



AFMA Environmental Products Conventions



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Preface: AFMA Code of Conduct

AFMA promotes efficiency, integrity and professionalism in Australia’s financial markets. The aim of the [AFMA Code of Conduct](#) (the Code) is to establish a common understanding of the standard of behaviour expected of all AFMA Member organisations and their employees when conducting business with clients, counterparties and colleagues and when providing financial services to retail and wholesale clients.

All AFMA Financial Markets Members and Partner Members are expected to observe the Code and operate with integrity, professionalism and competence. The Code is designed to support behaviours that put the interests of clients, the firm and the wider community ahead of personal or individual interests and promotes confident participation by users in Australia’s OTC markets.

Market participants are reminded that they are generally expected to observe the market conventions as set out below when engaging in any form of market dealing.

1. Description

This convention applies to transactions for various mandatory and voluntary Environmental Commodities in the Australian Marketplace.

1.1. Large-Scale Generation Certificates (LGC)

An LGC is a tradeable Commodity created by the *Renewable Energy (Electricity) Act 2000* (Cth) (REC Act) and is used to demonstrate compliance with the requirements of the Commonwealth Government's target for generation from large-scale renewable generators.

The REC Act establishes the rules for creating an LGC. The LGC must be in electronic form, the certificate must have its own unique code and the LGC must be registered by the CER before it is considered valid. Each LGC is equal to 1 megawatt hour (MWh) of eligible renewable energy.

Further information regarding the REC Act and LGCs can be found at the [CER website](#).

1.2. GreenPower Program (GREC)

The National GreenPower Accreditation Program was established by various government agencies collectively known as the “National GreenPower Steering Group”. A GREC is an LGC created by a generator accredited under the Program and is used to demonstrate compliance with the requirements of the Program.

The Program establishes the rules for recognising GRECs.

Further information regarding the GreenPower Program can be found at the [Green Power website](#).

1.3. Small-Scale Technology Certificates (STC)

An STC is a tradeable commodity created under the REC Act. It is used to demonstrate compliance with the requirements of the Commonwealth Government’s target for generation from small-scale renewable technology.



The REC Act establishes the rules for creating an STC. The STC must be in electronic form, the certificate must have its own unique code and the STC must be registered by the CER before it is considered valid.

Each STC represents 1 deemed megawatt hour (MWh) of eligible renewable energy.

The CER can also create STCs under the clearing house arrangements established under the REC Act.

Further information regarding the REC Act and STCs can be found at the [CER website](#).

1.4. New South Wales Energy Saving Certificates (ESC) and Peak Demand Reduction Certificates (PRC)

ESCs and PRCs are tradeable Commodities created under the *NSW Electricity Supply Act 1995* (NSW) (NSW ESA) and is used to demonstrate compliance with the requirements of the NSW legislative energy savings and peak demand reduction schemes.

The NSW ESA establishes the rules for creating ESCs and PRCs. The certificates must be in electronic form, and must be registered by the Independent Pricing and Regulatory Tribunal (IPART) of NSW before it is considered valid. Each ESC is equal to 1 tCO₂-e (one tonne of carbon dioxide equivalent) attributable to energy savings arising from an eligible activity. Each PRC represents 0.1 kilowatts of peak demand reduction capacity averaged over one hour during the peak summer period, which occurs between:

- 1 November and 31 March
- 2:30 pm and 8:30 pm Australian Eastern Standard Time

Further information can be found at the [Energy Savings Scheme website](#).

1.5. Victorian Energy Efficiency Certificates (VEEC)

A VEEC is a tradeable Commodity created under the *Victorian Energy Efficiency Target Act 2007* (VIC) (VEET Act) and is used to demonstrate compliance with the requirements of the VEET scheme set out in the VEET Act.

The VEET Act establishes the rules for creating a VEEC. The VEET Act states that the VEEC must be in electronic form, that every certificate must have unique identification code and that the VEEC is not valid until registered by the Scheme Administrator, being the Essential Services Commission. Each VEEC is equal to 1 tCO₂-e (one tonne of greenhouse gas emissions) abated by an eligible activity.

Further information regarding the VEET Act and VEECs can be found at the [Victorian Essential Services Commission website](#).

1.6. Renewable Electricity Guarantee of Origin (REGO) Certificates

REGO certificates are created under the *Future Made in Australia (Guarantee of Origin) Act 2024* (Cth) and represent a megawatt-hour (MWh) of renewable electricity. They are a voluntary market-based instrument that can be transferred or retired to demonstrate the use of renewable electricity in market-based accounting frameworks. REGO certificates provide information on when, where and how renewable electricity was produced. This assists users to make verifiable claims about renewable



electricity use. The REGO builds on the large-scale generation certificate (LGC) framework and will continue after 2030 when the Renewable Energy Target ends.

Further information regarding the Act and REGOs can be found at the [CER website](#).

1.7. Renewable Gas Guarantees of Origin (RGGO) Certificates

The RGGO scheme is a voluntary scheme managed by GreenPower to certify renewable gas to accelerate new renewable gas projects being developed, enable a voluntary tradable market for renewable gases and provides independently certified renewable gas options for commercial and industrial gas users. Certified producers supply renewable gas into the gas network or directly to a local customer. The producer registers that gas in an online registry platform to generate RGGO certificates. One RGGO certificate represents 1 Gigajoule (GJ) of renewable gas injected into the gas network.

Participation is open to renewable gas projects across Australia that produce biogas, biomethane (upgraded biogas) or renewable hydrogen. Certified producers can create RGGO certificates for their produced gas. Further information about the GreenPower Renewable Gas Certification Rules is available at [GreenPower's website](#).

1.8. New South Wales Renewable Fuel Scheme (RFS) Certificates

RFS certificates are created under the *Electricity Supply Act 1995* (NSW). Renewable fuel producers can create a certificate for every gigajoule (GJ) of renewable fuel they produce. Liable parties must obtain and surrender certificates to meet their share of the scheme's renewable fuel production target/s or pay a penalty for a certificate shortfall.

Further information regarding the legal framework for the RFS as well as rules and changes can be found at the [IPART website](#).

2. Products

2.1. Spot Contract

A Spot contract is a contract for a physical exchange of a specified Commodity, quantity, and price. The payment date and transfer date are the dates specified in the Contract. Typically, products are due for delivery on the same day as the trade is negotiated, or on a T + 3 settlement basis.

2.2. Forward Contract

The Forward contract is a contract for the delivery of a specified Commodity in a specified quantity on the delivery date and payment of the fixed price on the payment date (which may be the same as the delivery date). In respect of the environmental products covered by these Conventions, settlement should take place by means of physical settlement.

While the agreement governing the transaction may make provision for cash settlement in addition to physical settlement, this is intended only to provide a fallback settlement mechanism in the event that physical cannot be performed due to extenuating circumstances. In the event that physical settlement



will not be possible in whole or in part, the Seller should notify the Buyer not less than 2 Business Days before each delivery date if cash settlement, or a combination of cash and physical settlement will apply on that delivery date.

The Commodity sold under a Forward contract should be created on or before the date specified in the relevant legislation in order that the Commodity can be surrendered by the Buyer on the next date for surrender of such Commodities following the delivery date.

2.3. Option Contract

The option buyer pays a premium to the option seller to acquire the right, but not the obligation, to buy (Call Option) or sell (Put Option) a quantity of the Commodity at a predetermined price. The Option has an expiry date and it can be either exercised on the expiry date (European Option) or at any time preceding the expiry (American Option).

The delivery and payment dates can be different to the Option expiry date.

3. Dealing

3.1. Methods of Dealing

Negotiated bilaterally between counterparties, through a broker or directly by telephone, email, instant messaging or other process as may be agreed.

3.2. Electronic Dealing

At the discretion of the parties.

3.3. Business Days

Business Day means any day, which is not a Saturday or Sunday, on which commercial banks are open for general business in:

- i. the place(s) specified for the purpose in the contract; or
- ii. if no such place is specified, the capital cities in which the parties' head offices are located.

3.4. Customary Market Parcel

The Customary Market Parcel (and therefore assumed for quoted prices, unless otherwise specified) are:

<i>Commodity</i>	<i>Number of units</i>
ESC	5,000
PRC	10,000
VEEC	5,000
LGC	5,000



STC	5,000
GREC	5,000
REGO	5,000
RGGO	5,000
RFS	5,000

3.5. Two Way Pricing

This is where a counterparty quotes simultaneous bid and offer prices for a product.

Counterparties are not obliged to quote two way prices and may choose only to quote either a bid or an offer.

3.6. Quotation and Dealing

3.6.1. General Conventions

Commodity prices are quoted as a price per Unit.

The party taking delivery is liable for any fees payable under the relevant Act in order to transfer the Commodities.

The quoted price per Unit is increased to incorporate any GST payable on the sale and transfer of the Units.

When quoting and dealing in the market, dealers should assume that the latest version of the Environmental Products Addendum is applicable to the transaction unless otherwise agreed or specified by the counterparties.

3.6.2. REGO time zone

Unless agreed otherwise the trading day for REGOs begins at 00:00 and ends at 24:00 and is always based on Eastern Standard Time (EST). This approach aligns with conventions for electricity derivatives in the AFMA Electricity Conventions.

3.7. Basis

Not applicable.

3.8. Maturity Conventions

The payment date is the same as the delivery date unless the parties agree a different arrangement at the time of dealing. Note that if any of the delivery dates listed below falls on a non-business day, then it is assumed that the next business day applies.



Parties should consider specifying forward deals to mature two weeks before acquittal date for the particular scheme. If the seller elects to cash settle, this still gives a buyer who is a liable party, adequate time to source replacement certificates to acquit.

Delivery dates would therefore be:

<i>Commodity</i>	<i>Date</i>
LGC	1 February
ESC	14 April
PRC	14 April
VEEC	14 April
GREC	14 March
STC quarter 1	14 April
STC quarter 2	14 July
STC quarter 3	14 October
STC quarter 4	1 February
REGO	31 January
RGGO	31 January
RFS	16 February

3.9. Settlement Rate or Index

Not applicable.

3.10. Premium Payment Date(s)

Parties should confirm the premium payment date at the time of dealing.

Premium payment dates should generally be 3 business days after trade date, unless otherwise agreed between the parties.

3.11. Expiry Conventions

Counterparties should confirm the precise date for the Option's expiration at the time of dealing. Conventions for each product are set out below. Note that if any of the expiry dates listed below falls on a non-business day, then it is assumed that the next business day applies.

Option expiry time will be up to 3:00pm AEST on the Option expiry date. If this day is not a Business Day in the region specified in the contract, the expiry date will be the following Business Day.



Exercise is typically “all or nothing.” Parties requiring “partial” exercise must agree this on a deal-by-deal basis at the time of dealing.

Parties should consider specifying Options to expire one week before the delivery date. Assuming the maturity conventions above are followed the expiry date for Options would therefore be:

<i>Commodity</i>	<i>Date</i>
LGC	23 January
ESC	7 April
PRC	7 April
VEEC	7 April
GREC	7 March
STC quarter 1	7 April
STC quarter 2	7 July
STC quarter 3	7 October
STC quarter 4	23 January
REGO	23 January
RGGC	23 January
RFS	9 February

3.12. Broker Conventions

3.12.1. Firmness

Dealers and brokers should clearly indicate whether prices being quoted are firm or indicative. A price quoted is firm unless otherwise stated in an unambiguous manner.

A price given to a broker by a counterparty remains firm even if the dealer who has placed the order is unavailable and/or away from his/her desk.

If a dealer provides a firm order with a broker, and is hit on that order, the dealer should deal at the level specified for the specified transaction size. It is not necessary for the broker to communicate to the counterparty that the live price has been hit in order for the deal to be completed. Prices displayed on broker screens should be firm unless clearly indicated otherwise.

If the volume of an order quoted is in a transaction size which is greater than the customary market parcel, dealers should not refuse orders of volumes less than their quoted order size, provided that the volume requested is at least the customary market parcel. For example, if a firm order is for 25,000 units

in a product (which has a customary market parcel of 5,000 units), and the dealer is hit on that order for 8,000 units only, the dealer should transact in the 8,000 units requested.

A transaction is entered into at the time that the terms of the transaction are agreed between the dealers (whether orally or otherwise). This occurs when a dealer communicates to another dealer its acceptance of an offer that the other dealer has made however that dealing occurs (see *Section 3.1*).

Offers to enter into a transaction communicated by a broker on behalf of a dealer should be firm offers (unless unambiguously expressed otherwise) which can be accepted until they are withdrawn by the broker at the offering dealer's request. A broker should communicate offers only in the exact terms instructed by the offering dealer and should not vary any offer which a dealer requests be communicated by the broker. An offer communicated by a broker may be accepted by another dealer communicating acceptance to the broker (which is received by the broker on behalf of the offering dealer). The transaction is agreed, and the dealers are bound to its terms, from the time that the acceptance of the offer is communicated to the broker, whether or not acceptance has been communicated to the offering dealer.

If the terms of a transaction accepted by a dealer differ from the terms which the offering dealer made, and instructed the broker to communicate, then the offer made by the offering dealer has not been accepted and no transaction is entered into. This applies whether or not the difference was caused by an error of the broker. A broker is authorised only to communicate the offers made by a dealer and receive acceptance of them on behalf of the dealer. A broker is not authorised to vary any offer made by a dealer or to negotiate its terms and an offering dealer is not responsible for any error of the broker or anything done by the broker outside its limited authority.

3.12.2. Credit Constraints

Brokers should maintain up to date knowledge of any counterparty credit constraints. Dealers should inform brokers of their credit availability with their counterparties and any specific limits, such as tenor, that may be applicable for each counterparty. Credit constraints cannot be revised at the point of execution.

Dealers should not cite the non-availability of credit limits for the purpose of avoiding a deal with a counterparty or completing an agreed deal when this is not true.

3.12.3. Referencing Prices

If an order is placed with a broker 'under reference' then that price should not be displayed on the broker screen unless clearly marked as being under reference and the broker should refer to the trader before dealing at the specified price.

A broker may only 'reference' their entire broker screen if all the respective traders have specifically referenced every price on that particular screen. If this is not the case, then the broker should instead remove the prices that have been specifically referenced, leaving only live prices on the screen

3.12.4. Refreshed Prices

End of day prices should be cleared before 08:50 AEDT the following day. All onscreen prices are deemed to be firm from 08:50 AEDT till 12:30 AEDT and again from 14:00 AEDT until 17:00 AEDT. Screens should be refreshed by 14:00 AEDT.

Outside these times, dealers should check the firmness of a price with the broker before dealing.

3.12.5. Off Screen Prices

Off screen bids/offers are a genuine trading strategy. However, dealers and brokers should continue to apply OTC Conventions and Code of Conduct principles in the use of off screen bids/offers. For example:

- Firmness of quotation rules are the same whether a price is on screen or not.
- Timing of stack rules still apply, e.g. first bid at a given price is the first one to trade if a price is given.

3.12.6. Reporting of Transactions

In order to improve market transparency and efficiency, Brokers should report trades to their client base (without disclosing the names of counterparties). Trades should be reported in a timely manner and sequentially.

Brokers should take care to avoid reporting trades in a way that is likely to deceive or confuse the recipient of the information.

Dealers should not discourage Brokers from reporting trades.

3.13. Confidentiality

3.13.1. Point of Dealing

Brokers should not pass names of counterparties prior to dealing, unless both parties have agreed to the passing of names.

3.13.2. Subsequent to Deal Execution

When dealing directly or through a broker, neither of the parties should disclose the name of the counterparty to other market participants.

3.14. Credit

Deals are subject to credit limits. If a party is unable to deal with a counterparty due to credit constraints, the relevant counterparty should be informed of this as soon as it is practicable. This should be done prior to informing brokers of any credit constraints.

The quoting of a firm price direct to a counterparty signifies that the counterparty has credit lines in place sufficient to cover the transaction quoted OR the Customary Market Parcel if no amount has been stated.

3.15. Exercise of Options

If automatic exercise for an Environmental Commodity transacted under an Option contract is to apply, then the parties should agree this at the time of dealing. Otherwise a party wishing to exercise an option should notify the counterparty by the nominated expiry time, on the expiry date, whether they intend to exercise the option.

3.16. Data Source

Not applicable.

3.17. Pricing Formulas

Not applicable.

3.18. Other Dealing Conventions

3.18.1. Capacity to Deal

It is the responsibility of the counterparty to a transaction to ensure that their counterparty dealer is an authorised dealer for that entity.

However, if an authorised dealer enters into negotiations or shows a price for a transaction, all other dealers are entitled, without further enquiry, to assume in all dealings that the counterparty's authorised dealer has in place all necessary authorities and delegations to enter into the transaction. It is inappropriate for a counterparty to require other dealers to take the risk that the counterparty's dealer is trading without authority by advising the counterparty of the dealer's dealing limits.

3.18.2. Exclusions

Unless otherwise agreed, the transaction of an LGC, STC or GREC Commodity under any Product will exclude any generated from wood waste.

4. Confirmation

4.1. Timing

Written confirmation of transactions will be initiated by the Seller and then authorised and returned by the Buyer. The parties may agree to vary these arrangements from time to time.

The Seller should send the signed Confirmation no later than the Business Day following the trade date and the Buyer should return it counter-signed by the next Business Day after that.

4.2. Obligations of Dealers

The trader should enter the deal in a timely manner to enable written confirmations to be sent out in accordance with Section 4.1.

If one party to a deal wishes to affirm it, the trader, or another suitably authorised employee, should contact the counterparty to verbally affirm it. Ideally such affirmations should be done within one hour of the trade but at the latest by close of business the same day.

4.3. Documentation

For each Commodity, counterparties should refer to the ISDA[®]-based agreement, with the terms and conditions as outlined in the subscription-based ["Guide to Australian OTC Transactions."](#)



4.4. Other Confirmation Conventions

Not applicable.

5. Settlement

5.1. Physical Settlements

Environmental Products contracts are physically settled. The payment date and transfer date are the dates specified in the contract.

5.2. Cash Settlements

Not applicable.

5.3. Other Settlements Conventions

Not applicable.