

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 Otherwise, the contribution will not be published nor will, in principle, its content be taken into account.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

Principal nature of activities: Oil refining
Oil exploration and production
Petrochemicals production

Number of employees in 2008:

World-wide: 17213
Europe-wide: 17213

Turnover in 2008:

World-wide: 14,080,000,000
Europe-wide: 14,080,000,000

Question B

Type of respondent:

Company operating one or more installations covered by the EU ETS
Industrial sectors

Approx Annual Emissions: 1823000 tCO₂

Question C

Contact details will not be made public.

Question D

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

No

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

Ans:

Are any of your responses confidential?

No

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

Ans:

Section 2: Survey questions (86)

Question 1

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

Yes

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

Ans: Other? Please specify :

Early auctions prior to Phase III (2013-2020) should serve the sole purpose of system trial and thus the auctioned amount should not exceed 5% of the full amount of 2013 quotas. The 5% should in total be auctioned in 2012 in order to fulfill the requirement of a large-scale system trial, but auctions earlier than 2012 are unnecessary. The main benefactors of early auctioning would be electricity producers who, on the other hand, have other tools to hedge price exposure, namely via futures purchases in the secondary market. Early auctions would thus result in an undue advantage of power companies in 2011 and 2012 thereby distorting competition. Early auctions after 2013 are unnecessary as these would concentrate scarcity of quotas towards the end of the 3rd trading period resulting in relatively low prices during most of Phase III, but a sudden spike at the end of the period. This would push large emitters to defer emission reduction measures until the very end of the Phase III.

Question 2

Do you think there is a need to auction futures?

Yes

If so, why?

Ans: Auctioning futures would be beneficial for all ETS operators since it enables the reservation of cash and thus lessens the burden of compliance at no expense.

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	90	10
Year n-1	0	100
Year n-2	0	0

Please provide evidence to support your case.

Ans: As mentioned above, auctioning in year n-2 is unnecessary as its sole beneficiaries, namely electricity producers have other means to hedge price exposure. Auctioning in year n-1 (up to 5% of the total auctionable amount of year n) should entirely consist of futures.

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

Question 4

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

No

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

Ans: A common maturity date for futures, in our view, should be in March, since this is the closest possible date to the surrendering date in April, and thus it is the most favorable for all ETS operators with respect to their cash flow.

Question 5

For spot auctions:

What should be the optimum frequency of auctions?

Ans: Weekly

0

What should be the minimum frequency of auctions?

Ans: Weekly

0

What should be the maximum frequency of auctions?

Ans: Fortnightly

0

Please provide arguments to support your case.

Ans: All responses to Questions 5 to 8 are based on the assumption that a fully centralized or a hybrid auctioning model will prevail (which we strongly prefer over the other two alternatives) and an EU-wide clearing house of transactions will exist.

Given their relative simplicity compared to futures auctions, the frequency of spot auctions should be higher than that of futures auctions. The preferred weekly frequency of spot auctions, in our view, can guarantee the highest possible liquidity in the market and avoid distortions at the same time by preventing too large quantities to enter the market at once which could be the case with less frequent spot auctions.

At the same time, it is in the interest of auctioneers/governments that the auction revenues they receive reflect the true market price of EUA. The more frequently auctions take place, the more likely that auctioning revenues and average EUA price will correspond to each other.

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: 3
million tonnes

Minimum auction size?

Ans: 500
thousand tonnes

Maximum auction size?

Ans: 10
million tonnes

Please provide evidence to support your case.

Ans: The above figures are calculated based on actual daily trade volumes in the secondary market.

Question 7

For futures auctions:

What should be the optimum frequency of auctions?

Ans: Monthly

0

What should be the minimum frequency of auctions?

Ans: Fortnightly

0

What should be the maximum frequency of auctions?

Ans: Quarterly

0

Please provide arguments to support your case.

Ans: Lower frequency of futures auctions can be justified by their higher complexity which requires longer preparation.

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: 2
million tonnes

Minimum auction size?

Ans: 1
million tonnes

Maximum auction size?

Ans: 3
million tonnes

Please provide evidence to support your case.

Ans: The above figures are based on actual liquidity in the current secondary market.

Question 9

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

Yes

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

- A larger proportion in the first 4 months of the year
- A larger proportion in December
- A smaller proportion in July and August
- Other.

Question 10

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

Yes

If not, how should they differ? (more than one answer possible)

- No futures auctions less than six months before the maturity date.
- A larger proportion in December.
- A smaller proportion in July and August.
- Otherwise?

Question 11

Does the Regulation need to have provisions to avoid holding auctions during a short period of time before the surrendering date (30 April each year)?

No

If yes, how long should this period be:

Ans: No Response

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

Yes

If yes, how long should this period be:

Ans: One month

Question 12

Which dates should be avoided?

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

Public holidays common in most Member States?

Ans:

Days where important relevant economic data is released?

Ans:

Days where emissions data are released?

Ans:

Other?

Ans:

Question 13

Is a harmonised 10-12 hrs CET auction slot desirable?

Yes

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

Ans:

Question 14

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

Please provide arguments to support your case.

Annual volumes to be auctioned:

more years in advance

Ans: Annual volumes to be auctioned should be determined the earliest possible for the entire period of 2013-2020 (Phase III of emission trading) in order to ensure predictability.

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

1 year in advance

Ans: Other elements of the auction calendar should be determined reasonably early to allow auction participants time for preparation and to ensure predictability of the auctioning process.

Dates of individual auctions:

2 years in advance

Ans: Other elements of the auction calendar should be determined reasonably early to allow auction participants time for preparation and to ensure predictability of the auctioning process.

Volume and product type for individual auctions:

1 year in advance

Ans: Other elements of the auction calendar should be determined reasonably early to allow auction participants time for preparation and to ensure predictability of the auctioning process.

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

2 years in advance

Ans: Other elements of the auction calendar should be determined reasonably early to allow auction participants time for preparation and to ensure predictability of the auctioning process.

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: 5% of the 2013 volume and ___% of the 2014 volume

Please provide evidence to support your case.

Ans: Early auctions prior to Phase III (2013-2020) should serve the sole purpose of system trial and the amount should not exceed 5% of 2013 quotas. The 5% should in total be auctioned in 2012 as futures in order to fulfill the requirement of a system trial, but auctions earlier than 2012 are unnecessary.

Early auctions after 2013 are unnecessary as these would concentrate scarcity in emission quotas towards the end of the 3rd trading period resulting in lower prices during most of Phase III, but a sudden spike at the end of the period. This would push large emitters to delay emission reduction measures until the end of the Phase III when, the remaining timeframe might be too short to execute these measures whatsoever.

Without early auctions EUA prices would be higher at the beginning of Phase III which would give a strong incentive to execute emission reduction measures and would prevent a sudden increase of allowance prices towards the end of the 3rd period adding to the predictability of the system.

What percentage of these shares should be auctioned as futures?

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

in 2012: 100% of the 2013 share and ___% of the 2014 share

Please provide evidence to support your case.

Ans: See previous response.

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: Uniform pricing is preferred over discriminatory pricing since the latter contradicts the principles of openness and fairness (due to the unequal access to information of various market participants).

Non-competitive bidding for small ETS operators, on the other hand, is contradictory to the market-based principles of the ETS and holds the potential of distorting competition.

Question 20

Should the rules for solving ties in the Regulation be:

Ans: pro-rata re-scaling of bids

Please comment on your choice.

Ans: Pro-rata re-scaling of bids is strongly preferred over random selection in tie situations as the former is more compatible with the principles of fairness, simplicity and transparency (leaving less room for auctioneers for arbitrary decisions).

Question 21

Should a reserve price apply?

No

Question 22

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

No

Please comment on your choice.

Ans: A reserve price which protects the auctioneer from weak demand at the auction can be justifiable from the auctioneer's point of view. In our view, however, auctioneers should be able to generate sufficient interest for their auctions irrespective of the existence of a reserve price. Furthermore, we regard the introduction of a reserve price as completely unnecessary in a competitive market environment, one that we hope the ETS will become.

Should a reserve price apply, its formula should nevertheless be not kept secret as this would constitute a clear breach of the principle of transparency. Moreover, keeping the formula secret would deny important information from bidders who could save time and reduce administrative costs if they didn't have to submit bids falling below the undisclosed reserve price.

Question 23

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

Yes

Please comment on your choice.

Ans: Yes, it might be necessary in order to avoid anti-competitive behavior and prevent distortions of the market in case the full centralization or the hybrid auctioning model prevails.

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

No

Please comment on your choice.

Ans: No, it is not necessary as the underlying interest of the auctioneer in case of discriminatory pricing is to sell the largest possible quantity of allowances at the highest possible price.

Question 24

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

Ans: 20%:

Please comment on your choice.

Ans: The 20% limit should only apply if the auctioned quantity exceeds 1 Mt.

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: A uniform price combined with a maximum bid-size per single entity results in a more market-based price on auctions compared to the discriminatory-price auction format. In addition, the former provides more equal access to auctions for all market players (regardless of the extent of their knowledge of the carbon market).

See also the response provided to Question 19.

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?

Yes

Please comment on your choice.

Ans: Yes, pre-registration requirements should be harmonized throughout the EU. Moreover, it would be desirable to carry out the pre-registration procedure once every year, in accordance with the suggested rating mechanism proposed in response to Question 35.

Question 28

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

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

0

If so, what should the differences be?

Ans:

Question 29

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

Yes

0

0

Please provide arguments to support your case.

Ans:

Question 30

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

Yes

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

0

Please comment on your choice.

Ans: In case auctions will be carried out by multiple countries (which is clearly not our preferred option), the involvement of reliable third parties becomes necessary to ensure easy access to auctions in the most cost-effective way.

Question 31

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

Yes

Please comment on your choice:

Ans: Yes, it is necessary in order to ensure equitable access to auctions for all interested parties.

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: As indicated in response to Question 30, it is desirable to allow reliably third parties to carry out pre-registration checks. These reliable third parties should, in our view, be covered either by AML rules (such as credit and/or financial institutions or commodity traders) or by MiFID rules (such as investment firms), but not necessarily by both.

Question 32

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

Yes

Please comment on your choice.

Ans: Yes in order to reduce administrative costs.

Question 33

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

Yes

If so, how should they be harmonised?

Ans: Yes, the level of collateral should be fully harmonized so that it would be compatible in all Member States (in case there will be multiple auctioneers throughout the EU) and transferable to a subsequent auction if it went unused. This would improve the openness of the auctioning process by providing easier access to auctions for all participants. We deem it very important that that the currency of the collateral as well as the currency used in auctions should be fully harmonized and in Euros (EUR) throughout the EU.

If not, why not?

Ans:

Question 34

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

Yes

If so, how should they be harmonised?

Ans: Yes, the type of collateral should similarly be harmonized so that it would be compatible in all Member States (in case there will be multiple auctioneers throughout the EU) and transferable to a subsequent auction if it went unused. This would improve the openness of the auctioning process by providing easier access to auctions for all participants.

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

If not, why not?

Ans: No. The percentage amount of the collateral should rather depend on the creditworthiness of auction participants measured at the beginning of each year. This should be based on a rating taking into account the following metrics:

- Equity
- P/E ratio
- Gearing ratio
- Cash position

Based on the above rating, auction participants should be classified into 10 categories with the amount of collateral increasing in 10 percent increments for each category.

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

Ans: See response to the previous question.

Question 36

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

Yes

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

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

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

Ans: Futures auctions should be no different than all other futures transactions. Therefore, rules currently used in regular exchanges should be sufficient to regulate clearing houses in case of futures auctions as well.

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: Our preferred option is delivery vs. payment since it is the best in terms of the bidders' cash position and entails no credit risk for the auctioneer.

Question 38

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

Yes

If yes; what should it be?

Ans: 5 working days

0

Question 39

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

Yes

If yes, what should they be?

Ans: Yes, the proposed measures set forth in the Consultation Paper and cited below are acceptable and justifiable.

“Should a delivery failure occur, the related transactions could either be cancelled and any collateral deposited by bidders released forthwith or payment and delivery may be postponed to a later date at the bidder's choice.”

Question 40

Should the Regulation provide for all matters that are central to the very creation, existence and termination or frustration of the transaction arising from the EUA auctions?

Yes

If not, why not?

Ans:

If so, are the matters enumerated below complete?

- The designation of the parties' to the trade.
- The characteristics of the auctioned product:
 - Nature: EUAs or EUAAs, trading period concerned.
 - Date of delivery: date at which winning bidders will receive the allowances on their registry account
 - Date of payment: date at which payment will be required from winning bidders.
 - Lot size: number of allowances associated with one unit of the auctioned good.
- Events of 'force majeure' and resulting consequences.
- Events of default by the auctioneer and/or the bidder and their consequences.
- Applicable remedies or penalties.
- The regime governing the judicial review of claims across the EU.

Ans: Yes

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

Ans:

Question 41

Should the Regulation provide for rules on jurisdiction and the mutual recognition and enforcement of judgments?

Yes

If so, should these be:

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

Please comment on your choice:

Ans: This way the regulation would only highlight differences compared to another existing regulation avoiding unnecessary duplications and thereby applying the principle of simplicity in the wording of the legal text as well.

If not, why not?

Ans:

Question 42

Which auction model is preferable?

- Direct bidding?
- Indirect bidding?
- Both?

Please comment on your choice.

Ans: In our view, the preferred option should be direct bidding since in this case ETS operators would not have to rely on an additional intermediary to be able to participate at auctions.

Question 43

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

Ans: 20%

Please provide arguments to support your case.

Ans: 20% of allowances auctioned through indirect bidding should be sufficient to allow the comparison of the two models in terms of their efficiency, while the easy access to the majority of allowances could be retained at the same time.

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: Primary participants should not be allowed to participate in auctions on their own account in case they act on a third party's behalf, given the possibility of their undue advantage stemming from their access to confidential information on the bidders account.

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.

Please specify: The above requirements should only apply if primary participants do not conduct trading on their own account.

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: If either the full centralization or the hybrid auction model prevails, then the EU-wide carbon market will be large enough to render market-makers unnecessary. If the auctioning framework and procedures will be not harmonized throughout the EU then market makers may become necessary to ensure the efficiency of auctions.

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: Auctioning through exchanges. From a regulatory point of view, it is easier to keep existing rules on exchange participations unchanged.

Question 48

Should direct auctions be allowed through:

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

Please comment on your selection:

Ans:

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: 5%

0

Please comment on your choice.

Ans: The underlying principle of the EU's Emission Trading Scheme and cap-and-trade systems in general is that the CO2 price should give an equally strong, market-based signal to all ETS operators, regardless of their size. In our view, this principle should be applied to SMEs and other auction participants alike. Moreover, there are established support mechanisms in place for SMEs outside the ETS, which are better suited to help them without compromising the principles of the ETS system at the same time. Therefore, our preferred share of non-competitive bids by SMEs is 0%.

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: See response given to the previous question.

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: 5 000 EUAs

0

Question 54

Are there any other specific measures not mentioned in this consultation that may be necessary for ensuring full, fair and equitable access to allowances for SMEs covered by the EU ETS and small emitters?

Yes

If so, please specify:

Ans: As elaborated in the response given to Question 50, SMEs, in our view, should receive support via established mechanisms outside the EU ETS. Nevertheless, a potential support mechanism for SMEs within the ETS could be providing them with access to 100% of their required quotas at an auction even in case of oversubscription. This would be an advantage compared to other auction participants, who should be subject to a pro-rata re-scaling of bids in the event of oversubscription (see Question 20). The clearing price should obviously be identical for SMEs as well as for other auction participants.

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: An annual schedule should be published at the beginning of each year.

Please comment on your proposal.

Ans: This is necessary to ensure predictability.

Question 56

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

Ans: One week

0

Please comment on your proposal.

Ans: As elaborated in response to Question 5, the highest possible (preferably weekly) frequency of spot auctions is desirable. In this case, auction participants would be able to review their positions on a weekly basis; therefore they would require a minimum period of 1 week in order to make well-informed decisions on their intention to bid in the upcoming auction.

Question 57

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

Ans: No Response

Please specify what they are.

Ans: No.

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?

0

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: Given the high volatility of the carbon market, it is crucial for market participants to know their actual position within the shortest possible timeframe.

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?

No

If so, what may they be?

Ans:

Question 61

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

Yes

If not, why not?

Ans:

Question 62

Do you agree that the Regulation should contain general principles on:

- the designation and mandate of the auction monitor; and
- cooperation between the auctioneer(s) and the auction monitor?
- Neither

If not, why not?

Ans:

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

Yes

If not, why not?

Ans:

Question 63

Is there a need for harmonised market abuse provisions in the Regulation to prevent insider dealing and market manipulation?

Yes

If not, why not?

Ans:

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

Ans:

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: It is desirable to apply harmonized enforcement measures throughout the EU in order to ensure transparency and fairness of auctions which might be compromised if different enforcement measures were to be applied in each Member State.

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: The duration of the suspension should be 1, 3 and 6 months depending on the gravity of non-compliance / market abuse.

Financial penalties?

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

Ans: The amount of penalties should equal to the incurred damage + five times the profit earned by market manipulation.

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: The duration of the suspension should be 1, 3 or 6 months depending on the gravity of non-compliance / market abuse.

The amount of penalty should equal to the incurred damage + five times the profit earned by market manipulation.

Question 66

Should such enforcement measures apply at:

EU level?

- National level?
 Both?

Please comment on your choice.

Ans: Some relevant regulations might not be fully harmonized on the EU level, thus it is necessary to apply enforcement measures on both the EU and national levels.

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: Competent authorities at the national and EU level have established practices and extensive experience in market oversight, whereas the auctioneer might lack the necessary competence and/or capacity to enforce compliance with the Regulation.

Question 68

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

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

Please give arguments to support your case.

Ans: In our view, a centralized and harmonized auction model should be applied in order to ensure simply and equitable access of all participants to the auctions throughout the EU.

Question 69

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

Ans: 2

0

Please give arguments to support your case.

Ans: As indicated in response given to the previous question, our preferred model is full centralization. If the coordinated auction processes model prevailed, then the development of the least possible different auction processes would be desirable.

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: Early auctions held in 2012 (n-1) should fulfill this purpose.

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 provide detailed provisions on the fee structure since a clear fee structure is essential to ensure transparency and contains vital information for auction participants for submitting their bids.

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: In our view, the following set of measures should provide sufficient predictability in case auctions are delayed or cancelled by Member States:

- If the delay or cancellation occurs at the system start-up (in 2013), then the auction should be held by an auctioneer authorized by the Commission in order to guarantee openness and fair, equitable access to auctions.
- If the delay or cancellation occurs after the system start-up only once, then the auctionable quantity should be auctioned in the next two auctions with the transferred quantity to be divided equally (50-50%) between the following two auctions.
- If the delay or cancellation occurs after the system start-up twice or more in a row, then the auctionable quantity from the second and all subsequent delayed or cancelled auctions should be auctioned by an auctioneer authorized by the Commission.

Question 75

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

Yes

If so, what form should that sanction take?

Ans: The following set of measures should provide sufficient predictability in case auctions are delayed or cancelled by Member States:

- If the delay or cancellation occurs at the system start-up (in 2013), then the auction should be held by an auctioneer authorized by the Commission in order to guarantee openness and fair, equitable access to auctions.
- If the delay or cancellation occurs after the system start-up only once, then the auctionable quantity should be auctioned in the next two auctions with the transferred quantity to be divided equally (50-50%) between the following two auctions.
- If the delay or cancellation occurs after the system start-up twice or more in a row, then the auctionable quantity from the second and all subsequent delayed or cancelled auctions should be auctioned by an auctioneer authorized by the Commission.

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)

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

Does your choice differ from the approach preferred for EUAs?

No Response

Please provide arguments to support your case.

Ans:

Question 86

Do you agree that there is no need for any specific provisions for EUAA auctions as regards:

- [] Requirements for the auctioneer(s) and auction processes?
- [] Administrative fees?
- [] Rules to ensure appropriate and timely preparation of the auctions?
- [] None of the above?

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

Ans: