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European Commission
Directorate-General Climate Action
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Market Rules
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February 7, 2011

Consultation on Auctioning third phase EU Allowances prior to 2013 ('early auctions')

Dear Madam or Sir,

E.ON Energy Trading is responsible for the commercial interests of E.ON, which result from the broadest presence across Europe of any energy company. Through our trading activities, we enhance the value of E.ON's asset base, minimize the commodity risk of E.ON's power generation activities, and look for ways to take advantage of Europe's converging markets. We trade more than 500 mmt of carbon emissions, more than 1200 TWh of electricity and more than 1400 TWh of gas annually.

On behalf of the E.ON group we would like to take the opportunity and provide you with the following views on early auctions of third phase EU allowances.

Purchasing allowances through auctions and the release of allowances from the New Entrant Reserves (NER) will be key means by which operators can obtain allowances in order to hedge carbon emissions for electricity sales for the years after 2012. Following publication of the European Commission's Auctioning Regulation in the Official Journal on 18 November 2010, we have identified the following issues that should be taken into account in the further process:

- **Certainty on the timetable for the release of allowances is the most important issue.** The Commission should set out the timetable (for NER300, early auctioning, common platform, etc.) as a matter of priority. A coordinated timetable will be essential to ensure that market participants understand the supply and demand fundamentals of the carbon market and that the NER300, early Phase 3 and Phase 2 NER surplus allowances do not cause undue price movements when they come to the market. Member States must also provide greater clarity on what they are planning to do with surplus allowances from Phase 2 NERs.

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- The risk of a "supply shortfall" and the attendant need for forward sales and/or significant early spot volumes has receded significantly since the question of early auctioning was first debated in the first half of 2009. **The primary risk now is that the CITL and Common Auction Platform are not operational on time.** This in turn may require the Commission to shift its focus away from a temporary/interim platform towards the permanent platform. **Therefore some early auctions are required to reassure the market that the Commission can deliver the Registry and auction platforms in time for Phase 3.**

Yours sincerely,

A handwritten signature in dark ink is written over a rectangular stamp or box. The signature is somewhat cursive and difficult to read. The stamp or box contains some faint, illegible text or a logo.