

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 Otherwise, the contribution will not be published nor will, in principle, its content be taken into account.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

Principal nature of activities: Oil and Gas sector

Number of employees in 2008:

World-wide: 78.880

Europe-wide:

Turnover in 2008:

World-wide: 108.1 Md€

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: 25294512 tCO₂

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: No Response

Question 2

Do you think there is a need to auction futures?

Yes

If so, why?

Ans: Eni believes that it is important to auction futures. The main reason is that it allows less expensive hedging policy in the power sector - first of all at the early stage of Phase III - as result of a bigger liquidity for operators and a lower pressure on the secondary market.

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	35	
Year n-1		65
Year n-2		

Please provide evidence to support your case.

Ans: The following answer shows a simple way to calculate an indicative share of spot and future. It could be taken as a base for further analysis.

According to market analysts the share of allowances to be auctioned by the power generation sector on the total amount of allowances to be auctioned changes from about 90% in 2013 to 64% in 2020, in average about 77% throughout the third period. The rest reflects the share of the auction for the non-electricity sector. In order to indicate a possible share between spot and futures we have considered the percentage of EUA spot and future/forward volumes on the secondary market in 2008 (2009 data are a real exception because of the high spot volumes due to industry length). These shares are in line with the shares of spot and future/forward power volumes in 2008.

As a general assumption, we have also hypothesized that only the power sector will auction (will need to auction) futures.

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)?

Yes

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: Monthly

0

What should be the minimum frequency of auctions?

Ans: Quarterly

0

What should be the maximum frequency of auctions?

Ans: Monthly

0

Please provide arguments to support your case.

Ans: In the second Emissions Trading period, UK and Austria are holding quarterly auctions. Nevertheless, in view of the higher volumes to be auctioned in the third phase, more frequent auctions are considered appropriate.

Eni believes that monthly auctions keep the whole process easier than weekly/fortnightly auction, especially for small participants, simplifying the definition of an auction calendar. At the same time, this frequency would ensure participation of smaller operators/bidders, guaranteeing them much more chances to satisfy their needs.

In addition, eni believes that spot and future auctions should be held simultaneously in each auction.

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: Auction size depends on frequency. In monthly auction, with proportional distribution throughout the year, the optimum spot auction size should be about 3%.

Question 7

For futures auctions:

What should be the optimum frequency of auctions?

Ans: Monthly

0

What should be the minimum frequency of auctions?

Ans: Quarterly

0

What should be the maximum frequency of auctions?

Ans: Monthly

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: Auction size depends on frequency. In monthly auction, with evenly distribution throughout the year, the optimum future auction size should be about 5%.

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

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

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:

2 years in advance

Ans: It is important to know at least 2 years in advance annual volumes to be auctioned and dates of the individual auctions, in order to guarantee sufficient certainty to the auction strategy.

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

2 years in advance

Ans:

Dates of individual auctions:

2 years in advance

Ans:

Volume and product type for individual auctions:

2 years in advance

Ans:

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

2 years in advance

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: Quantities must be coherent with ETS compliance operators hedging needs (electricity operators, for example, usually sell energy 1 or 2 years in advance to the delivery date). Furthermore, early auctions will guarantee liquidity to the secondary market. Anyway, the fact that the Phase II appears to be long, coupled with early auctions, may lead to low carbon price at the beginning of the Phase III, sending a distort signal to investors. The other side of the coin is that big volumes of allowances auctioned in advance could result in a scarcity of allowances at the end of the period, increasing the price and its volatility throughout the period. For this reason it is necessary to undertake an independent and transparent study on this matter by the European Commission.

It could be reasonable to auction just futures in advance.

Question 16

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

Ans: Other

Please Specify: In order to avoid opportunistic behaviours on the part of the auctioneer it is important to clearly-define a precise force majeure regime. For instance, the allowances unsold due to force majeure could be spread evenly over the next 2 or 3 auctions to avoid inflating the size of the auction following the annulled auction.

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: Eni believes that a single-round sealed-bid auction is the simplest and the most appropriate auction format, already used in many electricity capacity auctions where the bidder bids for electricity production capacity.

Eni suggests to use this format for auctioning EU allowances in the Phase III. It is crucial to figure out, in a learning by doing process, the way it impacts on the carbon market. It is necessary to leave open the possibility of changing format, starting from the Phase IV, if evidences indicate that it does not work properly.

Uniform-pricing ensures that every successful participant pays the same price - the lowest marginal price settled by the marginal operator - guaranteeing lower costs for everybody compared to a “pay as bid” pricing rule. Furthermore, as in the Italian electricity market, it should be allowed to bid, in the contextual auction slot, for different amounts at different prices.

Question 20

Should the rules for solving ties in the Regulation be:

Ans: pro-rata re-scaling of bids

Please comment on your choice.

Ans: Pro-rata re-scaling of bids is easier and fairer way for solving ties.

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: In case a reserve price would apply the methodology/formula should not be kept secret. In this event it would be better to set a percentage variance (e.g. -10% or -20%) from the market price instead of setting an absolute figure.

Question 23

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

No Response

Please comment on your choice.

Ans: This choice strictly depends on the liquidity on the secondary market. The assumption of a high liquidity on the market allows to believe that no maximum bid-size is desirable. On the contrary, low liquidity calls for a maximum bid-size per single entity in order to avoid short-squeeze.

As in the RGGI system, where no bidder may bid for more than 25% of the total volume of allowances offered in all auctions, it could be reasonable to set a maximum bid-size (in percentage of the total).

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: A maximum bid-size per single entity?

Please comment on your choice.

Ans:

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: Eni thinks that the pre-registration requirements listed in the paper are appropriate and adequate. Regarding the identity, Eni thinks that it should be useful also to specify if the natural or legal person that participates to the auction is an operator Company or participate on behalf of a parent Company that is an operator. Regarding the other points, Eni agrees with the list of the paper.

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: Eni agrees that the pre-registration requirements for admittance to EU Auctions should be harmonised throughout the EU, in order to avoid any further asymmetries or potential unbalances among the Member States.

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: Eni thinks that the bidder pre-registration requirements under the Regulation should apply in the same manner irrespective of whether or not the auctioneer is covered by the MiFID or AML rules.

However the requirements should be inspired by the principles and standards set out in the previous two reference groups of rules.

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: Eni agrees that the auctioneer, in order to avoid useless duplications of checks, should be allowed to rely on pre-registration checks carried out by reliable third parties including other auctioneers and credit and/or financial institutions subjected to AML and/or MiFID rules.

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: About the possibility to facilitate pre-registration by potential bidders in other Member States, it will depend on whether the auction process will be centralized or not. In case auction process is not centralized, Eni thinks that it should be possible to register in other/all Member States. In this case, such entities should be covered by the AML rules and by MiFID by outsourcing this to reliable third party. However, mutual recognition should be based on the same AML and MiFID minimum standards.

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: Eni thinks that the Regulation should prohibit the multiplicity of pre-registration checks in the case of Member States auctioning jointly, that in order to make the process more efficient and to avoid useless duplications of works and asymmetry.

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: Eni agrees that the level of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions, considering the fact that the EUA is a standardised underlying. The level of collateral should be the same, obviously in proportion of the amount of allowances bid.

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: Eni agrees that the type of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions. However, Eni thinks that there should be at least two types of allowed collaterals (cash and letters of credit as first starting point).

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?

Yes

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?

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: Eni thinks that in case futures are auctioned, a clearing house should be involved to mitigate credit and market risks. This Clearing House should work in the same manner and under the same conditions of the Clearing House of organized markets.

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: Eni thinks that the most preferable payment and delivery procedures that should be implemented for auctioning EUAs is payment before delivery, because of its simplicity. Eni thinks that it is necessary, whatever procedure is chosen, that the rules may be the same in all Europe.

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: 5 working days

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: Eni thinks that the Regulation should provide specific provisions, similar to those applied on the secondary market, like those provided by IETA Master Agreement (E.g. Suspension event, Failure to deliver under IETA Master Agreement, ISDA Carbon Annex).

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: Eni's opinion is that the regulation should provide rules in Jurisdiction and the mutual recognition and enforcement of judgment by quoting additions to the Brussels I Regulation in order to provide any type of issue typical of EU auctions.

If not, why not?

Ans:

Question 42

Which auction model is preferable?

- Direct bidding?
- Indirect bidding?
- Both?

Please comment on your choice.

Ans: Both direct and indirect models have advantages and drawbacks. At government level, direct auctions could have problems because of the possibility of money laundering. Moreover, for direct models, there is also the problem regarding the financial stability of the bidders. Furthermore, indirect bidding allows small and not so expert bidders to participate to the auctions.

Question 43

If an indirect model is used, what share of the total volume of EU allowances could be auctioned through indirect bidding?

Ans: 70

Please provide arguments to support your case.

Ans: Eni suggests that more than 70% of the total volume of EU allowances should be auctioned through indirect bidding. This is because it could facilitate participations to auction processes.

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?
If so, who should have direct access and what thresholds should apply?

Ans:

- Disallow primary participants trading on their own account?

- 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: Eni suggests that intermediaries should comply with Regulation and MIFID and AML rules, while market makers should also guarantee a certain type of liquidity to the market. Market Makers should comply with insider trading and manipulation of the market rules.

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: Eni suggests that exchange could be allowed both for spot and for futures auctions. In order to avoid any entry barrier to the exchanges, a specific profile of fees should be set up, bearing in mind that SME's and small emitters could have difficulties in accessing exchanges. However, allowing exchanges to organise auctions should not imply ties and restrictions to participants, especially from an operational point of view.

Question 48

Should direct auctions be allowed through:

- 1) Third party service providers?

2) Public authorities?

Yes

Please comment on your selection:

Ans: Direct auctions should be allowed through public authorities, provide that a homogenous framework will be realized through the Member States (existing public authorities infrastructure should be preferred).

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 Response

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?

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: 5%

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?

0

Please comment on your choice.

Ans: Participants should only be allowed to use one of the two bidding routes and who only placed a non competitive bid should be served first.

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: Other

Please Specify: Six months

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: Yes, in the notice to auction, the things to be highlighted are the amount of EUA and any element that could restrict the access to the auction together with the time schedule of the entire auction process. Also settlement processes and delivery dates are provisions to be highlighted.

As a general belief, auction calendar should be realized as soon as the specific trading phase begins.

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: The number of successful participants

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:

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: Central harmonized and shared regulation on market abuse is strongly desirable. In case of different beliefs among the Member States, minimum standards should be guaranteed.

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: Eni's opinion is that the enforcement measures should include the suspension of the auctioneer from the EU-wide auction for a medium-long period of time (maybe for a year?) and also financial penalties. Another measure could be to prevent any possible threat of breach of the regulation through binding decisions to the auctioneers or bidders in order to preserve market integrity.

Question 66

Should such enforcement measures apply at:

- EU level?
- National level?
- Both?

Please comment on your choice.

Ans: The enforcement measures should be applied at both levels, at National Level and also at EU Level, in order to avoid asymmetry of treatment.

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: Maybe the best entity able to enforce compliance should be the auction Monitor and a competent authority at EU level (and at a national level should the auction process not be fully centralised).

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: Eni believes that a common centralised EU-wide auction, where Member States proportionally pool together their EUAs, represents the optimum solution and, at the same time, the less complicated to adopt. Furthermore, a fully centralized auction under the responsibility of the European Commission and managed by an European Institution (for example the European Central Bank), could reduce overall auction costs, produce more efficient auction outcomes and, at the same time, ensure uniform modalities in Europe.

Should the centralized approach be not immediately feasible to be put in place, the hybrid approach could be the second best solution. Beside the central role of the European Commission it would be desirable to select (for example through a tender with specific requirements) four-five platforms, working within a rotation approach - one by one, where Member States can proportionally auction their EUAs.

This could be a reasonable solution before moving toward a centralized approach.

Question 69

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

Ans: 5

0

Please give arguments to support your case.

Ans: The number of coordinated auctions should range between 3 and 7. This is necessary to keep the process simple and to ensure the harmonization of the rules.

Question 70

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

Yes

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

Ans: It is important to have a transitional phase in order to develop gradually the optimal auction infrastructure. To do that, the Regulation has to provide the operators with the possibility to point out (for example every two years through a public consultation) pros and cons of the adopted scheme. Afterwards, the Commission will evaluate the modalities to improve the infrastructure.

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: In order to guarantee fairness and non discrimination the Regulation should not include administrative fees which change according to the size of the operator or the amount of EUAs bid.

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: The EUAs have to be auctioned as foreseen by the calendar in order to not affect the price.

Question 75

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

Yes

If so, what form should that sanction take?

Ans: In case of specific matter of force majeure and where the Member State cooperates with the Commission to put in place a quick solution, there is no need to set a sanction. Otherwise, a sanction needs to be applied in order to avoid opportunistic behaviours.

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)

- [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.

Ans:

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: