

Changes to Carbon Settlement

emsTradepoint is extending the timeframe for Settlement of NZU transactions

We have decided to make a key improvement to our carbon unit settlement process. The settlement timeframe for completing an NZU Trade is changing from the next Business Day after a Trade is formed to 6 Business Days after a Trade is formed.

Why are you making this change?

Since [our carbon product listing](#) went live on 17 March 2020, we've listened to your feedback about our offering. We believe this timeframe improvement is a sensible move to ensure our marketplace operations are practicable as well as cost-effective for participants.

It's important to us that we keep listening to our market participants to understand how we can provide better trading experiences. Since emsTradepoint's inception, we have sought participant feedback through our Operational Working Group and have taken a customer-led approach to prioritising upgrades and improvements to our flexible, modern commodity exchange.

With this timing adjustment, we look forward to enabling efficient and cost-effective NZU trading as we continue to promote a transparent and open trading market.

How it will work now?

As the Central Clearing Counterparty, emsTradepoint sits in the middle of all transactions, buying from the Seller and selling to the Buyer in every Trade.

Once a Trade is formed the Delivery Day is set to 5 Business Days after the day a Trade is matched on the exchange. emsTradepoint completes the physical and financial settlement with the Participants on either side of the Trade Leg on the Settlement Day, which is the Day after the Delivery Day.

Financial Settlement - Invoices to the Buyer for the total cost of NZUs purchased will be generated by emsTradepoint the day after the day of the Trade. Payment is due from the Buyer to emsTradepoint before 16:00 on the Delivery Day. emsTradepoint pays the Seller the Total Value of the Trade of the Settlement Day.

Physical Settlement - If the Seller does not have Escrow requirements, they must transfer the Trade Quantity of Units into the emsTradepoint Settlement Account on or before 16:00 on the Delivery Day. emsTradepoint will transfer the Trade Quantity of Units to the Buyer by 16:00 on the Settlement Day.



Example of settlement process

	1 BD	2 BD	3 BD			4 BD	5 BD	6 BD
Tues	Wed	Thur	Fri	Sat	Sun	Mon	Tues	Wed
Trade is formed	etp sends invoice to Buyer and Buyer-Created Tax invoice to the Seller.						<u>Delivery Day</u> Payment from Buyer is made to etp by 16:00. Units delivered from Seller to etp by 16:00.	<u>Settlement Day</u> Payment is made by etp to Seller by 16:00. Units delivered by etp to Buyer by 16:00.

What about Trades that are brokered for a forward date?

Brokered Off-Market Trades may be placed for any Delivery Day. However, these cannot be placed less than 5 Business Days after the Day the Trade is formed. The same process for physical and financial settlement set-out above applies to these transactions. The invoice will be sent by etp 5 Business Days prior to the Delivery Day outlined in the Trade Notification.

When are Trading Fees charged?

Trading Fees are accrued throughout the month for a Participant's total Trades in a month. The first Business Day of the following Month emsTradePoint will issue an Invoice to the Participant for Trading Fees during the previous Month.

The Participant must pay emsTradePoint the Trading Fees by 16:00 on the tenth Day after the date of the invoice.

The Settlement process is set out in Sections 6 and 7 of our [Market Rules](#) Carbon Product Supplement v1.2.

We're here to listen

We're happy to discuss this change with you – and other ideas you may have about building an open and transparent carbon trading market. We are committed to ensuring our exchange platform and business processes work for you, and provide excellent trading experiences.

Give us a call on +64 (0) 4 590 6692 or email us at supportdesk@emstradepoint.co.nz.

We will be out and about more meeting with new and existing Participants to the emsTradePoint exchange. We will also be attending [Downstream](#) on the 3 - 4 August where we will be available to chat about all things NZUs and Natural Gas.