UK Phase III Auction Platform Report

Report number: 4
Period covered: 1 September 2013 to 30 September 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 published\(^1\) 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 2012\(^2\) and following a European Commission approvals process\(^3\) held the first auction\(^4\) in November 2012.

3. The report is based on post-auction data provided by ICE Futures Europe under the Auctioning Regulation\(^5\). This data\(^6\) is available on the ICE Futures Europe website.

Section 1: Auction results

Description of auctions concerned

4. This report covers the Phase III European Union Allowance (EUA) auctions held between 1 September and 30 September 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 price\(^7\) for the next December expiry at close the day of each auction for reference.

<table>
<thead>
<tr>
<th>Date</th>
<th>Volume auctioned</th>
<th>Volume sold</th>
<th>Clearing price</th>
<th>Volume bid for</th>
<th>Bidders</th>
<th>Successful bidders</th>
<th>Cover ratio</th>
<th>Revenue</th>
<th>Futures Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-09-13</td>
<td>4,134,000</td>
<td>4,134,000</td>
<td>€4.94</td>
<td>8,721,000</td>
<td>15</td>
<td>13</td>
<td>2.11</td>
<td>€20,421,960</td>
<td>€5.28</td>
</tr>
<tr>
<td>25-09-13</td>
<td>4,134,000</td>
<td>4,134,000</td>
<td>€5.30</td>
<td>7,295,000</td>
<td>14</td>
<td>11</td>
<td>1.76</td>
<td>€21,910,200</td>
<td>€5.40</td>
</tr>
</tbody>
</table>

5. Auction results from completed quarters are summarised in the table below.

<table>
<thead>
<tr>
<th>Period</th>
<th>Total volume auctioned</th>
<th>Total volume sold</th>
<th>Clearing price*</th>
<th>Total volume bid for</th>
<th>Bidders*</th>
<th>Successful bidders*</th>
<th>Cover ratio*</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 '12</td>
<td>12,258,000</td>
<td>12,258,000</td>
<td>€6.18</td>
<td>31,123,000</td>
<td>15</td>
<td>11</td>
<td>2.54</td>
<td>€75,735,440</td>
</tr>
<tr>
<td>Q1 '13</td>
<td>24,804,000</td>
<td>24,804,000</td>
<td>€4.44</td>
<td>55,373,000</td>
<td>16</td>
<td>10</td>
<td>2.23</td>
<td>€110,095,740</td>
</tr>
<tr>
<td>Q2 '13</td>
<td>24,804,000</td>
<td>24,804,000</td>
<td>€3.82</td>
<td>54,095,500</td>
<td>15</td>
<td>11</td>
<td>2.17</td>
<td>€94,762,620</td>
</tr>
<tr>
<td>Q3 '13</td>
<td>24,820,000</td>
<td>24,820,000</td>
<td>€4.90</td>
<td>72,904,500</td>
<td>14</td>
<td>11</td>
<td>2.33</td>
<td>€153,313,000</td>
</tr>
</tbody>
</table>

* 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 €5.12.

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1. https://www.theice.com/emissionsauctions.jhtml
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 generally similar to the futures prices. This reporting period the volume weighted average price differential was €0.08 for the next December expiry and €0.06 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 16,016,000 allowances were received. The volume weighted average cover ratio was 1.94.
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 15 and the average number of successful bidders per auction was 12.

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 521,071 to 581,400 and the average number of allowances awarded to each successful bidder ranged from 318,000 to 375,818.
Section 2: Implementation and compliance with the applicable rules

Fair and open access

11. ICE Futures Europe provides full details of the admissions process\(^8\) 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 results\(^9\) 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 Platform\(^10\) 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.

\(^8\) https://www.theice.com/emissionsauctions.jhtml
\(^10\) https://www.fsa.gov.uk/register/exchanges.do
15. ICE Futures Europe’s Complaints Resolution Procedures\(^{11}\) 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 inform successful bidders and the auctioneer of the result of the auction held on 11 September within the 15 minute window required under Article 61 of the Auctioning Regulation. Successful bidders were informed via telephone within the 15 minute window. ICE Futures Europe quickly resolved this and measures were put in place to remove the risk of reoccurrence.

18. No other irregularities or deviations from the requirements occurred regarding the auctions or the clearing and settlement processes.

**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.

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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.

For more information please contact: euetsauctionplatform@decc.gsi.gov.uk

\(^{11}\) [https://www.theice.com/futures_europe_complaints.jhtml](https://www.theice.com/futures_europe_complaints.jhtml)