Participation in Emissions Auctions

Business Development Environmental Markets,
Leipzig, 10 February 2021
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 5 days/week, covering 100% 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, Paris, Prague and Oslo
  ✓ 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 2021: up to ~712 million EUA* and ~4 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.

**EU auctions**
- Auctions for 25 EU Member States plus 3 EEA/EFTA countries (Norway, Iceland, Liechtenstein) plus Innovation Fund and Modernisation Fund
- ~461 million allowances in 2021*
- EUA Auctions held on Mon, Tue, and Thu, 9-11 am CET
- EUAA Auctions on 17 March, 12 May, 7 July, 15 September, 10 November 2021

**DE auctions**
- Auctions on behalf of Germany
- ~132 million allowances in 2021*
- EUA Auctions held weekly on Fri, 9-11 am CET
- EUAA Auction on 13 October 2021

**PL auctions**
- Auctions on behalf of Poland (currently using the EU common auction platform)
- ~119 million allowances in 2021*
- EUA Auctions held weekly on Wed, 9-11 am CET
- EUAA Auction on 14 April 2021

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*Link to the Auction Calendar 2021*. The certificates auctioned in September to December 2021 are preliminary and will be subject to adjustments due to the operation of the Market Stability Reserve.
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
   - Contact:
     - Admission Team
     - Member Readiness
     - Phone: +49 341 2156 261
     - E-mail: memberreadiness@ecc.de
   - Emissions: Auctions and Secondary Market

B. Environmental Markets Membership
   - Contact:
     - Sales Emissions
     - Phone: + 44 207 862 7555
     - E-mail: sales@eex.com
     - or your Key Account Manager
   - Emissions: Auctions and Secondary Market

C. Auction-Only Membership - System
   - Contact:
     - Market Operations (Helpdesk)
     - Phone: +49 341 2156 222
     - E-mail: sales@eex.com or auctions@eex.com
   - Emissions: Auctions via Auction System

D. Auction-Only Membership - Helpdesk
   - Contact:
     - Market Operations (Helpdesk)
     - Phone: +49 341 2156 222
     - E-mail: sales@eex.com or auctions@eex.com
   - Emissions: Auctions via Market Operations

**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
   - Contact:
     - www.abnamroclearing.com
     - www.gkpge.pl/dom-maklerski
     - www.cf-partners.com
     - www.viennainvestment.ro
   - Emissions: Auctions via Intermediaries
What are the differences between the options to participate in the Emissions Auctions at EEX?

<table>
<thead>
<tr>
<th>Markets and Products</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to the Auction System</td>
<td>Direct</td>
<td>Direct</td>
<td>Direct</td>
<td>Via EEX Helpdesk</td>
<td>Via Intermediaries</td>
</tr>
<tr>
<td>One-off admission costs [EUR]</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>To be negotiated with the Intermediary</td>
</tr>
<tr>
<td>Fixed costs in the first year [EUR]</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fixed costs from the second year on [EUR/a]</td>
<td>15,000*</td>
<td>2,500*</td>
<td>0*</td>
<td>0*</td>
<td>0*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criteria to fulfil</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility criteria (according to Article 18 Auctioning Regulation)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Personal reliability and qualification of Members of the Management Board, Contract with Clearing Member, ECC Approval (Clearing House of EEX), Technical arrangements for settlement</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓ Bilateral agreements with the Intermediary</td>
</tr>
<tr>
<td>Personal reliability and qualification of Trader/Trader Assistants, EEX Admission of at least one trader, incl. EEX Trader examination, Technical arrangements for trading</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
</tr>
<tr>
<td>Liable equity of at least EUR 50,000</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

* 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:

Fill in the applicable documents (non-sequential)

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

III. Confirmation of EEX/ ECC and Bidding/ Trading
# How is the process of the Emissions Auctions?

<table>
<thead>
<tr>
<th>Bidding window:</th>
<th>Determination of the auction clearing price:</th>
<th>Publication:</th>
<th>Payment:</th>
<th>Delivery (external):</th>
</tr>
</thead>
</table>
| 9:00-11:00 am CET (EUA) | • Products:  
  i. T3PA (Spot EU Allowances for Phase 4 of the EU ETS, lot size: 500 EUA)  
  ii. EAA3 (Spot EU Aviation Allowances for Phase 4 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 | • 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 | • Main Auction Results in the Auction System and on the Website  
  • Detailed Auction Results on the Website (link to the dedicated auction website) | • From the Clearing Member of a Trading Member to ECC  
  • From ECC to the Auctioneer  
  • 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)  
  • Transfer of allowances from the ECC Union Registry Account to the Union Registry Account of the Trading Member |
| ~11:01 am CET (EUA)  
  ~3:01 pm CET (EUAA) | | | | |
| ~11:10 am CET (EUA)  
  ~3:10 pm CET (EUAA) | | | | |
| Auction Day + 1 ECC Business day | | | | |
| Upon Request | | | | |

* 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:

Admission Team (Member Readiness)
Phone: +49 341 2156 261
E-mail: memberreadiness@ecc.de

Sales Emissions
Phone: + 44 207 862 7555
E-mail: sales@eex.com
or your Key Account Manager

Market Operations (Helpdesk)
Phone: +49 341 2156 222
E-mail: auctions@eex.com
Eikon-ID: eex-trading@eex.com

Link to the dedicated Auction Website
Thank you.