

# UK Phase III Auction Platform Report

**Report number: 46**

**Period covered: 1 - 31 October 2017**

## Introduction

- 1 This report contains information on auctions held on the UK's Phase III European Union Emissions Trading System (EU ETS) Auction Platform. Auctions are held according to the published [1] auction calendar.
- 2 Auctions are conducted by ICE Futures Europe on behalf of the Department for Business, Energy and Industrial Strategy (BEIS). DECC (the Department of Energy and Climate Change, the predecessor to BEIS) appointed ICE Futures Europe in April 2012 [2] and following a European Commission approvals process [3] held the first auction [4] in November 2012. The first aviation auction took place on 17 September 2014.
- 3 The report is based on post-auction data provided by ICE Futures Europe under the Auctioning Regulation [5]. This data [6] is available on the ICE Futures Europe website.

## Section 1: Auction results

### Description of auctions concerned

- 4 This report covers the Phase III European Union Allowance (EUA) auctions held this period. There was also an aviation (EUAA) auction held during this period; the only UK EUAA auction for 2017. The results of the auctions are in the tables below, which also includes the ICE EUA and EUAA futures prices [7] for the next December expiry at close the day of each auction.

| Date       | Volume auctioned (EUA)  | Volume sold | Clearing price | Volume bid for | Bidders | Successful bidders | Cover ratio | Revenue      | Futures Price |
|------------|-------------------------|-------------|----------------|----------------|---------|--------------------|-------------|--------------|---------------|
| 04/10/2017 | 4,269,500               | 4,269,500   | € 6.94         | 9,984,000      | 14      | 10                 | 2.34        | € 29,630,330 | € 6.90        |
| 18/10/2017 | 4,269,500               | 4,269,500   | € 7.56         | 11,060,500     | 16      | 11                 | 2.59        | € 32,277,420 | € 7.81        |
| Date       | Volume auctioned (EUAA) | Volume sold | Clearing price | Volume bid for | Bidders | Successful bidders | Cover ratio | Revenue      | Futures Price |
| 11/10/2017 | 725,500                 | 725,500     | € 7.30         | 3,440,000      | 7       | 5                  | 4.74        | € 5,296,150  | € 7.30        |

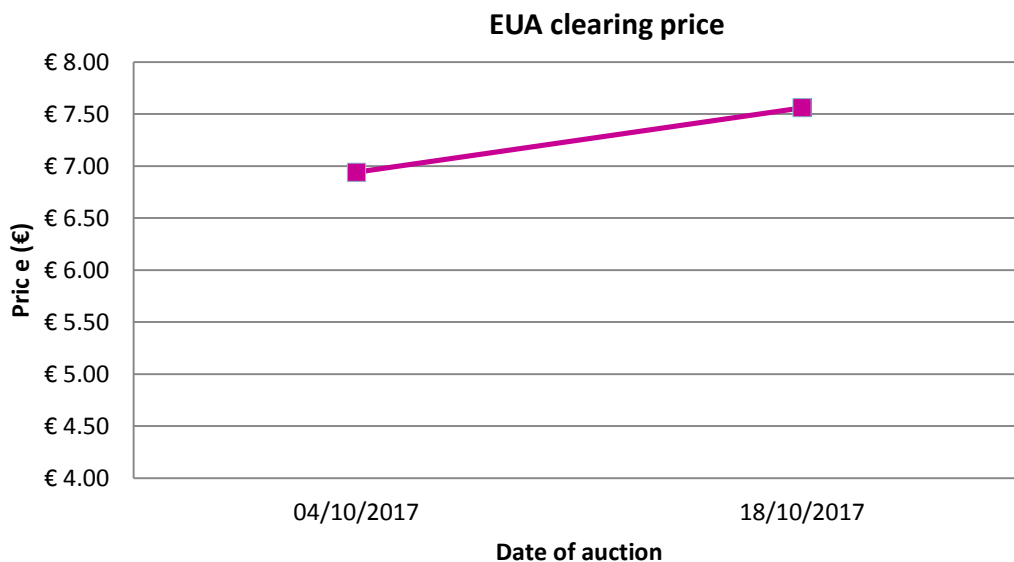
5 EUA auction results from completed calendar year quarters are summarised below.

| Period | Total volume auctioned | Total volume sold | Clearing price* | Total volume bid for | Bidders* | Successful bidders* | Cover ratio* | Revenue       |
|--------|------------------------|-------------------|-----------------|----------------------|----------|---------------------|--------------|---------------|
| Q4 '12 | 12,258,000             | 12,258,000        | € 6.18          | 31,123,000           | 15       | 11                  | 2.54         | € 75,735,440  |
| Q1 '13 | 24,804,000             | 24,804,000        | € 4.44          | 55,373,000           | 16       | 10                  | 2.23         | € 110,005,740 |
| Q2 '13 | 24,804,000             | 24,804,000        | € 3.82          | 54,095,500           | 15       | 11                  | 2.17         | € 94,792,620  |
| Q3 '13 | 24,820,000             | 24,820,000        | € 4.90          | 72,904,500           | 14       | 11                  | 2.33         | € 110,283,000 |
| Q4 '13 | 20,670,000             | 20,670,000        | € 4.57          | 57,739,500           | 17       | 12                  | 2.79         | € 94,544,580  |
| Q1 '14 | 23,550,000             | 23,550,000        | € 5.86          | 62,577,000           | 17       | 13                  | 2.66         | € 137,993,800 |
| Q2 '14 | 15,090,000             | 15,090,000        | € 5.28          | 37,865,000           | 14       | 12                  | 2.51         | € 79,650,000  |
| Q3 '14 | 15,005,000             | 15,005,000        | € 5.94          | 44,073,000           | 14       | 11                  | 2.94         | € 89,200,300  |
| Q4 '14 | 12,575,000             | 12,575,000        | € 6.41          | 31,714,150           | 14       | 10                  | 2.52         | € 80,580,600  |
| Q1 '15 | 18,738,000             | 18,738,000        | € 6.93          | 45,158,580           | 15       | 14                  | 2.41         | € 129,885,570 |
| Q2 '15 | 21,861,000             | 21,861,000        | € 7.22          | 44,877,510           | 14       | 12                  | 2.05         | € 157,930,110 |
| Q3 '15 | 18,744,000             | 18,744,000        | € 7.91          | 50,750,805           | 14       | 11                  | 2.71         | € 148,328,400 |
| Q4 '15 | 15,615,000             | 15,615,000        | € 8.43          | 28,981,440           | 15       | 12                  | 1.86         | € 131,571,990 |
| Q1 '16 | 20,937,000             | 20,937,000        | € 5.38          | 32,626,825           | 16       | 13                  | 1.56         | € 112,571,270 |
| Q2 '16 | 24,426,500             | 24,426,500        | € 5.53          | 44,491,125           | 14       | 11                  | 1.82         | € 135,078,545 |
| Q3 '16 | 17,447,000             | 17,447,000        | € 4.37          | 41,401,295           | 14       | 9                   | 2.37         | € 76,330,445  |
| Q4 '16 | 20,937,000             | 17,447,500        | € 4.52          | 40,582,885           | 14       | 10                  | 1.94         | € 55,622,630  |
| Q1 '17 | 29,106,500             | 29,106,500        | € 5.10          | 59,788,705           | 15       | 11                  | 2.05         | € 148,341,315 |
| Q2 '17 | 29,886,500             | 29,886,500        | € 4.78          | 59,730,305           | 16       | 12                  | 2.00         | € 142,814,775 |
| Q3 '17 | 21,350,000             | 21,350,000        | € 5.90          | 47,378,815           | 13       | 10                  | 2.22         | € 125,942,815 |

\* weighted average

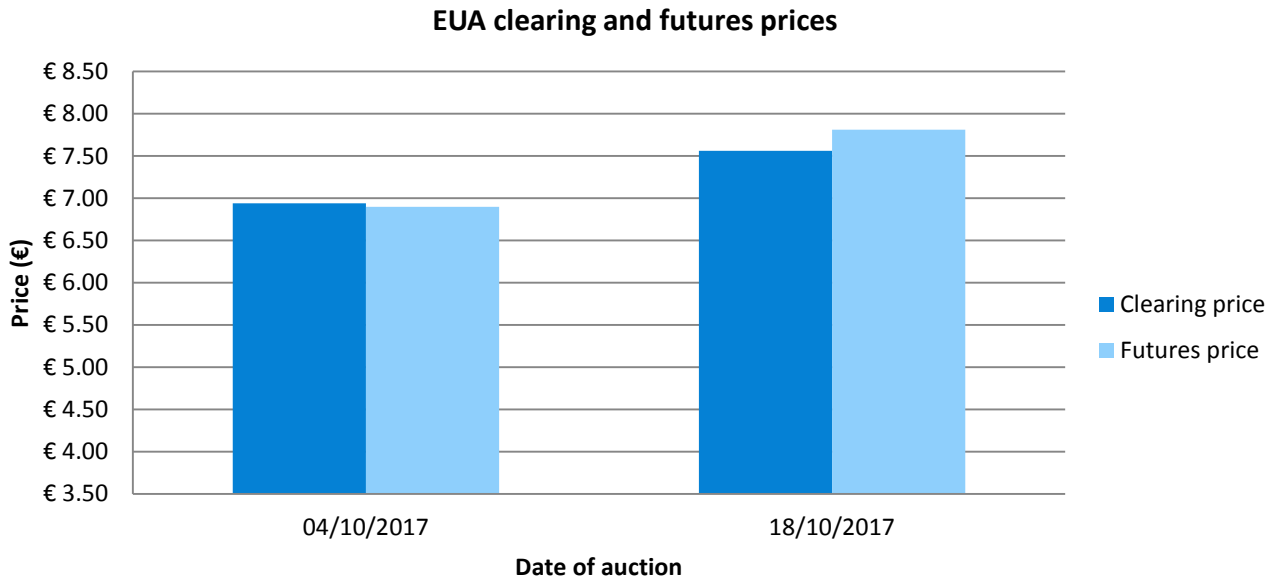
### EUA auction clearing price formation

6 The graph below shows the clearing price over time for the EUA auctions held in this reporting period. Each of the auctions took place successfully and the clearing price rose by €0.62 between the two EUA auctions. The volume weighted average price per allowance was:  
**€ 7.25**



### EUA auction clearing price formation

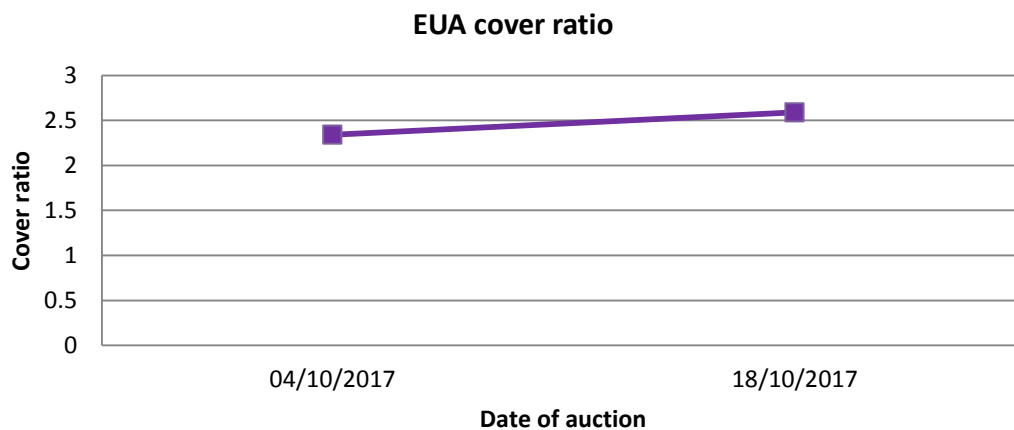
- 7 The graph below shows the clearing price compared to the ICE EUA futures price for the next December expiry at close the day of each auction. The graph shows that the auction clearing price was slightly above the futures price for the 4 October 2017 EUA auction, but below the futures price by 0.25 for the 18 October 2017 EUA auction. In this reporting period, the volume
- € 0.11



### EUA cover ratio

- 8 The graph below shows the cover ratio (allowances bid for divided by allowances auctioned) for the auctions held in this reporting period. The cover ratio rose by 0.25 between from the 04 October 2017 EUA auction to the 18 October 2017 EUA auction. Across this auctioning reporting period:

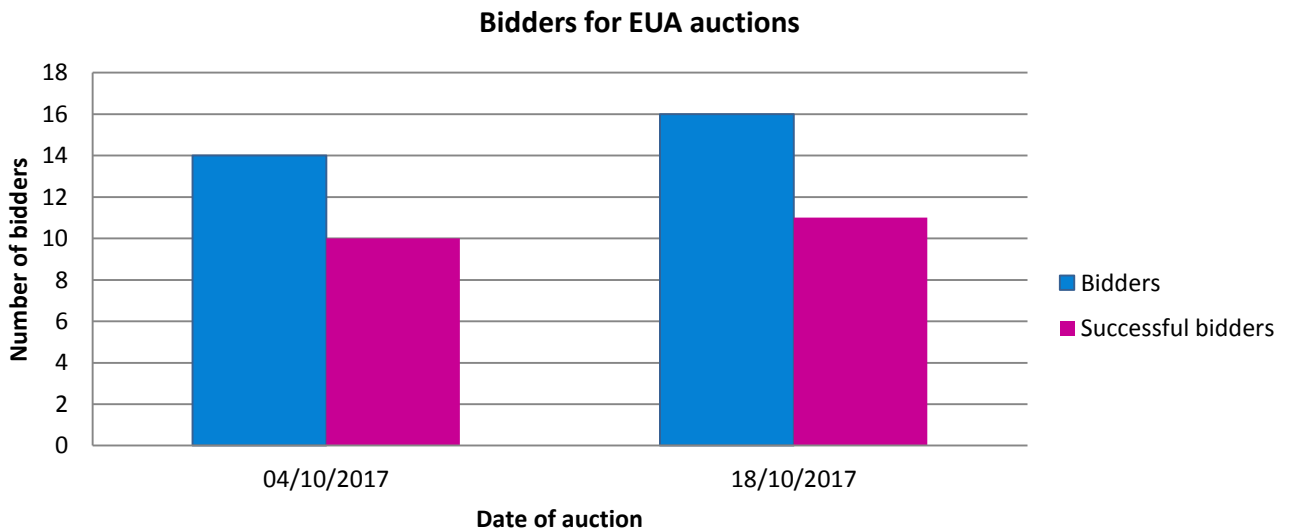
**21.045m** EUA allowances were bid for (rounded), and  
**2.47** was the volume weighted average cover ratio.



### Number of bidders and successful bidders for EUA auctions

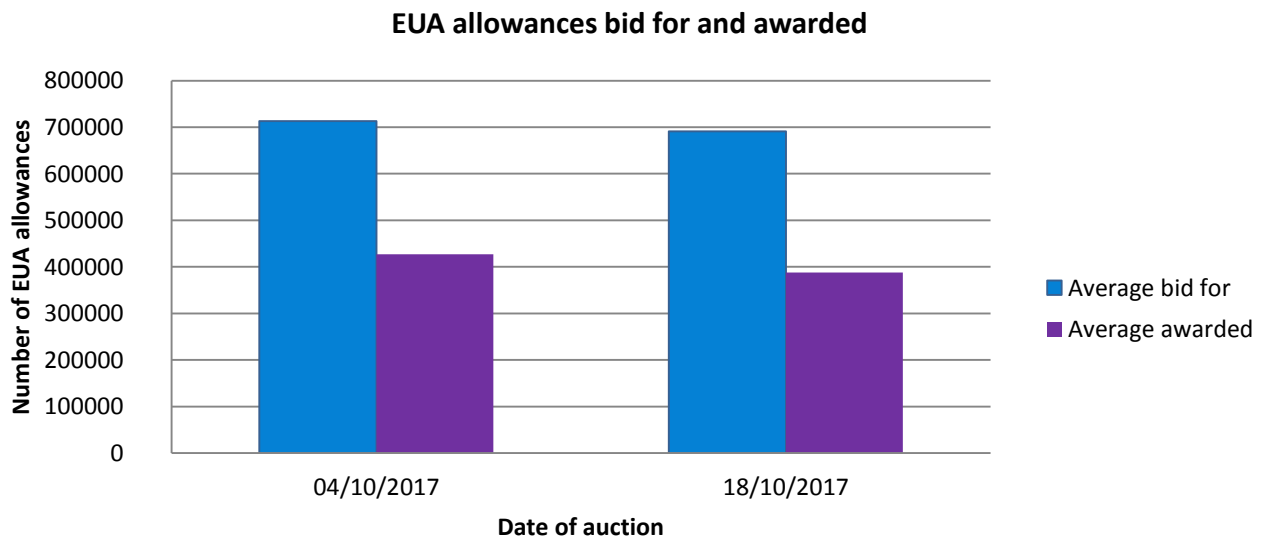
9 The graph below shows the number of bidders and number of successful bidders for the auctions held this reporting period. There were no auctions where all participating bidders were successful. Across the period:

**15** was the average number of bidders per EUA auction, and  
**11** was the average number of successful bidders per EUA auction.



10 The graph below shows the average number of allowances bid for by each bidder and the average number of allowances awarded to each successful bidder for the successful auctions held this reporting period. Across the period:

**691,281** to **713,143** was the range of allowances bid for on average, and  
**388,136** to **426,950** was the range of allowances awarded on average.



## Section 2: Implementation and compliance with the applicable rules

### Fair and open access

- 11 ICE Futures Europe provides full details of the admissions process [8] on its website as required by the Auctioning Regulation. There were no irregularities or deviations from the admission and access requirements.

### Transparency

- 12 ICE Futures Europe provides full details of the auction results [9] on its website as required by the Auctioning Regulation. This information includes details of how the clearing price is determined (subject to the confidentiality obligations under the Auctioning Regulation), how all participants have access to the same information at the same time and the EUA and EUAA contract specifications.
- 13 The ICE group operates a Recognised Investment Exchange, Recognised Clearing House and Recognised Auction Platform [10] supervised by the Financial Conduct Authority (FCA) and Bank of England, as applicable.
- 14 Monitoring by ICE Futures Europe in real-time of behaviour during the auction includes:
- monitoring of trading activity in ICE Futures Europe's markets to ensure that a fair and orderly market is maintained;
  - identifying bids which are out of line with permitted bid ranges;
  - identifying any unusual bidding behaviour;
  - calculation and publication of settlement prices; and
  - announcing and notifying auction results.
- 15 ICE Futures Europe's Complaints Resolution Procedures [11] were in place during the reporting period.
- 16 There were no incidents of abusive behaviour publicly reported during the reporting period

### Technical and operational aspects

- 17 No irregularities or deviations from the requirements occurred regarding the auctions or the clearing and settlement processes.

## Conclusion

### Comments by the auction platform

- 18 No comments by the auction platform this reporting period.

## Description of how comments have been taken into account

19 Not applicable this reporting period.

This report is based only on publicly available information on the auctions.  
Use of the information provided in this report is solely at the user's risk.  
For more information please contact: [euetsauctionplatform@beis.gov.uk](mailto:euetsauctionplatform@beis.gov.uk)

[1] <https://www.theice.com/emissions/auctions>

[2] <https://www.gov.uk/government/news/decc-selects-company-to-run-phase-iii-eu-ets-auctions>

[3] <https://www.gov.uk/government/news/eu-emissions-trading-system-european-commission-approves-the-uk-s-national-auction-platform>

[4] <https://www.gov.uk/government/news/uk-confirms-position-as-leader-in-carbon-markets>

[5] [http://ec.europa.eu/clima/policies/ets/cap/auctioning/documentation\\_en.htm](http://ec.europa.eu/clima/policies/ets/cap/auctioning/documentation_en.htm) Regulation (EU) No 1031/2010

[6] <https://www.theice.com/marketdata/reports/ReportCenter.shtml#report/148>

[7] <http://data.theice.com/MyAccount/MyFiles.aspx>

[8] <https://www.theice.com/emissions/auctions>

[9] <https://www.theice.com/marketdata/reports/ReportCenter.shtml#report/148>

[10] <https://www.fsa.gov.uk/register/exchanges.do>

[11] [https://www.theice.com/futures\\_europe\\_complaints.jhtml](https://www.theice.com/futures_europe_complaints.jhtml)