Participation in Emissions Auctions

Business Development,
Leipzig, 29 August 2017
Why participate in Emissions Auctions?

- Auctioning is the basic principle of allocating allowances within the EU Emissions Trading System (EU ETS) → this means that companies liable under the EU ETS have to buy an increasing proportion of allowances (European Union Allowances (EUAs) and EU Aviation Allowances (EUAAAs)) through auctions.

- Auctioning is an open, transparent, harmonised and non-discriminatory process.

- 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)
  - Nominated holding account and bank account
When are Emissions Auctions? And what volumes are auctioned?

To be auctioned in 2017: 947.7 million EUA and 4.7 million EUAA

UK auctions (ICE)
- Represents 10.8% of 2017 auction volume
- EUA Auctions held bi-weekly on Wed, 9-11 am CET
- EUAA Auction on 11 Oct 2017, 1-3 pm CET

EU auctions (EEX)
- Auctions for 25 EU Member States plus potentially EEA/EFTA countries (Norway, Iceland, Liechtenstein)
- Represents 59.4% of 2017 auction volume
- EUA Auctions held on Mon, Tue, and Thu, 9-11 am CET
- EUAA Auctions on 27 Sep, 25 Oct, and 22 Nov 2017, 1-3 pm CET

PL auctions (EEX)
- Auctions on behalf of Poland
- Represents 9.1% of 2017 auction volume
- EUA Auctions held bi-weekly on Wed, 9-11 am CET
- EUAA Auction on 6 Dec 2017, 1-3 pm CET

DE auctions (EEX)
- Auctions on behalf of Germany
- Represents 20.8% of 2017 auction volume
- EUA Auctions held weekly on Fri, 9-11 am CET
- EUAA Auction on 8 Nov 2017, 1-3 pm CET

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

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

**Direct Access**

A. Full Membership
   - Emissions: Auctions and Secondary Market

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 bidding on behalf

**Single Admission Team**
Member Readiness
T +49 341 2156 261
memberreadiness@ecc.de

Alternatively
Sales Emissions
T +44 207 862 7555
sales@eex.com
or your Key Account Manager in Leipzig, London, Madrid, Milan, Paris or Oslo

**Indirect Access**

E. Intermediary – Cooperation Partner
   - Emissions: Auctions via Belektron

F. Intermediary – Other
   - Emissions: Auctions via other Intermediaries

www.belektron.eu
T +38 616 208 854
info@belektron.eu

www.abnamroclearing.com
www.cf-partners.com
www.viennainvestment.ro

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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>
<th>F</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Access to the Auction System</th>
<th>Direct</th>
<th>Direct</th>
<th>Direct</th>
<th>Via EEX Helpdesk</th>
<th>Via Belektron</th>
<th>Via other Intermediaries</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Fixed Costs [EUR]</th>
<th>15,000</th>
<th>2,500</th>
<th>None</th>
<th>None</th>
<th>None</th>
<th>To be negotiated</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Variable Costs for Primary Auctions [EUR/1,000 allowances]</th>
<th>2.78-3.00</th>
<th>2.78-3.00</th>
<th>2.78-3.00</th>
<th>2.78-3.00</th>
<th>15.00-70.00</th>
<th>To be negotiated</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Criteria to fulfil</th>
<th>Eligibility criteria (according to Article 18 Auctioning Regulation)</th>
<th>✔</th>
<th>✔</th>
<th>✔</th>
<th>✔</th>
<th>✔</th>
<th>✔</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal reliability and qualification of Members of the Management Board, Contract with Clearing Member, ECC Approval, Technical arrangements for settlement</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
<td>✗</td>
<td></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>✗</td>
<td>✗</td>
<td></td>
</tr>
<tr>
<td>Liable equity of at least EUR 50,000</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td></td>
</tr>
</tbody>
</table>
What are the steps to take for direct access?

I. Contact and Decision (order of the two bullet points can vary):
- Contact the Single Admission Team or the Sales Team (see slide 5)
- Decide for one of the access options (see slides 5 and 6)

II. Documents and Training:

<table>
<thead>
<tr>
<th>Step</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fill in the applicable documents (non-sequential)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<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 &quot;Auction only&quot;- Exchange participant (A05a)</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
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<tr>
<td>Application for &quot;Auction only&quot;- Exchange participant (A05b)</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
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<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>optional</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>optional</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>
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<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>9:00-11:00 am CET (EUA)</th>
<th>~11:01 am CET (EUA)</th>
<th>~11:10 am CET (EUA)</th>
<th>Auction Day + 1 ECC Business day</th>
<th>Upon Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>1:00-3:00 pm CET (EUAA)</td>
<td>~3:01 pm CET (EUAA)</td>
<td>~3:10 pm CET (EUAA)</td>
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</tbody>
</table>

**Bidding window:**
- **Products:**
  1. T3PA (Spot EU Allowances for Phase 3 of the EU ETS, lot size: 500 EUA)
  2. 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 or indirect via EEX Helpdesk or via Intermediary
- Bids are submitted without seeing other participant’s bids

**Determination of the auction clearing price:**
- 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

**Publication:**
- **Detailed Auction Results on the Website**
  (link to the dedicated auction website)
- **Main Auction Results in the Auction System and on the Website**

**Payment:**
- From the Clearing Member of a Trading Member to ECC
- From ECC to the Auctioneer (e.g. Germany)

**Delivery (internal):**
- Transfer of certificates within the ECC Union Registry Account from the Auctioneer (Seller) to the Trading Member having been successful in the Emissions Auction (Buyer)

**Delivery (external):**
- Transfer of certificates from the ECC Union Registry Account to the Union Registry Account of the Trading Member
Summary

• Auctioning is the basic principle 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 guide you through the admission process

Single Admission Team
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T +49 341 2156 261
memberreadiness@ecc.de

Alternatively
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T + 44 207 862 7555
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