

part of eex group



Emissions Auctions - FAQ

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1. FAQ

1.1 What are Emissions Auctions?

Auctioning is the basic principle of allocating allowances within the EU Emissions Trading System (EU ETS). This means that businesses have to buy an increasing proportion of allowances through auctions by way of a regular series of auctions in accordance with Commission Regulation (EU) No. 1031/2010 (“EU Auctioning Regulation”). For 2017, the Commission estimates a total amount of 947,706,000 European Union Allowances (EUAs) and a total amount of 4,730,500 EU Aviation Allowances (EUAAAs) to be auctioned.

EEX is the leading auction platform. About 90 percent of all allowances auctioned in the EU ETS are allocated via EEX.

1.2 How often do Emissions Auctions take place and for what quantities?

At the moment EEX conducts weekly auctions for EUAs on Monday, Tuesday, Thursday and Friday, as well as bi-weekly auctions for EUAs on Wednesday from 9 to 11 am CET.

Auctions for EUAAAs are conducted on several Wednesdays from 1 to 3 pm CET.

All details (including the quantities) can be found in the [Auction Calendar](#).

1.3 Why might an Emissions Auction be cancelled and what happens with the volume?

There are three reasons provided for in the [EU Auctioning Regulation](#) for a cancellation of an auction.

- Article 7(5): the total volume of bids has fallen short of the volume of auctioned allowances
- Article 7(6): the auction clearing price has been significantly under the price on the secondary market (see next question for more details)
- Article 9: the proper conduct of the auction is disrupted or likely to be disrupted

In case of general allowances, the number of auctions over which the combined volume to be auctioned must be distributed shall equal four times the number of auctions that were cancelled.

In case of aviation allowances, the number of auctions over which the combined volume to be auctioned must be distributed shall equal two times the number of auctions that were cancelled.

1.4 What is the “Reserve Price”?

The “reserve price” is the minimum price that has to be reached for an auction to be cleared.

In accordance with the rules governing the auctions, the methodology for determining the “reserve price” as well as its underlying definitions are handled strictly confidential. The [EU Auctioning Regulation](#) is clear and binding: Information on the reserve price methodology is considered confidential information by law (see Article 62.1i of the Auctioning Regulation). This is in order to prevent any kind of manipulation or misconduct in the auctions, which could arise from the knowledge of this methodology.

1.5 Who is eligible to bid?

Any ETS operator or aviation operator is eligible to apply for admission to bid in the auctions, and so are their parent, subsidiary or affiliate undertakings. In addition, investment firms and credit institutions, authorised and regulated under EU law, may apply for admission to bid. Prior to their admission, foreign companies have to appoint an authorised agent with a registered office within the Federal Republic of Germany, such as EEX's clearing house European Commodity Clearing (ECC).

Operators can also form business groupings to bid as an agent on their behalf. Additionally, according to §13 of [EEX's Trading Conditions](#), any exchange participant can request another registered person to bid on his/her behalf. According to Art. 6 (3) of [the Auctioning Regulation](#), a registered person is a natural person established in the European Union. With respect to § 33 (4) of EEX's Trading Conditions, the appointed intermediary is responsible for the customer's eligibility and which needs to be confirmed by completion of the [Eligibility Form](#).

Furthermore, EU rules provide for an additional category (investment firm status), namely intermediaries that benefit from an exemption from the authorisation requirements in EU law and have been authorised under rules laid down in the Auctioning Regulation. For example, this is relevant for intermediaries such as fuel traders, so they could easily add allowances to the products they offer to ETS operators.

1.6 Which "other intermediaries" can apply for bidding in the auctions aside from investment firms and credit institutions, and how can they obtain authorisation?

The scope of other intermediaries eligible to bid in the auctions covers persons that are not MiFID-licensed but benefit from the MiFID-exemption for "ancillary activity" [MiFID Art. 2 (1) (i)]. These persons would have to obtain special authorisation from their competent national authority (e.g. from FCA or BaFin) in order to be eligible to bid. Once such an authorisation is granted, they can participate in phase III auctions on all auction platforms, provided that they have been admitted to the respective exchange.

The relevant competent national authority can grant such authorisation only if respective national legislation has been enacted by the Member State in the first place.

For example: In the UK, HM Treasury has made "bidding for emissions auctions" a new regulated activity within the Financial Services & Markets Act 2000 (FSMA) as part of its implementation of the EU Auctioning Regulation. This enables the UK financial regulator (FCA) to authorise and supervise intermediaries exempt from MiFID under Article 2 (1) (i) for bidding in the auctions. Those intermediaries (when based in the UK) will have to apply for such authorisation by submitting a "[Variation of Permission \(VoP\) application](#)" form to the FSA. For more information on the applications process you can also refer to the [FCA Handbook](#).

For example: For Germany, a similar provision is set out in the German Emissions Trading act ("Treibhausgasemissionshandelsgesetz", TEHG), namely in Article 8 (4) TEHG. Based on this piece of legislation, intermediaries exempt from MiFID under Art. 2 (1) (i) have to apply for authorisation by contacting the German financial regulator (BaFin).

1.7 Which options do I have to participate in the auctions?

At the moment there are six options to participate in the auctions. Details can be found in the section [environmental-markets > emissions-auctions > access-to-the-auctions](#).

1.8 I am already an EEX member and admitted to the EUA spot market. Am I automatically eligible to bid in the auctions?

All EEX members, including admitted EUA Spot members, must in addition prove their eligibility in the Phase 3 Auctions via the [Eligibility Form](#). Furthermore, EEX may request supporting documents such as verification of your Union Registry account, current versions of your company's annual report and extract from the commercial registry.

1.9 I am already an EEX member but not currently admitted to the EUA spot market. What do I have to do in order to participate in the auctions?

EEX members may contact their responsible Key Account Manager from the [EEX Sales Team](#) in Leipzig, London, Madrid, Milan, Oslo or Paris to be guided through the admission process. Alternatively EEX members may directly contact the [single admission team of EEX and ECC](#) for the EUA spot market. This will include the completion of some basic forms in order to identify two persons responsible for registry transaction requests, ordering a technical connection and identifying an authorised trader for the spot market.

Once setup is complete, EEX Market Supervision will send the member their login details for EUA spot trading and for the auction platform. There is no extra cost for existing members to join the spot market.

1.10 I would like to become an EEX member in order to participate in the auctions. What do I have to do?

Interested companies must first make sure that they fulfil the EEX and EU Auction participation requirements. The first step is to contact [the single admission team of EEX and ECC](#), or alternatively the [EEX Sales Team](#) in Leipzig, London, Madrid, Milan, Oslo or Paris, to be guided through the admission process for the EEX markets and discuss the different types of membership options. In parallel, they must sign an agreement with a clearing bank that is a member of the European Commodity Clearing (ECC).

Additionally, an exchange trader who has passed an EEX trader exam must be appointed. Once the company has picked their preferred access option, they may download and complete the [admission forms](#) and supply all necessary supporting documents. EEX Market Supervision then sets up the technical and trader access and provides the member with all necessary information to trade.

EEX also provides a free of charge Auction-Only membership. Applicants for this membership need not furnish proof of liable equity of EUR 50,000, and there is no annual membership fee. Furthermore the members can decide whether they would like to access the electronic auction platform or to have their bids entered by EEX Market Supervision. Both options are free of charge as well.

1.11 I would like to participate in the auctions without becoming an EEX member. How can I do that?

Companies which would like to participate indirectly in the auctions may contact a clearing member of European Commodity Clearing (ECC), or a trading member of EEX, and request to enter into an agreement. Once the agreement has been concluded, the clearing or trading member is advised about their client's bid preferences, and receives any necessary upfront payments in time for the auction.

More information on the indirect auction access as well as existing participants providing this access can be found in the section [environmental-markets > emissions-auctions > access-to-the-auctions](#).

During the auction, the member bids on their client's behalf and has to reveal their client's name per bid (as per the EU Auction Regulation). Settlement of successful bids is completed according to the terms of the agreement. For a full list of ECC and EEX members, please consult either the [ECC website](#) or the [EEX website](#).

1.12 Is there a difference in the admission process for EUA and EUAA auctions?

No, there is no difference. Once you receive admission to EUA auctions, you can participate in EUAA auctions as well. Please be aware, that EUA and EUAA are auctioned in separate auctions with distinct dates. More information, e.g. the auction calendar, can be found in the section [environmental-markets > emissions-auctions > volumes-and-timing](#).

1.13 Is there a training session in order to get familiarised with the systems?

Yes, please note that a training session and a Trader Exam is part of the admission process if you choose to access auctions directly via the Auction System.

However a training session and a Trader Exam is not necessary if you choose to access auctions only via calling or mailing to the helpdesk.

Further information on the different options for access to the auctions can be found in the section [environmental-markets > emissions-auctions > access-to-the-auctions](#).

Please find more information on how to get your [EEX exchange trader training](#) or [spot market emission rights training](#).

1.14 What is the difference between bidding on behalf and trading on behalf?

Bidding on behalf as well as trading on behalf can be done via an intermediary as well as via EEX's Market Supervision Team. The difference is that bidding on behalf is the term used for the primary auctions where only buy-orders are possible and trading on behalf is the term used for the secondary market where buy- and sell-orders are possible.