



3 October 2012

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

By email: economics.sen@aph.gov.au

Clean Energy Amendment Bills 2012

Dear Sir/Madam

The Australian Financial Markets Association (AFMA) welcomes the opportunity to make this submission to the Senate Standing Committee on Economics in relation to the Clean Energy Amendment Bills 2012 which facilitates the linking of the Australian Clean Energy Scheme to the European Union's Emissions Trading Scheme (EU ETS) and the removal of the floor price.

With the removal of the price floor for the floating price period industry believes that the design of the scheme meets the challenge of creating a sound market for Australian business to manage carbon.

The price floor created unnecessary and undesirable market distortions, increased costs for market participants and ultimately consumers and business, required a complex administration regime, introduced significant inefficiencies and eroded investment certainty. AFMA welcomes the removal of the price floor in combination with increased international integration of the scheme.

Removal of the floor price will improve the design of the Australian carbon market, as it will simplify the implementation of the scheme and reduce costs for Australian companies and consumers.

Linking of the Clean Energy Scheme with sound international schemes has been consistently requested by AFMA as a mechanism to increase market depth, achieve least cost abatement and reduce overall risks for participants.

As the European Union Allowance (EUA) price will become one of the key drivers of the Australian auction clearance price, liable entities will now be able to look to the well-developed price curve in the European markets when seeking to determine likely future trajectories for the domestic carbon price. Further, some sovereign risk is reduced as EUA permits will have a much larger secondary market.

We note that the legislation is designed to allow for further international and (through national governments) subnational linkages through a variety of mechanisms. Again, AFMA supports further international linking where market depth is enhanced and confidence is maintained.

Should you require further clarification please contact me on _____ or at _____

Yours sincerely

Damian Jeffree
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