managing Director



1. Support for proposed exemption for carbon abatement contracts

Corporate Carbon agrees that the requirement for parties entering a carbon abatement contract to hold an AFSL represents an unnecessary regulatory burden and supports the exclusion of all carbon abatement contracts from the definitions of 'derivative' and 'financial product' in the Corporations Act.

2. No need for any other AFSL exemptions for aggregators or other ERF participants

Corporate Carbon has reviewed the 'Corporations Amendment (Emissions Reduction Fund Participants) Regulation 2015: Consultation Paper January 2015' and specifically Example 2 and Example 4.

These examples do not provide a strong case for any exemption as they present instances where the protections offered by the AFSL requirement are likely to be needed. 'Example 2: A forestry aggregation arrangement' provides a case in point where 30 small land owners with small amounts of abatement have been aggregated into one project. These land owners are likely to be unsophisticated investors and are at risk from unregulated activity. Removing AFSL requirements for aggregators puts many project owners in the land sector at risk.

Also 'Example 4: Carbon service provider' technical capacity should not be confused with financial competence. A service provider able to calculate the amount of abatement from a project does not extend to determining appropriate financial return as financial risks are unlikely to be properly understood and costed. Again the protection provisions of the AFSL are intended to guard against the situation where the financial advice is perceived to have the same professional basis as the technical advice.

Corporate Carbon's view is that all aggregators should be required to have an AFSL, and that carbon service providers should also have an AFSL if they provide any financial advice, whether it be incidental or not. These requirements will not impede ERF participation, rather they will contribute to the ERF successfully delivering large scale abatement.