



MEDIA RELEASE

AFMA Carbon Benchmark Addendum

11 November 2011

At its 25 August and 27 October 2011 meetings, the Electricity Committee discussed how participants should treat versions of the Addendum prior to the August 2010 release.

This extract from the August minutes summarises the issues:

Members noted that some participants had incorporated versions prior to the December 2010 Addendum in trades and, in some instances, for whatever reasons, hadn't issued bilateral letters to move to subsequent versions. There is potential ambiguity as to whether the Clean Energy Bill is a "... successor or replacement Bill (by whatever name called)" to the CPRS Bill 2009. On any logical/pragmatic interpretation it should be, but legal opinions may differ. The August 2010 Addendum incorporates language that clearly picks up the Clean Energy Bill.

Members noted that from the beginning the intention of the Addendum was to take out any windfall gains or losses from a carbon impost on the NEM pool price, and it was scarcely in the spirit of this for a party to look for a technical reason to hold a counterparty to an earlier version and claim the Addendum does not respond to the CE Bill. It is also relevant that for all revisions to the Addendum, the Update Notice had specified "... AFMA recommends that for any Addendum already forming part of an ISDA Master Agreement, the parties bilaterally agree that the [latest] version replaces it".

The approach taken by the Electricity Committee was endorsed by the Market Governance Committee at its 9 September 2011 meeting.

A sample bilateral letter to, inter alia, apply the August 2010 Addendum to existing and future trades will be added to the "Guide to Australian OTC Transactions" in the near future.

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Notes for Editors:

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