



Australian Government

FNSFMK512A Apply knowledge of emissions markets

Release 1

FNSFMK512A Apply knowledge of emissions markets

Modification History

Version	Comments
Release 1	This version first released with <i>FNS10 Financial Services Training Package v4.0</i>

Unit Descriptor

This unit describes the background knowledge and understanding required and performance outcomes expected of a market participant in the emissions markets.

This unit is intended, to address the specialist knowledge requirements of those intending to operate in the emissions marketplace. This embodies that mandatory knowledge outlined in ASIC RG146 Appendix A2.11.

Note: this competency **does not** address the skills or the generic knowledge requirements in ASIC RG 146

Application of the Unit

This unit applies to individuals who are engaged in the financial services industry, including advisers who provide advice on defined financial products in the emissions markets or other emissions market participants

Licensing/Regulatory Information

This unit may apply to job roles subject to licensing, legislative, regulatory or certification requirements; Commonwealth, State or Territory requirements should be confirmed with the relevant body.

Pre-Requisites

Not applicable.

Employability Skills Information

This unit contains employability skills.

Elements and Performance Criteria Pre-Content

<p><i>Elements describe the essential outcomes of a unit of competency.</i></p>	<p><i>Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.</i></p>
---	--

Elements and Performance Criteria

<p>1. Comply with the regulatory framework unique to emissions markets</p>	<p>1.1 Identify the domestic and international regulatory framework within which emissions reduction schemes are placed</p> <p>1.2 Identify the key legislation, regulation and industry codes of practice relevant to operating within Australian <i>emissions markets</i></p> <p>1.3 Comply with relevant legal and regulatory principles when operating in emissions markets</p> <p>1.4 Discuss regulatory risk for both voluntary and regulated emissions markets and determine possible impacts of pending regulatory or legislative change</p>
<p>2. Evaluate the scope and impact of the emissions market</p>	<p>2.1 Identify regulated and voluntary carbon markets and outline how they operate</p> <p>2.2 Distinguish the respective supply and demand drivers for voluntary and regulated markets</p> <p>2.3 Describe price drivers for emissions products</p> <p>2.4 Differentiate participants in carbon markets and the motivations for their participation</p> <p>2.5 Distinguish the functions of the primary and secondary emissions markets</p> <p>2.6 Discuss auction types and processes</p> <p>2.7 Describe the functions, requirements and rules for registries</p>
<p>3. Identify the types of emissions products, their characteristics and liabilities</p>	<p>3.1 Compare the different types of <i>emissions products</i> available of emissions instruments traded in the compliance and voluntary markets</p>

	<p>3.2 Identify the key features of compliance market products</p> <p>3.3 Describe the risks inherent within each product and their potential impact in a given context.</p> <p>3.4 Describe transactional processes for each product, including acquiring, transferring and surrendering</p> <p>3.5 Describe the tax treatment of emissions products, including deductibility of costs where relevant</p>
4. Apply knowledge of emissions products	<p>4.1 Determine relevant market information influencing the market</p> <p>4.2 Analyse relevant information when selecting products for an emissions markets transaction</p> <p>4.3 Devise strategies for using emissions market products</p> <p>4.4 Seek advice and guidance of specialist expertise where required</p> <p>4.5 Apply knowledge of financial market transactional processes when operating in emissions markets</p> <p>4.6 Complete relevant documentation and complete any additional organisational processes</p>
5. Maintain emissions market knowledge	<p>5.1 Relevant emissions trading markets sources are reviewed regularly and any changes are applied in daily work</p> <p>5.2 Maintain professional competence in market knowledge in accordance with codes of conduct and/or organisational requirements</p> <p>5.2 Processes for maintaining up-to-date knowledge about relevant aspects of emissions trading markets are implemented</p>

Required Skills and Knowledge

This section describes the skills and knowledge required for this unit.

Required skills

communication skills to:

- liaise with others, share information, seek advice and guidance
- learning skills to maintain knowledge of changes to regulation, markets and emissions
- research and analysis skills to:
 - identify economic influences, operations of emissions markets and characteristics of financial products traded in the regulated and voluntary markets

- access and interpret legislation and regulation impacting on emissions markets and market operations
- identify and interpret relevant information
- analyse information and data relative to carbon markets
- maintain currency of products and services knowledge
- self-management skills to:
 - monitor and adapt to changes in compliance issues

Required knowledge

- Understanding of the types of products and their characteristics:
 - analysis of the types of emissions units, and their characteristics (encompassing carbon units, Australian carbon credit units, and eligible international emissions units)
 - characteristics of emissions units including their status as personal property, and how they are typically derived from inception to the point of acquiring status as a financial product
 - risks associated with each type of emission unit, including rating, restrictions on their use, transfer, and bankability for future use
 - processes for acquiring, transferring and surrendering emissions units, including compliance with the requirements of the Australian National Registry of Emissions Units
- Knowledge of the operation of regulated and voluntary carbon markets
 - geopolitical context of carbon markets including the influence of political and economic factors and corporate social responsibility
 - main participants in carbon markets, and their key objectives and participation behaviours as factors influencing market activity
 - emissions unit supply and demand factors and regulated price factors influencing market activity and prices
 - issue of carbon units via auction, and auction types
 - types of transactions in carbon markets, including transactions relating to the carbon pricing mechanism and in voluntary markets, and the function of financial markets facilitating such trading (including internationally)
 - potential trading strategies and their implementation in carbon markets (e.g. hedging and investment strategies)
 - risks associated with carbon markets, including liquidity, pricing, credit, operational, and regulatory risks
 - carbon market transaction documentation, including the types used for different types of counterparties and transactions, their key terms and conditions and advantages and disadvantages
- Understanding of the regulated emissions legal environment—disclosure and compliance
 - domestic regulatory framework for the carbon pricing mechanism, including the role of the Clean Energy Regulator and the Australian National Registry of Emissions Units
 - domestic regulatory framework for the Carbon Farming Initiative, including the role of the Clean Energy Regulator and the Australian National Registry of Emissions Units
 - international regulatory framework for carbon trading, including the Clean Development

Mechanism

- relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act, Australian National Registry of Emissions Units Act 2011, National Greenhouse and Energy Reporting Act 2007, Carbon Credits (Carbon Farming Initiative) Act 2011, Clean Energy Act 2011)
- the relationship between ethical and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest that may influence the adviser's recommendation), and the application of these requirements in professional practice
- relevant industry standards and codes of conduct
- regulators' guidelines, including our requirements in this policy
- dispute resolution procedures (external and internal)
- Understanding of the taxation obligations in the emissions market
 - taxation treatment of emissions units and taxation issues relating to emissions units
 - deductibility of costs associated with emissions units

Evidence Guide

Not applicable.

Range Statement

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

<i>Emissions markets include:</i>	<ul style="list-style-type: none"> • Domestic and international carbon markets <ul style="list-style-type: none"> • Voluntary markets • Compliance markets
<i>Emissions products include:</i>	<ul style="list-style-type: none"> • carbon units (issued by the Clean Energy Regulator under the Clean Energy Act) (ACUs); • Australian carbon credit units (issued by the Clean Energy Regulatory under the Carbon Farming Initiative) (ACCU); and • eligible international emissions units (EIEUs). • voluntary environmental schemes
<i>Participants include:</i>	<ul style="list-style-type: none"> • Liable entities • Financial intermediaries • Carbon farming project proponents • Speculators
<i>Transactional processes include</i>	<ul style="list-style-type: none"> • Acquiring emissions units • Transferring emissions units • Auction processes • Registry processes • Surrendering emissions units • Transaction documentation <ul style="list-style-type: none"> • Regulatory • Organisation • Exchange-required
<i>Market information includes:</i>	<ul style="list-style-type: none"> • Economic statistics and data • Government policy changes • Trading data, including pricing, liquidity and limits (market and credit) • Market standards and conventions affecting transaction sizes
<i>Emissions market transaction purpose includes:</i>	<ul style="list-style-type: none"> • Hedging • Acquitting liability • Trading • Advising • speculating

-
-

Unit Sector(s)

Financial Markets

Custom Content Section

Not applicable.