

# UK Phase III Auction Platform Report

Report number: 12

Period covered: 1 September 2014 to 30 September 2014

## 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 of Energy and Climate Change (DECC). DECC 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. The first European Union Aviation Allowance (EUAA) auctions took place on 17 September. The results of the auctions are in the table below, which also includes the ICE EUA futures price [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
10/09/2014	2,515,000	2,515,000	€ 6.03	7,397,500	15	13	2.94	€ 15,165,540	€ 6.10
24/09/2014	2,515,000	2,515,000	€ 5.62	4,710,000	15	12	1.87	€ 14,134,300	€ 5.82

Date	Volume auctioned (EUAA)	Volume sold	Clearing price	Volume bid for	Bidders	Successful bidders	Cover ratio	Revenue	Futures Price
17/09/2014	2,707,500	2,707,500	€ 5.20	11,018,000	13	8	4.07	€ 14,079,000	€ 5.46

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

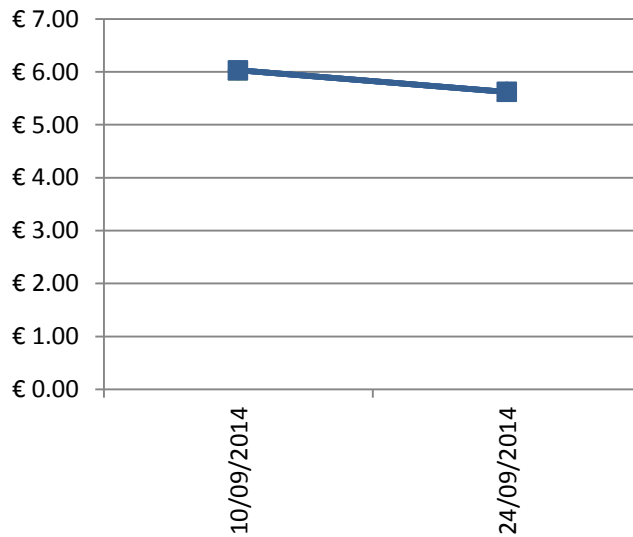
Period	Total volume auctioned	Total volume sold	Clearing price*	Total volume bid for	Bidders*	Successful bidders*	Cover ratio*	Revenue
Q4 '12	12,258,000	12,258,000	€ 6.18	31,123,000	15	11	2.54	€ 75,735,440
Q1 '13	24,804,000	24,804,000	€ 4.44	55,373,000	16	10	2.23	€ 110,005,740
Q2 '13	24,804,000	24,804,000	€ 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

\* weighted average

### EUA auction clearing price formation

6 The graph below shows the clearing price over time for the auctions held this reporting period. All scheduled auctions took place successfully. The volume weighted average price per allowance was:

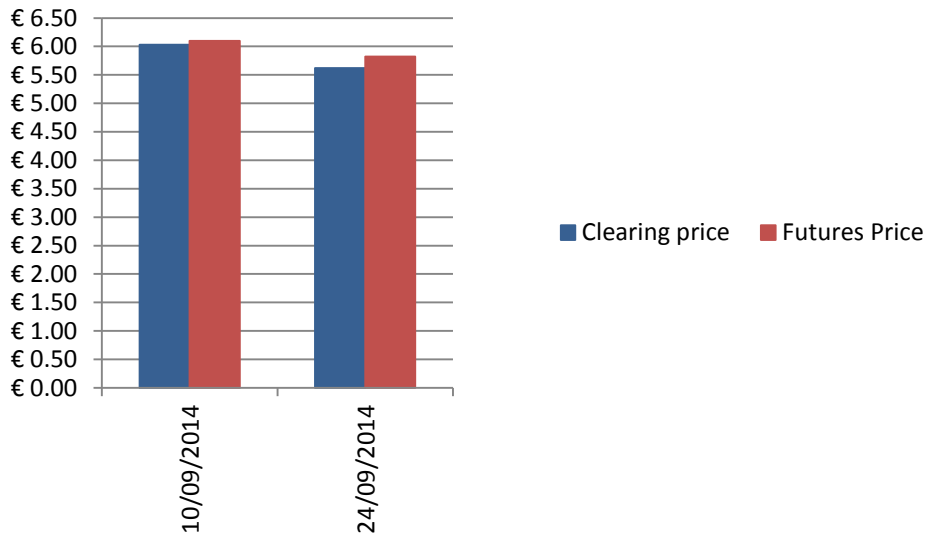
€ 5.83



### 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. As the graph demonstrates, the auction clearing price was below the futures price for both auctions. This reporting period the volume weighted average price differential was:

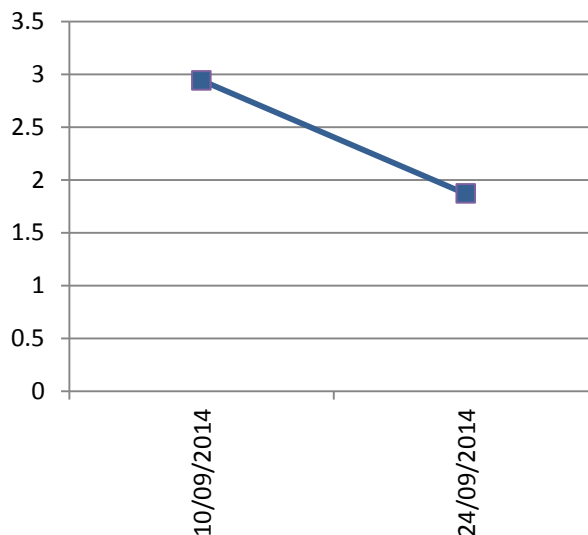
€ 0.14



### EUA cover ratio

8 The graph below shows the cover ratio (allowances bid for divided by allowances auctioned) for the auctions held this reporting period. The cover ratio fluctuated over time, reflecting market conditions. Across the period:

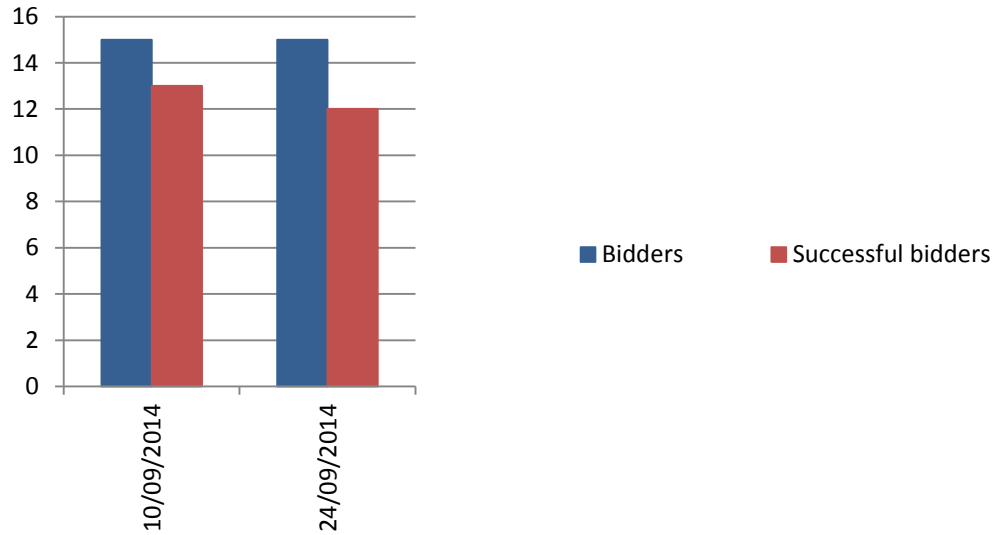
12.108m allowances were bid for (rounded), and  
2.41 was the volume weighted average cover ratio.



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

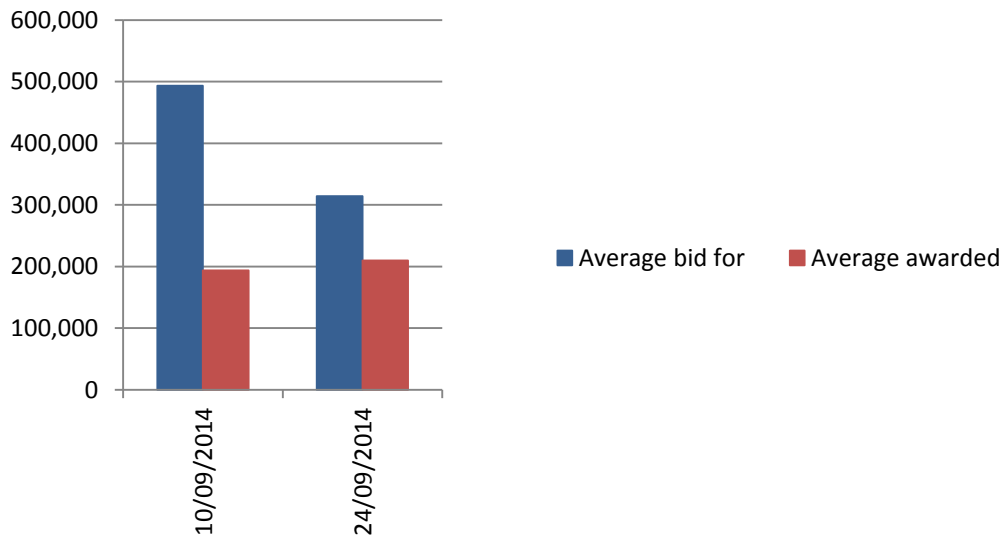
9 The graph below shows the number of bidders and number of successful bidders for the auctions held this reporting period. There was no auction where all participating bidders were successful. Across the period:

15 was the average number of bidders per auction, and  
 13 was the average number of successful bidders per 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 auctions held this reporting period. Across the period:

314,000 to 493,167 was the range of allowances bid for on average, and  
 193,462 to 209,583 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@decc.gsi.gov.uk](mailto:euetsauctionplatform@decc.gsi.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)