

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 Otherwise, the contribution will not be published nor will, in principle, its content be taken into account.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

Principal nature of activities: The CDC Climat Department of Caisse des dépôts fosters the creation of efficient carbon markets, by relying on its engineering expertise, investment and research capacities.
www.caissedesdepots.fr

Number of employees in 2008:

World-wide:
Europe-wide:

Turnover in 2008:

World-wide:
Europe-wide:

Question B

Type of respondent:

Other
Other
Please Specify: Public Financial Institution

Question C

Contact details will not be made public.

Question D

Do you object to publication of your personal data because it would harm your legitimate interests?

No

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

Ans:

Are any of your responses confidential?

No

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

Ans:

Section 2: Survey questions (86)

Question 1

As a general rule throughout the trading period, in your opinion, are early auctions necessary?

Yes

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

Ans: Other? Please specify :

Early auctions are necessary to allow long term businesses to manage their carbon compliance risk. Entities should have sufficient options to meet these needs without hoarding current Phase 2 permits for future years. To avoid speculation, these early auctions should be limited to the estimated hedging needs of incumbents. Hedging needs of power producers, representing more than 50% of emissions, may be used as a proxy for the early auctions overall sizing. We suggest that assessments be made of expected demand for such allowances, to ensure sufficient demand from complying entities in advance auctions so that reliable and robust price signals are established. Furthermore we suggest that it is better to provide a quantity which is slightly smaller rather than slightly greater if demand is uncertain to avoid any risk of strategic behaviour in the form of demand shading – which can occur in multiple item auctions if demand is not sufficiently large as to be competitive.

Question 2

Do you think there is a need to auction futures?

Yes

If so, why?

Ans: The main value of futures is that they help players to cover their financial and compliance risk, ensuring they will be able to acquire the allowances they need in a given year for a price set in advance. From this perspective, both advance spot and futures auctions could help to achieve this goal, except that advance spot auctions would require the bidder to pay the whole price of allowances well in advance. Thus, auctioning futures would be useful in allowing incumbents to cover their risks without a full payment in advance. The fact that futures are commonly used on current CO2 markets shows that it has become a familiar tool used by many players. Thus it seems prudent for the EU to auction futures. As futures require strong counterparts, smaller bidders might not be able to participate in futures auctions. Thus it would be more efficient to contemplate a combination of futures and spot auctions. In both cases financial intermediaries will play their role and propose futures 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	100	0
Year n-1	20	80
Year n-2	20	80

Please provide evidence to support your case.

Ans: Because of cash requirements, spot auctions should represent a much smaller share in early auctions than futures. We consider 20 % of early auctions a good compromise for the distribution of year n allocation in years n-1 and n-2. In year n, only spot contracts should be auctioned for year n, since the maturity date for futures auctions should be too close to justify the extra transaction costs implied by futures auctioning.

NB: The answer to this question will be published as part of the public consultation. Please do not submit confidential information as part of your answer to this question.

Question 4

Should the common maturity date used in futures auctions be in December (so the maturity date would be December in year n, both when auctioning in year n-2 as when auctioning in year n-1)?

No

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

Ans: The maturity date of futures auctions should be defined so as not to disturb the secondary market. Currently secondary carbon futures markets have two main maturity dates: December and March. Indeed the first quarter of the year is always an active period due to the April dead-line to surrender allowances in the compliance process. Nevertheless December is the reference maturity date by far in terms of volume in the market. Each futures auction should use a maturity date close to this. Having the futures auctions mature just before the December dead-line would help incumbents to adjust their compliance purchases on the market depending on the auction results and also limit any excess workload for market participants' back offices.

Question 5

For spot auctions:

What should be the optimum frequency of auctions?

Ans: Other.

Please Specify: See comments

What should be the minimum frequency of auctions?

Ans: Other.

Please Specify: See comments

What should be the maximum frequency of auctions?

Ans: Other.

Please Specify: See comments

Please provide arguments to support your case.

Ans: The frequency of auctions at the European level should be determined so as not to disturb the secondary market, promote efficient allocation and price discovery, and limit strategic behaviour. It should depend on the number of auction platforms and on their calendar. Both should facilitate broad participation and ensure a sufficient and heterogeneous number of bidders. If there are not enough auctions, the amount of allowances to be auctioned will be important and would disturb the secondary market. Financing constraints may reduce the number of participants, suggesting monthly or weekly auctions are desirable. Too many auctions would increase the possibility of collusion, since there could be too few bidders in each auction. At the European level the desired frequency could be achieved by an adequate rotation of auctions among platforms. To increase SMEs' participation, one possibility may be to have larger quarterly auctions, which would be supported by smaller monthly or weekly spot auctions in between.

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: The definition of auction size, including both spot and futures, should depend on the number of processes and frequencies. Daily auction would imply an auction size of 4 to 5 million allowances. Weekly auctions would represent between 15 and 25 million allowances each. Less frequent auctions would increase the auction size but are likely to cause greater interference to secondary market, potentially drying up market liquidity. With an equal distribution of monthly auctions over the year, we would recommend that 80 million allowances should be the maximum admissible size. However, if larger quarterly auctions were to take place (see question 5), the monthly quantity may need to be decreased. Lot size should be set equal to the secondary market for the sake of simplicity i.e. 1,000 allowances.

Question 7

For futures auctions:

What should be the optimum frequency of auctions?

Ans: No Response

0

What should be the minimum frequency of auctions?

Ans: No Response

0

What should be the maximum frequency of auctions?

Ans: No Response

0

Please provide arguments to support your case.

Ans: See answer number 5.

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: See answer number 6.

Question 9

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

No

If not, how should volumes be distributed? (more than one answer possible) Please specify:

A larger proportion in the first 4 months of the year

A larger proportion in December

A smaller proportion in July and August

Other. Please specify: As a secondary carbon market exists, the distribution of allowances over time will be in any case smoothed. What is important is to ensure complying entities have the opportunity to get the yearly allowances they need well in advance of the compliance deadline. Ensuring a slightly higher volume of spot auctions at the very beginning of each year can help this. In any case what is most important is to define and make public a medium term agenda, so that complying entities are well informed about key issues – such as auction timing and rules - well in advance, as this will have important implications for operational and financing decisions.

Question 10

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

No

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: Having auctions for futures whose maturity is in the same year does not seem to be a very cost-effective way of auctioning. Thus futures auctions should be made with a flat distribution and end one year before their maturity date. Auctions in August should be avoided or at least reduced given it is a common period of holidays throughout Europe.

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: Common major bank holidays should be avoided. Auctioning allowances in August should be avoided if possible given it is a period of holidays throughout Europe.

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: The annual volumes to be auctioned as well as the distribution profile over spot and futures should be set well in advance, for example two years before the period starts. This will enable complying entities to choose their compliance strategy without limiting the flexibility of auctioneers within each year.

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

2 years in advance

Ans: This will enable complying entities to choose their compliance strategy without limiting the flexibility of auctioneers within each year.

Dates of individual auctions:

1 year in advance

Ans: For the same reason of predictability, the precise calendar for auctions should be set at least one year beforehand, together with the distribution profile of volume and product type, and the number of auctions per auctioneer. Any change in these auctions features should be made only under pre-determined circumstances and be announced as soon as possible.

Volume and product type for individual auctions:

1 year in advance

Ans: see previous answer

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

1 year in advance

Ans: see previous answer

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: First, it should be considered that some players definitively need to make sure they will have the possibility to get the allowances they need to cover their long-term business operations (see question 1). From a practical point of view, since 2011 and 2012 will be the two first years of implementation of the processes, the first auctions may not involve as many allowances as will be the case for later years.

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: see previous answer

Question 16

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

Ans: They should automatically be added to the next auction on the calendar, irrespective of the auction process.

0

Question 17

Is 1,000 allowances the most appropriate lot size?

Yes

If not, why not?

Ans:

Question 18

Is a single-round sealed-bid auction the most appropriate auction format for auctioning EU allowances?

Yes

If not, please comment on your alternative proposal?

Ans:

Question 19

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

Ans: Uniform-pricing.

Please provide arguments to support your case.

Ans: The uniform-pricing mechanism should be favoured given its simplicity, in particular for small to medium enterprises, and because of its tendency to produce better efficiency when market competition is low. Discriminatory pricing is more efficient in theory since it avoids the reduction in allowance demand observed in uniform-pricing auctions. But in practice it sends a blurred message to the market by providing different prices for the same commodity. The pre-existence of a liquid secondary market should provide for a common price understanding and would prevent major differences between uniform and discriminatory pricings.

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: A pro-rata re-scaling bid will treat all bidders equally and should be sufficient to protect the mechanism from perceptions of unfairness.

Question 21

Should a reserve price apply?

Yes

Question 22

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

No

Please comment on your choice.

Ans: A reserve price taking into account past prices (and volumes) on the secondary markets might be applied to ensure that 1/ Member States receive a fair price for the auctioned allowances and 2/ the auction mirrors the true value of carbon in the case where there was a risk of bidders' collusion or insufficient participation to the auction.

Nevertheless if the auctions function properly with a sufficient liquidity, a reserve price would become useless.

The methodology used to calculate the reserve price should be kept secret to avoid speculative bidding just above the reserve price which may incur a diminished price clearing ; nevertheless it might be easily discovered by important bidders after a few auctions. As such, to avoid any information distortion among bidders, it might be more relevant to publish the price reserve calculation's methodology.

Question 23

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

No

Please comment on your choice.

Ans: In theory defining a bid-size per single entity will help limiting the risk of collusion and market power. Such an approach has been used in the RGGI processes which involved a limited number of bidders. In the European context, given the size of total allocation and the number of potential bidders from different sectors (including financial intermediaries), this provision does not seem as necessary. Furthermore it may be quite difficult to define the concept of “entity” since many installations have more than one shareholder. The difficulty of consolidating the ownership data would contravene the efficiency of auctions pre-registrations through inadequate levels of costs, in particular in the case where auctions are quite frequent.

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

No

Please comment on your choice.

Ans: See answer to question 23.

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: As mentioned in the previous answers, neither is considered a good solution. Among the two possible answers, a maximum bid-size per single entity, even with heavy transaction and control costs, is considered to be the less disturbing solution, given that the discriminatory-price auction would blur the price signal given to the secondary market.

Question 26

Are the following pre-registration requirements appropriate and adequate?

Identity:

- Natural or legal person;
- Name, address, whether publicly listed, whether licensed and supervised under the AML rules; membership of a professional association; membership of a chamber of commerce; VAT and/or tax number;
- Contact details of authorised representatives and proof of authorisation; and
- CITL-Registry account details.
- Anything else?

0

Declarations with respect to the past 5 years on absence of:

- Indictment or conviction of serious crimes: check corporate officers, directors, principals, members or partners;
- Infringement of the rules of any regulated or unregulated market;
- Permits to conduct business being revoked or suspended;
- Infringement of procurement rules; and
- Infringement of disclosure of confidential information.
- Anything else?

0

Declarations and submission of documentation relating to:

- Proof of identity;
- Type of business;
- Participation in EU ETS or not;
- EU ETS registered installations, if any;
- Bank account contact details;
- Intended auctioning activity;
- Whether bidding on own account or on behalf of another beneficial owner;
- Corporate and business affiliations;
- Creditworthiness;
- Collateral; and

- Whether it carries out transactions subject to VAT or transactions exempted from VAT.
- Anything else?

0

Question 27

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

No Response

Please comment on your choice.

Ans:

Question 28

Should the amount of information to be supplied in order to satisfy the pre-registration requirements for admittance to EU auctions depend on the:

- means of establishing the trading relationship;
- identity of bidder;
- whether auctioning spot or futures;
- size of bid;
- means of payment and delivery;
- anything else?

0

If so, what should the differences be?

Ans:

Question 29

Should the bidder pre-registration requirements under the Regulation apply in the same manner irrespective of whether or not the auctioneer is covered by the MiFID or AML rules?

No Response

0
0

Please provide arguments to support your case.

Ans:

Question 30

Do you agree that the auctioneer(s) should be allowed to rely on pre-registration checks carried out by reliable third parties including:

No Response

- Other auctioneers?
- Credit and/or financial institutions?
- Other

0

Please comment on your choice.

Ans:

Question 31

In order to facilitate bidder pre-registration in their home country, should the auctioneer(s) be allowed to provide for pre-registration by potential bidders in other (or all) Member States than the auctioneer's home country e.g. by outsourcing this to a reliable third party?

No Response

Please comment on your choice:

Ans:

If so, should such entities be:

- Covered by the AML rules?
- Covered by MiFID?
- Covered by both?
- Other

0

Please comment on your choice:

Ans:

Question 32

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

No Response

Please comment on your choice.

Ans:

Question 33

Do you agree that the level of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions?

No Response

If so, how should they be harmonised?

Ans:

If not, why not?

Ans:

Question 34

Do you agree that the type of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions?

No Response

If so, how should they be harmonised?

Ans:

If not, why not?

Ans:

Question 35

Do you agree that 100% collateral in electronic money transfer ought to be deposited up-front at a central counterparty or credit institution designated by the auctioneer to access spot auctions?

No Response

If not, why not?

Ans:

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

Ans:

Question 36

In case futures are auctioned, should a clearing house be involved to mitigate credit and market risks?

No Response

If so, should specific rules – other than those currently used in exchange clearing houses – apply to:

- the level of the initial margin;
- the level of variation margin calls;
- the daily frequency of variation margin call payments?

If you have answered yes, please justify and elaborate on the rules that should apply and the mechanisms to implement them:

Ans:

Question 37

What are the most preferable payment and delivery procedures that should be implemented for auctioning EUAs?

- Payment before delivery.
- Delivery versus payment.
- Both.

Please comment on your choice.

Ans:

Question 38

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

No Response

If yes; what should it be?

Ans: No Response

0

Question 39

Should the Regulation provide any specific provisions for the handling of payment and delivery incidents or failures?

No Response

If yes, what should they be?

Ans:

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?

No Response

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: No Response

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?

No Response

If so, should these be:

- specific to the Regulation;
- by reference to the Brussels I Regulation;
- by citing exceptions from the Brussels I Regulation;
- by citing additions to the Brussels I Regulation?

Please comment on your choice:

Ans:

If not, why not?

Ans:

Question 42

Which auction model is preferable?

- Direct bidding?
- Indirect bidding?
- Both?

Please comment on your choice.

Ans: The Member States will have to outsource registration procedures. The first option would be to rely on the existing markets. Such direct bidding is preferable from a public finance perspective since the costs of the procedure will be supported by the bidders. Direct bidding should ensure an open and non-discriminatory access to auctions and strongly limits conflicts of interest as may be the case for primary participants in an indirect bidding. Direct bidding may prove difficult to handle very frequent auctions (e.g. daily auctions). On the other hand, indirect bidding will induce more costs for the tax-payers either directly, if Member States rely on national or multinational dedicated platforms or indirectly, if Member States limit the participation to auctioning to “primary participants” as in the UK. The question of direct or indirect bidding is not a big issue for SMEs, since in both cases they are to purchase allowances through financial intermediaries which will probably be the least expansive solution

Question 43

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

Ans: 5 %

Please provide arguments to support your case.

Ans: We estimate that 93 % of allowances in phase I of the EU ETS were held by around 500 companies that can participate in direct auctions without any problem. Given the upgrade of the installations size for inclusion in the EU ETS, if indirect bidding was chosen, indirect bidding auctions could represent approximately 5 % of allowances.

Question 44

If the primary participants model is used, what provisions would be desirable for mitigating disadvantages of restricting direct access:

Allow direct access to largest emitters, even if they trade only on their own account? 0

0

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: In this case, there should be a strict separation of own-account trading from trading on behalf of indirect bidders. Prohibiting primary participants from trading on their account would be economically a disincentive. Direct access for large emitters along with primary participants would induce complex strategies and might be too complex.

Question 45

If the primary participants' model is used, what conflict of interest requirements should be imposed?

Separation of client registration and trading on behalf of clients from all own account trading activities.

Separation of collateral management, payment and delivery on behalf of clients from all own account trading activities.

Separation of anything else.

0

Question 46

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

Intermediaries

Market makers

Please provide arguments to support your case.

Ans:

Question 47

Under what conditions should auctioning through exchanges be allowed:

- Only for futures auctions open to established members of the exchange?
- Also for spot auctions open to established members of the exchange?
- Only when the exchange-based auction is open to non-established members on a non-discriminatory cost-effective basis?
- Other.

0

Please provide arguments to support your case.

Ans: The secondary markets are now well organised around efficient exchanges which have proved their efficiency. Most of the players are now used to this way of selling and buying allowances either directly or indirectly through brokers. Auctioning through exchanges should be allowed for both spot and futures auctions since it would be the simplest way to introduce the auction process in the existing processes without risking disturbing the whole market. Specific rules would thus be necessary to give access to non established members on a non-discriminatory cost-effective basis. Primary dealers under specific controls might be a solution.

Question 48

Should direct auctions be allowed through:

- 1) Third party service providers?
Yes
- 2) Public authorities?
Yes

Please comment on your selection:

Ans: No restriction should be made regarding the kind of auctioneers if they comply with the prerequisites of the Regulation. Nevertheless it is to be underlined that third party service providers are not the most economically-efficient solution. Solutions already exist either through exchanges or via public authorities which have the technical and operational capacity to conduct auctions. Although using a third party service provider was relevant in the case of the RGGI this was so only because no pre-established carbon market was existed - which is not the case in Europe where operational infrastructures are already set up.

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?

Yes

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: Other

Please Specify: not necessary

Please comment on your choice.

Ans: The first experiences with non competitive bids have not proven to add much value for the extra costs they impose. The Austrian auctions held since March 2009 allowed the placement of only a very small share of the reserved allowances. On top of that, non-competitive bids make it necessary to implement specific mechanisms that increase the overall costs of the auctions. SMEs are likely to go through financial intermediaries to purchase allowances instead of bidding directly, because of their previous habits and probably because of the costs. For these reasons, non competitive bids are not necessary.

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:

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: No Response

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

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: between 1 and 2 months.

Please comment on your proposal.

Ans: The delay should be between one and two months, using an upper-range delay at the beginning to be sure everything is in place and functioning.

Question 56

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

Ans: Other

Please Specify: The minimum period of time for the submissions of the intention to bid depends on whether the KYC is already done or not. If not, a significant period is necessary (> 1 month). If yes a shorter period should be enough but would depend on the frequency and the number of participants.

Please comment on your proposal.

Ans:

Question 57

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

Ans: No Response

Please specify what they are.

Ans:

Question 58

What information should be disclosed after the auction:

- Clearing price (if allowances are awarded on a uniform-price basis or in the case of non-competitive bids being allowed)?
- Average price (if allowances are awarded on a discriminatory-price basis)?
- Any relevant information to solve tied bids?
- Total volume of EUAs auctioned?
- Total volume of bids submitted distinguishing between competitive and non-competitive bids (if applicable)?
- Total volume of allowances allocated?
- Anything else?

Please specify: The maximum possible amount of information that is relevant to price discovery and transparency concerns should be disclosed to ensure the efficiency and integrity of the auction process. The number of participants, the number of allocated participants and the ratio of demand/supply should be also disclosed. An indicator of the concentration of the allowances allocation among auction participants should also be published, for both the last auctions and the overall allocation of the year to date. This would enable the process to be better evaluated by policy makers ex-post, which is important for the auctioning process to be improved over time. Such ex-post analysis is also of value to other jurisdictions outside of the EU ETS, when designing their own auctions. Care should be taken to avoid revealing any information that allows individual bidders to be identified to ensure that auctions are competitive and free of strategic behaviour.

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: The maximum delay for the announcement should be as quick as possible to get a reliable result. The maximum would be 1 hour. The most important point is to make sure that every auction announces its results after the same delay.

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: The Regulation could specify that information from all auctions should be disclosed on the website of the European Commission and on any other relevant website.

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]

No Response

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?

No Response

If not, why not?

Ans:

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

Ans:

Question 64

Should the Regulation provide for harmonised enforcement measures to sanction:

Non-compliance with its provisions?

Market abuse?

Please provide arguments to support your case.

Ans:

Question 65

Should the enforcement measures include:

The suspension of the auctioneer(s) and/or bidders from the EU-wide auctions?

If so, for how long should such suspension last?

Ans:

Financial penalties?

If so, at what level should such penalties be fixed?

Ans:

The power to address binding interim decisions to the auctioneer(s) and/or bidders to avert any urgent, imminent threat of breach of the Regulation with likely irreversible adverse consequences?

Anything else?

0

Please provide arguments to support your case.

Ans:

Question 66

Should such enforcement measures apply at:

- EU level?
- National level?
- Both?

Please comment on your choice.

Ans:

Question 67

Who should enforce compliance with the Regulation:

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

0

Please provide evidence to support your case.

Ans:

Question 68

Which of the three approaches for an overall EU auction model do you prefer? Please rate the options below (1 being the most preferable, 3 being the least preferable)

- [2] Limited number of coordinated auction processes.
- [1] Full centralisation based on a single EU-wide auction process.
- [3] The hybrid approach where different auction processes are cleared through a centralised system.

Please give arguments to support your case.

Ans: It cannot be overemphasised that a full centralisation process should be pursued. Several auctioning processes will lead to different levels of participation and price clearings. Thus to ensure an equitable access to all auction participants, including SMEs which will not have the practical possibility to participate in distinct auctioning processes, a common clearing price is absolutely necessary. The hybrid approach that has the same goals might be an interesting solution, but its practical and its technical organization have to be better defined through a feasibility study. If a centralised approach is not possible, coordinated auction processes might be a solution if the number of processes is very limited, and well articulated with the existing exchanges, since this would multiply different price signals across the EU and increase the costs for participants.

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 auction processes could be fixed respectively to the present number of liquid allowance trading platforms. It thus could not be over 5.

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: A transitional phase may be necessary for the implementation of futures auctioning. In the meantime, frontloading may be used.

A transitional phase may also be necessary regarding the number of auctioning platforms; a common centralized clearing process is needed but if its realization is not possible in the remaining time (before 2011), the Regulation should provide a deadline for its implementation (e.g. 2013).

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: The Regulation should specify both general principles on proportionality, fairness and non-discrimination, and a process to harmonize the admissible fees among platforms to limit the risks of market distortions.

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:

Question 75

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

No Response

If so, what form should that sanction take?

Ans:

Question 76

As a general rule throughout the trading period, in your opinion, are early auctions necessary?

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: 0

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: