

17 September 2021

emsTradepoint Limited Submission

A Governance Framework for the New Zealand Emissions Trading Scheme

emsTradepoint Limited welcomes the opportunity to submit on the “**Designing a governance framework for the New Zealand Emissions Trading Scheme**” published by the Ministry for the Environment.

emsTradepoint Limited¹ is a commodity platform designed to provide anonymity, transparent pricing and transactional certainty to physical energy markets such as New Zealand Carbon Units (NZUs) and Natural Gas.

“emsTradepoint is a committed advocate for a better market by facilitating trade and price transparency for the benefit of all trading parties.”

emsTradepoint is not a broker, we do not trade NZUs nor do we offer advice, we own, operate and maintain the trading platform.

Improving the ETS governance framework

Both the Climate Change Commission report (CCC) (in particular page 132 of the CCC [draft report](#)) and the Executive Summary of this consultation outline areas of concern re an overall lack of governance across advice, trading and market conduct.

We agree with the risks identified for quality of advice, trading and market conduct. For a market that will reach across New Zealand’s economic activity for years to come we consider some level of regulator activity is vital for good governance. We support ETS governance settings, to effect positive and transparent market behaviour via scrutiny, market analysis and public reporting by a regulator.

¹ emsTradepoint is a 100% owned subsidiary of Transpower New Zealand Limited.

Governance of Advice:

In our view the status quo, consumer education, or guidance on their own is unlikely to offer effective risk mitigation given the nature of risks identified.

- emsTradepoint supports a Code of Conduct, licensing and registration of NZU advisers.

Governance of Trading:

We provide a market platform for trading in the secondary market for NZUs. Our marketplace is open to anyone with a New Zealand Emissions Trading Register account, with no limit to the size of your trading parcel or any setup costs.

Our priority objective is to enable transparency in the carbon trading market, all our live pricing, depth of market, last trade, volume weighted average price (VWAP) are published on our publicly available website, which can be found here.

<https://www.emstradepoint.co.nz/>

emsTradepoint does not support exchange-based trading, we believe that our market model already provides the benefits listed in the consultation document, especially around questions 11 and 12 re transparency of trades and question 13 on credit and counter-party risk.

We provide transactional certainty, the NZU product that is traded on the emsTradepoint platform is settled by a Central Counterparty (CCP). The CCP is the buyer to the seller and the seller to the buyer, which guarantees end-to-end anonymity for all transactions and reduces counterparty credit and physical delivery risk.

emsTradepoint Limited is the emsTradepoint CCP. emsTradepoint Limited's obligations as CCP are guaranteed under a parent guarantee granted by Transpower New Zealand Limited. [Transpower New Zealand Limited](#) has an AA investment grade rating by Standard & Poor's and an Aa3 rating by Moody's.

Governance of Market Conduct:

The Government believes only regulatory options should be considered – bringing the NZ ETS in line with how these risks are traded in financial markets and international ETSs.

Appointing a Regulator:

Status quo and a self-regulating industry body is unlikely to offer effective oversight, appointing an advisory regulator or a market monitoring regulator are both a step forward, but both lack enforcement powers.

Appointing a market compliance regulator is our preferred option, having the authority to issue penalties for misconduct as well as having the benefit of a market monitoring regulator is far superior to the other options. We did not consider a market design regulator as we consider the design element should be held by Government.

Cost should not be a hurdle to getting this right.

To future proof the NZ ETS, it is vital that oversight, proper governance, investigative powers and enforcement powers are put in place to ensure the integrity of the market through transparency and market efficiency.

Best regards,



Kerry Wilkins

Markets Manager, emsTradepoint Limited