

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 Otherwise, the contribution will not be published nor will, in principle, its content be taken into account.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: BUSINESSSEUROPE

Principal nature of activities: Representation of European Business

Number of employees in 2008:

World-wide:

Europe-wide:

Turnover in 2008:

World-wide:

Europe-wide:

Question B

Type of respondent:

Other

Non-governmental organisation

-
-

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: Other? Please specify :

BUSINESSEUROPE believes that there is a need for early auctions, and that a viable auction system should be operational by 2011. Early auctions are needed to allow large electricity companies to hedge their positions ahead of time. If auctions are delayed, or insufficient volume is made available then it is likely that either the market price for EUAs will rise significantly in order to incentivise forward-selling or generators will have to change their hedging strategies for 2013/14. Both alternatives would be very disruptive, damage liquidity in the emissions and power markets and would not help to establish a credible emission trading scheme.

Question 2

Do you think there is a need to auction futures?

Yes

If so, why?

Ans: BUSINESSEUROPE believes that it is essential that a harmonised auction system is operational by early 2011.

Practical and platform/regulatory reasons may constrain the sale of spot allowances before 2012 and, therefore, it may be necessary to auction futures in the years before 2013. With respect to spot, futures have the advantage of offering the possibility of hedging physical positions and managing cash flow. Both advantages are of critical importance to market participants with significant compliance obligations and, at present, more volume is traded in futures than spot.

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		
Year n-1		
Year n-2		

Please provide evidence to support your case.

Ans: The exact balance of spot and forward auctions should be determined in a transparent and independent manner based on a thorough assessment of hedging needs in the industrial and commercial sectors, as indicated in the answer to Question 1 and 2.

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 Response

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: No Response

0

What should be the minimum frequency of auctions?

Ans: No Response

0

What should be the maximum frequency of auctions?

Ans: No Response

0

Please provide arguments to support your case.

Ans: Spot and future auctions with regards to frequency are linked, and dependent upon size and distribution of allowances within them.

In the event that a single process is established, the optimum frequency of spot (and futures) auctions would be weekly.

In no case auctions should be held less frequently than biweekly, as their size would be by necessity larger and would seriously disrupt the secondary market by injecting excessive liquidity on a particular date.

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: Sizes of spot and futures auctions are intrinsically linked, and one should not be set without due consideration of the other. When setting the optimum sizes of spot and futures auctions, due consideration should be given to the fact that auctions should be as often as possible, and that both forward and spot and spot auctions present several advantages and disadvantages.

As expressed in the answer to Question 1, BUSINESSEUROPE recommends the Commission to undertake an independent and transparent study of industrial and commercial forward demand for power and industrial sectors and resulting forward hedging needs for the power and industrial sector across the EU, as well as the consequences of front-loading throughout the trading period and proposes specific auctioning profiles accordingly.

This will help determine both the need for early auctions and the optimal balance between spot and futures.

Question 7

For futures auctions:

What should be the optimum frequency of auctions?

Ans: No Response

0

What should be the minimum frequency of auctions?

Ans: No Response

0

What should be the maximum frequency of auctions?

Ans: No Response

0

Please provide arguments to support your case.

Ans:

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:

Question 9

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

No

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. Please specify: Volumes for spot and futures should be spread over the year in the same manner, in order to limit the impact on the secondary market to the greatest possible extent. As a general rule, no auctions should be held in August and in the second half of December, when trading activity is low as most operators are on leave. Please see Question 12 for more details.

Question 10

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

No Response

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: As there is seasonality in the carbon market, it would be advisable to check the LEBA, and exchange public data to assess whether there is a discernible trend of market activities at different times of the year.

According to ECX data, such seasonality does exist. Based on such data, BUSINESSEUROPE recommends that:

- Reduce the volumes of allowances auctioned in August by 25 % and distribute the remaining quota pro-rata through the rest of the year
- No auctions be held in the second half of December, when trading activity is low as most operators are on leave.
- No auctions be held on ECB holidays which are common to most Member States:

- 01 Jan (New Years Day)
- Good Friday
- Easter Monday
- 01 May (Labour Day)
- Ascension Day
- Whit Monday
- 25th December - Christmas day
- 26th December – Boxing Day

Days where important relevant economic data is released?

Ans:

Days where emissions data are released?

Ans:

Other?

Ans:

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:

No response

Ans:

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

No response

Ans:

Dates of individual auctions:

No response

Ans:

Volume and product type for individual auctions:

No response

Ans:

Each auctioneer carrying out auction process (if more than one):

No response

Ans:

Question 15

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

in 2011: ___% of the 2013 volume and ___% of the 2014 volume

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

Please provide evidence to support your case.

Ans:

What percentage of these shares should be auctioned as futures?

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

in 2012: ___% of the 2013 share and ___% 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: No Response

0

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: Uniform pricing is a simpler pricing rule and requires less information from smaller players.

Question 20

Should the rules for solving ties in the Regulation be:

Ans: No Reponse

Please comment on your choice.

Ans:

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: A reserve price should not apply as it could create potential distortions in the secondary market and hamper price discovery. Furthermore, it could create uncertainty especially in the case if more than one auction process and different platforms are implemented instead of a single process and platform. Its use could be however examined by Member States in case of major dysfunction of the carbon market.

Question 23

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

No Response

Please comment on your choice.

Ans: A maximum bid-size is not desirable in either case, as it is not possible to define what a single bidding entity actually is in the context of the EU ETS i.e., to establish a clear link between an installation and a bidder without imposing an extraordinary administrative burden onto the auction process (cf. qualification process under RGGI auctions).

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

No Response

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: Neither option is desirable: the first would add complexity to the system without effectively addressing the issue and the second would merely limit the flexibility of major players in optimising their compliance strategies. The purchase of a large amount of allowances does not imply, per se, market abuse. For example there will be a number of compliance buyers whose likely annual EUA purchase requirements would exceed weekly pan EU auction quantities. Market abuse behaviour should be detected, investigated and pursued on a case-by-case basis according to EC legislation.

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?

No Response

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?

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?

Yes

0

0

Please provide arguments to support your case.

Ans: Yes, where applicable. BUSINESSEUROPE believes that MIFID and AML rules should apply to the auctioneers already covered by these rules. Should an auctioneer not be covered by MIFID or AML rules, the Regulation should impose comparable requirements. The Commission should seek to harmonize such requirements with the legislation on market oversight that is currently being developed by DG TREN.

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?

No Response

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?

No Response

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?

No Response

If so, how should they be harmonised?

Ans:

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?

No Response

If so, how should they be harmonised?

Ans:

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 Response

If not, why not?

Ans:

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?

No Response

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:

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?

Yes

If yes, what should they be?

Ans: Yes. The provisions should be based on practices currently established by existing exchange platforms.

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: Both models should be acceptable, as participants, and in particular SMEs and small emitters should be given the choice whether to participate directly or be represented by an intermediary.

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

Please specify: BUSINESSEUROPE believes that an exclusive primary participants 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: BUSINESSEUROPE strongly supports the creation of a single process based on existing infrastructure (e.g. existing exchanges, which have established relationships with market participants who are also likely to participate in auctions in the future, are covered by appropriate legislation and have adequate capacity to carry our Know Your Customer checks. As the secondary market operates on a mix of spot and forward basis, BUSINESSEUROPE maintains that exchange-based spot and forward auctions should be allowed in order to enhance the efficiency and flexibility of the market. In addition, in order to facilitate access to small emitters and SMEs, for whom full membership of exchanges may prove exceedingly onerous, a system of associate membership could be envisaged.

Please provide arguments to support your case.

Ans:

Question 48

Should direct auctions be allowed through:

- 1) Third party service providers?

- 2) Public authorities?

Please comment on your selection:

Ans: Auctions through public service providers or public authorities should not be encouraged, as auctions should take place using existing infrastructures based on a single process insofar as possible, and to allow a public authorities approach would tend to encourage many different national solutions, which would be inefficient.

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?

No

If not, why not?

Ans: General rules can be made sufficient, if access through intermediaries is allowed. However, costs for SMEs buying through intermediates must be minimized.

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: 10%

0

Please comment on your choice.

Ans: If non-competitive auctions are to be organised, 10% of the volume is probably more than enough (possibly even 5%).

Among those ETS operators that will need to acquire EUAs on auctions, medium to large companies directly active on the carbon markets likely represent more than 90% of the emissions. These companies will very likely participate directly to the auction through sophisticated bidding strategies. Non-competitive bids would only be useful to companies likely representing less than 10% of the needs.

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?

0

Please comment on your choice.

Ans: Participants that only placed a non-competitive bid should be served first, but no restrictions should apply.

As long as non competitive bidders are served in priority, restricting non-competitive bids to participants that do not place competitive bids is over-restrictive. Under the EU ETS, while emitters are installations, bidders are companies.

The very concept of small emitter will be very challenging to define and to enforce in a fair and balanced manner in the context of auctions. Also, the EU definition of SMEs is too wide to be really useful in this context. So, whilst the implementation provisions of the auction should allow fair access of small emitters and SMEs to auctioned EUAs, BUSINESSEUROPE advises against any specific provision that would apply only to a "small emitters/SMEs category".

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: 10 000 EUAs

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: No Response

0

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: No Response

0

Please comment on your proposal.

Ans:

Question 57

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

Ans: No Response

Please specify what they are.

Ans:

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: All of the above. In addition, BUSINESSEUROPE recommends that the number of participants and the number of participants successful in securing bids be published. Information relative to Member States bidding on their own behalf and volumes secured in this way should also be published.

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:

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: Specific provisions in the Regulation should ensure that all relevant information be released at the same time on recognised media 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?

Yes

If not, why not?

Ans:

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

Ans: Yes. It is absolutely necessary to define clear rules so as to discourage free riders. The provisions should be as pragmatic as those adopted in section 401 of the Waxman/Markey bill at the House of Representatives. The Regulation should define provisions applicable for the spot market and the derivatives.

ERGEG is assessing the need for a bespoke market abuse regime for the electricity and gas markets. In this light, BUSINESSEUROPE believes that an EU ETS-specific regime that is separated from the forthcoming framework for the electricity and gas markets would not be appropriate. BUSINESSEUROPE's strong preference would be to have a bespoke framework for energy markets, which also encompasses the EU ETS markets.

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?

0

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: BUSINESSEUROPE strongly prefers a single, EU-wide auction process as this would:
- Limit the risk of competitive distortions (e.g. different rules of participation, credit and KYC requirements) by establishing a level-playing field
- Reduce complexity, transaction costs and increase transparency

Question 69

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

Ans: 2

0

Please give arguments to support your case.

Ans: BUSINESSEUROPE strongly prefers a single, EU- wide auction process. Should it not be possible to establish one, the limited number of coordinated auction processes should be kept to a minimum.

Question 70

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:

Question 73

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

No Response

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

No Response

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:

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?

Yes

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.

No Response

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: