

# “Early auctions”

## Introductory remarks

Stakeholder meeting  
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- Revised EU ETS Directive:
  - As from 2013, full auctioning for electricity sector, i.e. about half of all allowances,
    - but potentially some transitional free allocation to electricity producers in some new Member States
  - Predictability of auctions is one of the objectives
  - Recital 22, mentions concern about ‘orderly functioning of the carbon and electricity market’ in relation to a timely start of the auctions

- Written stakeholder consultation held in Spring 2009 addressed timing and hedging and purchasing profiles
- ‘Early auctions’ discussed in Greenweek and stakeholder meetings in June, July and September 2009
- Impact Assessment: decide early auctions after adopting Regulation
- Debate continued

## Where do we stand?

- Commission Regulation No 1031/2010 on auctioning adopted on 12 November 2010
  - Published in OJ L302 of 18 November 2010, p.1
- Commission and Member States started implementing:
  - Joint procurement agreements for single auction monitor and common auction platform and (potentially) appointment of opt-out platforms
  - Implementation of several provisions in national law

## What does the Auctioning Regulation say on early auctions?

- Art 10(1): the volume to be auctioned in 2011 and 2012 and the auctioned products for these auctions shall be set out in Annex I
  - Annex I is 'empty', to be filled by means of an amendment to the Regulation.
  - early auctions volume deducted in equal parts from 2013 and 2014 volumes
    - Art 10(2): volume to be auctioned in a given year is in principle equal to the cap minus free allocation for that year)
- Article 12: no 'early auctions' for aviation allowances. 2012 volume is 15% of the cap for 2012, as provided in the ETS Directive.

## Auction platforms and auctioned products

- Auctioning spot is the rule – procurement of a ‘definitive’ auction platform
- Transitional auctioning of forwards and futures if need be – procurement of transitional auction platforms:
  - until the single ETS Registry is operational
  - Futures imply cash margining; forwards imply non-cash margining. Each Member State can choose
- This applies to Member States making use of the common auction platforms and to Member States opting-out and appointing auction platforms of their own

## Why early auctions?

- Objective: “smooth transition from the second to the third trading period of the EU ETS that underpins rather than disturbs the proper functioning of the market”
- Hedging, in particular by power producers
- Other factors to be taken into account:
  - Compliance needs phase 2
  - Surplus of phase 2 allowances
  - Auctioning of phase 2 allowances, including NER-remainders
  - CDM and JI credits
  - NER300
- Minimise risk of regulatory driven temporary price fluctuations

- Two questions:
  - Have we identified all relevant factors?
  - Is the range of 100 to 300 million allowances as potential early auction volume an appropriate basis for further work?



- Written consultation open until 7 February 2011
- Commission to submit a draft amendment for an opinion to the Climate Change Committee; if positive, 3 month scrutiny by the European Parliament and the Council before Commission can formally adopt
- For further information:  
[http://ec.europa.eu/clima/policies/ets/auctioning\\_en.htm#3](http://ec.europa.eu/clima/policies/ets/auctioning_en.htm#3) and the Official Journal (TED)
  - Need to guarantee equal access to information

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Info on the Climate Action and Renewable Energy Package at  
[http://ec.europa.eu/environment/climat/climate\\_action.htm](http://ec.europa.eu/environment/climat/climate_action.htm)