

(1) The report should explain the relevance of the experience gained so far with other auctioning systems in a more structured fashion. While the report often refers either to existing CO2 auctioning platforms, or to other auctions, the evidence and lessons learned should be analysed more systematically in the problem definition.

(2) The costs and benefits should be analysed and presented for each option. The IA report should in particular look at advantages and disadvantages of the centralised approach over the decentralised one. This analysis needs to include: i) costs to installations covered by the ETS, and in particular SMEs, ii) potential loss of competition from concentrating all auctioning on one platform, also with a view to ensuring contestable markets over time, iii) gains from economies of scale, iv) sunk cost for existing auctioning platforms, v) benefits to users of having one system and set of processes rather than several. Finally, the report should clarify whether, under the centralised approach, the entity selected to provide service for the auctioning would be allowed to provide for the trading platform for the secondary market as well. The report would benefit from a more detailed overview of the auctioning systems for phase II already set up by several Member States.

(3) The report should analyse the demand side in a more coherent way, including the implications for SMEs. The report should also clarify the eligibility criteria for market participants under various options and analyse them against the objective of efficient allocation of allowances to installations with the highest marginal abatement costs. In particular, the impacts on SMEs should be analysed in a separate section. The report should analyse how best to ensure access for SMEs to allowances, whether it should be through direct access to auctioning, access through intermediaries, secondary market or through a decentralised approach. The position expressed by SMEs on these issues should be presented clearly. The report should also clarify two more specific issues: (i) the provisions regarding situations in which the clearing price that results from the auction is considered to be inappropriate, and (ii) the rules concerning surrendering allowances by installations and whether there are potential effects on pricing.

(4) The report should further analyse the transition from the current regime to the new one. This analysis should include information on the volumes to be auctioned, taking into account the phasing in for the power sector, banked allowances from the second trading period and carbon leakage measures. It should also address in greater detail the need for futures during this period. In this context, the report should clarify financing sources for the auctioning platform before the revenues from auctioning are available, and the relationship between primary and secondary markets.

(D) Procedure and presentation

The report should follow more closely the format of an impact assessment report, as required by the Impact Assessment Guidelines (separate sections on the problems to be addressed, objectives, and policy options to deliver these objectives).

The report should be clear on what type of external expertise was used as an input.

Additionally, given the technical nature of the matter, the report would benefit from annexes providing background information for the non-expert. This should include:

i) an illustration of the interactions between primary and secondary markets possibly utilising examples from the public debt markets to highlight similarities and differences. The annex could clarify what the main role of the primary market would be relative to the overall goal of ETS.

ii) a listing of the different phases of an auction as well as the potential actors (auctioneer, exchanges, settlement systems, clearing systems etc.), their specific roles and bilateral relations.

The listing could also specify who the expected clients on the primary market would be
iii) clarification what is meant by the "competitive dialogue" during the selection procedure (§ 7)

2) IAB scrutiny process

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