

# EU Emissions Trading Scheme (ETS) – Consultation on design and organisation of emissions allowance auctions

This document is the questionnaire for this consultation. The survey contains **4** initial questions (A-D) to identify respondents, **86** questions for which responses will be made public and **4** questions that are classified confidential, must be sent directly to the European Commission and will not be made public. The questions that are classified potentially confidential are on two separate pages (2 questions on each page) and highlighted in green boxes.

## Period of consultation

From 3 June 2009 to 3 August 2009 inclusive

## How to submit your contribution

This consultation seeks to obtain feedback from all categories of stakeholders regarding the different aspects of auction design and implementation covered in the Consultation Paper.

We are sorry for the inconvenience, but the web-based survey is not available yet. If participants wish to complete the survey on this document and send their contributions back to [contact\\_ets\\_auctions\\_consultation@icfi.com](mailto:contact_ets_auctions_consultation@icfi.com) their responses can be accepted in this format. The web-based survey will be available as soon as possible if participants wish to wait till that is available.

**Received contributions will be published on the Internet. It is important to read the specific privacy statement attached to this consultation for information on how your personal data and contribution will be dealt with.**

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 Otherwise, the contribution will not be published nor will, in principle, its content be taken into account.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

## Instructions to filling out the questionnaire

- Questions may only be answered in designated response fields
- For certain multiple choice questions, simply click on box to indicate choice
- Answer [Y/N] questions by typing “y” / “Y” or “n” / “N” on underlined area ( \_\_\_ )
- Some responses require explanations, additional comments and detailed answers. These will either be identified by underline ( \_\_\_ ) or an answer section (A: \_\_\_ ). The amount of text that can be entered here is unlimited.
- After completing the survey, please save and send to [contact\\_ets\\_auctions\\_consultation@icfi.com](mailto:contact_ets_auctions_consultation@icfi.com)
- If any questions seem unclear in context or for method of response, please mail [contact\\_ets\\_auctions\\_consultation@icfi.com](mailto:contact_ets_auctions_consultation@icfi.com) to clarify

**Thank you**

## Section 1: Questions to categorize participants

### Question A

Name of Company/Organization: Mainova AG

Principal nature of activities: trading with gas, electricity, water and heat

Number of employees in 2008:

World-wide \_\_\_\_\_ Europe-wide 1,200

Turnover in 2008:

World-wide \_\_\_\_\_ Europe-wide 1.700.000 thousand Euro

### Question B

Type of respondent:

- Member State
- Company operating one or more installations covered by the EU ETS
- Electricity generators
  - Energy companies other than electricity generators
  - Industrial sectors
  - Aviation
  - Other. Please specify: \_\_\_\_\_
- Approx Annual Emissions: \_\_\_\_\_ tCO<sub>2</sub>

- Intermediary
- Financial institution*
  - Trading arm of non-financial institution*
  - Other. Please specify \_\_\_\_\_*
- Trader on own account
- Financial institution*
  - Trading arm of non-financial institution*
  - Other. Please specify \_\_\_\_\_*

- Regulated market
  - Carbon only
  - Carbon and electricity
  - Carbon and other energy products
- Other carbon market
  - Multilateral trading facility trading carbon derivatives
  - Carbon exchange trading spot carbon
  - Other. Please specify \_\_\_\_\_
- Clearing house
- Central counterparty
- Other (multiple choices apply)
  - Non-governmental organisation
  - Trade association
  - Carbon analyst
  - Carbon publication
  - Academic
  - Other. Please specify \_\_\_\_\_

### **Question C**

*Contact details will not be made public.*

## Question D

*Questions relating to the "Specific privacy statement" above.*

- Do you object to publication of your personal data because it would harm your legitimate interests? [Y/N] N

If so, please provide an explanation of the legitimate interests that you think will be harmed:

A:

- Are any of your responses confidential? [Y/N] N

If so, please indicate which ones and provide an explanation:

A:

## Section 2: Survey questions (86) and potentially confidential questions (4)

### Question 1

As a general rule throughout the trading period, in your opinion, are early auctions necessary? [Y/N] Y

If so, what should the profile of EUA auctions be?

- 5-10% in year n-2, 10-20% in year n-1, remainder in year n
- 10-20% in year n-2, 20-30% in year n-1, remainder in year n
- 20-30% in year n-2, 30-35% in year n-2, remainder in year n
- Other? Please specify: It is common practice that generators hedge some of their price exposure by buying fuel and emission allowances in advance and selling their power at the same time (up to 3 years prior to delivery). To allow appropriate risk management and hedging strategies, allowances should be auctioned up to three years in advance.

As auction profile for early auctions we therefore recommend: n-3: 15 %; n-2: 25 %; n-1: 30 %.

### Question 2

Do you think there is a need to auction futures? [Y/N] Y

If so, why?

A: It is common practice that generators hedge some of their price exposure by buying fuel and emission allowances in advance and selling their power at the same time (up to 3 years prior to delivery). To allow sophisticated risk management and hedging strategies the predominant part of the allowances should be auctioned as futures.

Additionally to that the early auction of futures would facilitate and promote a liquid and efficient EUA 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	: <u>75%</u>	<u>25%</u>
• year n-1	: <u>25%</u>	<u>75%</u>
• year n-2	: <u>25%</u>	<u>75%</u>

Please provide evidence to support your case.

A:

*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)? [Y/N] Y

If not, please suggest alternative maturity dates and provide evidence to support your view.

A:

**This page contains two questions that will not be made public. These questions cannot be completed on this document**

**Request for potentially confidential information 1**

Please send the answer to this question in paper and electronic format, marked on the envelope "Strictly Private and Confidential – Auctioning consultation", directly to the European Commission, DG ENV, Directorate C, Unit C2, to the attention of the Head of Unit, Office BU-5 2/1, 1049 Brussels, Belgium. It will be treated confidentially and will not be disclosed publicly.

For ETS operators: what share of your expected emissions covered by the EU ETS in a given year n do you hedge and how much in advance?

- year n : \_\_\_\_\_%
- year n-1 : \_\_\_\_\_%
- year n-2 : \_\_\_\_\_%
- earlier years (please specify) : \_\_\_\_\_%

**Request for potentially confidential information 2**

Please send the answer to this question in paper and electronic format, marked on the envelope "Strictly Private and Confidential – Auctioning consultation", directly to the European Commission, DG ENV, Directorate C, Unit C2, to the attention of the Head of Unit, Office BU-5 2/1, 1049 Brussels, Belgium. It will be treated confidentially and will not be disclosed publicly.

What share of the annual quantity of allowances you intend to purchase *via* auctions would you wish to buy spot or futures respectively?

- |            | SPOT     | FUTURES |
|------------|----------|---------|
| • year n   | : _____% | _____%  |
| • year n-1 | : _____% | _____%  |
| • year n-2 | : _____% | _____%  |

Please specify whether you are an:

- ETS operator; or
- Other participant.



### Question 5

For spot auctions:

What should be the **optimum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: daily

What should be the **minimum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: \_\_\_\_\_

What should be the **maximum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: daily

Please provide arguments to support your case.

A: A high auction frequency lowers the risk of market distortions, which could be caused by huge EUA volumes auctioned just occasionally. The huge volume of allowances to be auctioned enables to -at least- weekly auctions. To establish a transparent and harmonised auction process we furthermore recommends the establishment of a fully centralised EU-wide auctioning platform and the early publication of the planned auction schedule.

### Question 6

For spot auctions, what should be the:

- Optimum auction size? 5 Mio t
- Minimum auction size? 1 Mio t
- Maximum auction size? 25 Mio t

If deemed appropriate, please indicate a range and/or distribution over different sizes.

Please provide arguments to support your case.

A: The auction size relates to the possible total auctions size per year (ca. 1,2 Billion tonnes) divided by the number of auctions per year (frequency: daily - weekly auction)

### Question 7

For futures auctions:

What should be the **optimum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: daily

What should be the **minimum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: \_\_\_\_\_

What should be the **maximum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: daily

Please provide arguments to support your case.

A: A high auction frequency lowers the risk of market distortions, which could be caused by huge EUA volumes auctioned just occasionally. The huge volume of allowances to be auctioned enables to -at least- weekly auctions. To establish a transparent and harmonised auction process we furthermore recommends the establishment of a fully centralised EU-wide auctioning platform and the early publication of the planned auction schedule.

### Question 8

For futures auctions, what should be the:

- Optimum auction size? 5 Mio t
- Minimum auction size? 1 Mio t
- Maximum auction size? 25 Mio t

If deemed appropriate, please indicate a range and/or distribution over different sizes.

Please provide evidence to support your case.

A: The auction size relates to the possible total auctions size per year (ca. 1,2 Billion tonnes) divided by the number of auctions per year (frequency: daily - weekly auction)

### Question 9

Should volumes of spot allowances be auctioned evenly throughout the year? [Y/N] Y

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: \_\_\_\_\_

### Question 10

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

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? Please specify how and comment: \_\_\_\_\_

### 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)? [Y/N] Y

If yes, how long should this period be:

One week       2 weeks       3 weeks       1 month

In case futures are auctioned, should there be similar provisions with respect to the period immediately prior to the maturity date? [Y/N] Y

If yes, how long should this period be:

One week       2 weeks       3 weeks       1 month

### Question 12

Which dates should be avoided? (more than one answer possible)

- Public holidays common in most Member States? Christmas, New Year, Easter
- Days where important relevant economic data is released? \_\_\_\_\_
- Days where emissions data are released? \_\_\_\_\_
- Other? Please specify: \_\_\_\_\_

Please specify the dates you have in mind in your answers.

### Question 13

Is a harmonised 10-12 hrs CET auction slot desirable? [Y/N] Y

If not, what alternative(s) would you suggest?

A: \_\_\_\_\_

### Question 14

How long in advance should each element of the calendar be determined?

Annual volumes to be auctioned:

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

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

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

Dates of individual auctions:

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

Volume and product type for individual auctions:

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

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

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

Please provide arguments to support your case.

A: To guarantee a maximum amount of predictability and transparency, all data should be published at the earliest moment possible. We suggest to establish a EU-wide platform where all needed data is published and regularly up-dated. Linkage across trading periods must be assured.

### Question 15

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

- in 2011: 30 % of the 2013 volume and 20% of the 2014 volume
- in 2012: 30% of the 2013 volume and 20% of the 2014 volume

What percentage of these shares should be auctioned as futures?

- in 2011: 75% of the 2013 share and 75% of the 2014 share

- in 2012: 75% of the 2013 share and 75% of the 2014 share

Please provide evidence to support your case.

A:

### Question 16

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

- They should automatically be added to the next auction on the calendar, irrespective of the auction process.
- They should be auctioned within one month, though leaving flexibility as to which auction(s) the EUAs should be added.
- They should be auctioned within three months, though leaving flexibility as to which auction(s) the EUAs should be added.
- Other? Please specify: They should be equally spread on coming auctions within the next three month. In case this increases the auction size by more than 10 per cent, this period should be extended to six month.

### Question 17

Is 1,000 allowances the most appropriate lot size? [Y/N] N

If not, why not?

A: We would prefer a auction size of 500, to offer small bidders a easy entrance to the market.

### Question 18

Is a single-round sealed-bid auction the most appropriate auction format for auctioning EU allowances? [Y/N] Y

If not, please comment on your alternative proposal?

A:

Yes: Multiple round auctions on the one hand have the advantage that participants can discover the price during the multiple rounds. On the other hand multiple auctions are more complicated and would raise transaction costs. Since prices can be observed on secondary market the advantage of price discovery doesn't seem to be that important. Therefore the easier single round sealed bid auction should be favoured.

### Question 19

What is the most appropriate pricing rule for the auctioning of EU allowances?

- Uniform-pricing.
- Discriminatory-pricing.
- Indifferent.

Please provide arguments to support your case.

A:Uniform pricing gives a clear price signal for the value of an EU allowance. It also ensures that every successful participant pays the same price, meaning that the auction price will be fair. Uniform-pricing also minimises the risk of distortions to the secondary market. A further advantage is that the transparent and risk avoiding design of uniform pricing enables smaller entities to take part in the auctioning process.

### Question 20

Should the rules for solving ties in the Regulation be:

- random selection; or
- pro-rata re-scaling of bids?

Please comment on your choice.

A:This solution would be fair and support further competition between the bidders.

### Question 21

Should a reserve price apply?

A:No, we are in favor for a open, non regulated market and belief that the market will be liquid enough, that a reserve price is not needed.

### Question 22

In case a reserve price would apply, should the methodology/formula for calculating it be kept secret? [Y/N] N

Please comment on your choice.

A:For transparency reasons the methodology should be published.

### Question 23

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

[Y/N] Y

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

[Y/N] Y

Please comment on your choice.

A:A maximum bid-size is highly desirable to make market manipulation more difficult. Maximum limits also protect against discrimination of smaller participants. Without a maximum bid-size big entities would be able to acquire huge amounts of allowances, thereby reducing the amount left for smaller participants.

### Question 24

If so, what is the desirable bid-size limit (as a percentage of the volume of allowances auctioned per auction – only one choice is possible):

10%:       15%:       20%:   
25%:       30%:       More than 30%:  Please specify: \_\_\_\_\_

Please comment on your choice.

A:According to our answer to question 23 a max. volume per auction and bidder should be set. A bid-size limit at 20 per cent of the volume of allowances auctioned per auction. It would be a good compromise between the demand of large entities and the need to prevent uncompetitive behaviour.

### 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?

- A discriminatory-price auction format?
- A maximum bid-size per single entity?

Please comment on your choice.

A: See above, question 19 and 23

### **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: \_\_\_\_\_

*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? Please specify: To simplify the pre-registration process declaration should only be required once. Afterwards participants are only obliged to report changes.

*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? Please specify: \_\_\_\_\_

**Question 27**

Do you agree that the pre-registration requirements for admittance to EU auctions should be harmonised throughout the EU?

Yes  No

Please comment on your choice.

A: From our point of view full harmonisation of the complete auctioning process is a precondition of its success. Without it, the auctioning scheme will neither be able to guarantee transparency and predictability nor fair market conditions.

### 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? Please specify: \_\_\_\_\_

If so, what should the differences be?

A: Pre-registration requirements have to be designed in a way that they remain manageable for smaller entities.

### 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? [Y/N] N

A:

If not, why not?

A: Safety and transparency are guaranteed by using MiFiD or AML rules.

Please provide arguments to support your case.

### 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: [Y/N] Y

- Other auctioneers?  
 Credit and/or financial institutions?  
 Other? Please specify: \_\_\_\_\_

Please comment on your choice.

A: There should be only one centralised pre-registration process. It is appropriate to entrust a third party with the necessary checks if it helps to reduce costs.

### 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  No

Please comment on your choice:

A: There should be only one centralised pre registration process independent from the origin country of the bidder. This would make the whole auction process manageable for all bidders but especially for smaller ones.

If so, should such entities be:

- Covered by the AML rules?  
 Covered by MiFID?  
 Covered by both?  
 Other? Please specify: \_\_\_\_\_

Please comment on your choice:

A: AML and MiFID are both needed to guarantee a maximum amount of trustworthiness.

### Question 32

Should the Regulation prohibit the multiplicity of pre-registration checks in the case of Member States auctioning jointly?

Yes

No

Please comment on your choice.

A: There should be only one centralised pre-registration process. This would make the whole auction process manageable for all bidders but especially for smaller ones.

### Question 33

Do you agree that the *level* of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions? [Y/N] Y

If so, how should they be harmonised?

A: In a way that they remain the special interests of smaller entities (easy to manage).

If not, why not?

A:

### Question 34

Do you agree that the *type* of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions? [Y/N] Y

If so, how should they be harmonised?

A: In a way that they remain the special interests of smaller entities (easy to manage).

If not, why not?

A:

### 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? [Y/N] Y

If not, why not?

A:

What alternative(s) would you suggest? Please provide arguments to support your case:

A: Not only electronic money should be recognized but also certified cheques, bank guarantees and blocked accounts. This is especially important for smaller entities and offers them more flexibility.

### Question 36

In case futures are auctioned, should a clearing house be involved to mitigate credit and market risks? [Y/N] Y

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:

A: All rules are standard requirements and there is no need for further elaboration.

### 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.

A: Delivery versus payment is the usual market practise.

### Question 38

Irrespective of the payment procedure, should the Regulation fix a maximum delay of time for payment and delivery to take place? [Y/N]

Y

If yes; what should it be?

- 4 working days
- 5 working days
- 6 working days
- 7 working days

Other? Please specify: \_\_\_\_\_

### Question 39

Should the Regulation provide any specific provisions for the handling of payment and delivery incidents or failures? [Y/N] Y

If yes, what should they be?

A: Definition of force majeure, interest on arrears, definition of penalties, debate procedures, transaction rules, rules on jurisdiction.

### 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? [Y/N] Y

If not, why not?

A:

If so, are the matters enumerated below complete? [Y/N] N

- 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.

If not, what additional matters should be foreseen in the Regulation and why?

A: debate procedures, transaction rules, rules on jurisdiction

### Question 41

Should the Regulation provide for rules on jurisdiction and the mutual recognition and enforcement of judgments? [Y/N] Y

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:

A: In order to ensure uniform jurisdiction the place of jurisdiction should be situated where the auctioning platform is based.

If not, why not?

A:

### Question 42

Which auction model is preferable?

- Direct bidding?
- Indirect bidding?
- Both?

Please comment on your choice.

A: In an indirect auction scheme companies have to share commercially sensitive information with primary participants. Additionally, an indirect scheme does not offer the flexibility needed by participants. For example it would be very difficult to change bids



in reaction to market developments. A direct auction scheme avoids these problems. To make it easier for SMEs to participate in direct auctions intermediaries could be allowed to take part in such auctions as well.

#### Question 43

If an indirect model is used, what share of the total volume of EU allowances could be auctioned through indirect bidding? no indirect model

Please provide arguments to support your case.

A:

#### Question 44

If the primary participants model is used, what provisions would be desirable for mitigating disadvantages of restricting direct access (more than one answer is possible):

- 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? \_\_\_\_\_
- Disallow primary participants trading on their own account?
- Impose strict separation of own-account trading from trading on behalf of indirect bidders?
- Other? Please specify: We voted against an indirect approach (See above, question 42).

#### Question 45

If the primary participants' model is used, what conflict of interest requirements should be imposed? (more than one answer possible)

- 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, please specify: We voted against an indirect approach (See above, question 42).

### Question 46

What obligations should apply to primary participants acting in EU-wide auctions as:

- Intermediaries? A: We voted against an indirect approach (See above, question 42).
- Market makers? A: We voted against an indirect approach (See above, question 42).

Please provide arguments to support your case.

### Question 47

Under what conditions should auctioning through exchanges be allowed (more than one answer possible):

- 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: \_\_\_\_\_

Please provide arguments to support your case.

A: Auctioning through exchanges is desirable because of the extensive experience exchanges have in the trading sector. Additionally already existing infrastructure can be

used. However, such auctions should only be allowed on two preconditions: To enable participation of SMEs registration modalities should be lightened so that even small entities will be able to participate. Furthermore, the participation of exchange must not endanger the EU-wide centralisation of the auction process.

#### **Question 48**

Should direct auctions be allowed through:

- 1) Third party service providers? [Y/N] Y
- 2) Public authorities? [Y/N] Y

Please comment on your selection:

A: If a fair and reliable auction process is guaranteed, both path (public authorities and third party service Providers, as stock exchanges) are possible.

#### **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? [Y/N] Y

If not, why not?

A:

#### **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? A:Y
- uniform-price auctions? A:N

#### **Question 51**

If non-competitive bids are provided for in spot auctions, what maximum share of allowances could be allocated through this route?

- 5%
- 10%
- Other? Please specify: \_\_\_\_\_

Please comment on your choice.

A: We are in favour for uniform price auctions. With them there is no need for non-competitive bids (See above, question 19).

### Question 52

What rule should apply for accessing non-competitive bids (more than one answer possible):

- 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? Please specify: \_\_\_\_\_

Please comment on your choice.

A: We are in favour for uniform price auctions. With them there is no need for non-competitive bids (See above, question 19).

### Question 53

What should be the maximum bid-size allowed for SMEs covered by the EU ETS and small emitters submitting non-competitive bids?

- 5 000 EUAs
- 10 000 EUAs
- 25 000 EUAs
- Over 25 000 EUAs, please specify exact size and give reasons for your answer: We are in favour for uniform price auctions. With them there is no need for non-competitive bids (See above, question 19).

### 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? [Y/N] N

If so, please specify:

A:

### Question 55

What should be the minimum period of time before the auction date for the release of the notice to auction?

2 weeks       1 month       2 months

Other  Please specify: as soon as possible

Please comment on your proposal.

A:

### Question 56

What should be the minimum period of time before the auction date for the submission of the intention to bid?

1 week       2 weeks       1 month

Other  Please specify: no submission to bid needed

Please comment on your proposal.

A: It should not be necessary to submit a intention to bid. Everyone who has the allowances to trade at the stock exchange should be authorised to take part at a auction .

### Question 57

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

The notice to auction?

The intention to bid?

Both?

Please specify what they are.

A: Amount of allowances to be auctioned, time and place of the auction, time and place of the disclosure of auctioning results.

### 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: \_\_\_\_\_

### Question 59

What should be the maximum delay for the announcement of auction results?

- 5 minutes       15 minutes       30 minutes   
1 hour   
Other  Please specify: \_\_\_\_\_

Please comment on your proposal.

A: A rapid announcement of auction results is necessary to enable participants to react regarding to the results.

### 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? [Y/N] Y

If so, what may they be? \_\_\_\_\_

### Question 61

Should an auction monitor be appointed centrally to monitor all EU auctions?

[Y/N] Y

If not, why not?

A: We suggests to establish a EU-wide platform where all needed data is published upfront and well in advance (several years) and regularly up-dated (See above, question 14).

### Question 62

Do you agree that the Regulation should contain general principles on [mark those that you agree with, ]:

- the designation and mandate of the auction monitor; and
- cooperation between the auctioneer(s) and the auction monitor?

If not, why not?

A:

Should these be supplemented by operational guidance, possibly through Commission guidelines? [Y/N] Y

If not, why not?

A:

### Question 63

Is there a need for harmonised market abuse provisions in the Regulation to prevent insider dealing and market manipulation? [Y/N] Y

If not, why not?

A:

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

A:A maximum amount of harmonization is necessary to create a transparent and solvent market.

### Question 64

Should the Regulation provide for harmonised enforcement measures to sanction [mark those that you agree with, ]:

- Non-compliance with its provisions?
- Market abuse?

Please provide arguments to support your case.

A:A common approach is essential for a centralised auction scheme.

### Question 65

Should the enforcement measures include [mark those that you agree with, ]:

- The suspension of the auctioneer(s) and/or bidders from the EU-wide auctions?  
If so, for how long should such suspension last? \_\_\_\_\_
- Financial penalties?  
If so, at what level should such penalties be fixed? \_\_\_\_\_
- 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? Please specify: \_\_\_\_\_

Please provide arguments to support your case.

A:Large entities are dependent on ETS-auctions. The suspension of participants could disable them to acquire the needed allowances. In our point of view financial penalties accompanied by public disclosure are more appropriate enforcement measures.

### Question 66

Should such enforcement measures apply at:

- EU level?
- National level?
- Both?

Please comment on your choice.

A:From our point of view full harmonisation of the complete auctioning process is a precondition of its success.

### Question 67

Who should enforce compliance with the Regulation (more than one answer is possible):

- The auction monitor?
- The auctioneer?
- A competent authority at EU level?



A competent authority at national level?

Other? Please specify: \_\_\_\_\_

Please provide evidence to support your case.

A: From our point of view a centralized approach is vital. A competent authority at EU level should be in charge of both, monitoring process and enforcement issues.

### **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.

A: From our point of view full harmonisation of the complete auctioning process is a vital precondition of its success. There are a number of facts that speak against any form of decentralization:

- Impossibility to coordinate auctions and lot sizes with 27 member states in an economically appropriate way.
- The ETS itself is a European and not a national system.
- Different jurisdiction, making law suits both, unpredictable and expensive
- Possible advantages of "home players"
- Difficulties to monitor various auction processes in an appropriate and efficient way
- Increase of costs and bureaucracy

### **Question 69**

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

- 2
- 3
- 5
- 7
- more than 7, please specify: See below.

Please give arguments to support your case.

A: As long as the coordinated auction processes are cleared through a centralised system the number of auction processes do not need to be limited.

### Question 70

Is there a need for a transitional phase in order to develop gradually the optimal auction infrastructure? [Y/N] N

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

### 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.

A:

Please elaborate what additional requirements would be desirable.

A:

**Question 72**

What provisions on administrative fees should the Regulation include (more than one answer is possible)?

- General principles on proportionality, fairness and non-discrimination.
- Rules on fee structure.
- Rules on the amount of admissible fees.
- Other? Please specify: do not use fees

Please provide arguments to support your case.

A: No fees should be needed to be paid. Art. Of the directive 2009/29/EC states that at least half of revenues generated from auctioning should be used for certain purposes. This also includes “to cover administrative expenses of the management of the Community Scheme.” Fees should therefore be paid by revenues.

### Question 73

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

A: Y

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

A: Y

### 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:

A:

### Question 75

Should a sanction apply to a Member State that does not auction allowances in line with its commitments? [Y/N] Y

If so, what form should that sanction take?

A: Penalties seems to be a appropriate instrument.

### Question 76

As a general rule throughout the trading period, in your opinion, are early auctions necessary? [Y/N] \_

If so, what should the profile of EUAA auctions be:

- 5-10% in year n-2, 10-20% in year n-1, remainder in year n
- 10-20% in year n-2, 20-30% in year n-1, remainder in year n
- 20-30% in year n-2, 30-35% in year n-2, remainder in year n
- Other? Please specify: To guarantee fair market conditions, the EUAA system should be fully integrated in the EUA sytem as soon as possible.

### Question 77

Do you think there is a need to auction EUAA futures? [Y/N] N

If so, why?

A: To guarantee fair market conditions, the EUAA system should be fully integrated in the EUA sytem as soon as possible.

**This page contains two questions that will not be made public. These questions cannot be completed on this document**

**Request for potentially confidential information 3**

Please send the answer to this question in paper and electronic format, marked on the envelope "Strictly Private and Confidential – Auctioning consultation", directly to the European Commission, DG ENV, Directorate C, Unit C2, to the attention of the Head of Unit, Office BU-5 2/1, 1049 Brussels, Belgium. It will be treated confidentially and will not be disclosed publicly.

For aircraft operators covered by the EU ETS:

Have you determined a corporate hedging strategy for carbon needs?

Yes [ ]

No [ ]

If so, what share of your expected emissions covered by the EU ETS in a given year n do you (intend to) hedge and how much in advance?

- year n : \_\_\_\_\_%
- year n-1 : \_\_\_\_\_%
- year n-2 : \_\_\_\_\_%

**Request for potentially confidential information 4**

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What share of the annual quantity of allowances you intend to purchase *via* auctions would you wish to buy spot or futures respectively?

- |   |          | SPOT |        | FUTURES |
|---|----------|------|--------|---------|
| • | year n   | :    | _____% | _____%  |
| • | year n-1 | :    | _____% | _____%  |
| • | year n-2 | :    | _____% | _____%  |

**Question 78**

What should be the optimal frequency and size of EUAA auctions:

- 2 auctions per year of around 15 million EUAAs?
- 3 auctions per year of around 10 million EUAAs?
- More than 3 auctions per year? Please specify: \_\_\_\_\_

Please comment on your choice.

A:See above question 76.

**Question 79**

What would be your preferred timing for EUAA auctions:

- Equally spread throughout the year?
- November – March?
- Other? Please specify: See above question 76.

**Question 80**

Should any of the EUAA auction design elements be different compared to EUA auctions (see section 3)? [Y/N] \_

If so, please specify and comment on your choice.

A:See above question 76.

**Question 81**

Do you agree there is no need for a maximum bid-size? [Y/N] \_

If not, why not?

A:See above question 76.

**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)? [Y/N] \_

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.

A: See above question 76.

### Question 83

In your opinion, is there a specific need to allow for non-competitive bids in EUAA auctions?

A:

Would this be the case even when applying a uniform clearing price format?

A:

Please provide arguments to support your case.

### Question 84

Do you agree that there is no need for any specific provisions for EUAA auctions as regards [mark those that you agree with, ]:

- 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?

If not, please describe in detail what rules would be needed and why.

A: See above question 76.



### 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)

- \_ Limited number of coordinated auction processes.
- \_ Full centralisation based on a single EU-wide auction process.
- \_ Hybrid approach where different auction processes are cleared through a centralised system.

Does your choice differ from the approach preferred for EUAs? [Y/N] \_

Please provide arguments to support your case.

A: See above question 76.

### Question 86

Do you agree that there is no need for any specific provisions for EUAA auctions as regards. [mark those that you agree with, ]:

- Requirements for the auctioneer(s) and auction processes?
- Administrative fees?
- Rules to ensure appropriate and timely preparation of the auctions?

If not, please describe in detail what rules would be needed and why.

A: See above question 76.