DBCT User Group: Submission on QCA climate change expenditure review discussion paper

1. Context and background

This submission is made by the Dalrymple Bay Terminal User Group (the ***DBCT User Group***), comprised of the existing users of the Dalrymple Bay Terminal, in relation to the Queensland Competition Authority's (***QCA***) Climate change expenditure discussion paper (the ***Discussion Paper***). In particular, this submission seeks to provide commentary around considerations specific to those issues in the context of Dalrymple Bay Infrastructure Management Pty Ltd's (***DBIM***) coal handling service and the related regulatory and contractual framework.

The DBCT User group welcomes the QCA's review of the effectiveness of the existing regulatory frameworks to accommodate and create appropriate incentives to manage climate change related risks.

The members of the DBCT User Group, operate under a range of climate change and environmental policy frameworks, both at the State and Commonwealth levels in Australia and in the countries which import our products. We have strong economic incentives to seek efficient solutions in our own businesses, and where applicable, to work with the regulated service providers to achieve appropriate adaptation and mitigation measures. Many of the DBCT User Group members have their own targets, commitments and initiatives in relation to climate change issues. The members of the DBCT User Group are also directly exposed to the effects of the climatic events, such as floods, from mine sites across the entirety of our supply chain.

The DBCT User Group believe the existing regulatory and contractual structures already provide scope for appropriate consideration of these issues.

More generally, it is important that the scope of economic regulation remains focused on restraining the exercise of monopoly power by the regulated entities, rather than attempt to add to the wide array of climate change policies. Attempting to use economic regulation in such a way could lead to unintended consequences, as we discuss below specifically in relation to DBT. It will also result in trying to regulate economy wide and global issues by impositions on only users of regulated services, rather than industry participants more generally.

2. Relevance of existing regulatory settings for DBT

Relevance of User-owned Operator

Relative to the other infrastructure that the QCA regulates, the Dalrymple Bay Terminal is in the unique situation of being operated by an independent user-owned operator (Dalrymple Bay Coal Terminal Pty Ltd (***DBCTPL***)) rather than the infrastructure owner.

DBIM's approved access undertaking recognises this by, among other things:

(a) providing for handling charges to be based on a pass through of the operating and maintenance costs incurred by DBCTPL[1] (rather than the QCA being required to estimate efficient operation and maintenance costs). This is on the basis that DBCTPL is strongly incentivised both through user-ownership and its contractual obligations owed to DBIM as infrastructure owner to operate the terminal efficiently; and

(b) providing for non-expansion capital expenditure (***NECAP***) to be presumed prudent in certain circumstances where recommend by DBCTPL and approved by users[2] (with QCA oversight only occurring where DBIM is investing in NECAP in other circumstances) again on the basis that DBCTPL is strongly incentivised to only pursue prudent NECAP.

In that regard, there are already examples of DBCTPL committing to incurring climate change related expenditure, such as entry into electricity supply arrangements with 100% renewal benefits in the form of renewable electricity large-scale generation certificates from 1 January 2023.[3]

Where users are ultimately the entities that bear the most risk from climate change (both directly and indirectly), it is entirely appropriate that these arrangements continue, and that DBCTPL remains empowered to make those decisions on a real time and individual project basis in the specific circumstances of the Dalrymple Bay Terminal.

Accordingly, the DBCT User Group submits that where the QCA is minded to make general comments in this review about assessment of efficiency or prudency of climate change related expenditure it should be careful not to undermine the current prevalence given to the user-owned operator's assessments, in recognition that the involvement of the independent user-owned operator already demonstrably involves consideration of climate change issues at a more granular project and contractual level. The continuation of the user owned operator's role forms part of the arrangements agreed with DBIM as a result of the negotiate-arbitrate model approved by the QCA.

More generally, to the extent that any oversight of capital expenditure is provided by the QCA, the existing principles of ensuring that all expenditure is prudently and efficiently incurred remain relevant regardless of the reasons for the expenditure.

In particular, it is important to highlight that the full costs of any damage to the existing infrastructure, whether caused by climate change-related or other events, is paid for by users—either through insurance payments or through return of and on the restoration capex in the event there is self-insurance. This means that the users—through the operator owned by them—are facing the full costs of the trade-off between any mitigation expenditures now vs restoration later. Accordingly, the capex expenditures supported by the users are most likely to represent an efficient response to climate change issues.

[1] DBIM Standard User Agreement, Section 6.2 and 6.3.

[2] DBIM Access Undertaking, Section 12.10(c).

[3] Dalrymple Bay Infrastructure ASX Announcement, *Dalrymple Bay Terminal secures Electricity Sale Agreement with 100% Renewable Benefits from 2023*, 17 November 2021

Interaction with negotiate-arbitrate form of regulation

As an outcome of the QCA's final decision in respect of DBIM's 2019 draft access undertaking, DBIM's provision of coal handling services is now regulated under DBIM's current approved undertaking through a negotiate-arbitrate model.

Despite the DBCT User Group's serious misgivings about that form of regulation given DBIM's monopoly position and clear market power, many of which were borne out by the experience of the recent negotiation with DBIM, after more than 15 months the DBCT User Group and DBIM reached complex agreements on 10 year access terms.[4]

Those negotiations concerned both price and risk allocation matters. The detailed price and risk allocation outcomes provided a wholistic price which already accounts for climate change considerations, including issues of financeability of coal terminal infrastructure, economic life of the terminal, costs of insurance, prospect of and cost and risk allocation in respect of further expansion and responsibility for costs and impacts on capacity of any future non-coal developments at the terminal.

The outcomes were also based on the assumption that for those matters for which the QCA continued to have a role under the undertaking relevant to costs and pricing (most relevantly assessment of prudency of expansion capital expenditure and to a lesser degree NECAP), the existing arrangements would continue.

The DBCT User Group's understanding of the arrangements with DBIM is that both parties are supportive of the existing prudency arrangements in DBIM's access undertaking, and believe that the usual commercial prudency considerations should be applied to any investment. Such considerations, as a matter of course, will involve climate change related risks.

Given the careful balance that has been achieved and the long-term nature of the agreed arrangement, the DBCT User Group submits it is important for the QCA to exercise a great deal of caution in considering any regulatory measures in relation to climate change related expenditure, including any change in approach to the assessment of prudency, which could inadvertently re-open or conflict with the existing agreements. We would recommend that the QCA restrict its review, as it relates to DBIM, only to those situations where there are no well-established processes for the review and approval of prudent investment and prudent depreciation profiles by the users.

Adopting a more interventionist approach on this specific issue in the context of the Dalrymple Bay Terminal, would be inconsistent with the rationale given by both DBIM and the QCA for the proposal/adoption of the negotiate-arbitrate model about giving primacy to negotiated outcomes, and would undermine the integrity of the existing agreements between DBIM and the members of the DBCT User Group.

[4] Dalrymple Bay Infrastructure ASX Announcement, *DBI Announces 10 year Pricing Agreements and Significant Increase in Distribution Guidance*, 11 October 2022

Commercial stability for future regulatory period

The QCA should also carefully consider the benefits of stability of the regulatory arrangements, and the impact of general commentary on any future commercial negotiation or renegotiation of access pricing and terms.

In the case of the Dalrymple Bay Terminal, the regulatory settings currently involve:

(a) a 5 year undertaking;

(b) a 10 year agreement with existing users; and

(c) a 10 year declaration (as well as the prospect of the declaration being renewed given the significantly longer useful life of the terminal).

The DBCT User Group anticipates that DBIM will be seeking for future regulatory periods to also be the subject of a negotiate-arbitrate regime such that, if that form of regulation was approved by the QCA, existing users would have to negotiate new access arrangements for that period. Similarly, any future expansion decisions would be likely to be made in the context of such a regime.

Based on the DBCT User Group's recent experience such negotiations are extremely difficult, and uncertainty about the QCA's approach on issues generally compounds the difficulty of reaching agreement.

As such, we submit that if the QCA were to introduce substantial changes to prudency rules, or their interpretation of them, or other aspects of the regulatory approach to climate change related expenditures, even if such changes to do not apply to the existing undertaking, there is a risk that it would be difficult to maintain the commercial stability of the access arrangements as the end of the negotiated arrangements and declaration period approaches, and make any future commercial negotiation with DBIM even more difficult. That difficulty will only be exacerbated because of the challenges of identifying expenditures that are solely or principally climate change related and therefore potentially very uncertain scope of what the QCA might regard as within the scope of such expenditures.

3. Specific risks

We see a number of specific risks arising out of an additional regulatory over-lay that are specific to climate change related expenditures:

(a) In most if not all cases, it will not be possible to identify an expenditure as being solely or principally related to climate change. For example, the standard infrastructure is built to also involves considerations about future demand and economic useful life, which are likely to outweigh components which might be classified as climate change mitigation measures.

(b) Concerns about climate change risks could lead to the QCA imposing barriers on investment decisions which are supported by the users. The discussion paper speaks of "risks of capital expenditure being ill-planned, ill-timed, not fit for purpose, ill-designed or made obsolete". However, there is also a risk of views on the prudence of capital expenditure diverging between the regulator and the users. Regulatory decisions with respect to the infrastructure entities serving climate change exposed users should not become a tool for imposing additional policy pressure on the users by limiting their access

to infrastructure, when elected State and Federal governments are better placed to determine climate change and environmental policies;

(c) Concerns about climate change risks may also lead to the QCA enabling the regulated entities to undertake expenditures which are not supported by the users or independent user-owned operator. While we encourage effective and appropriate mitigation measures across the entire supply chain, we would be opposed to any regulatory measures which enabled the regulated entities to impose solutions on unwilling users. This would be particularly the case with expenditures which broadly fall within the rubric of broader "social license to operate" or enhancement of "ESG credentials" which benefit the regulated entity and its investors rather than delivery of the regulated service, unless a clear benefit can be defined which will accrue to the users;

(d) Additionally, it will be particular challenging for a regulator to accurately determine the pace of transition to the net zero environment, and the role of different commodities in that environment. As a result, the regulators may support faster depreciation of the regulated assets than may be prudent. This would impose unnecessary costs on the current users and actually distort how the transition occur. For example, while it is generally acknowledged that there is an energy transition occurring and within that transition metallurgical coal is likely to be required for longer than the thermal coal, the exact timeframes remains debated..

4. Climate Change Impacts on Demand - Prudency of Expansions

As announced by DBIM,[5] the arrangements agreed with existing users continue socialisation of expansion capital where the QCA determines the expansion should be socialised rather than differentially priced. Development of any expansions will also disrupt the existing Terminal operations. As such, existing users' involvement in the expansion process remains clearly appropriate.

The arrangements agreed with DBIM were premised on matters including the existing '60/60' requirements included in DBIM's access undertaking,[6] the existing tests regarding when socialisation and differential pricing would be adopted, an assumed economic life for the terminal and any such expansion and implicit views on a rate of return on such capital.

While the Discussion Paper principally concerns climate change mitigation and adaption costs, the DBCT User Group notes that it would fully expect climate change issues to play a part in assessments of prudency in respect of future high capital, long life expansions, and particularly whether they are at risk of becoming surplus to requirements due to the existing user agreements not being renewed and creating capacity in the existing terminal.

While the DBCT User Group does not consider this requires any change to the undertaking at this stage, any analysis of the impact of climate related risks should not ignore what the DBCT User Group sees as a much larger issue in the context of DBIM's expansion proposals. That is

[5] Dalrymple Bay Infrastructure ASX Announcement, *DBI Announces 10 year Pricing Agreements and Significant Increase in Distribution Guidance*, 11 October 2022

[6] DBIM Access Undertaking, Section 12.5

especially the case where an expansion is proposed to be socialised, such that the additional risk that an expansion creates will actually be largely passed through to existing users.

5. Responses to QCA Specific Questions

The DBCT User Group considers that the commentary above specific to Dalrymple Bay Terminal is relevant to many of the questions the QCA has posed, and has prepared its submission in this way because much of the commentary is relevant to multiple questions that the QCA has asked.

However, for completeness, we have also sought to provide short responses to each of the QCA's specific questions below that draw on the commentary above.

	Question	DBCT User Group Response
The climate action problem		
(1)	To what extent are the risks of more frequent or severe extreme weather events already impacting the businesses of regulated entities? Please provide evidence where available and appropriate	While the DBCT User Group acknowledges climate change and its likely contribution to weather events, we have not been provided any evidence by DBIM or the operator which demonstrates an increase in the extremity of weather events impacting the Dalrymple Bay Terminal to date. The Terminal is already engineered to withstand expected extreme weather conditions including cyclones, and we are not aware of the Terminal suffering any significant damage as a result of any previous severe weather events The main impact of severe weather events occurs through suspension of operations at the Terminal and other operational impacts. Since DBIM is entitled to call Force Majeure under its user agreements as a result of operational impacts which are caused by weather, which does not affect the obligations of the users to pay their charges, DBIM does not suffer any adverse financial impacts as a result of operational impacts. Similarly, in the event that property damage resulted in an inability to access the Terminal for a prolonged period, DBIM would still be entitled to continue to charge its Users for access. It is therefore not exposed to revenue losses as the result of such damage. Finally, the capital costs of repair to property damage are recoverable from users (in so far as assessed as prudent). Therefore, even in the absence of insurance proceeds being available, DBIM is not economically exposed to the costs of such damage. Based on these factors, it does not appear likely that DBIM is suffering or will in the future suffer any adverse consequences as a result of weather events, even if they do become more frequent or severe.
(2)	Is there evidence to suggest that regulated entities are facing difficulties in accessing insurance for their assets or accessing insurance at reasonable cost? Is self-	Insurance regarding the terminal assets is obtained by Dalrymple Bay Coal Terminal Pty Ltd, such that in the context of the Terminal it is not DBIM who faces difficulties in obtaining asset related insurance. In any case, as explained in the answer to question 1, DBIM is not economically exposed to the cost of damages caused by frequent or severe weather events. Given that the DBIM charging structure, similar considerations apply in respect of most other classes of insurable loss. The losses are therefore borne by the users. Given this position, if insurance is not commercially available to DBIM, our view is that DBIM should not seek to self-insure these amounts. Any self-insurance mechanism is likely to create the opportunity for the gaming of the regulatory structure to produce above regulatory returns. Since insurable risks are passed through to the users, it does not appear necessary or appropriate to attempt to complicate the regulatory

	insurance thereby becoming a more prudent option for these businesses?	framework through the introduction of captive insurers or other approaches to self-insurance. The regulatory framework is particularly poorly suited to govern self-insurance arrangements which attempt to quantify the likelihood of losses over a prolonged period of time and recover these on an annual basis. Since there is no certainty that the regulatory framework will remain constant over any period beyond the end of the current negotiated arrangements, it is possible that the regulatory framework could change or expire before the occurrence of any self-insured loss, meaning that the self-insurance arrangements could cease and the cost of the self-insurance approach to users may become a deadweight cost never resulting in any benefit.
(3)	Most organisations, including regulated entities, now have detailed climate change strategies and planning documents in place. To what extent are these strategies a response to government policies, and to what extent are they externally driven (e.g. in response to financing requirements or shareholder activism)? Do these external drivers put pressure on businesses to exceed the minimum requirements of government policies?	We query the need for the QCA to consider this question in general, or specifically in respect of the regulation of the Dalrymple Bay Terminal. Given the QCA's conventional approach to the setting of WACC, it can be assumed that the risks relevant to the cost of finance are taken into account in that calculation (and in the case of DBIM, the negotiated agreement with Users) without the requirement to determine the detailed strategy of the regulated business. When considering the prudence of expenditure, we have real concerns about the appropriateness of the QCA determining that expenditure (which would otherwise be imprudent) should be assessed as prudent on the basis of abstract factors such as purported financing requirements, which will be difficult in practice to assess. Furthermore, this creates the potential for double counting to the extent that the Authority may have already provided for a higher WACC (or the user have already agreed a higher price with DBIM) to take into account a perceived higher cost of shareholder or debt finance, but then also allows expenditure for the purpose of meeting shareholder or financier requirements and hence mitigating these costs of equity or debt. Where the QCA has approved a negotiate-arbitrate model in respect of DBIM, QCA commentary and intervention in this space would seem inconsistent with the 'primacy of negotiated outcomes' basis given for that approval.
(4)	Are regulated entities being encouraged or pressured by their customers to take further action on climate change? For example, do customers want regulated entities to reduce their scope 2 emissions by using an	Customers will have a variety of preferences in terms of both the level of mitigation and mechanisms for mitigation. In particular, there can be different views on the relative importance of scope 1, 2 and 3 emissions, and where emissions in the supply chain are to be mitigated, which parts of the supply chain that should occur in. In the case of the Terminal, the role of the user owned operator in procuring electricity already creates a forum for customer input into this decision making process As noted earlier in the submission, the User Owned Operator has already contracted future power requirements for the Dalrymple Bay Coal Terminal based on renewable power sources.

	increasing proportion of renewable energy in their businesses? How do customers value actions taken by regulated entities that might provide for the customers to claim reduced scope 3 emissions in their supply chains?	
Effectiveness of existing regulatory frameworks		
(5)	Do the QCA's existing regulatory frameworks create appropriate incentives for regulated entities to efficiently manage risks associated with climate change? If not, how might the frameworks be improved in this regard?	We do not consider that the QCA's objectives would be appropriately furthered through attempting to create regulatory incentives in relation to the management of individual risks. The QCA as an economic regulator is not well placed to identify and provide appropriate incentives for the individual risks which are inherent in any regulated business. Attempting to do so in relation to one particular risk, without applying a similar approach to all other risks which are inherent in any business, is likely to create distortions and inefficiencies. It does not appear necessary to create a set of incentives in relation to the management of any risks arising from climate change which is any different to the incentives which exist in relation to the management of any other risk. In the context of the Terminal, we consider the existing regulatory framework in respect of the Dalrymple Bay Coal Terminal creates appropriate incentives to efficiently manage risks associated with climate change, as users bear both the costs of mitigation/adaption and the costs of rectification/reinstatement so are incentivised to make efficient decisions. Again, further regulatory intervention in this area appears inconsistent with the 'primacy of negotiated outcomes' basis given by the QCA for approving negotiate-arbitrate regulation in respect of the Dalrymple Bay Terminal.
(6)	Are existing mechanisms in the QCA's regulatory frameworks for dealing with newly arising expenditure requirements (e.g. pass-through mechanisms, review events and draft amending access undertaking (DAAU) processes)	Existing mechanisms are generally appropriate. In the case of DBIM, the main mechanism is the review of prudency of capital expenditure. In the negotiate-arbitrate model that the QCA has approved in respect of DBIM, the QCA will need to be extremely cautious in approving any future DAAU, due to the potential to undermine the assumed regulatory arrangements that underpin the agreement that has been reached between the users and DBIM.

	sufficient to deal with climate change related expenditure? If not, how might these mechanisms need to be amended?	
(7)	The QCA's standard approach to assessing the prudency and efficiency of capital expenditure claims by regulated entities involves applying frameworks that assess scope, standard and cost. Are these existing frameworks suitable for assessing climate change related expenditures? And do they provide the right incentives for entities to appropriately have regard to climate change considerations—and alternative ways of achieving the desired objectives – when undertaking expenditure? If not, how should they be enhanced? For example, in considering the prudency of capital expenditure, is there a trade-off between efficiency and	All expenditure requires the consideration of competing factors to assess prudency. It is unclear what, if any, expenditure at the Terminal could be considered to be specifically in relation to climate change. For example, even if it could be demonstrated that the Terminal was being impacted by increasingly severe weather requiring capital enhancement, any possible impacts of climate change would only be one factor in the decision-making process. There is no reason to apply different standards to different classes of expenditure, particularly where this would create incentives to game the system by classifying expenditure to be subject to the approach most favourable to the infrastructure provider We consider the existing framework for assessment of prudency in the context of the Dalrymple Bay Terminal remains entirely appropriate. The User-owned Operator and Users are best placed to assess the trade-offs involved due to wearing both the costs of investment in robustness / resilience and the costs of any reinstatement/maintenance/interruptions to operations where the relevant risks eventuate.

	least cost, and robustness and resilience? If so, how can these trade-offs be managed?	
(8)	Are processes in the regulatory frameworks that are designed to provide regulated entities with a degree of certainty to make investment decisions (e.g. provisions that allow for preapproval of the scope of projects or customer vote mechanisms) sufficiently flexible to enable climate change related investments to proceed where appropriate?	As outlined in response to question 7, the assumption that particular items of expenditure can be reliably identified as being solely related to climate change is unrealistic. Even if this distinction could be made, there is no reason to apply different approaches to different categories of expenditure, and this would create incentives for the gaming of the different approaches by the infrastructure owner. The existing approaches to user endorsement of expenditure by DBIM are adequate and have been accepted by DBIM and users as part of the recently negotiated user agreements.
Corporate and regulatory insights		
(9)	How should differences between regulated entities' willingness to supply and customers' willingness to pay for adaptation and/or mitigation expenditure be reconciled? What if the willingness to pay differs among customers or groups of customers? In considering these matters, how should potential	At least in the case of the Dalrymple Bay Terminal, there should be no misalignment because users pay for adaption/mitigation costs and pay for reinstatement costs – such that they (and the user owned operator) have the right incentives to make the most efficient choice possible in relation to trade-offs. More generally, the benefit of positive externalities does not make expenditure by an infrastructure owner reasonable or prudent and should not be taken into account in the approach to economic regulation. The purpose of economic regulation of monopoly infrastructure is to simulate the prices that would be available to the users in a competitive market. The justification for this regulatory intervention is to provide a benefit in the dependent market or markets which are impacted by the availability and terms of access to the regulated infrastructure. In a competitive market, the benefit of positive externalities is not reflected in the price available to users. That is because the benefit is an externality. The competitive price will not take into account externalities, except to the extent that these are internalised through Government intervention. Government intervention may well be justified where a business results in positive or negative externalities, taking account of the entire policy context in which the business operates. However, attempting to take into account one particular kind of externality produced by monopoly infrastructure through the approach to economic regulation of that infrastructure, when not all participants in the industry use such infrastructure, should not be considered as the appropriate means for Government to carry out such interventions.

	externalities be assessed? This includes positive externalities that may accrue to the broader community from increased mitigation activities	
(10)	How do organisations justify climate change related expenditures to their boards and other internal stakeholders? To what extent can these processes inform the QCA's assessment of this type of expenditure?	As previously outlined, this question proceeds on the assumption that there are particular kinds of expenditure which are distinctly related to climate change and provide no other benefits to the organisation. We consider that assumption does not hold true in practice. Any expenditure has a range of costs and benefits which need to be assessed by the relevant organisation. There is no reason to believe that particular kinds of expenditure are subject to a different cost benefit analysis in practice, and no reason to believe that such differential approaches would be either reasonable or prudent.
(11)	How do organisations consider different types of mitigation expenditures? How do they decide between alternative options (e.g. direct mitigation versus purchase of offsets) and justify those decisions? What lessons can be learned for the QCA's regulatory processes?	Assessments of different types of mitigation expenditures generally occur in exactly the same way as other operational decisions between alternatives. In the context of the Dalrymple Bay Terminal, the QCA should therefore not be seeking to second-guess the decision of the User Owned operator. More generally a rational business operating in a competitive market would seek to minimise its costs and therefore the charges that would be passed on to its customers. The reasonable and prudent approach of such a business would be to comply with the minimum requirements which were legally mandated, unless additional expenditure could be justified through benefits available to that organisation (for example, due to customer attitudes). However, in the context of monopoly infrastructure assets where customers have no option but to use the infrastructure services, where some ESG benefits may accrue to the monopoly infrastructure owner, but customers will pay the costs, it is unlikely efficient decisions will be made. It is possible that an infrastructure owner might seek to justify additional expenditure as a requirement of its financiers. However, it would be extremely difficult to provide any actual evidence of the impact of such expenditure upon finance costs in order to justify its prudence. Such assessments are likely to be highly subjective. Such an assessment also has no place in a negotiate-arbitrate model, where the agreement reached between users and DBIM implicitly takes into account the parties' views on such matters over the term of the agreed pricing outcomes.
(12)	What lessons can be learned from the insurance industry's assessment of climate change related risks? How should the QCA approach	As outlined above, we do not consider that a self-insurance approach should be adopted in relation to the Terminal, given that DBIM it does not bear the economic consequences of any climate change related risks. This is, and should remain a matter for the user-owned Operator, given that its role forms part of the matters agreed between the Users and DBIM. Also as outlined above, the assumption that it will be possible to identify particular spending as being 'climate change related' is likely to prove difficult if not impossible in practice.

	the assessment of actuarial information provided to it as part of future expenditure claims? Does the QCA's approach to assessing self-insurance claims provide a model for assessing proposed climate change related spending? What might the criteria be for a climate change related application? What types of supporting material should an entity provide?	We continue to consider there is no reason that particular kinds of spending should be subject to different regulatory approaches
(13)	Do stakeholders have experiences with other regulatory work or frameworks, in Australia or overseas, that the QCA ought to have regard to in undertaking this climate change project? If so, what lessons could be learned from such experiences?	The DBCT User Group consider that the regulatory framework for the terminal has a number of unique features including the user-owned operator and its role and the bespoke agreement reached between the members of the DBCT User Group and DBIM, so that importing arrangements from other regulatory frameworks is likely to have unintended consequences. In addition, government action in relation to climate change is not generally dealt with through the application of economic regulation. Although Government has an important role in dealing with the potential externalities of any industry, it is not an appropriate role for an economic regulator to attempt to deal with specific policy issues through economic regulation of monopoly infrastructure. The role of economic regulation is to provide users with access to important monopoly infrastructure at a price which simulates that which would apply in a competitive market. Attempting to use economic regulation in such a way will result in trying to regulate economy wide and global issues by impositions on only users of regulated services, rather than industry participants more generally.

As always, please do not hesitate to contact Ken Moore, as current chairperson of the DBCT User Group, if you have any queries in relation to the above submission.