

EU Emissions Trading Scheme (ETS) – Consultation on design and organisation of emissions allowance auctions

This document contains the responses for the survey. The survey contains **4** initial questions (A-D) to identify respondents and **86** questions for which responses will be made public. Contact details provided in Question C, are not made public and therefore are not in this document.

Period of consultation

From 3 June 2009 to 3 August 2009 inclusive

Specific privacy statement

"Received contributions, together with the identity of the contributor, will be published on the Internet, unless the contributor objects to publication of his or her personal data on the grounds that such publication would harm his or her legitimate interests. In such cases the contribution may be published in an anonymous form. Otherwise, the contribution will not be published nor will, in principle, its content be taken into account. Responses for questions deemed confidential in the consultation will not be available for view on the website irrespective of contributor objecting or not."

Thank you

***Note:** Zero's on the right hand side of page reflect Non-Applicable questions in the survey response.*

Section 1: Questions to categorize participants

Question A

Name of Company/Organization: ASSOELETTRICA

Principal nature of activities: ASSOELETTRICA is a National Association of Electricity Enterprises (90% of power in Italy). Among our goals there is to represent its members' interests and to supply information and advice.

Number of employees in 2008:

World-wide:

Europe-wide: 15

Turnover in 2008:

World-wide:

Europe-wide:

Question B

Type of respondent:

Other

Trade association

-
-

Question C

Contact details will not be made public.

Question D

Do you object to publication of your personal data because it would harm your legitimate interests?

No

If so, please provide an explanation of the legitimate interests that you think will be harmed:

Ans:

Are any of your responses confidential?

No

If so, please indicate which ones and provide an explanation:

Ans:

Section 2: Survey questions (86)

Question 1

As a general rule throughout the trading period, in your opinion, are early auctions necessary?

Yes

If so, what should the profile of EUA auctions be?

Ans: 20-30% in year n-2, 30-35% in year n-1, remainder in year n

Question 2

Do you think there is a need to auction futures?

Yes

If so, why?

Ans: Futures offer the advantage to enable operators to hedge their risks, without increasing transactions costs if auctions rules are kept simple. Moreover The possibility to auctioning futures prior to the beginning of phase III is a mean to ensure sufficient liquidity to operators and to smoothly lead to the proper functioning of the market.

Question 3

What share of allowances should be auctioned spot and what share should be auctioned as futures for each year?

	SPOT	FUTURES
Year n	35	0
Year n-1	14	21
Year n-2	3	27

Please provide evidence to support your case.

Ans: Please note, we assume percentages are referred to total allowances auctioned for each year of issuing (to which the term “year” is referred). Figures are consistent with answer to question 1.

NB: The answer to this question will be published as part of the public consultation. Please do not submit confidential information as part of your answer to this question.

Question 4

Should the common maturity date used in futures auctions be in December (so the maturity date would be December in year n , both when auctioning in year $n-2$ as when auctioning in year $n-1$)?

Yes

If not, please suggest alternative maturity dates and provide evidence to support your view.

Ans:

Question 5

For spot auctions:

What should be the optimum frequency of auctions?

Ans: Weekly

0

What should be the minimum frequency of auctions?

Ans: Fortnightly

0

What should be the maximum frequency of auctions?

Ans: Other.

Please Specify: Twice a week

Please provide arguments to support your case.

Ans: Optimum auction frequency seems to be on weekly basis, as it would avoid either a disruption on secondary markets due to excess of liquidity on a particular date (in case of a far too low frequency) , while on the other hand would let secondary market provide the correct price signals in between the sessions, thus avoiding any interference on secondary markets due to excessively frequent auctions (say on a daily basis). Hence, maximum auction frequency should not be higher than twice a week, in case it is necessary to adjust frequency during the year, so to be able to respect other conditions (such as fair distribution of different national/coordinated auctions in a hybrid system).

Question 6

For spot auctions, what should be the:

If deemed appropriate, please indicate a range and/or distribution over different sizes.

Optimum auction size?

Ans:

Minimum auction size?

Ans:

Maximum auction size?

Ans:

Please provide evidence to support your case.

Ans: Auction size depends on distribution between spot & future and chosen frequency. Optimum size can be defined for years after 2012, in case auctioning starts in year 2011 and goes beyond year 2020 (i.e. in case the eight-year periods ETS system is kept). A minimum size threshold should be defined to help decision on scaling up of early auctions. In these transitional situations, auction size is less important than the chosen profile of early auctions and the decision on the system (centralised, hybrid or other). Hence, minimum size, in an adequate range, is a dependent variable, ranked third after those referred to how many early auctions and with which distribution among spot and future and auction model. Fine-tuning could be necessary for transitional phase (see also answer to question 70).

Question 7

For futures auctions:

What should be the optimum frequency of auctions?

Ans: Weekly

0

What should be the minimum frequency of auctions?

Ans: Fortnightly

0

What should be the maximum frequency of auctions?

Ans: Other.

Please Specify: Twice a week

Please provide arguments to support your case.

Ans: Optimum auction frequency seems to be on weekly basis, as it would avoid either a disruption on secondary markets due to excess of liquidity on a particular date (in case of a far too low frequency), while on the other hand would let secondary market provide the correct price signals in between the sessions, thus avoiding any interference on secondary markets due to excessively frequent auctions (say on a daily basis). Hence, maximum auction frequency should not be higher than twice a week, in case it is necessary to adjust frequency during the year, so to be able to respect other conditions (such as fair distribution of different national/coordinated auctions in a hybrid system).

Question 8

For futures auctions, what should be the:

If deemed appropriate, please indicate a range and/or distribution over different sizes.

Optimum auction size?

Ans:

Minimum auction size?

Ans:

Maximum auction size?

Ans:

Please provide evidence to support your case.

Ans: Auction size depends on distribution between spot & future and chosen frequency. Optimum size can be defined for years after 2012, in case auctioning starts in year 2011 and goes beyond year 2020 (i.e. eight-year periods system is maintained). A minimum size threshold should be defined to help decision on scaling up of early auctions. In these transitional situations, auction size is less important than the chosen profile of early auctions and the decision on the system (centralised, hybrid or other). Hence, minimum size, in an adequate range, is a dependent variable, ranked third after those referred to how many early auctions and with which distribution among spot and future and auction model.

Question 9

Should volumes of spot allowances be auctioned evenly throughout the year?

Yes

If not, how should volumes be distributed? (more than one answer possible) Please specify:

- A larger proportion in the first 4 months of the year
- A larger proportion in December
- A smaller proportion in July and August
- Other.

Question 10

In case futures are auctioned, should the volumes for spot and futures auctions be spread over the year in the same manner?

Yes

If not, how should they differ? (more than one answer possible)

- No futures auctions less than six months before the maturity date.
- A larger proportion in December.
- A smaller proportion in July and August.
- Otherwise?

Question 11

Does the Regulation need to have provisions to avoid holding auctions during a short period of time before the surrendering date (30 April each year)?

No

If yes, how long should this period be:

Ans: No Response

In case futures are auctioned, should there be similar provisions with respect to the period immediately prior to the maturity date?

No

If yes, how long should this period be:

Ans: No Response

Question 12

Which dates should be avoided?

Please specify the dates you have in mind in your answers.

Public holidays common in most Member States?

Ans:

Days where important relevant economic data is released?

Ans:

Days where emissions data are released?

Ans:

Other?

Ans: All public holidays, even if not in common between members States and days where important data (emissions' included) are released.

Question 13

Is a harmonised 10-12 hrs CET auction slot desirable?

Yes

If not, what alternative(s) would you suggest?

Ans:

Question 14

How long in advance should each element of the calendar be determined?

Please provide arguments to support your case.

Annual volumes to be auctioned:

3 years in advance

Ans:

Distribution of annual volumes over spot and futures (if applicable):

3 years in advance

Ans:

Dates of individual auctions:

3 years in advance

Ans:

Volume and product type for individual auctions:

3 years in advance

Ans:

Each auctioneer carrying out auction process (if more than one):
3 years in advance

Ans:

Question 15

What should be the volume of allowances to be auctioned in 2011 and 2012?

in 2011: 30% of the 2013 volume and ___% of the 2014 volume
in 2012: 35% of the 2013 volume and 30% of the 2014 volume

Please provide evidence to support your case.

Ans: Quantities must be coherent with ETS compliance operators hedging needs (electricity operator, for example, usually sell their energy 1 or 2 years in advance to the delivery date). Moreover consistent 2011 and 2012 early auctions will guarantee required liquidity to the secondary market.

What percentage of these shares should be auctioned as futures?

in 2011: 90% of the 2013 share and ___% of the 2014 share
in 2012: 60% of the 2013 share and 90% of the 2014 share

Please provide evidence to support your case.

Ans: Quantities must be coherent with ETS compliance operators hedging needs (electricity operator, for example, usually sell their energy 1 or 2 years in advance to the delivery date). Moreover consistent 2011 and 2012 early auctions will guarantee required liquidity to the secondary market.

Question 16

What should be the rule with respect to allowances not auctioned due to force majeure?

Ans: Other

Please Specify: Provided “force majeure” is clearly defined and codified in advance, allowances should be auctioned within one month.

Question 17

Is 1,000 allowances the most appropriate lot size?

Yes

If not, why not?

Ans:

Question 18

Is a single-round sealed-bid auction the most appropriate auction format for auctioning EU allowances?

Yes

If not, please comment on your alternative proposal?

Ans:

Question 19

What is the most appropriate pricing rule for the auctioning of EU allowances?

Ans: Uniform-pricing.

Please provide arguments to support your case.

Ans:

Question 20

Should the rules for solving ties in the Regulation be:

Ans: pro-rata re-scaling of bids

Please comment on your choice.

Ans: The fairer rule for solving ties seems to be the “Pro-rata re-scaling of bids”. This option is easier and less expensive to manage.

Question 21

Should a reserve price apply?

No

Question 22

In case a reserve price would apply, should the methodology/formula for calculating it be kept secret?

No

Please comment on your choice.

Ans: In case a reserve price is imposed it must be dynamically linked to the secondary market and methodology and formulas for calculating must be known in advance and must be common in all platforms. As a matter of fact, as a prerequisite for allowing a reserve price be set, it is necessary that the methodology for setting a reserve price is established in a harmonised fashion at the European level, and subject to a public and extensive consultation. Furthermore, competitive distortions among member states shall be avoided by setting criteria aimed at enhancing environmental effectiveness of the policy.

Question 23

Is a maximum bid-size per single entity desirable in a Uniform-price auction?

Yes

Please comment on your choice.

Ans: Generally speaking, any limit is unnecessary in case predictability and liquidity requisites are respected. Should rules to avoid “short squeezes” be provided, maximum bid-size should be set at percentages no higher than 25%. A maximum bid size per entity would also prevent market manipulation by actors not covered by the ET ETS scheme.

Is a maximum bid-size per single entity desirable in a discriminatory-price auction?

Yes

Please comment on your choice.

Ans: Generally speaking, any limit is unnecessary in case predictability and liquidity requisites are respected. Should rules to avoid “short squeezes” be provided, maximum bid-size should be set at percentages no higher than 25%. A maximum bid size per entity would also prevent market manipulation by actors not covered by the ET ETS scheme.

Question 24

If so, what is the desirable bid-size limit (as a percentage of the volume of allowances auctioned per auction):

Ans: 25%:

Please comment on your choice.

Ans: Please see previous questions.

Question 25

In case only one of the two following options would be chosen, to limit the risk of market manipulation or collusion, which one would be preferable?

Ans: A maximum bid-size per single entity?

Please comment on your choice.

Ans: A maximum bid-size seems to be more predictable. Moreover, measures affecting the quantity of allowances that each entity can buy are less likely to have an impact prices and secondary markets than measures affecting the prices themselves, so preventing market manipulation.

Question 26

Are the following pre-registration requirements appropriate and adequate?

Identity:

- Natural or legal person;
- Name, address, whether publicly listed, whether licensed and supervised under the AML rules; membership of a professional association; membership of a chamber of commerce; VAT and/or tax number;
- Contact details of authorised representatives and proof of authorisation; and
- CITL-Registry account details.
- Anything else?

0

Declarations with respect to the past 5 years on absence of:

- Indictment or conviction of serious crimes: check corporate officers, directors, principals, members or partners;
- Infringement of the rules of any regulated or unregulated market;
- Permits to conduct business being revoked or suspended;
- Infringement of procurement rules; and
- Infringement of disclosure of confidential information.
- Anything else?

0

Declarations and submission of documentation relating to:

- Proof of identity;
- Type of business;
- Participation in EU ETS or not;
- EU ETS registered installations, if any;
- Bank account contact details;
- Intended auctioning activity;
- Whether bidding on own account or on behalf of another beneficial owner;
- Corporate and business affiliations;
- Creditworthiness;
- Collateral; and
- Whether it carries out transactions subject to VAT or transactions exempted from VAT.
- Anything else?

0

Question 27

Do you agree that the pre-registration requirements for admittance to EU auctions should be harmonised throughout the EU?

Yes

Please comment on your choice.

Ans: Yes, pre-registration should be harmonised to ensure a level playing field for all European companies and no barriers to entry, but also to avoid as much as possible forum shopping or free riding.

Question 28

Should the amount of information to be supplied in order to satisfy the pre-registration requirements for admittance to EU auctions depend on the:

- means of establishing the trading relationship;
- identity of bidder;
- whether auctioning spot or futures;
- size of bid;
- means of payment and delivery;
- anything else?

0

If so, what should the differences be?

Ans:

Question 29

Should the bidder pre-registration requirements under the Regulation apply in the same manner irrespective of whether or not the auctioneer is covered by the MiFID or AML rules?

No Response

0
0

Please provide arguments to support your case.

Ans:

Question 30

Do you agree that the auctioneer(s) should be allowed to rely on pre-registration checks carried out by reliable third parties including:

No Response

- Other auctioneers?
- Credit and/or financial institutions?
- Other

0

Please comment on your choice.

Ans:

Question 31

In order to facilitate bidder pre-registration in their home country, should the auctioneer(s) be allowed to provide for pre-registration by potential bidders in other (or all) Member States than the auctioneer's home country e.g. by outsourcing this to a reliable third party?

Yes

Please comment on your choice:

Ans:

If so, should such entities be:

- Covered by the AML rules?
- Covered by MiFID?
- Covered by both?
- Other

0

Please comment on your choice:

Ans:

Question 32

Should the Regulation prohibit the multiplicity of pre-registration checks in the case of Member States auctioning jointly?

Yes

Please comment on your choice.

Ans:

Question 33

Do you agree that the level of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions?

Yes

If so, how should they be harmonised?

Ans: In line with rules which apply in the secondary market. This is required to avoid distorting the electricity market.

If not, why not?

Ans:

Question 34

Do you agree that the type of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions?

Yes

If so, how should they be harmonised?

Ans: Yes if proportionate. Collateral needs to be easily-tradable, liquid etc.

If not, why not?

Ans:

Question 35

Do you agree that 100% collateral in electronic money transfer ought to be deposited up-front at a central counterparty or credit institution designated by the auctioneer to access spot auctions?

No

If not, why not?

Ans: This is not necessary for spot auctions. Therefore, there should be no obligation to provide collateral for spot transactions. If one defaults, then there should be some form of participation deterrent, but no collateral obligation. Quantities unsold can be transferred to next auction. In a word, spot is less risky.

What alternative(s) would you suggest? Please provide arguments to support your case:

Ans:

Question 36

In case futures are auctioned, should a clearing house be involved to mitigate credit and market risks?

Yes

If so, should specific rules – other than those currently used in exchange clearing houses – apply to:

- the level of the initial margin;
- the level of variation margin calls;
- the daily frequency of variation margin call payments?

If you have answered yes, please justify and elaborate on the rules that should apply and the mechanisms to implement them:

Ans: Clearing houses are an essential part of futures regime. The use of clearing houses is an absolute must. Besides the fact that it mitigates credit and market risks it also simplifies the whole administrative process and reduces costs (risk/reward opportunity cost). The applicable rules should not be much different from the ones used in other similar exchanges which have already proven their resiliency and are very well known by the bidders. This stated, all the above are standard requirements so there is no need for further elaboration.

Question 37

What are the most preferable payment and delivery procedures that should be implemented for auctioning EUAs?

- Payment before delivery.
- Delivery versus payment.
- Both.

Please comment on your choice.

Ans:

Question 38

Irrespective of the payment procedure, should the Regulation fix a maximum delay of time for payment and delivery to take place?

No Response

If yes; what should it be?

Ans: No Response

0

Question 39

Should the Regulation provide any specific provisions for the handling of payment and delivery incidents or failures?

No Response

If yes, what should they be?

Ans:

Question 40

Should the Regulation provide for all matters that are central to the very creation, existence and termination or frustration of the transaction arising from the EUA

auctions?

No Response

If not, why not?

Ans:

If so, are the matters enumerated below complete?

- The designation of the parties' to the trade.
- The characteristics of the auctioned product:
 - Nature: EUAs or EUAAs, trading period concerned.
 - Date of delivery: date at which winning bidders will receive the allowances on their registry account
 - Date of payment: date at which payment will be required from winning bidders.
 - Lot size: number of allowances associated with one unit of the auctioned good.
- Events of 'force majeure' and resulting consequences.
- Events of default by the auctioneer and/or the bidder and their consequences.
- Applicable remedies or penalties.
- The regime governing the judicial review of claims across the EU.

Ans: No Response

If not, what additional matters should be foreseen in the Regulation and why?

Ans:

Question 41

Should the Regulation provide for rules on jurisdiction and the mutual recognition and enforcement of judgments?

No Response

If so, should these be:

- specific to the Regulation;
- by reference to the Brussels I Regulation;
- by citing exceptions from the Brussels I Regulation;
- by citing additions to the Brussels I Regulation?

Please comment on your choice:

Ans:

If not, why not?

Ans:

Question 42

Which auction model is preferable?

- Direct bidding?
- Indirect bidding?
- Both?

Please comment on your choice.

Ans: The preferable auction model is “Direct bidding” but both the models should be allowed. There should be in any case no requirements to use intermediaries and the model applied should not limit access solely to primary participants.

Question 43

If an indirect model is used, what share of the total volume of EU allowances could be auctioned through indirect bidding?

Ans:

Please provide arguments to support your case.

Ans:

Question 44

If the primary participants model is used, what provisions would be desirable for mitigating disadvantages of restricting direct access:

Allow direct access to largest emitters, even if they trade only on their own account? 0

0

Disallow primary participants trading on their own account?
 Impose strict separation of own-account trading from trading on behalf of indirect bidders?
 Other
Please specify: Primary participant model should not be used.

Question 45

If the primary participants' model is used, what conflict of interest requirements should be imposed?

Separation of client registration and trading on behalf of clients from all own account trading activities.
 Separation of collateral management, payment and delivery on behalf of clients from all own account trading activities.
 Separation of anything else.

0

Question 46

What obligations should apply to primary participants acting in EU-wide auctions as:

Intermediaries
 Market makers

Please provide arguments to support your case.

Ans:

Question 47

Under what conditions should auctioning through exchanges be allowed:

- Only for futures auctions open to established members of the exchange?
 Also for spot auctions open to established members of the exchange?
 Only when the exchange-based auction is open to non-established members on a non-discriminatory cost-effective basis?
 Other.

Please specify: Both for futures (if exchanges are member of a clearing house) and for spot auctions, when the exchange-based auction is open to non established members on a non-discriminatory cost-effective basis, otherwise the market will not respect the non-discriminatory access requisite

Please provide arguments to support your case.

Ans: Both for futures (if exchanges are member of a clearing house) and for spot auctions, when the exchange-based auction is open to non established members on a non-discriminatory cost-effective basis, otherwise the market will not respect the non-discriminatory access requisite

Question 48

Should direct auctions be allowed through:

- 1) Third party service providers?
Yes
- 2) Public authorities?

Please comment on your selection:

Ans: Yes, direct auctions should be allowed through third party service providers but a number of requirements must be fulfilled. Among these, there must be a set of common rules applied among providers, whose competency must be demonstrable, access must be open and not discriminatory to all bidders, prerequisites regarding frequency, liquidity and predictability must be fulfilled.

Question 49

Do the general rules for auctioning EUAs suffice for ensuring full, fair and equitable access to allowances to SMEs covered by the EU ETS and small emitters?

Yes

If not, why not?

Ans:

Question 50

Is allowing non-competitive bids necessary for ensuring access to allowances to SMEs covered by the EU ETS and small emitters in case of:

discriminatory-price auctions?

uniform-price auctions?

Question 51

If non-competitive bids are provided for in spot auctions, what maximum share of allowances could be allocated through this route?

Ans: Other

Please Specify: 0%

Please comment on your choice.

Ans: Clear Regulation will allow simple access for SMEs, using intermediaries where optimal. Therefore, there is no need for non-competitive bidding.

Question 52

What rule should apply for accessing non-competitive bids:

Participants should only be allowed to use one of the two bidding routes?

Non-competitive bids should be restricted to SMEs covered by the EU ETS and small emitters only?

Other?

Please specify: No rule

Please comment on your choice.

Ans: Clear Regulation will allow simple access for SMEs, using intermediaries where optimal. Therefore, there is no need for non-competitive bidding.

Question 53

What should be the maximum bid-size allowed for SMEs covered by the EU ETS and small emitters submitting non-competitive bids?

Ans: No Response

0

Question 54

Are there any other specific measures not mentioned in this consultation that may be necessary for ensuring full, fair and equitable access to allowances for SMEs covered by the EU ETS and small emitters?

No Response

If so, please specify:

Ans:

Question 55

What should be the minimum period of time before the auction date for the release of the notice to auction?

Ans: Other

Please Specify: 6 months

Please comment on your proposal.

Ans: At least 2 months so to give participant as much time as possible to prepare to the auction. 6 months could be a adequate period for market predictability.

Question 56

What should be the minimum period of time before the auction date for the submission of the intention to bid?

Ans: One week

0

Please comment on your proposal.

Ans: In case the submission of the intention to bid is necessary, 1 week is suffice.

Question 57

Are there any specific provisions that need to be highlighted in:

Ans: The notice to auction?

Please specify what they are.

Ans: All the specific provision which are not harmonised should be highlighted in the notice to auction, including date of release of results of the auction.

Question 58

What information should be disclosed after the auction:

- Clearing price (if allowances are awarded on a uniform-price basis or in the case of non-competitive bids being allowed)?
- Average price (if allowances are awarded on a discriminatory-price basis)?
- Any relevant information to solve tied bids?
- Total volume of EUAs auctioned?
- Total volume of bids submitted distinguishing between competitive and non-competitive bids (if applicable)?
- Total volume of allowances allocated?
- Anything else?

Please specify: Moreover it is necessary to know how many participants submitted the intention to bid, how many effectively submitted a bid, how many were successful, how may allowances were not allocated and carried over next auctions and to which auction.

Question 59

What should be the maximum delay for the announcement of auction results?

- 5 minutes
- 15 minutes
- 30 minutes
- 1 hour
- Other.

0

Please comment on your proposal.

Ans: 5 minutes to avoid to influence secondary markets.

Question 60

Do you feel that any specific additional provisions should be adopted in the Regulation for the granting of fair and equal access to auction information?

Yes

If so, what may they be?

Ans: There should be prohibition to unauthorised discriminatory release of information, whereas all non-commercially-sensitive information should be released, at the same time, in all relevant national languages. Any linguistic barrier shall be avoided in case of multiple platforms.

Question 61

Should an auction monitor be appointed centrally to monitor all EU auctions?

Yes

If not, why not?

Ans:

Question 62

Do you agree that the Regulation should contain general principles on:

- the designation and mandate of the auction monitor; and
- cooperation between the auctioneer(s) and the auction monitor?
- Neither

If not, why not?

Ans:

Should these be supplemented by operational guidance, possibly through Commission guidelines? [Y/N]

Yes

If not, why not?

Ans:

Question 63

Is there a need for harmonised market abuse provisions in the Regulation to prevent insider dealing and market manipulation?

No Response

If not, why not?

Ans:

Please comment on your choice outlining the provisions you deem necessary and stating the reasons why.

Ans:

Question 64

Should the Regulation provide for harmonised enforcement measures to sanction:

- Non-compliance with its provisions?
- Market abuse?

Please provide arguments to support your case.

Ans: The regulation should provide for measure to sanction non-compliance of any of the provisions contained, otherwise it is ineffective.

Question 65

Should the enforcement measures include:

- The suspension of the auctioneer(s) and/or bidders from the EU-wide auctions?

If so, for how long should such suspension last?

Ans:

- Financial penalties?

If so, at what level should such penalties be fixed?

Ans:

- The power to address binding interim decisions to the auctioneer(s) and/or bidders to avert any urgent, imminent threat of breach of the Regulation with likely irreversible adverse consequences?

- Anything else?

0

Please provide arguments to support your case.

Ans:

Question 66

Should such enforcement measures apply at:

- EU level?
- National level?
- Both?

Please comment on your choice.

Ans:

Question 67

Who should enforce compliance with the Regulation:

- The auction monitor?
- The auctioneer?
- A competent authority at EU level?
- A competent authority at national level?
- Other?

0

Please provide evidence to support your case.

Ans: A competent authority at EU or national level should enforce compliance with the Regulation. National authorities shall be responsible in the first place in case of national platforms and they shall report to an European authority, under harmonised rules. A direct European competency shall be envisaged in the most welcomed hypothesis of a single platform.

Question 68

Which of the three approaches for an overall EU auction model do you prefer? Please rate the options below (1 being the most preferable, 3 being the least preferable)

- [3] Limited number of coordinated auction processes.
- [1] Full centralisation based on a single EU-wide auction process.
- [2] The hybrid approach where different auction processes are cleared through a centralised system.

Please give arguments to support your case.

Ans: The preferred model is the “Full-centralised based on a single EU-Wide auction process”. This model allows proper liquidity and predictability, make the decision on auction-size simpler and equitable, allow to avoid price-spikes and allow a fairer distribution of auctions outcome between Member States. Such a model is also simpler to Regulate, as it makes many rules redundant, such as those related to “reserve price”, which becomes de-facto useless. In case a “full centralised system” was not able to be decided under comitology procedure, as provided according to Directive 2009/29/EC, the second best is the “hybrid approach with centralised clearing”. Such a model would allow a level-playing field between bidders, regardless their home-country.

A limited number of auction processes would grant the respect of liquidity and non-discriminatory requisites. In the latter case, where a common platform is not in place, the various platforms could take it in turn to hold the monthly auctions.

Question 69

If a limited number of coordinated auction processes develops, what should be the maximum number?

Ans: 5

0

Please give arguments to support your case.

Ans: The maximum number of coordinated auction processes to be decided in case both the centralised system and the hybrid model are not decided should be in any case between 3 and 5.

Question 70

Is there a need for a transitional phase in order to develop gradually the optimal auction infrastructure?

Yes

If so, what kind of transitional arrangements would you recommend?

Ans: There is plenty of time and experience to set the chosen auction infrastructure. A transition period could be envisaged only in case not all the rules can be completely applied, once auction profile and auction model have been decided. For example, the minimum size for spot auctions and/or minimum auction frequency could not be reached in year (n-2) in case an hybrid approach is decided and 90% of allowances are auctioned as future. In this case “temporary fine-tuning” rules could be defined for a short transitional phase, ideally non longer than 2 years (2011 and 2012).

Question 71

Should the Regulation impose the following requirements for the auctioneer(s) and auction processes? [mark those that apply]:

Technical capabilities of auctioneers:

- capacity and experience to conduct auctions (or a specific part of the auction process) in an open, fair, transparent, cost-effective and non-discriminatory manner;
- appropriate investment in keeping the system up-to-date and in line with ongoing market and technological developments; and
- relevant professional licences, high ethical and quality control standards, compliance with financial and market integrity rules.

Integrity:

- guarantee confidentiality of bids, ability to manage market sensitive information in an appropriate manner;
- duly protected electronic systems and appropriate security procedures with regards to identification and data transmission;
- appropriate rules on avoiding and monitoring conflicts of interest; and
- full cooperation with the auction monitor.

Reliability:

- robust organisation and IT systems;
- adequate fallback measures in case of unexpected events;
- minimisation of the risk of cancelling an individual auction once announced;
- minimisation of the risk of failing functionalities (e.g. access to the bidding platform for certain potential bidders); and
- fallback system in case of IT problems on the bidder side.

Accessibility and user friendliness:

- fair, concise, comprehensible and easily accessible information on how to participate in auctions;
- short and simple pre-registration forms;
- clear and simple electronic tools;
- (option of) accessibility of platforms through a dedicated internet interface;
- ability of the auction platform to connect to and communicate with proprietary trading systems used by bidders;
- adequate and regular training (including mock auctions);
- detailed user guidance on how to participate in the auction; and
- ability to test identification and access to the auction.

Please elaborate if any of these requirements need not be included.

Ans: All these requirements helps to set an optimal auction infrastructure. Moreover auctioneers should not be able to purchase in the auction, as well as Member States.

Please elaborate what additional requirements would be desirable.

Ans:

Question 72

What provisions on administrative fees should the Regulation include?

- General principles on proportionality, fairness and non-discrimination.
- Rules on fee structure.
- Rules on the amount of admissible fees.
- Other?

0

Please provide arguments to support your case.

Ans: The Regulation should include Rules on the amount of admissible fees, to avoid discrimination among different bidders in different auctions

Question 73

Should there be provisions for public disclosure of material steps when introducing new (or adapted) auction processes?

Yes

Should new (or adapted) auction process be notified to and authorised by the Commission before inclusion in the auction calendar?

Yes

Question 74

Which one of the following options is the most appropriate in case a Member State does not hold auctions (on time)?

- Auctions by an auctioneer authorised by the Commission.
- Automatic addition of the delayed quantities to those foreseen for the next two or three auctions.

What other option would you envisage? Please specify:

Ans: In case a Member State does not hold auction on time an Immediate Auctions by an auctioneer authorised by the Commission should be held.

Question 75

Should a sanction apply to a Member State that does not auction allowances in line with its commitments?

Yes

If so, what form should that sanction take?

Ans: As an example, a temporary suspension from managing auctions

Question 76

As a general rule throughout the trading period, in your opinion, are early auctions necessary?

No Response

If so, what should the profile of EUAA auctions be:

Ans: No Response

0

Question 77

Do you think there is a need to auction EUAA futures?

No Response

If so, why?

Ans:

Question 78

What should be the optimal frequency and size of EUAA auctions:

Ans: No Response

0

Please comment on your choice.

Ans:

Question 79

What would be your preferred timing for EUAA auctions:

Ans: No Response

0

Question 80

Should any of the EUAA auction design elements be different compared to EUA auctions (see section 3)?

No Response

If so, please specify and comment on your choice.

Ans:

Question 81

Do you agree there is no need for a maximum bid-size?

No Response

If not, why not?

Ans:

Question 82

Is there any information regarding aircraft operators made available as part of the regulatory process to the competent authorities that could facilitate the KYC checks performed by the auctioneer(s)?

No Response

If so, please describe what information is concerned and whether it should be referred to in the Regulation or any operational guidance published by the Commission.

Ans:

Question 83

In your opinion, is there a specific need to allow for non-competitive bids in EUAA auctions?

No Response

Would this be the case even when applying a uniform clearing price format?

No Response

Please provide arguments to support your case.

Ans:

Question 84

Do you agree that there is no need for any specific provisions for EUAA auctions as regards:

- Involvement of primary participants, exchanges or third party service providers?
- Guarantees and financial assurance?
- Payment and delivery?
- Information disclosure?
- Auction monitoring?
- Preventing anti-competitive behaviour and/or market manipulation?
- Enforcement?
- None of the above?

If not, please describe in detail what rules would be needed and why.

Ans:

Question 85

Taking into account the smaller volume of EUAA allowances to be auctioned compared to EUAs, which of the three approaches for an overall EUAA auctioning model do you prefer? Please rate the options below (1 being the most preferable, 3 being the least preferable)

- [0] Limited number of coordinated auction processes.
- [0] Full centralisation based on a single EU-wide auction process.
- [0] Hybrid approach where different auction processes are cleared through a centralised system.

Does your choice differ from the approach preferred for EUAs?

No Response

Please provide arguments to support your case.

Ans:

Question 86

Do you agree that there is no need for any specific provisions for EUAA auctions as regards:

- Requirements for the auctioneer(s) and auction processes?
- Administrative fees?
- Rules to ensure appropriate and timely preparation of the auctions?
- None of the above?

If not, please describe in detail what rules would be needed and why.

Ans: