

Participation in Emissions Auctions

Business Development,
Leipzig, 29 August 2017



Why participate in Emissions Auctions?



- Auctioning is the basic principle of allocating allowances within the EU Emissions Trading System (EU ETS) → this means that companies liable under the EU ETS have to buy an increasing proportion of allowances (European Union Allowances (EUAs) and EU Aviation Allowances (EUAA)) through auctions
- Auctioning is an open, transparent, harmonised and non-discriminatory process
- Advantages to participate in EUA/ EUAA Auctions at EEX:
 - ✓ Unique access to emissions auctions on 4-5 days/week, covering ~90% of European auction volume plus continuous trading on one single exchange
 - ✓ Variety of direct and indirect access options offered
 - ✓ Strong customers focus and personal assistance through our single admission team and offices in Leipzig, London, Madrid, Milan, Oslo and Paris
 - ✓ Fair and transparent price formation
 - ✓ Opportunity to hedge EU ETS business exposure

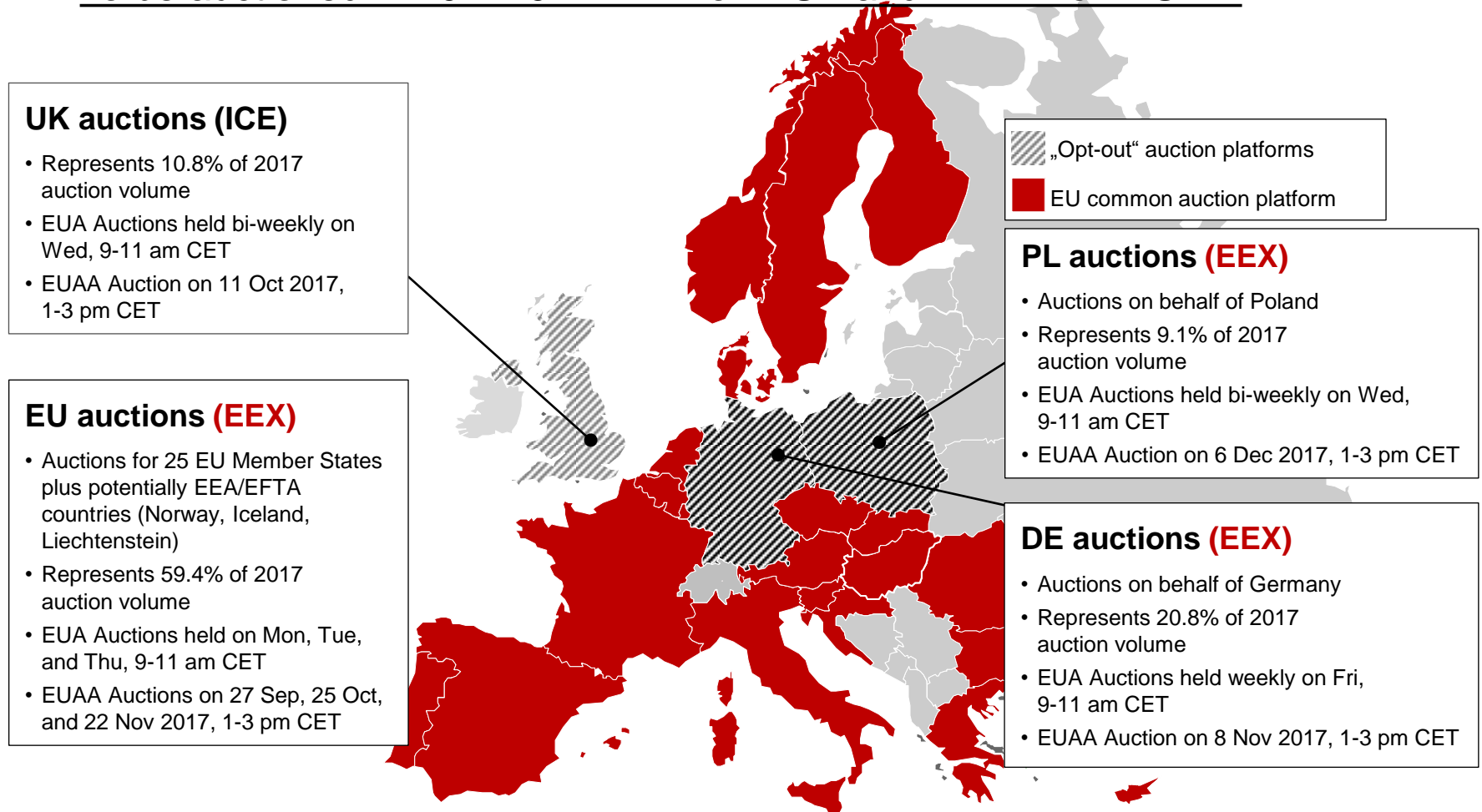
Who is eligible to bid in Emissions Auctions?



- Eligible participants according the EU Auctioning Regulation are:
 - ✓ Compliance buyers (Operators of stationary installations, Aircraft operators)
 - ✓ Investment firms and credit institutions
 - ✓ Business groupings of compliance buyers
 - ✓ Other intermediaries specifically authorised by the home Member State
- These participants have to fulfil admission requirements according to EU and EEX rules (see slide 5 for assistance in the admission process), i.a.:
 - ✓ Establishment in the EU (except for compliance buyers)
 - ✓ Nominated holding account and bank account

When are Emissions Auctions? And what volumes are auctioned?

To be auctioned in 2017: 947.7 million EUA and 4.7 million EUAA



→ EEX allocates ~ 90% of the total annual auction volume within the EU ETS

What options are there to participate in the Emission Auctions at EEX and who assists in the admission process?

Direct Access

A Full Membership

B Environmental Markets Membership
Emissions: Auctions and Secondary Market

C Auction Only Membership - System
Emissions: Auctions via Auction System

D Auction Only Membership - Helpdesk
Emissions: Auctions via bidding on behalf

Single Admission Team

Member Readiness

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memberreadiness@ecc.de



Alternatively

Sales Emissions

T + 44 207 862 7555

sales@eex.com

or your Key Account Manager
 in Leipzig, London, Madrid,
 Milan, Paris or Oslo



Indirect Access

E Intermediary – Cooperation Partner
Emissions: Auctions via Belektron

F Intermediary – Other
Emissions: Auctions via other Intermediaries

www.belektron.eu

T + 38 616 208 854

info@belektron.eu

belektron

www.abnamroclearing.com

www.cf-partners.com

www.viennainvestment.ro

ABN-AMRO Clearing
 CF PARTNERS

VIENNA Investment Trust

What are the differences between the options to participate in the Emissions Auctions at EEX?

	A	B	C	D	E	F
Markets and Products	All (Emissions, Power, etc.)	Emissions: Auctions and Secondary Market, GoOs	Emissions: Auctions	Emissions: Auctions	Emissions: Auctions	Emissions: Auctions
Access to the Auction System	Direct	Direct	Direct	Via EEX Helpdesk	Via Belektron	Via other Intermediaries
Fixed Costs [EUR]	15,000	2,500	None	None	None	To be negotiated
Variable Costs for Primary Auctions [EUR/1,000 allowances]	2.78-3.00	2.78-3.00	2.78-3.00	2.78-3.00	15.00-70.00	To be negotiated
Criteria to fulfil						
Eligibility criteria (according to Article 18 Auctioning Regulation)	✓	✓	✓	✓	✓	✓
Personal reliability and qualification of Members of the Management Board, Contract with Clearing Member, ECC Approval, Technical arrangements for settlement	✓	✓	✓	✓	✗	✗
Personal reliability and qualification of Trader/ Trader Assistants, EEX Admission of at least one trader, incl. EEX Trader examination, Technical arrangements for trading	✓	✓	✓	✗	✗	✗
Liable equity of at least EUR 50,000	✓	✓	✗	✗	✗	✗

What are the steps to take for direct access?

I. Contact and Decision (order of the two bullet points can vary):

- Contact the Single Admission Team or the Sales Team (see slide 5)
- Decide for one of the access options (see slides 5 and 6)

II. Documents and Training:

	A	B	C	D
Fill in the applicable documents (non-sequential)				
Eligibility Form	✓	✓	✓	✓
Application for Admission as Exchange Participant (A01)	✓	✓	✗	✗
Application for Setup / Modification of Exchange Traders/ Trader Assistants (A03)	✓	✓	✗	✗
Application for „Auction only“- Exchange participant (A05a)	✗	✗	✓	✗
Application for „Auction only“- Exchange participant (A05b)	✗	✗	✗	✓
Declaration of Personal Reliability (Board Members) (E01)	✓	✓	✓	✓
Application for Setup / Modification of EEX User IDs (E03)	optional	optional	✗	✗
Declaration of Personal Reliability (Trader/ Trader Assistants) (E04)	✓	✓	✓	✗
Order for Technical Access (T01)	✓	✓	✗	✗
Straight Through Processing (T08)	optional	optional	✗	✗
Application for Admission as Non-Clearing Member (NCM01)	✓	✓	✓	✓
NCM Agreement with the Clearing Member (NCM02)	✓	✓	✓	✓
Know Your Customer Questionnaire (Group_KYC)	✓	✓	✓	✓
Application for approval as a Trading Participant (TP)	✓	✓	✓	✓
VAT Details (TP07)	✓	✓	✓	✓
Take the training incl. examination	✓	✓	✓	✗

III. Confirmation of EEX/ ECC and Bidding/ Trading

How is the process of the Emissions Auctions?

<p>9:00-11:00 am CET (EUA) 1:00-3:00 pm CET (EUAA)</p>	<p>~11:01 am CET (EUA) ~3:01 pm CET (EUAA)</p>	<p>~11:10 am CET (EUA) ~3:10 pm CET (EUAA)</p>	<p>Auction Day + 1 ECC Business day</p>	<p>Upon Request</p>
<p><u>Bidding window:</u></p> <ul style="list-style-type: none"> • Products: <ol style="list-style-type: none"> T3PA (Spot EU Allowances for Phase 3 of the EU ETS, lot size: 500 EUA) EAA3 (Spot EU Aviation Allowances for Phase 3 of the EU ETS, lot size: 500 EUAA) • Bids could be submitted and withdrawn during the bidding window • Bids could be submitted direct in the Auction System or indirect via EEX Helpdesk or via Intermediary • Bids are submitted without seeing other participant's bids 	<p><u>Determination of the auction clearing price:</u></p> <ul style="list-style-type: none"> • Bids are sorted in descending order of the price bid • Tied bids are sorted through random selection according to an algorithm • Bid volumes are added, starting with the highest bid • The price at which the summed up bid volumes match or exceed the volume of allowances auctioned sets the auction clearing price for all successful bidders <p><u>Publication:</u></p> <ul style="list-style-type: none"> • Main Auction Results in the Auction System and on the Website 	<p><u>Publication:</u></p> <ul style="list-style-type: none"> • Detailed Auction Results on the Website (link to the dedicated auction website) 	<p><u>Payment:</u></p> <ul style="list-style-type: none"> • From the Clearing Member of a Trading Member to ECC • From ECC to the Auctioneer (e.g. Germany) <p><u>Delivery (internal):</u></p> <ul style="list-style-type: none"> • Transfer of certificates within the ECC Union Registry Account from the Auctioneer (Seller) to the Trading Member having been successful in the Emissions Auction (Buyer) 	<p><u>Delivery (external):</u></p> <ul style="list-style-type: none"> • Transfer of certificates from the ECC Union Registry Account to the Union Registry Account of the Trading Member

Summary

- Auctioning is the basic principle of allocating allowances within the EU Emissions Trading System
- There are many advantages to participate in Emissions Auctions
- Emissions Auctions are held almost every working day
- There are various options to participate in the Emissions Auctions
- We would be happy to guide you through the admission process

Single Admission Team
Member Readiness
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memberreadiness@ecc.de



Alternatively
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Milan, Paris or Oslo

