

Participation in Emissions Auctions

Group Strategy,
Leipzig, 12 March 2019

Why participate in Emissions Auctions?



- Auctioning is the default method of allocating allowances within the EU Emissions Trading System (EU ETS) → this means that companies liable under the EU ETS have to buy a proportion of allowances (European Union Allowances (EUAs) and EU Aviation Allowances (EUAAAs)) through auctions
- Auctioning is an open, transparent, harmonised and non-discriminatory process (see [Auctioning Regulation](#))
- Advantages to participate in EUA/ EUAA Auctions at EEX:
 - ✓ Unique access to emissions auctions on 4-5 days/week, covering ~90% of European auction volume plus continuous trading on one single exchange
 - ✓ Variety of direct and indirect access options offered
 - ✓ Strong customers focus and personal assistance through our single admission team and offices in Leipzig, London, Madrid, Milan, Oslo and Paris
 - ✓ Fair and transparent price formation
 - ✓ Opportunity to hedge EU ETS business exposure

Who is eligible to bid in Emissions Auctions?



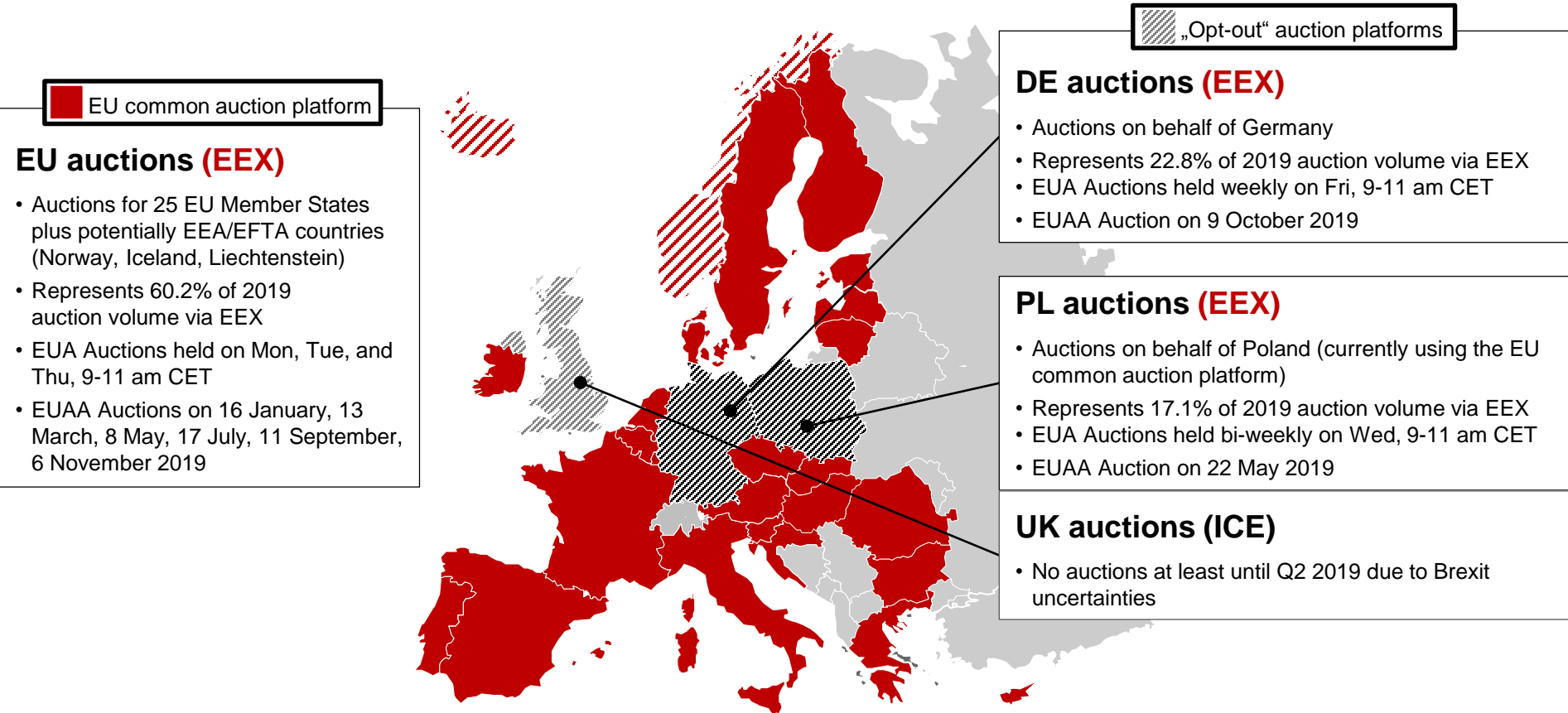
- Eligible participants according the EU Auctioning Regulation are:
 - ✓ Compliance buyers (operators of stationary installations, aircraft operators)
 - ✓ Investment firms and credit institutions
 - ✓ Business groupings of compliance buyers
 - ✓ Other intermediaries specifically authorised by the home Member State

- These participants have to fulfil admission requirements according to EU and EEX rules (see slide 5 for assistance in the admission process), i.a.:
 - ✓ Establishment in the EU (except for compliance buyers)
 - ✓ Hold a nominated holding account in the Union registry (see [details](#))
 - ✓ Hold a nominated bank account

When are Emissions Auctions? And what volumes are auctioned?

To be auctioned by EEX in 2019: approx. 630 million EUA* and 5 million EUAA

EU ETS States are the sellers of the allowances. They appoint an auctioneer to sell on their behalf and appoint an auction platform which is responsible for conducting the auctions.



→ EEX allocates ~ 90% of the total annual auction volume within the EU ETS

What options are there to participate in the Emission Auctions at EEX and who assists in the admission process?

Direct Access – bid directly at EEX

A Full Membership

B Environmental Markets Membership

Emissions: Auctions and Secondary Market

C Auction-Only Membership - System

Emissions: Auctions via Auction System

D Auction-Only Membership - Helpdesk

Emissions: Auctions via Market Operations

Contact:

Admission Team

Member Readiness

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E-mail: memberreadiness@ecc.de

Sales Emissions

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E-mail: sales@eex.com

or your Key Account Manager

Market Operations (Helpdesk)

Phone: +49 341 2156 222

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Eikon-ID: eex-trading@eex.com

Indirect Access – bid via an intermediary

Intermediaries are eligible to bid on own behalf and on behalf of clients in accordance with Article 18 of the [Auctioning Regulation](#). Currently the following companies offer to bid on behalf of clients in EEX auctions:

E Intermediary

Emissions: Auctions via Intermediaries

www.abnamroclearing.com

www.gkpge.pl/dom-maklerski

www.cf-partners.com

www.viennainvestment.ro

ABN-AMRO Clearing

PGE

CF PARTNERS

VIENNA Investment Trust

What are the differences between the options to participate in the Emissions Auctions at EEX?

	A	B	C	D	E
Markets and Products	All (Emissions, Power, etc.)	Emissions: Auctions and Secondary Market	Emissions: Auctions	Emissions: Auctions	Emissions: Auctions
Access to the Auction System	Direct	Direct	Direct	Via EEX Helpdesk	Via Intermediaries
One-off admission costs [EUR]	0	0	0	0	To be negotiated with the Intermediary
Fixed costs in the first year [EUR]	0	0	0	0	
Fixed costs from the second year on [EUR/a]	15,000*	2,500*	0*	0*	
Variable Costs for Primary Auctions [EUR/1,000 allowances]	3.00-3.50	3.00-3.50	3.00-3.50	3.00-3.50	
Criteria to fulfil					
Eligibility criteria (according to Article 18 Auctioning Regulation)	✓	✓	✓	✓	✓
Personal reliability and qualification of Members of the Management Board, Contract with Clearing Member , ECC Approval (Clearing House of EEX), Technical arrangements for settlement	✓	✓	✓	✓	Bilateral agreements with the Intermediary
Personal reliability and qualification of Trader/ Trader Assistants, EEX Admission of at least one trader, incl. EEX Trader examination, Technical arrangements for trading	✓	✓	✓	✗	
Liable equity of at least EUR 50,000	✓	✓	✗	✗	

* In addition to the fixed costs for the trading membership displayed above, from the second year on, an annual fee for the use of the clearing and settlement systems is charged. The fee is 1,000 EUR/a whereby all revenues with regards to variable clearing fees collected from the respective participant in the respective calendar year, will be credited against the annual fee. Details about all fees are available in the [EEX price list](#) and the [ECC price list](#).

What are the steps to take for direct access?

I. Contact and Decision (order of the two bullet points can vary):

- Contact EEX(contact details see slide 5)
- Decide for one of the access options (see slides 5 and 6)

II. Documents and Training:

	A	B	C	D
Fill in the applicable documents (non-sequential)				
Eligibility Form	✓	✓	✓	✓
Application for Admission as Exchange Participant (A01)	✓		✗	✗
Application for Setup / Modification of Exchange Traders/ Trader Assistants (A03)	✓		✗	✗
Application for „Auction only“- Exchange participant (A05a)	✗		✓	✗
Application for „Auction only“- Exchange participant (A05b)	✗		✗	✓
Declaration of Personal Reliability (Board Members) (E01)	✓		✓	✓
Application for Setup / Modification of EEX User IDs (E03)	optional		✗	✗
Declaration of Personal Reliability (Trader/ Trader Assistants) (E04)	✓		✓	✗
Order for Technical Access (T01)	✓		✗	✗
Straight Through Processing (T08)	optional		✗	✗
Application for Admission as Non-Clearing Member (NCM01)	✓		✓	✓
NCM Agreement with the Clearing Member (NCM02)	✓		✓	✓
Know Your Customer Questionnaire (Group_KYC)	✓		✓	✓
Application for approval as a Trading Participant (TP)	✓		✓	✓
VAT Details (TP07)	✓		✓	✓
Take the training incl. examination	✓		✓	✗

III. Confirmation of EEX/ ECC and Bidding/ Trading

How is the process of the Emissions Auctions?

<p>9:00-11:00 am CET (EUA) 1:00-3:00 pm CET (EUAA)</p>	<p>~11:01 am CET (EUA) ~3:01 pm CET (EUAA)</p>	<p>~11:10 am CET (EUA) ~3:10 pm CET (EUAA)</p>	<p>Auction Day + 1 ECC Business day</p>	<p>Upon Request</p>
<p><u>Bidding window:</u></p> <ul style="list-style-type: none"> • Products: <ol style="list-style-type: none"> T3PA (Spot EU Allowances for Phase 3 of the EU ETS, lot size: 500 EUA) EAA3 (Spot EU Aviation Allowances for Phase 3 of the EU ETS, lot size: 500 EUAA) • Bids could be submitted and withdrawn during the bidding window • Bids could be submitted direct in the Auction System (see Video Tutorial) or indirect via EEX Helpdesk or via Intermediary • Bids are submitted without seeing other participant's bids 	<p><u>Determination of the auction clearing price:</u></p> <ul style="list-style-type: none"> • Bids are sorted in descending order of the price bid • Tied bids are sorted through random selection according to an algorithm • Bid volumes are added, starting with the highest bid • The price at which the summed up bid volumes match or exceed the volume of allowances auctioned sets the auction clearing price for all successful bidders <p><u>Publication:</u></p> <ul style="list-style-type: none"> • Main Auction Results in the Auction System and on the Website 	<p><u>Publication:</u></p> <ul style="list-style-type: none"> • Detailed Auction Results on the Website (link to the dedicated auction website) 	<p><u>Payment:</u></p> <ul style="list-style-type: none"> • From the Clearing Member of a Trading Member to ECC • From ECC to the Auctioneer <p><u>Delivery (internal):</u></p> <ul style="list-style-type: none"> • Transfer of allowances within the ECC Union Registry Account from the Auctioneer (Seller) to the Trading Member (potentially an Intermediary*) having been successful in the Emissions Auction (Buyer) 	<p><u>Delivery (external):</u></p> <ul style="list-style-type: none"> • Transfer of allowances from the ECC Union Registry Account to the Union Registry Account of the Trading Member

* Delivery between the Intermediary and his client, if applicable, is to be agreed bilaterally.

Summary

- Auctioning is the default method of allocating allowances within the EU Emissions Trading System
- There are many advantages to participate in Emissions Auctions
- Emissions Auctions are held almost every working day
- There are various options to participate in the Emissions Auctions
- We would be happy to answer your questions and/or guide you through the admission process

Contact:

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› eex group

Thank you

› eex › ecc › epexspot › powernext › pegas › pxe › nodal › nodalclear › eexasia