



Submission to the Environment and Communications Legislation Committee on the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 and related bills

Background

The repeal of the Clean Energy Legislation was part of the Federal Government's election platform. The repeal process will, if carried out at any point after 30th June 2014, have consequences in the Financial Markets through the large number of electricity contracts that have been entered with implied carbon pricing. Forward hedged contracts have been written out as far as 30th June, 2015.

COzero was established in 2007 and acts as an intermediary in environmental commodities with origination, wholesale trading and sales channels. In 2012 we began focusing on energy management and efficiency. Our flagship product, EnergyLink allows businesses to monitor and control their consumption at a granular level. From January 2014 COzero expects to be retailing power to large business customers in NSW.

Impact of both Sudden and Retrospective Repeal

Electricity contracts, in particular, hedged contracts, have been entered into by Liable Entities and Counterparties until the end of the 2015 financial year. These contracts have an implied carbon price in them. Regardless of whether the Carbon Tax is removed, or not, these contracts will have to be honored with a carbon component that will have to be either absorbed by Liable Entities, or passed on.

If the Legislation is passed after the 30th June 2014, the issue becomes one of retrospectively unwinding contracts. This is not a prudent or straightforward thing to do in Financial Markets. It would in fact lead to a breakdown in the structure of the market, as all parties would be burdened with an administrative and financial mountain to climb. Energy Market Participants would be in a situation where the settlement and delivery clauses of the contract would change during the term. Administering this would be a costly exercise to associated businesses for what would ultimately result in a minor gain.

Time to Respond on Important Legislation

COzero appreciates the Government's timetable to repeal the carbon pricing arrangements reflect its desire to meet its pre-election commitments on what was a central policy platform. However, we submit that there are serious impacts from these Bills on the legitimate business interests of enterprises that have been forced to take prudent financial management steps in the light of the policy environment as it stands.

COzero is concerned that the timeframe proposed for the examination of these Bills has not allowed it to fully consider the impact of the changes proposed and therefore is unable to propose a constructive set of suggestions as to how the uncertainty could be resolved or ameliorated.

