



McKEAN & PARK

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ASSOCIATED FIRM - SYDNEY - PIGOTT STINSON RATNER THOM

Our Ref: Mr R Blair:MBM
50032

9 November, 2005

The Secretary
Emissions Trading Working Group Secretariat
The Cabinet Office
GPO Box 5341
SYDNEY NSW 2001

emissionstrading@cabinet.nsw.gov.au

Dear Sirs/Madam

National Emissions Trading Scheme

Following your presentation in Melbourne and the discussion which resulted, we enclose a number of papers prepared earlier this year regarding issues relative to an Emissions Trading Market. You will appreciate that as the articles were prepared before the announcement of any initiative by the States and Territories, they relate to issues surrounding a market initiated by the Commonwealth.

This firm has had a considerable background in the issues surrounding a possible Emissions Trading Market due to our close working relationships with a number of banks and the finance market plus the writer's introduction of the concept of carbon rights and his initiation of the *Forestry Rights Act* 1996 and its subsequent amendment to provide for carbon rights.

You will gather from the attached articles our view is that:-

1. An Emissions Trading Market must aim for the lowest transactional cost possible:
 - the lowest cost can be achieved only if the market implements rules guaranteeing complete security;
 - this can be achieved based on the Australian Land Registry Systems (in each State and Territory);
 - but this will require a sensitive upgrading of those Land Registry Systems with a high level of expertise in the implementation.
2. Because the issues surrounding an Emissions Trading Market have occupied our attention for a long time and at considerable depth, it is not possible to convey all the accumulated information to you in this submission. We are, however, willing to discuss with you an appropriate seminar at which the issues can be raised and addressed.
3. We believe with an appropriate Emissions Trading System a substantial number of the problems raised in your paper can be successfully addressed.

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We propose to contact you by telephone following your receipt of this letter to discuss the matter.

Yours faithfully
McKEAN & PARK

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Encs