

UK Phase III Auction Platform Report

Report number: 1

Period covered: 1 November 2012 to 30 June 2013

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Introduction

1. This report contains information on auctions held on the UK's Phase III European Union Emissions Trading System (EU ETS) Auction Platform. Auctions are held according to the published¹ auction calendar.
2. Auctions are conducted by ICE Futures Europe on behalf of the Department of Energy and Climate Change (DECC). DECC appointed ICE Futures Europe in April 2012² and following a European Commission approvals process³ held the first auction⁴ in November 2012.
3. The report is based on post-auction data provided by ICE Futures Europe under the Auctioning Regulation⁵. This data⁶ is available on the ICE Futures Europe website.

Section 1: Auction results

Description of auctions concerned

4. This report covers the 14 Phase III European Union Allowance (EUA) auctions held between 1 November 2012 and 30 June 2013. No European Union Aviation Allowance (EUAA) auctions were held in this period. The results of the auctions are in the table below. The table includes the ICE EUA futures price⁷ for the next December expiry at close the day of each auction for reference.

| Date | Volume auctioned | Volume sold | Clearing price | Volume bid for | Bidders | Successful bidders | Cover ratio | Revenue | Futures Price |
|----------|------------------|-------------|----------------|----------------|---------|--------------------|-------------|----------------|---------------|
| 21-11-12 | 6,500,000 | 6,500,000 | €6.62 | 18,476,000 | 14 | 11 | 2.84 | €43,030,000.00 | €6.77 |
| 05-12-12 | 5,758,000 | 5,758,000 | €5.68 | 12,647,500 | 17 | 11 | 2.20 | €32,705,440.00 | €6.15 |
| 16-01-13 | 4,134,000 | 4,134,000 | €5.81 | 9,340,000 | 15 | 11 | 2.26 | €24,018,540.00 | €5.65 |
| 30-01-13 | 4,134,000 | 4,134,000 | €3.72 | 9,650,000 | 16 | 12 | 2.33 | €15,378,480.00 | €3.80 |
| 13-02-13 | 4,134,000 | 4,134,000 | €4.57 | 10,452,500 | 14 | 7 | 2.53 | €18,892,380.00 | €5.23 |
| 27-02-13 | 4,134,000 | 4,134,000 | €4.23 | 11,977,000 | 20 | 8 | 2.90 | €17,486,820.00 | €4.47 |
| 13-03-13 | 4,134,000 | 4,134,000 | €3.60 | 8,908,000 | 19 | 14 | 2.15 | €14,882,400.00 | €3.52 |
| 27-03-13 | 4,134,000 | 4,134,000 | €4.68 | 5,046,000 | 12 | 10 | 1.22 | €19,347,120.00 | €4.95 |
| 10-04-13 | 4,134,000 | 4,134,000 | €4.58 | 6,838,000 | 14 | 13 | 1.65 | €18,933,720.00 | €4.30 |
| 24-04-13 | 4,134,000 | 4,134,000 | €2.93 | 9,474,500 | 16 | 8 | 2.29 | €12,112,620.00 | €3.02 |
| 08-05-13 | 4,134,000 | 4,134,000 | €3.51 | 7,705,000 | 15 | 12 | 1.86 | €14,510,340.00 | €3.49 |
| 22-05-13 | 4,134,000 | 4,134,000 | €3.43 | 11,085,000 | 16 | 13 | 2.68 | €14,179,620.00 | €3.32 |
| 05-06-13 | 4,134,000 | 4,134,000 | €3.96 | 12,790,000 | 16 | 9 | 3.09 | €16,370,640.00 | €3.91 |
| 19-06-13 | 4,134,000 | 4,134,000 | €4.52 | 5,930,000 | 14 | 12 | 1.43 | €18,685,680.00 | €4.39 |

¹ <https://www.theice.com/emissionsauctions.jhtml>

² <https://www.gov.uk/government/news/decc-selects-company-to-run-phase-iii-eu-ets-auctions>

³ <https://www.gov.uk/government/news/eu-emissions-trading-system-european-commission-approves-the-uk-national-auction-platform>

⁴ <https://www.gov.uk/government/news/uk-confirms-position-as-leader-in-carbon-markets>

⁵ http://ec.europa.eu/clima/policies/ets/cap/auctioning/documentation_en.htm Regulation (EU) No 1031/2010

⁶ <https://www.theice.com/marketdata/reports/ReportCenter.shtml#report/148>

⁷ <http://data.theice.com/MyAccount/MyFiles.aspx>

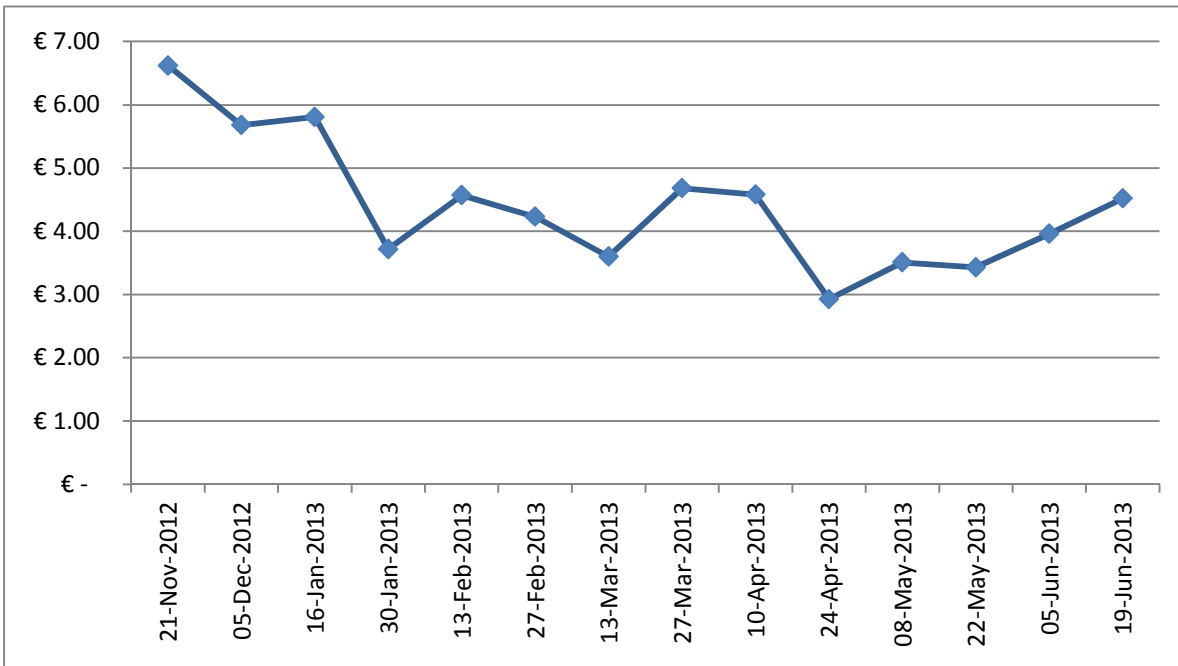
5. This information is also summarised by quarter in the table below.

| Period | Total volume auctioned | Total volume sold | Clearing price* | Total volume bid for | Bidders* | Successful bidders* | Cover ratio* | Revenue |
|--------|------------------------|-------------------|-----------------|----------------------|----------|---------------------|--------------|--------------|
| Q4 '12 | 12,258,000 | 12,258,000 | €6.18 | 31,123,000 | 15 | 11 | 2.54 | €75,735,440 |
| Q1 '13 | 24,804,000 | 24,804,000 | €4.44 | 55,373,000 | 16 | 10 | 2.23 | €110,095,740 |
| Q2 '13 | 24,804,000 | 24,804,000 | €3.82 | 54,095,500 | 15 | 11 | 2.17 | €94,762,770 |

* weighted average

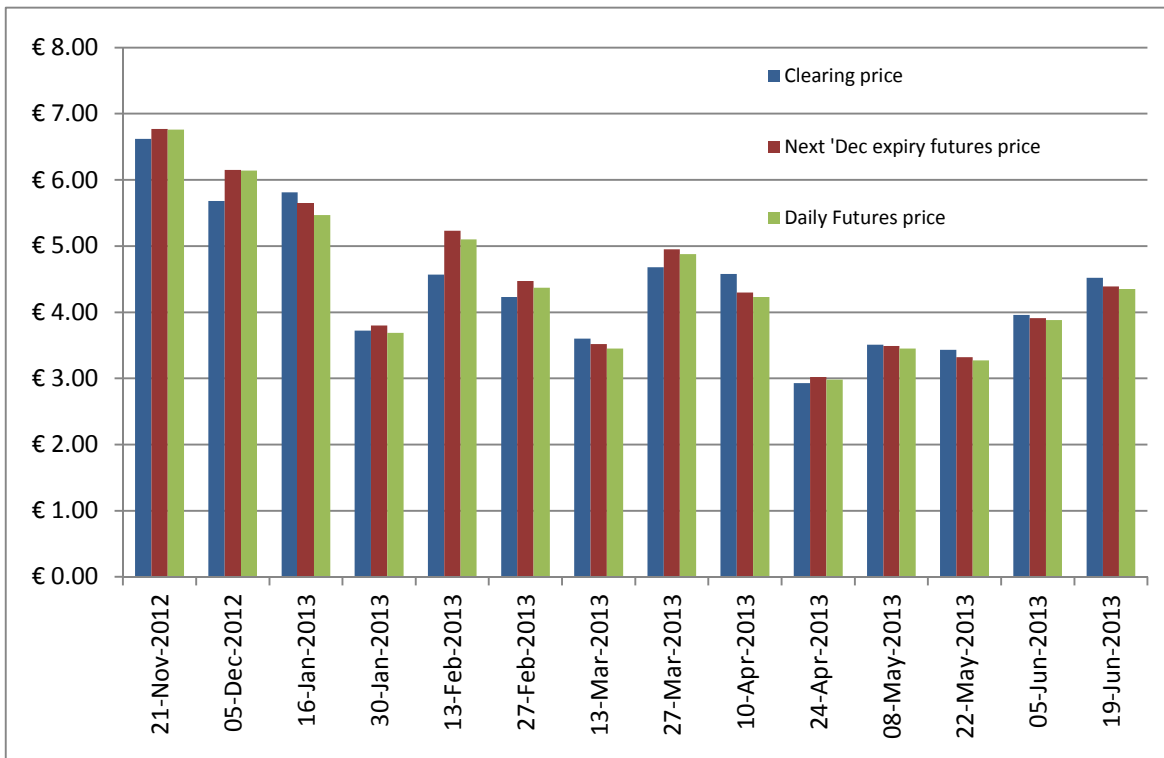
Auction clearing price formation

6. The graph below shows the clearing price over time for the auctions held this reporting period. All scheduled auctions took place successfully. The volume weighted average price per allowance was €4.53.



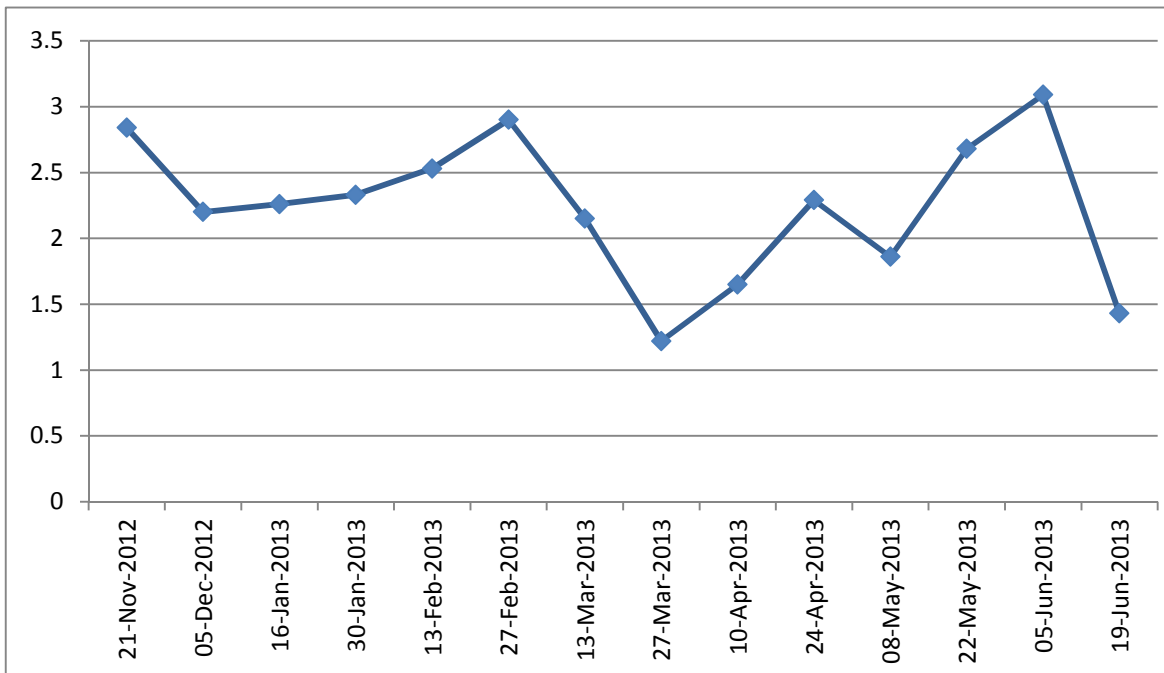
Auction clearing price compared to futures price

7. The graph below shows the clearing price compared to futures prices. As well as the ICE EUA futures price for the next December expiry at close the day of each auction, the ICE EUA daily futures price at the close the day of each auction is included. As the graph demonstrates, the auction clearing price was consistently similar to the futures prices. The volume weighted average price differential was €0.09 for the next December expiry and €0.01 for the daily expiry.



Cover ratio

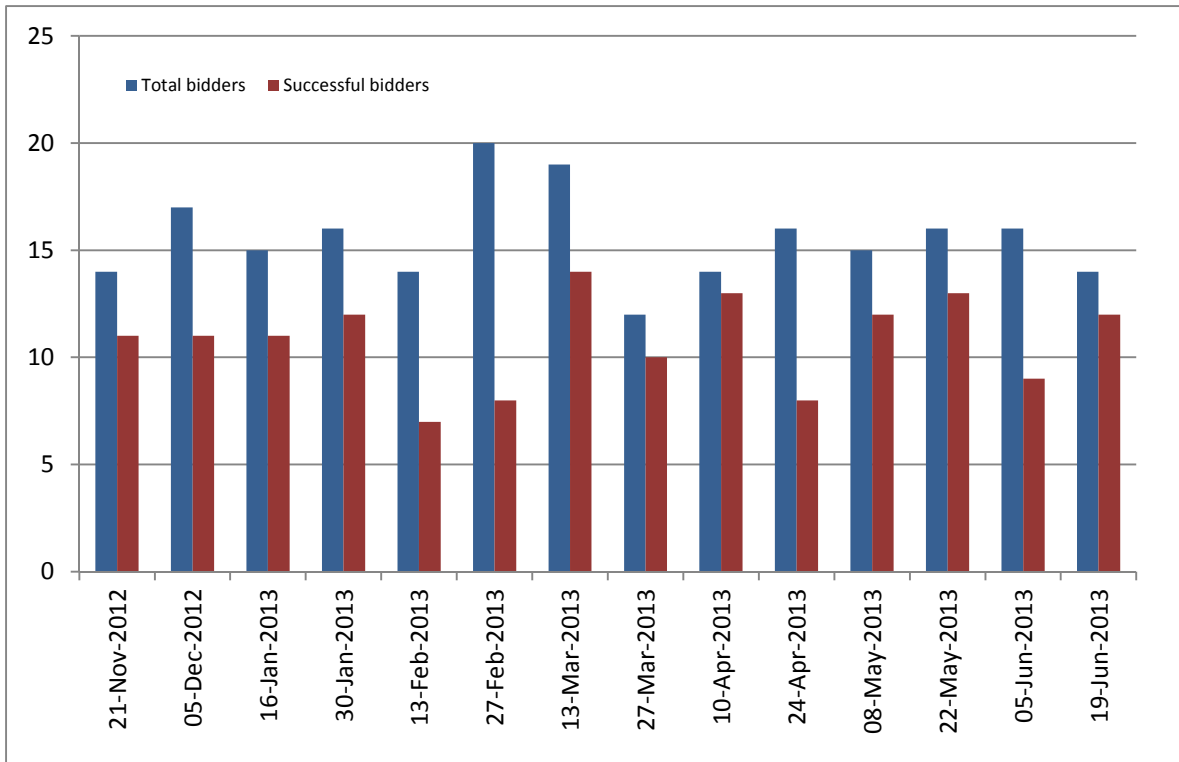
8. The graph below shows the cover ratio (allowances bid for divided by allowances auctioned) for the auctions held this reporting period. The cover ratio fluctuated over time, reflecting market conditions. Across the period, bids for a total of 140,591,500 allowances were received. The volume weighted average cover ratio was 2.27.



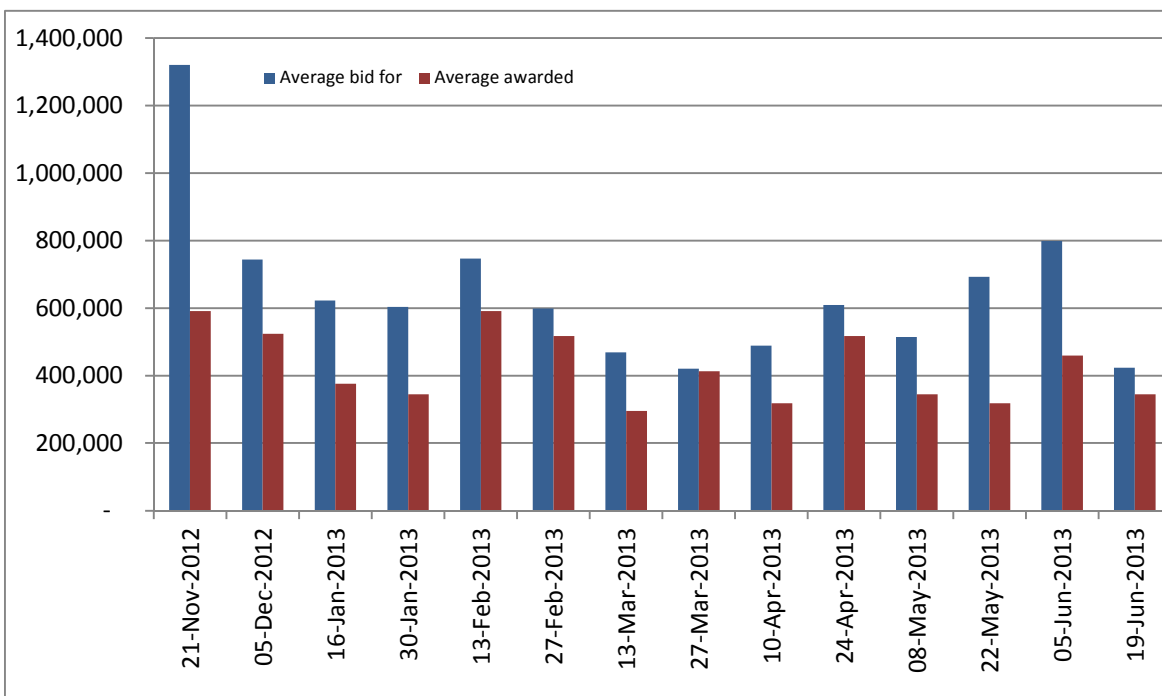
Number of bidders and successful bidders

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

were successful. The average number of bidders per auction was 16 and the average number of successful bidders per auction was 11.



10. The graph below shows the average number of allowances bid for by each bidder and the average number of allowances awarded to each successful bidder for the auctions held this reporting period. The average number of allowances bid for by each bidder ranged from 420,500 to 1,319,714 and the average number of allowances awarded to each successful bidder ranged from 295,286 to 590,909.



Section 2: Implementation and compliance with the applicable rules

Fair and open access

11. ICE Futures Europe provides full details of the admissions process⁸ on its website as required by the Auctioning Regulation. There were no irregularities or deviations from the admission and access requirements.

Transparency

12. ICE Futures Europe provides full details of the auction results⁹ on its website as required by the Auctioning Regulation. This information includes details of how the clearing price is determined (subject to the confidentiality obligations under the Auctioning Regulation), how all participants have access to the same information at the same time and the EUA and EUAA contract specifications.
13. The ICE group operates a Recognised Investment Exchange, Recognised Clearing House and Recognised Auction Platform¹⁰ supervised by the Financial Conduct Authority (FCA) and Bank of England, as applicable.
14. Monitoring by ICE Futures Europe in real-time of behaviour during the auction includes:
 - monitoring of trading activity in ICE Futures Europe's markets to ensure that a fair and orderly market is maintained;
 - identifying bids which are out of line with permitted bid ranges;
 - identifying any unusual bidding behaviour;
 - calculation and publication of settlement prices; and
 - announcing and notifying auction results.
15. ICE Futures Europe's Complaints Resolution Procedures¹¹ were in place during the reporting period.
16. There were no incidents of abusive behaviour publicly reported during the reporting period

Technical and operational aspects

17. Due to a technical error, ICE Futures Europe did not announce on its website the result of the auction held on 30 January within the 15 minute window required under Article 61 of the Auctioning Regulation. ICE Futures Europe quickly resolved this and measures were put in place to remove the risk of reoccurrence. Successful bidders and the Auctioneer were informed within the 15 minute window.
18. No other irregularities or deviations from the requirements occurred regarding the auctions or the clearing and settlement processes.

⁸ <https://www.theice.com/emissionsauctions.jhtml>

⁹ <https://www.theice.com/marketdata/reports/ReportCenter.shtml#report/148>

¹⁰ <https://www.fsa.gov.uk/register/exchanges.do>

¹¹ https://www.theice.com/futures_europe_complaints.jhtml

Conclusion

Comments by the auction platform

19. No comments by the auction platform this reporting period.

Description of how comments have been taken into account

20. Not applicable this reporting period.

This report is based only on publicly available information on the auctions.

Use of the information provided in this report is solely at the user's risk.

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