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Suppliers called for ETS project

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The federal government has opted to proceed quickly in its efforts to build a new automated auction and settlement system in preparation for the introduction of carbon trading in Australia.

Despite ongoing uncertainty of the proposed emissions trading scheme, the Department of Climate Change and Water yesterday issued a call for industry proposals to build the new system.

Documents issued as part of a request for expressions of interest in building the platform reveal the government now wants a prime contractor to run both the primary auctioning of paper credits, through to their conversion into real money through settlement and clearing services.

Industry had previously expected the procurement of services would remain separate because they are relatively specialised and dissimilar tasks.

According to the EOI documents, the new system is expected to be in place and the first auction to start in the second quarter of 2010.

The decision to opt for a single prime contractor has shifted industry dynamics around who will bid to build the scheme because companies that had previously expected to supply discreet components will now have to band together to form a one-stop consortium of vendors.

The introduction of clearing and settlement services into the prime contract is certain to attract the interest of share registry companies such as Computershare.

Another company believed to be evaluating a role is publisher and market data information systems provider Bloomberg. The company was unable to respond to a request for comment yesterday.

One local company expected to bid for the carbon trading platform project is Tradeslot, which specialises in the auction, optimisation and allocation platforms for carbon and other commodities.

The company has previously advised the government on the introduction of a carbon trading system, and has participated in policy development around the planned ETS scheme. Tradeslot chief executive Jesco d'Alquen yesterday welcomed the EOI, saying the components listed were in line with expectations. "We're very happy and confident in the tender going forward," he said.

But other suppliers in the Canberra market that would normally beat a quick path to the government's door to secure lucrative work were far cooler on their prospects of securing the ETS project.

Government relations executives at several suppliers said yesterday there were still many risks surrounding the introduction of the carbon trading project that made them wary of making a commitment.

These included absence of legislation and a lack of knowledge on how the scheme would be funded. The ability of governments to cancel electorally sensitive projects that came under heavy fire at short notice was cited as another major factor, with the aborted \$1 billion welfare smartcard and Fuelwatch highlighted as key examples.

At the same time, the government has indicated it wants to substantially reduce its technology bill - a stance that means vendors will be looking to defend existing turf from revenue cuts rather than pitching for new business that was still not quantified or decided.

"Tendering is very expensive," one source said. "There's a lot of political risk around [the introduction of carbon trading]. The scheme may not get off the ground."

KEY POINTS

- The government is looking for a prime operations contractor.
- Share registry companies are likely to be interested in clearing services.
- Many suppliers are still wary.