

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 Otherwise, the contribution will not be published nor will, in principle, its content be taken into account.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: Royal Dutch Shell PLC
[Provided additional comments at end of document]

Principal nature of activities: Exploration & Production, Refining, Chemicals

Number of employees in 2008:

World-wide:

Europe-wide:

Turnover in 2008:

World-wide:

Europe-wide:

Question B

Type of respondent:

Company operating one or more installations covered by the EU ETS
Energy companies other than electricity generators

Approx Annual Emissions (EU ETS): 20300000 tCO₂ (see additional comments)

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 (see additional comments)

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: 10-20% in year n-2, 20-30% 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: If n-1/n-2 auctions are for spot volumes only, it will create massive financing requirements for companies wishing to hedge their future exposures.

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	60	0
Year n-1	0	20
Year n-2	0	20

Please provide evidence to support your case.

Ans: With the percentage on a spot basis increasing (and futures decreasing) as previously free allocations for industry are added to the pot of EUAs for spot auctioning.

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)?

No

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

Ans: The maturity date is the date when a futures expires. The maturity date of futures is the date where settlement and delivery of the allowances is foreseen. For EUAs auctioned on a forward basis, physical and financial settlement should be 1st Jan 2013. This will, of course, require that the technical infrastructure is in place to allow this to happen. If this is looking unlikely, then a Dec delivery date could be preferable to give some certainty to the delivery date. Once we are in 2013, all auctions (spot and futures) will result in immediate issuance (again, in 2013, assuming that the technical infrastructure is in place).

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: Weekly

0

What should be the maximum frequency of auctions?

Ans: Other.

Please Specify: Daily

Please provide arguments to support your case.

Ans: As the proportion of allowances auctioned will increase significantly in the near term future, the practicality of restricting the auction to fewer time periods becomes severely reduced, as the ability of participants to set aside increased amounts of capital, and the relative size of the auction compared to liquidity in the secondary market will mean that the efficiency of the auction will be severely reduced, and it will impact on the efficiency of the secondary market too. Therefore consideration should be given to very frequent auctions, optimally on a weekly basis.

Consideration should be given to having a central auctioneer appointed by the member states and/or the regional / federal government. A central auctioneer would ensure that there was consistency in processes and timings encouraging harmonisation and reducing the potential for market distortions and confusion from differing auctions and auction timing between member states.

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: 5000000

5 million if daily, 25 million if weekly

Minimum auction size?

Ans: 1000000

Maximum auction size?

Ans: 25000000

Please provide evidence to support your case.

Ans: Large enough to be material, but not too large to interfere with the secondary market.

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: Weekly

0

What should be the maximum frequency of auctions?

Ans: Other.

Please Specify: Daily

Please provide arguments to support your case.

Ans: Remark: The registry might not be ready when doing the futures auctions, which implies that trading on an exchange will be the optimal solution. Participants will have to cash margin with the exchange.

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: 5000000

5 million if daily, 25 million if weekly

Minimum auction size?

Ans: 1000000

Maximum auction size?

Ans: 25000000

Please provide evidence to support your case.

Ans:

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 (see additional comments)

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:

Question 13 (see additional comments)

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:

1 year 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: 20% of the 2013 volume and ___% of the 2014 volume

in 2012: 20% of the 2013 volume and 20% of the 2014 volume

Please provide evidence to support your case.

Ans:

What percentage of these shares should be auctioned as futures?

in 2011: 100% of the 2013 share and ___% of the 2014 share

in 2012: 100% of the 2013 share and 100% of the 2014 share

Please provide evidence to support your case.

Ans:

Question 16

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

Ans: They should automatically be added to the next auction on the calendar, irrespective of the auction process.

0

Question 17

Is 1,000 allowances the most appropriate lot size?

No

If not, why not?

Ans: Ideally one allowance would be the best minimum, but we recognise that the exchanges will have a minimum lot size of 1,000, and therefore it will be difficult to reduce the lot size for this product.

Question 18 (see additional comments)

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: No Reponse

Please comment on your choice.

Ans: None of the above.

"First come, first serve" - this encourages early participation.

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: We do not support Price Floors or Reserve Prices. It distorts the value of the auction as a process of price discovery. Prices should depend on (perception of) supply/demand fundamentals when the auction takes place.

In case a reserve price would apply, the methodology/formula should be 100% transparent.

Question 23

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

No

Please comment on your choice.

Ans: There should be no maximum bid-size, it is up to the market to decide – fair risk.

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

No

Please comment on your choice.

Ans:

Question 24

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

Ans: No Response

Please comment on your choice.

Ans:

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: No Response

Please comment on your choice.

Ans: We don't think either of these is appropriate, there are other measures to reduce this risk such as the competition and the market abuse legislation (for futures).

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?

Please specify: Registration FSA (Financial Service Authority), if entity is not a compliance participant.

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:

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?

Please specify: Trading entities should have to provide all company ownership structures.

If so, what should the differences be?

Ans: Require more financial information for futures and more financial information for larger bidders.

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?

Yes

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:

Yes

- 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: We want to have central pre-registration check.

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: The level of collateral accepted in EUA auctions should be harmonised. The rules should be based on the credit worthiness and the size of the entity.

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: What types are referred to?

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: For creditworthy entities not necessary.

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: Follow the existing rules.

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: Depends on the creditworthiness of the counterparty.

Question 38

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

Yes

If yes; what should it be?

Ans: Other

The maximum delay of time for delivery should be 2 days, and 5 days for payment.

Question 39

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

Yes

If yes, what should they be?

Ans: Provisions should be equal to what is done on master agreements (standard agreement between two entities for trading), i.e. termination payments according to market/loss methodology.

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?

Yes

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: Yes

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?

Yes

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: Indirect bidding may be allowed if both parties agree to it – it should not be compulsory on either party either to provide or to use the service.

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: We favour a direct model.

Question 44 (see additional comments)

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
- Disallow primary participants trading on their own account? 0
- Impose strict separation of own-account trading from trading on behalf of indirect bidders?
- Other 0

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: We don't support primary and secondary participants.

All auctions should be open to all that fulfil registration requirements.

The use of formal or exclusive intermediaries is not supported. As with other commodity markets, e.g. electricity, those who cannot participate directly should be able to access allowances through brokers and suppliers who provide this service commercially. However this should not be assumed as the default method for access by participants; the commercial decision about how and whether to participate in auctions should be for individual participants.

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.

0

Please provide arguments to support your case.

Ans:

Question 48

Should direct auctions be allowed through:

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

Please comment on your selection:

Ans: If the third party provider is an exchange it should be ok, otherwise not.

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?

Yes

uniform-price auctions?

No

Question 51

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

Ans: 10%

0

Please comment on your choice.

Ans:

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: "First come, first served" up to the 10% limit. This will also encourage early participation.

Please comment on your choice.

Ans:

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

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: 2 months or longer

Please comment on your proposal.

Ans:

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:

Question 57

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

Ans: The notice to auction?

Please specify what they are.

Ans: The amount of the collateral to be posted, if required.

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?

0

Question 59

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

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

Please specify: instantaneous announcement

Please comment on your proposal.

Ans:

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: Auction participants instant if possible otherwise as soon as possible. Other as soon as possible.

Question 61 (see additional comments)

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]

No Response

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?

Yes

If not, why not?

Ans:

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

Ans: Yes, the market abuse provisions should be harmonised.
We don't need anything beyond what we have – no new rules.

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:

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?

Please specify: Whatever is appropriate depending on the abuse being enforced.

Please provide evidence to support your case.

Ans:

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:

Question 69

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

Ans: No Response

0

Please give arguments to support your case.

Ans: We do not support a non-centralised auction process.

Question 70 (see additional comments)

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

No

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

Ans:

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:

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: There should be no administrative fees, the auction revenues should be used to cover the costs of running an auction.

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: Automatic addition of the delayed quantities to those foreseen for the next auction.

Question 75

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

No Response

If so, what form should that sanction take?

Ans:

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)

- [3] Limited number of coordinated auction processes.
- [1] Full centralisation based on a single EU-wide auction process.
- [2] 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: We would like to see consistency with the "EUA's system".

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:

ADDITIONAL COMMENTS BY ROYAL DUTCH SHELL PLC

A) Questions to categorize the participants:

- The approx annual emissions (tCO₂): our response (20,3 MT CO₂) refers to the emissions from installations covered by the EU ETS.

B) Survey Questions:

- **Question 1** As a general rule throughout the trading period, in your opinion, are early auctions necessary? If so, what should the profile of EUA auctions be?

Answer: Yes: 10-20% in year n-2, 20-30% in year n-1, remainder in year n.

Because we want a liquid secondary market and we understand that some other participants, who have a higher percentage of their requirements through the market would need to hedge.

If this continues into Phase 3, the ratio of EUAs auctioned on a futures basis should reduce from year to year on the same basis that the ratio of allowances being auctioned for industrials is increasing – i.e. industrial companies will prefer to pick up EUAs on a spot basis, and as EUAs are removed from their free allocation, these EUAs should be added to the spot auction, not the futures auction.

- **Question 10** In case futures are auctioned, should the volumes for spot and futures auctions be spread over the year in the same manner?

Answer: Yes. Spot and futures should be evenly spread over the year, although they don't have to spread according to the same calendar.

- **Question 13** Is a harmonised 10-12 hrs CET auction slot desirable?

Answer: Yes, there should be a harmonised, short (~1 hr) auction slot with the settlement price released at the end of the auction slot.

- **Question 18** Is a single-round sealed-bid auction the most appropriate auction format for auctioning EU allowances?

Answer: Yes, but would like to be able to adjust within a ½ hr window.

- **Question 44** If the primary participants model is used, what provisions would be desirable for mitigating disadvantages of restricting direct access?

We don't support primary and secondary participants.

All auctions should be open to all that fulfil the registration requirements.

The use of formal or exclusive intermediaries is not supported. As with other commodity markets, e.g. electricity, those who cannot participate directly should be able to access allowances through brokers and suppliers who provide this service commercially.

However this should not be assumed as the default method for access by participants; the commercial decision about how and whether to participate in auctions should be for individual participants.

- **Question 61** Should an auction monitor be appointed centrally to monitor all EU auctions?

Answer: Yes, if there is no central auctioneer.

- **Question 70** Is there a need for a transitional phase in order to develop gradually the optimal auction infrastructure?

Answer: No transitional phase needed, but there is a need to be able to adjust the infrastructure if necessary.

- **Questions 76 - 86**

Answer: We would like to see consistency with the "EUAs system".