

Carbon markets 101: a primer for farmers

Managing Climate Risk in Agriculture Conference

Beechworth | 25 October 2018

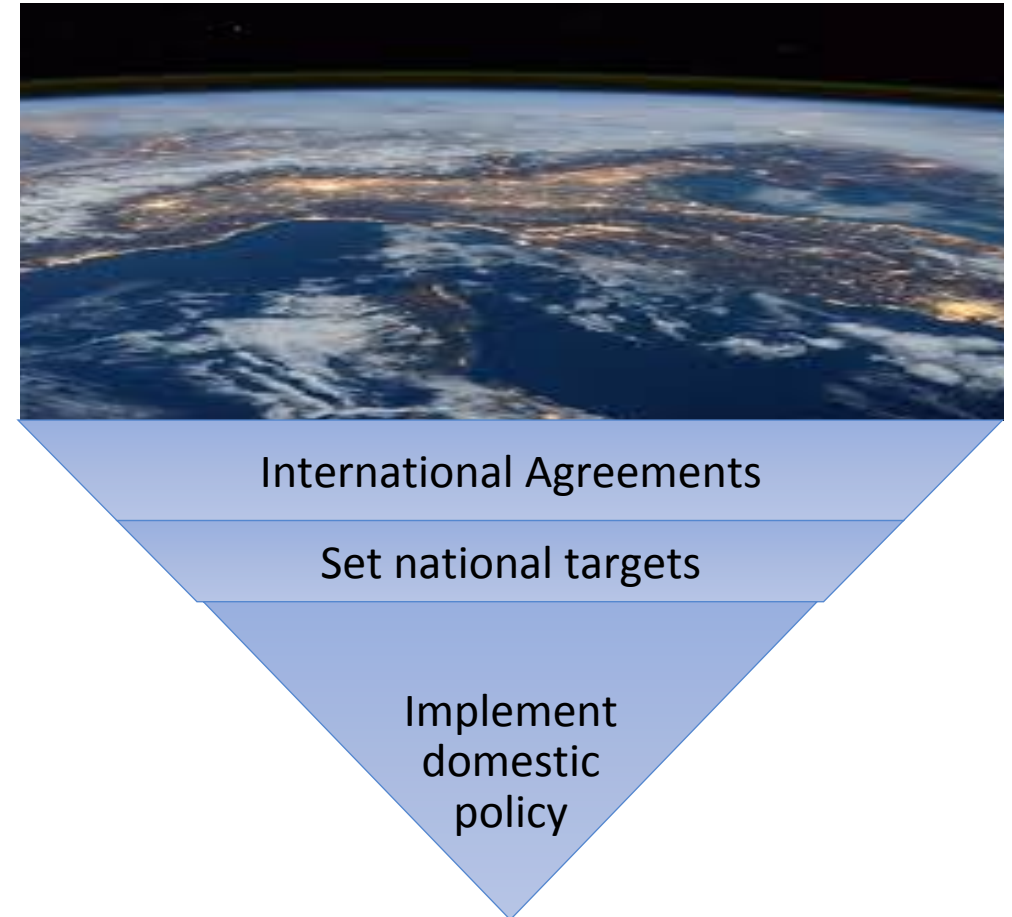
Ben Keogh

The fundamentals

Three core drivers that create carbon markets

1. Policy
2. Consumer demand
3. Business engagement

Carbon trading is designed to direct investment to the most cost effective abatement activity

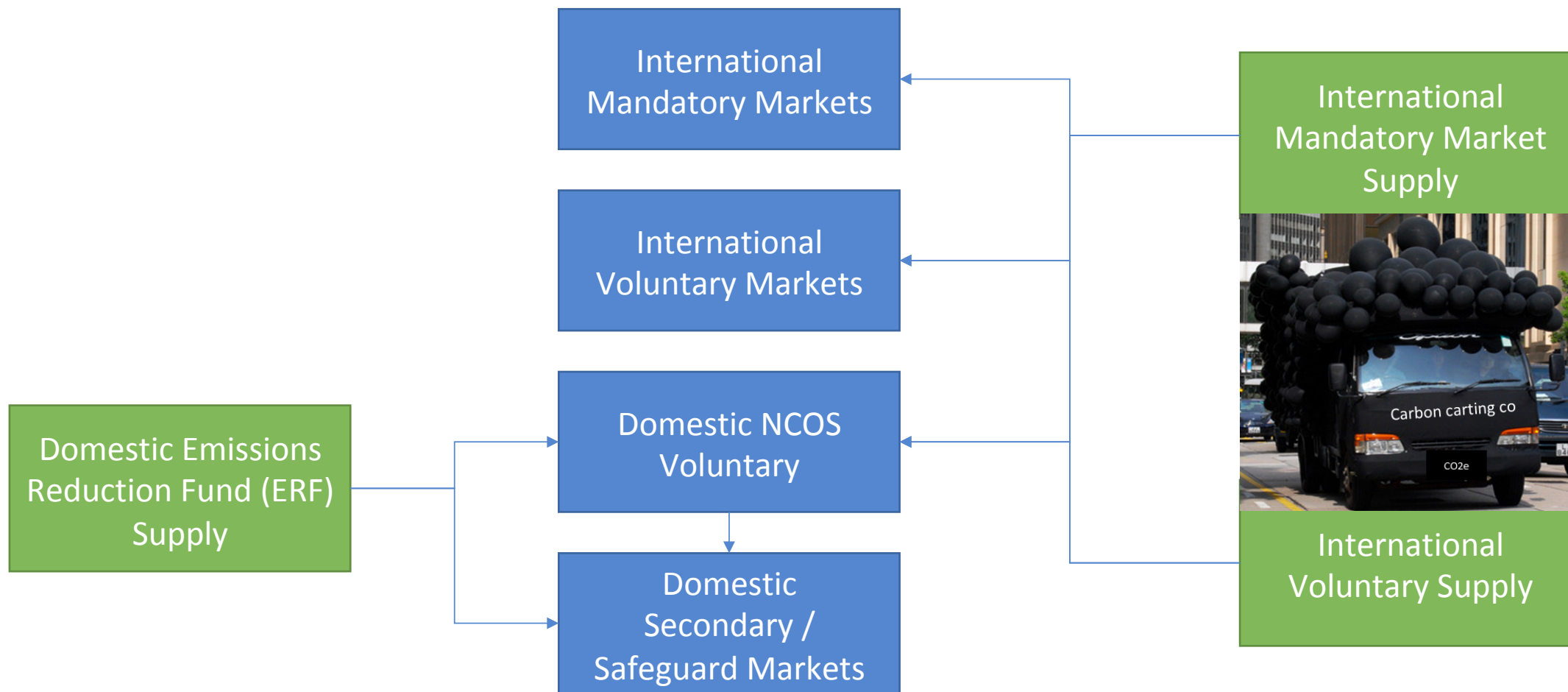


The fundamentals



- Countries aim to meet international greenhouse gas emission targets through domestic activities
Limit emissions, increase sequestration
 - Consumers are demanding greenhouse gas friendly products
 - Business are responding to inherent threats and undertaking actions outside of regulatory requirements
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Carbon markets



Emissions Reduction Fund – biggest game in town



- \$2,550,000,000 fund
 - Purchase emissions reductions
 - Credit projects
 - Safeguard against excess emissions
-

Emissions Reduction Fund – biggest game in town



Clean Energy Regulator

Purchasing

Crediting

Safeguarding

Auction Process

Project eligibility

Baselines

Monitoring and verification

Issuing credits

Crediting

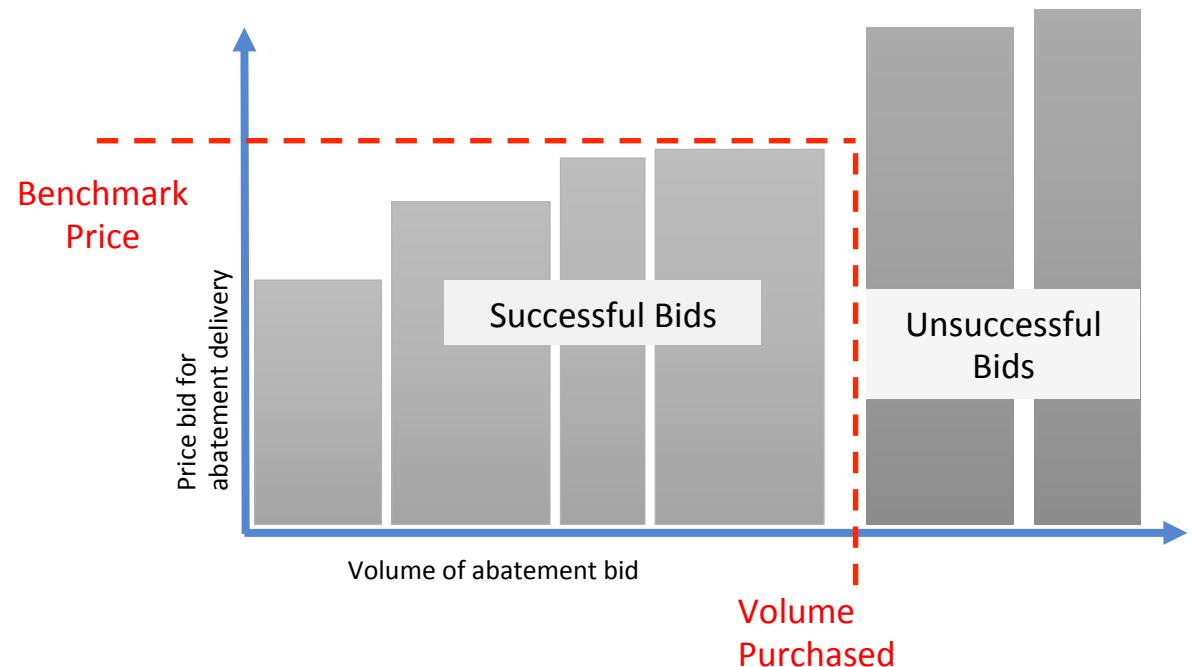
- Project and activity eligibility
- Rules and regulations
- Methodologies
- Monitoring and verification
- Issuance
- Compliance



Purchasing

Reverse Auction Process

- Benchmark price
- Fewer larger auctions
- Minimum bid size
- Forward contracts
- Flexible delivery
- Guaranteed price



Safeguarding

- Ensure Emissions Reduction Fund gains are not lost through increased emissions elsewhere
- Companies have caps set on emissions by the Government
- Companies can purchase credits to offset excess emissions
- Create secondary market for carbon credits

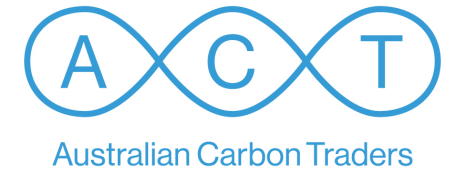


Secondary market

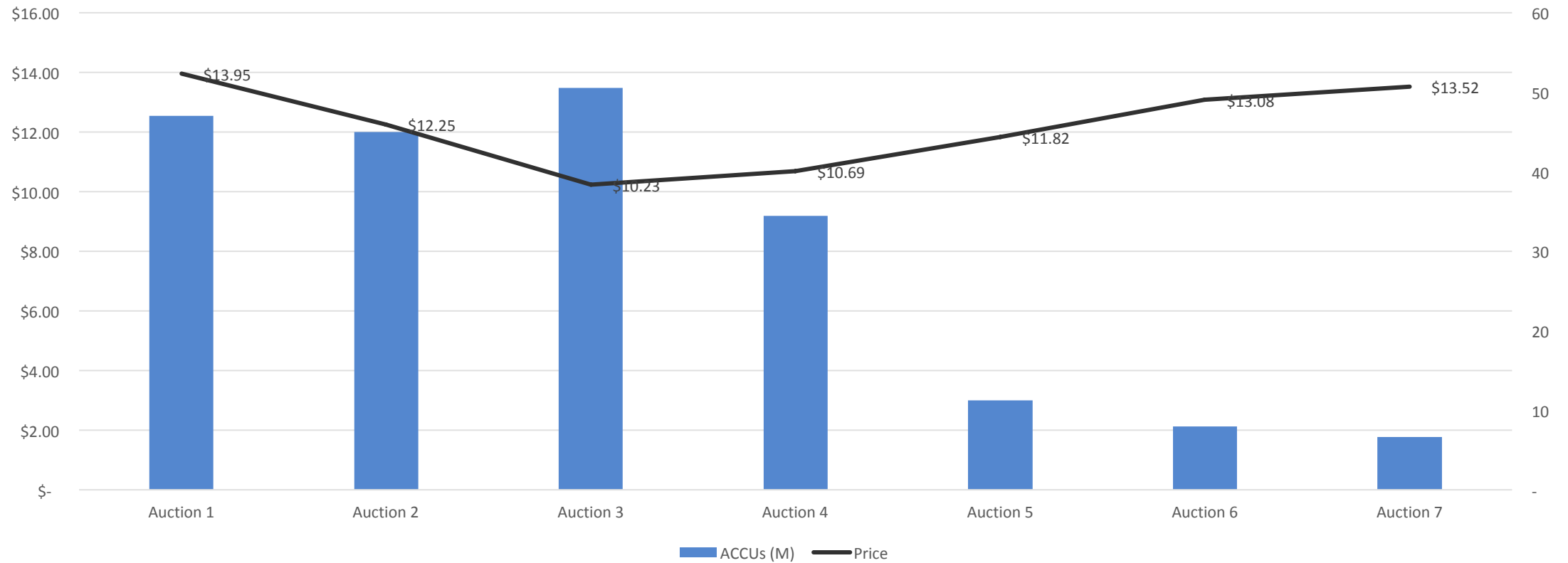
- *Fit for purpose*: issued and compliant
- *Price*: price is always a factor, especially in mandatory market
- *Story*: you must tell the story
 - Environmental/social/economic co-benefits
- *Parcel size*
 - Market wants larger volumes
 - 10-500,000+ tonnes
- *Low risk*
 - Purchasers pay more for less risk
 - Less likely to invest in start ups
- *Short term*



ERF auction results



ERF Auction Results ACCUS Contracted/ Price

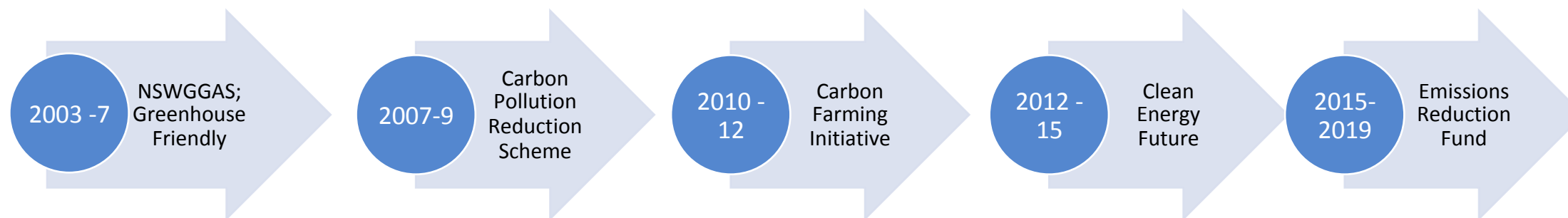


ERF = Emissions Reduction Fund
ACCU = Australian Carbon Credit Unit

Conclusions

- Three Core Drivers
 - Policy
 - People
 - Profits
- No promise of more funding for Emissions Reduction Fund
 - Voluntary market will take a long time to fill the gap
 - Business is moving and government is lagging

Conclusions





Thank you for listening.

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