

Letter to Participants: The Removal of Incorrect PRNs/PERNs

You may have recently received a follow-up letter from the Environment Agency (EA) answering questions about the process and the reasons that they might decide to remove incorrectly issued PRNs. This has inevitably raised concerns about the checks that are being carried out to ensure the validity of PRNs. As explained in my letter dated 29 April 2021, The Environment Exchange (t2e) applaud the more robust regulatory action that the EA has chosen to follow and would encourage their devolved counterparts to follow a similar approach.

It is a change of approach that t2e, along with others, has been advocating that the Agencies should follow for some time as the security and robustness of the system has been one of the cornerstones of t2e's core values since its inception. Hence our rigorous joining process, frequent checks against public sources and detailed rules. We have reviewed the latter in light of the EA's announcement and found that they have stood the test of time. t2e has always risk profiled its participants to ensure that they are both capable of paying for the PRNs purchased as well as credible issuers of PRNs and if necessary has requested and received supporting information from all participants.

In recent years as PRN values have increased in value, t2e has increased not only the frequency of these checks but also the number of checks that it has carried out as some have found to their frustration. We have more recently expanded these checks to randomly audit the source, type and destination of packaging waste of individual contracts traded through t2e. As Covid restrictions are relaxed it is intended that these checks which have been desk based should not only become more frequent but also on location.

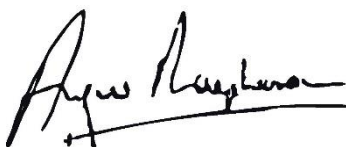
If we have any concerns, we have suspended or cancelled participation as well as, when appropriate, alerted the relevant regulatory body. Early action has meant that problems have been identified early and resolved so contracts do not go into default. One of the great strengths of t2e is the ability to trade out of positions without either loss of face or the necessity to default on the original contract.

Despite the best efforts of all, it is unfortunately conceivable that a PRN is invalidated by the EA after a t2e contract has been completed. In these circumstances the dispute is between the Buyer and the issuer of the PRN, note this may be different to the selling counterparty. The participants are obliged to bring to t2e's notice that there is a dispute (Rule EE 1.2.8) or complaint (Rule EE 1.9) so that t2e can investigate and, if appropriate, mediate or carry out disciplinary action as appropriate under Rules EE 1.2.3 and EE 1.8.

Please be assured that t2e will do all within its power to ensure that these circumstances will not occur. t2e is also willing to mediate disputes that have arisen as a result of transactions conducted outwith t2e's trading platform. In a worst case scenario t2e's swift, simple, safe market-place is ideally suited for ensuring that a solution can be found.

If you have any concerns either about this letter or any issuer of PRNs, please do not hesitate from contacting us. Thank you for your support. These are difficult times for all.

Kind Regards,



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