UK Phase III Auction Platform Report

Report number: 54
Period covered: 1 - 31 July 2018

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 for Business, Energy and Industrial Strategy (BEIS). DECC (the Department of Energy and Climate Change, the predecessor to BEIS) first appointed ICE Futures Europe in April 2012 [2] and following a European Commission approvals process [3] held the first auction [4] in November 2012. The first aviation auction took place on 17 September 2014. In February 2016, BEIS launched a re-procurement process for the UK’s opt out auction platform. Following a further European Commission approvals process, ICE Futures Europe were re-appointed to conduct UK auctions from 10 November 2017 [5]. The first auction under the new platform took place on 29 November 2017.

3. The report is based on post-auction data provided by ICE Futures Europe under the Auctioning Regulation [6]. This data [7] 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 during this period. There were no aviation (EUAA) auctions held during this period. The results of the auctions are in the tables below, which also includes the ICE EUA futures prices [8] for the next December expiry at close the day of each auction.

<table>
<thead>
<tr>
<th>Date</th>
<th>Volume auctioned (EUA)</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>11/07/2018</td>
<td>5,741,500</td>
<td>0</td>
<td>€ 0.00</td>
<td>5,656,000</td>
<td>10</td>
<td>0</td>
<td>0.99</td>
<td>€ 0</td>
<td>€ 16.32</td>
</tr>
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<td>25/07/2018</td>
<td>5,741,500</td>
<td>5,741,500</td>
<td>€ 17.23</td>
<td>10,498,000</td>
<td>11</td>
<td>7</td>
<td>1.83</td>
<td>€ 98,926,045</td>
<td>€ 17.34</td>
</tr>
</tbody>
</table>
EUA auction results from completed calendar year quarters are summarised 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</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>
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<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>€ 110,005,740</td>
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<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>€ 94,792,620</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>€ 110,283,000</td>
</tr>
<tr>
<td>Q4 '13</td>
<td>20,670,000</td>
<td>20,670,000</td>
<td>€ 4.57</td>
<td>57,739,500</td>
<td>17</td>
<td>12</td>
<td>2.79</td>
<td>€ 94,544,580</td>
</tr>
<tr>
<td>Q1 '14</td>
<td>23,550,000</td>
<td>23,550,000</td>
<td>€ 5.86</td>
<td>62,577,000</td>
<td>17</td>
<td>13</td>
<td>2.66</td>
<td>€ 137,993,800</td>
</tr>
<tr>
<td>Q2 '14</td>
<td>15,090,000</td>
<td>15,090,000</td>
<td>€ 5.28</td>
<td>37,865,000</td>
<td>14</td>
<td>12</td>
<td>2.51</td>
<td>€ 79,650,000</td>
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<tr>
<td>Q3 '14</td>
<td>15,005,000</td>
<td>15,005,000</td>
<td>€ 5.94</td>
<td>44,073,000</td>
<td>14</td>
<td>11</td>
<td>2.94</td>
<td>€ 89,200,300</td>
</tr>
<tr>
<td>*</td>
<td>12,575,000</td>
<td>12,575,000</td>
<td>€ 6.41</td>
<td>31,714,150</td>
<td>14</td>
<td>10</td>
<td>2.52</td>
<td>€ 80,580,600</td>
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<tr>
<td>Q1 '15</td>
<td>18,738,000</td>
<td>18,738,000</td>
<td>€ 6.93</td>
<td>45,158,580</td>
<td>15</td>
<td>14</td>
<td>2.41</td>
<td>€ 129,885,570</td>
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<tr>
<td>Q2 '15</td>
<td>21,861,000</td>
<td>21,861,000</td>
<td>€ 7.22</td>
<td>44,877,510</td>
<td>14</td>
<td>12</td>
<td>2.05</td>
<td>€ 157,930,110</td>
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<td>Q3 '15</td>
<td>18,744,000</td>
<td>18,744,000</td>
<td>€ 7.91</td>
<td>50,750,805</td>
<td>14</td>
<td>11</td>
<td>2.71</td>
<td>€ 148,328,400</td>
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<tr>
<td>Q4 '15</td>
<td>15,615,000</td>
<td>15,615,000</td>
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<td>28,981,440</td>
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<td>12</td>
<td>1.86</td>
<td>€ 131,571,990</td>
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<tr>
<td>Q1 '16</td>
<td>20,937,000</td>
<td>20,937,000</td>
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<td>32,626,825</td>
<td>16</td>
<td>13</td>
<td>1.56</td>
<td>€ 112,571,270</td>
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<tr>
<td>Q2 '16</td>
<td>24,426,500</td>
<td>24,426,500</td>
<td>€ 5.53</td>
<td>44,491,125</td>
<td>14</td>
<td>11</td>
<td>1.82</td>
<td>€ 135,078,545</td>
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<tr>
<td>Q3 '16</td>
<td>17,447,000</td>
<td>17,447,000</td>
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<td>41,401,295</td>
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<td>9</td>
<td>2.37</td>
<td>€ 76,330,445</td>
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<tr>
<td>Q4 '16</td>
<td>20,937,000</td>
<td>17,447,500</td>
<td>€ 4.52</td>
<td>40,582,885</td>
<td>14</td>
<td>10</td>
<td>1.94</td>
<td>€ 55,622,630</td>
</tr>
<tr>
<td>Q1 '17</td>
<td>29,106,500</td>
<td>29,106,500</td>
<td>€ 5.10</td>
<td>59,788,705</td>
<td>15</td>
<td>11</td>
<td>2.05</td>
<td>€ 148,341,315</td>
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<tr>
<td>Q2 '17</td>
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<td>29,886,500</td>
<td>€ 4.78</td>
<td>59,730,305</td>
<td>16</td>
<td>12</td>
<td>2.00</td>
<td>€ 142,814,775</td>
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<tr>
<td>Q3 '17</td>
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<td>21,350,000</td>
<td>€ 5.90</td>
<td>47,378,815</td>
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<td>10</td>
<td>2.22</td>
<td>€ 125,942,815</td>
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<tr>
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<td>25,617,000</td>
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<td>€ 186,918,710</td>
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<td>18,373,000</td>
<td>€ 10.12</td>
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<td>11</td>
<td>1.86</td>
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<td>31,006,500</td>
<td>€ 14.47</td>
<td>50,538,000</td>
<td>13</td>
<td>11</td>
<td>1.50</td>
<td>€ 448,698,840</td>
</tr>
</tbody>
</table>

* weighted average

**EUA auction clearing price formation**

The graph below shows the clearing price over time for the EUA auctions held in this reporting period. The auction on 11 July 2018 was cancelled due to insufficient coverage, thus the clearing price rose by €17.23 between the two EUA auctions. The volume weighted average price per allowance was:

€ 8.62
EUA auction clearing price formation

7 The graph below shows the clearing price compared to the ICE EUA futures price for the next December expiry at close the day of each auction. The 11 July 2018 EUA auction was cancelled due to insufficient coverage, the day futures price at the end of the auction day was €16.32. The graph shows that the auction clearing price was €0.11 below the end day futures price for the 25 July 2018 EUA auction. In this reporting period, the volume weighted average price differential € 8.22

![EUA clearing and futures prices](chart)

EUA cover ratio

8 The graph below shows the cover ratio (allowances bid for divided by allowances auctioned) for the auctions held in this reporting period. The cover ratio for the 11 July 2018 EUA auction was 0.99 therefore providing insufficient coverage for the auction to clear. For the 25 July 2018 EUA auction the cover ratio was 1.83. Across this auctioning reporting period:

16.154m EUA allowances were bid for (rounded), and
1.41 was the volume weighted average cover ratio.

![EUA cover ratio](chart)
Number of bidders and successful bidders for EUA auctions

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

11 was the average number of bidders per EUA auction, and
4 was the average number of successful bidders per EUA auction.

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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 successful auctions held this reporting period. Across the period:

565,600 to 954,364 was the range of allowances bid for on average, and
820,214 to 820,214 was the range of allowances awarded on average.

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Section 2: Implementation and compliance with the applicable rules

Fair and open access

11  ICE Futures Europe provides full details of the admissions process [9] 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 [10] 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.


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 Procedures [12] 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  No irregularities or deviations from the requirements occurred regarding the auctions or the clearing and settlement processes.

Conclusion

Comments by the auction platform

18  There was one auction cancelled during this period (11 July 2018) in accordance to Article 7(5) of Regulation (EU) No. 1031/2010. This auction carried a legacy volume from a previous cancelled auction (16 May 2018) and this volume was added on to the next auction. The original volume of allowances from the cancelled auction was spread across the four auctions starting from 08 August 2018. ICE Future Europe took the necessary steps to inform the market of the cancellation published an updated auction calendar for 2018 with revised volumes for the affected auctions following the cancelled auction [13].
Description of how comments have been taken into account

19 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.
For more information please contact: euetsauctionplatform@beis.gov.uk

[12] https://www.theice.com/futures_europe_complaints.jhtml