nEHS Workshop, Focus: Access Routes

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Agenda

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2. Access routes
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3. Sell-off process direct participants
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1. National fuel ETS: sales process from 2021

**Background**

- National ETS for fuels (‘nEHS’) entered into force in Germany in January **2021**; Basis: Fuel Emissions Trading Act (BEHG) and various implementing ordinances
- **Scope:** CO2-causing fuels, esp. petrol, diesel, heating oil, liquid/natural gas, coal
- **Obligated parties:** fuel distributors
- Allocation mechanism: nEHS certificates are **initially sold at fixed prices** (2021-2025), with incremental price steps for each year, transitioning into a variable price period, with allocation via auctions, from 2026 at the latest
  - **Fixed-price phase (2021-2025) Auction phase (as of 2026)**
    - 2021: 25€
    - 2022: 30€
    - 2023: 35€
    - 2024: 45€
    - 2025: 55€
    - 2026: Pre-determined price corridor of 55-65€
    - 2027: Completely free determination of prices
- nEHS certificates will be **allocated to the actual calendar year** (‘vintages’) and are only valid for covering fuel emissions in that calendar year and the previous one (no ‘banking’ allowed)
- **Surrendering deadline** for nEHS certificates at DEHSt: 30th September for previous year’s emissions
- nEHS certificates are **no financial instruments** and do not have to be reported under EMIR
2. Access Routes

- Basic requirement: Registry account in the nEHS registry at DEHSt:
  - Compliance account (opening already possible since 05/2021) and / or
  - Trading account (opening expected to be possible from mid 08/2021)

- Fundamental decision for the purchase of nEHS certificates:
  - Direct participation via own admission to EEX / ECC or
  - Indirect participation in the sell-off via an intermediary
2. A Direct Access (Admission at EEX/ECC)

- Registration possible from 9th August 2021 via online portal [https://www.nehs-zulassung.com/](https://www.nehs-zulassung.com/)
- Basic principles: EEX Terms of Use and ECC Clearing Conditions
- Different Options:

  - Existing clients (CM, NCM, DCP)
  - New clients

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New Admission

- I am a member of EEX and ECC and would like to participate in the nEHS
- I am a member of ECC but not EEX and would like to participate in the nEHS
- I would like to become a member of EEX to access nEHS and other Exchange products/services
- I would like to access nEHS only (DCP-nEHS)
2. B Indirect Access (via Intermediaries)

- Bundling of demand
- Saves fuel distributors the admission and effort for the purchase
- Portfolio effects possible during post-purchase
- Those interested in the intermediary role should send an e-mail to nehs@eex.com.
- Request to be included in the list of Intermediaries
  - Contact data for potential clients
    - Company name
    - Address
    - E-mail
    - Phone
    - Website
    - Contact person, if applicable
    - Services under the nEHS (link or brief description)
    - nEHS minimum quantity (e.g. 1 nEHS certificate)
# 2. C Access Routes - Overview

<table>
<thead>
<tr>
<th></th>
<th>Direct Existing clients</th>
<th>Direct New clients</th>
<th>Indirect Via Intermediary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Membership ECC</strong></td>
<td>CM, NCM, DCP</td>
<td>CM, NCM, DCP</td>
<td>DCP-nEHS</td>
</tr>
<tr>
<td><strong>Registry account in the nEHS registry</strong> (Compliance account or Trading-account)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Admission forms CM / NCM / DCP</strong> (<a href="https://www.eex.com/en/access/admission">https://www.eex.com/en/access/admission</a>)</td>
<td>–</td>
<td>✓</td>
<td>–</td>
</tr>
<tr>
<td><strong>Registration nEHS Admission</strong> (<a href="https://www.nehs-zulassung.com/">https://www.nehs-zulassung.com/</a>)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Admission Form nEHS</strong></td>
<td>✓ (simplified)</td>
<td>✓ (simplified)</td>
<td>✓ (detailed)</td>
</tr>
<tr>
<td><strong>Know Your Customer Form (KYC) and supporting documents</strong></td>
<td>–</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Proof of equity</strong></td>
<td>–</td>
<td>50 k€</td>
<td>25 k€</td>
</tr>
<tr>
<td><strong>Video identification</strong></td>
<td>✓ (reduced number)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Trader exam</strong></td>
<td>–</td>
<td>✓ (for other markets)</td>
<td>–</td>
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</tbody>
</table>
2. D Access Routes – Questions


- nEHS Admission-mailbox: nehs-admission@eex.com

- nEHS Admission Hotline: will be published on the nEHS website as of 09.08.2021
3. A Sell-off process direct participants: purchase

- October 2021: Start of the sell-off process on EEX via online platform: https://www.nehs-eex.com/

- Format:
  - Sell-off events twice a week (Tuesdays and Thursdays) throughout the year, with a time slot of 6 hours each (9:30 to 15:30 CET) - exact dates will be published in the sales calendar, probably in August 2021.
  - Purchase orders can be entered / modified / deleted during the sell-off windows
  - For purchase orders; selection of a nEHS registry account for delivery:
    - a) Own Compliance account
    - b) Own Trading account
    - c) Compliance account of end customer Konto (only for intermediaries)
  - 15:45 CET Participants with purchase orders receive a message about the purchase orders and the resulting payments
  - De facto unlimited quantity of nEHS certificates available during the fixed price phase
  - There is only a fee of EUR 0.0049 per nEHS certificate, in addition to the certificate value
3. B Sell-off process direct participants: post-purchase

- The balance of nEHS certificates shown on the compliance-account of an obligated party at the end of the calendar year is relevant for the permissible subsequent post-purchase quantity.

- Post-purchase of nEHS certificates is limited to 10% at the price of the previous year between January and September of the following year.

- Deposit of all balances of compliance accounts in the sell-off platform.

- Balances of trading accounts are not relevant for the assessment basis of the post-purchase rule.

- Purchase orders can be entered / modified / deleted during the sell-off window.

- For purchase orders; selection of a nEHS registry account for delivery:
  a) Own Compliance account
  b) Compliance account of end customer (only for intermediaries)
3. C Sell-off process direct participants: settlement

- **Regular EEX/ECC Members (CM, NCM, DCP):**
  - Settlement automated via existing infrastructure
  - **no** increase of margin-requirements
  - Payment and delivery on business day T+1 after the sell-off

- **DCP-nEHS Members:**
  - Payment via SEPA transfer
    - **Sell-off on Tuesday**
      - if payment is received by Thursday (T+2*, 11 a.m.**): delivery on Friday (T+3*)
      - otherwise one-time extension of the payment deadline until the Tuesday of the following week (T+5*, 11 a.m.***) and delivery on Wednesday of the following week (T+6*)
      - if payment has still not been received by then, the purchase contract will be cancelled***

    - **Sell-off on Thursday**
      - if payment is received by Tuesday (T+3*, 11 a.m.**): delivery on Wednesday (T+4*)
      - otherwise one-time extension of the payment deadline until the Thursday of the following week (T+5*, 11 a.m.***) and delivery on Friday of the following week (T+6*)
      - if payment has still not been received by then, the purchase contract will be cancelled***

- **Notes:**
  - * In the event that the aforementioned dates fall on a TARGET2 holiday, the deadlines will be postponed accordingly to the following ECC business day.
  - ** The exact times are currently still being coordinated with the competent authority. Changes are therefore still possible.
  - *** The above information may differ for the last sell-off date in December.
4. Secondary Market

- Obligated parties may purchase additional certificates with a previous year’s vintage until 30th September of the following year, but only up to 10% of the respective vintage they have on their compliance-account at the end of the calendar year (post-purchase rule).

- In general, this rule can justify the establishment of a secondary market already in the fixed price phase

- Link to the survey
5. Further Information, Q&A

  → The list of intermediaries is also located there.

- nEHS FAQ: https://www.eex.com/en/faq

- nEHS mailbox: nehs@eex.com

- Registration for the Environmental Newsletter: Email to website@eex.com with subject: Registration "Environmental Newsletter"
Thank you for your attention.

nEHS admission-Mailbox: nehs-admission@eex.com

nEHS mailbox: nehs@eex.com