

# EU Emissions Trading Scheme (ETS) – Consultation on design and organisation of emissions allowance auctions

This document is the questionnaire for this consultation. The survey contains **4** initial questions (A-D) to identify respondents, **86** questions for which responses will be made public and **4** questions that are classified confidential, must be sent directly to the European Commission and will not be made public. The questions that are classified potentially confidential are on two separate pages (2 questions on each page) and highlighted in green boxes.

## Period of consultation

From 3 June 2009 to 3 August 2009 inclusive

## How to submit your contribution

This consultation seeks to obtain feedback from all categories of stakeholders regarding the different aspects of auction design and implementation covered in the Consultation Paper.

We are sorry for the inconvenience, but the web-based survey is not available yet. If participants wish to complete the survey on this document and send their contributions back to [contact\\_ets\\_auctions\\_consultation@icfi.com](mailto:contact_ets_auctions_consultation@icfi.com) their responses can be accepted in this format. The web-based survey will be available as soon as possible if participants wish to wait till that is available.

**Received contributions will be published on the Internet. It is important to read the specific privacy statement attached to this consultation for information on how your personal data and contribution will be dealt with.**

## Specific privacy statement

"Received contributions, together with the identity of the contributor, will be published on the Internet, unless the contributor objects to publication of his or her personal data on the grounds that such publication would harm his or her legitimate interests. In such cases the contribution may be published in an anonymous form. Otherwise, the contribution will not be published nor will, in principle, its content be taken into account. Responses for questions deemed confidential in the consultation will not be available for view on the website irrespective of contributor objecting or not. "

## Instructions to filling out the questionnaire

- Questions may only be answered in designated response fields
- For certain multiple choice questions, simply click on box to indicate choice
- Answer [Y/N] questions by typing “y” / “Y” or “n” / “N” on underlined area ( \_\_\_ )
- Some responses require explanations, additional comments and detailed answers. These will either be identified by underline ( \_\_\_ ) or an answer section (A: \_\_\_ ). The amount of text that can be entered here is unlimited.
- After completing the survey, please save and send to [contact\\_ets\\_auctions\\_consultation@icfi.com](mailto:contact_ets_auctions_consultation@icfi.com)
- If any questions seem unclear in context or for method of response, please mail [contact\\_ets\\_auctions\\_consultation@icfi.com](mailto:contact_ets_auctions_consultation@icfi.com) to clarify

**Thank you**

## Section 1: Questions to categorize participants

### Question A

Name of Company/Organization: RWE

Principal nature of activities: Utility

Number of employees in 2008:

World-wide 65908 Europe-wide \_\_\_\_\_

Turnover in 2008:

World-wide €49bn Europe-wide \_\_\_\_\_

### Question B

Type of respondent:

- Member State
- Company operating one or more installations covered by the EU ETS
- Electricity generators
  - Energy companies other than electricity generators
  - Industrial sectors
  - Aviation
  - Other. Please specify: \_\_\_\_\_

Approx Annual Emissions: 172 million tCO<sub>2</sub>

- Intermediary
- Financial institution*
  - Trading arm of non-financial institution*
  - Other. Please specify* \_\_\_\_\_
- Trader on own account
- Financial institution*
  - Trading arm of non-financial institution*
  - Other. Please specify* \_\_\_\_\_

- Regulated market
  - Carbon only
  - Carbon and electricity
  - Carbon and other energy products
- Other carbon market
  - Multilateral trading facility trading carbon derivatives
  - Carbon exchange trading spot carbon
  - Other. Please specify \_\_\_\_\_
- Clearing house
- Central counterparty
- Other (multiple choices apply)
  - Non-governmental organisation
  - Trade association
  - Carbon analyst
  - Carbon publication
  - Academic
  - Other. Please specify \_\_\_\_\_

### **Question C**

***Contact details will not be made public.***

## Question D

*Questions relating to the "Specific privacy statement" above.*

- Do you object to publication of your personal data because it would harm your legitimate interests? [Y/N]

If so, please provide an explanation of the legitimate interests that you think will be harmed:

A:

- Are any of your responses confidential? [Y/N]

If so, please indicate which ones and provide an explanation:

A:

## Section 2: Survey questions (86) and potentially confidential questions (4)

### Question 1

As a general rule throughout the trading period, in your opinion, are early auctions necessary? [Y/N] y

If so, what should the profile of EUA auctions be?

- 5-10% in year n-2, 10-20% in year n-1, remainder in year n
- 10-20% in year n-2, 20-30% in year n-1, remainder in year n
- 20-30% in year n-2, 30-35% in year n-1, remainder in year n
- Other? Please specify:

10% in year n-3, a further 30-50% year n-2 and the remaining 40-60% in year n-1 and any residual in year n. (Put cumulatively, 10% of allowances for a specific year n would be sold in year n-3, up to 60% by year n-2 and 100% by year n-1.)

To hedge efficiently, the power sector needs to be able to lock in the price for fuel and emissions allowances at the same time as the electricity output is sold forward. Hedging profiles will vary between markets, but the vast majority of baseload electricity (up to 95%) of the electricity will be sold at least a year in advance and a significant portion (40-60% say) two years in advance (and some will be sold more than two years out). The failure to be able to buy emissions allowances in the same timescales could have one or both of the following undesirable consequences:

- the creation of an artificial shortage of allowances, and unduly high prices for emissions and electricity, as buying interest is not met by sales. (As observed at the start of Phase 1, when the shorts bought, but the longs retained their allowances until they became more certain of their compliance requirements in a market that was fundamentally very long.)
- illiquidity in the forward electricity market consequent on an inability/unwillingness to sell power forward because of the inability to complete the hedge for the emissions leg which could also directly raise electricity risk management premiums and prices.

As the emissions cap tightens, governments will be the main "long" players in the market as sellers of allowances and the carry over of unused project credit quotas from Phase 2 is unlikely to offset the forward demand for allowances. This makes the early auctioning of allowances from the end of 2010 an absolute pre-requisite for the efficient functioning of the power and emissions markets from 2013 onwards.

### Question 2

Do you think there is a need to auction futures? [Y/N] Y

If so, why?

A: Further to the answer to question 1, the forward hedging demand for allowances needs to be met by commensurate forward sales of allowances. The natural party to make these sales are governments as the main (perhaps only) parties that are "long" allowances. The sale of futures also provides Governments with the benefit of more stable and predictable revenues streams which might in itself prove attractive at a time of relative tightness of the public finances.

In the absence of government sales of futures, market participants would normally have the choice of buying spot allowances and holding them until compliance or buying a future from a third party (who may or may not buy the spot allowances to hedge the sale and/or be taking a speculative view on future prices). Once spot market sales/auctions are established, there should be no systemic price differences between the price of the spot allowances and the futures price once the cost of buying and holding (the "cost of carry") is accounted for.

However, it appears that there are significant practical and platform/registry constraints that will prevent the sale of spot allowances before 2012. This creates a gap between the forward purchase requirements and the availability of the underlying allowances which can only be filled by speculative capital (ie, someone going short by selling allowance futures which are not covered by physical allowances). Given the value involved (running into the tens of billions of Euros) and at a time when credit remains expensive and regulators are looking at ways to reign in speculative activity, the premiums paid to fill this gap are likely to be excessive and inefficient, with the associated knock on consequences to power prices. Given the hedging requirements outlined in the answer to question 1, it therefore becomes imperative that Governments auction futures for 2013, 2014 and 2015 from as early as 2010 to cover the lack of availability of the spot allowances until 2012 or later.

### Question 3

What share of allowances should be auctioned spot and what share should be auctioned as futures for each year?

	SPOT	FUTURES
• year n	: ___%	___%
• year n-1	: ___%	___%
• year n-2	: ___%	___%

Please provide evidence to support your case.

A: The answer to this question is different pre- and post-2013. Before 2013 and until such point as the spot allowances become available, then 100% of the next year's demand

should have auctioned by year n-1, 60% by year n-2 and 10% by n-3 as 100% futures. (For example, in 2012, 10% of the allowance volume for 2015 should have been sold as futures, 60% of the volumes for 2014 as futures and 100% of the 2013 volumes.) Once the spot allowances become available, a combination of spot and futures sales could be pursued, although this may not be necessary. Specifically, by then we would expect the early auction of spot allowances - and the choice to buy and hold - to be able to contribute sufficient liquidity in the secondary futures markets to allow governments to revert to auctioning 100% spot and no futures for the remainder of the period (albeit with the sales of spot allowances being front loaded up to 3 years in advance).

*NB: The answer to this question will be published as part of the public consultation. Please do not submit confidential information as part of your answer to this question.*

#### **Question 4**

Should the common maturity date used in futures auctions be in December (so the maturity date would be December in year n, both when auctioning in year n-2 as when auctioning in year n-1)? [Y/N] y

If not, please suggest alternative maturity dates and provide evidence to support your view.

A: It is essential that the maturity date in any futures auctions corresponds with the delivery dates in the current secondary market. Different dates would fragment liquidity and introduce unnecessary and damaging basis risk between the purchase of allowance futures from governments and the delivery date of any resale in the secondary futures and forwards markets.

**This page contains two questions that will not be made public. These questions cannot be completed on this document**

**Request for potentially confidential information 1**

Please send the answer to this question in paper and electronic format, marked on the envelope "Strictly Private and Confidential – Auctioning consultation", directly to the European Commission, DG ENV, Directorate C, Unit C2, to the attention of the Head of Unit, Office BU-5 2/1, 1049 Brussels, Belgium. It will be treated confidentially and will not be disclosed publicly.

For ETS operators: what share of your expected emissions covered by the EU ETS in a given year n do you hedge and how much in advance?

- year n : \_\_\_\_\_%
- year n-1 : \_\_\_\_\_%
- year n-2 : \_\_\_\_\_%
- earlier years (please specify) : \_\_\_\_\_%

**Request for potentially confidential information 2**

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What share of the annual quantity of allowances you intend to purchase *via* auctions would you wish to buy spot or futures respectively?

- |            | SPOT     | FUTURES |
|------------|----------|---------|
| • year n   | : _____% | _____%  |
| • year n-1 | : _____% | _____%  |
| • year n-2 | : _____% | _____%  |

Please specify whether you are an:

- ETS operator; or
- Other participant.

### Question 5

For spot auctions:

What should be the **optimum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: Daily

What should be the **minimum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify:

What should be the **maximum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: Daily

Please provide arguments to support your case.

A: Auctioning daily would minimise the impact on the secondary market. Even with projected daily volumes of 50-60 million, a single auction event every month at 80 million would dominate and distort trading for that day and the day's approaching the auction. Auctions therefore need to take place at least weekly, but even there 20 million allowances is still relatively large even when compared to projected volumes of 50-60 million never mind current average daily traded volumes of around 15 million tonnes.

The perceived efficiency of "bundling" allowances together to make it worth the effort of organising a discrete sale is also based on a potentially misleading perception of the auctions as a discrete and separate "event" from the daily business of buying and selling allowances. In our view, by far the best way to approach the questions surrounding the efficiency of the disposal method is to ask whether it is actually necessary to develop bespoke auction platforms, procedures, payment architectures etc at all when these duplicate those already present on existing carbon, power and other commodity trading

exchanges and platforms. Many exchanges - including those that should be candidates to operate the auctions - routinely deal with power and other commodities on a daily basis and emissions should follow a similar track.

### Question 6

For spot auctions, what should be the:

- Optimum auction size? 5-10 million
- Minimum auction size? None if sold via existing platforms
- Maximum auction size? 10 million

If deemed appropriate, please indicate a range and/or distribution over different sizes.

Please provide arguments to support your case.

A: Any auction should be capable of being routinely and readily absorbed by the market. Although daily volumes may increase over time, with daily volumes running around 15 million currently, it would be prudent to adopt a cautious approach to the maximum volumes to be auctioned, especially since it would be more efficient all round to ensure a small, steady trickle of allowances into the market.

### Question 7

For futures auctions:

What should be the **optimum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: Daily. Governments should be willing to sell futures in advance of 2013. This should be done via existing market platforms on a routine and regular basis.

What should be the **minimum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: \_\_\_\_\_

What should be the **maximum** frequency of auctions?

- Weekly?
- Fortnightly?
- Monthly?
- Quarterly?
- Other? Please specify: Daily

Please provide arguments to support your case.

A:As with spot allowances, it is important that any distortion to the secondary markets in kept to a minimum by ensuring regular auctions of small volumes.

### Question 8

For futures auctions, what should be the:

- Optimum auction size? 5-10 million
- Minimum auction size? None via existing platforms
- Maximum auction size? 10 million

If deemed appropriate, please indicate a range and/or distribution over different sizes.

Please provide evidence to support your case.

A:As with the spot allowances, it is important that the volume of sales is modest in comparison to the daily trading volumes. That said, a balance also needs to be struck between the likely delay to the start of auctioning and the ability to get all of the required 2013-2015 allowances out to the market in advance to meet the forward hedging demand. This may require a more aggressive auction schedule in the first year or two of auctions.

### Question 9

Should volumes of spot allowances be auctioned evenly throughout the year? [Y/N] y

If not, how should volumes be distributed? (more than one answer possible) Please specify:

- A larger proportion in the first 4 months of the year?
- A larger proportion in December?
- A smaller proportion in July and August?
- Other? Please specify: \_\_\_\_\_

### Question 10

In case futures are auctioned, should the volumes for spot and futures auctions be spread over the year in the same manner? [Y/N] y

If not, how should they differ? (more than one answer possible)

- No futures auctions less than six months before the maturity date.
- A larger proportion in December.
- A smaller proportion in July and August.
- Otherwise? Please specify how and comment: \_\_\_\_\_

### Question 11

Does the Regulation need to have provisions to avoid holding auctions during a short period of time before the surrendering date (30 April each year)? [Y/N] N

If yes, how long should this period be:

One week       2 weeks       3 weeks       1 month

In case futures are auctioned, should there be similar provisions with respect to the period immediately prior to the maturity date? [Y/N] N

If yes, how long should this period be:

One week       2 weeks       3 weeks       1 month

### Question 12

Which dates should be avoided? (more than one answer possible)

- Public holidays common in most Member States? \_\_\_\_\_
- Days where important relevant economic data is released? \_\_\_\_\_
- Days where emissions data are released? \_\_\_\_\_
- Other? Please specify: \_\_\_\_\_

Please specify the dates you have in mind in your answers.

### Question 13

Is a harmonised 10-12 hrs CET auction slot desirable? [Y/N] n

If not, what alternative(s) would you suggest?

A: Ideally there would be no formalised slot as the allowances would be released via the existing trading platforms in existing trading timescales. However, in the event that a discrete auction is held the 10-12 CET slot seems appropriate.

#### Question 14

How long in advance should each element of the calendar be determined?

Annual volumes to be auctioned:

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

Distribution of annual volumes over spot and futures (if applicable):

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

Dates of individual auctions:

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

Volume and product type for individual auctions:

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

Each auctioneer carrying out auction process (if more than one):

- 1 year in advance
- 2 years in advance
- 3 years in advance
- more years in advance

Please provide arguments to support your case.

A: It is essential that market participants know the absolute volumes and distribution of allowances types as far in advance as possible for the entire phase and that Member States commit to that release schedule. Ideally, this would also go as far as to specify the precise date, volumes and location of the release of the core volumes of allowances. To the extent that the final total is uncertain - due to new entrant reserves, non-allocation to closed installations etc - then a schedule for the "core" volume of allowances should still be set in advance, with published rules for adding in the "residual" allowances due to these changes.

### **Question 15**

What should be the volume of allowances to be auctioned in 2011 and 2012?

- in 2011: 60 % of the 2013 volume and 10% of the 2014 volume
- in 2012: 40% of the 2013 volume and 50% of the 2014 volume

What percentage of these shares should be auctioned as futures?

- in 2011: 100% of the 2013 share and 100% of the 2014 share
- in 2012: 100% of the 2013 share and 100% of the 2014 share

Please provide evidence to support your case.

A: The answer to this question is predicated on the inability to auction spot in advance of 2013 because of practical issues surrounding the delivery of the registry. However, if it is going to be possible to complete the registries and auction spot in advance of 2013, then spot auctions could - and indeed arguably should - replace the futures volumes described above.

### **Question 16**

What should be the rule with respect to allowances not auctioned due to *force majeure*?

- They should automatically be added to the next auction on the calendar, irrespective of the auction process.
- They should be auctioned within one month, though leaving flexibility as to which auction(s) the EUAs should be added.
- They should be auctioned within three months, though leaving flexibility as to which auction(s) the EUAs should be added.
- Other? Please specify: \_\_\_\_\_

### Question 17

Is 1,000 allowances the most appropriate lot size? [Y/N] Y

If not, why not?

A:

### Question 18

Is a single-round sealed-bid auction the most appropriate auction format for auctioning EU allowances? [Y/N] Y

If not, please comment on your alternative proposal?

A:

### Question 19

What is the most appropriate pricing rule for the auctioning of EU allowances?

- Uniform-pricing.
- Discriminatory-pricing.
- Indifferent.

Please provide arguments to support your case.

A: The auctions take place against the backdrop of an established market for both spot and forward allowances, which largely collapses any difference in the perceived theoretical merits of either approach. Discriminatory pricing would, however, raise an "information" barrier for those market participants (some of whom may be smaller) who are not regularly engaged in the market which could result in them overpaying for allowances.

Concerns relating to hoarding and cornering of the market are largely theoretical and cannot be addressed solely within the scope of the auctions, outside the wider context of the secondary market and the ultimate need to surrender allowances for compliance. The size of the market and the storability/fungibility of the commodity over time makes it highly unlikely that a successful hoarding strategy could be executed. Even if attempted it would have to be on a much grander scale than any one specific auction and would involve the repurchase of allowances via the secondary spot market. If it proves relatively expensive to buy in the auctions, arbitrage between primary and secondary markets would ensure that those who can/do buy cheaper in the auctions would be selling into the secondary spot market and prices would converge. Any theoretical benefit of discriminatory price auctions in discouraging hoarding behaviour therefore disappears in practice once the interplay between the primary and secondary markets is considered.

### Question 20

Should the rules for solving ties in the Regulation be:

- random selection; or  
 pro-rata re-scaling of bids?

Please comment on your choice.

A: Much of the theoretical literature surrounding collusion and signalling via auctions relates to the use of auctioning for products which are unique, constrained and difficult to value (eg, radio spectrums, airport slots, paintings etc) as opposed to standardised commodities where auctions are used because of their perishability (eg, flowers, fish) and/or because of a need for periodic market "clearing" sessions (eg, electricity, cars, cattle). The storability and fungibility of allowances - coupled with a continuous and active spot market - takes emissions allowances one step further still and the primary - indeed the only - reason to auction them is to disburse them to the market at a demonstrably fair price (as opposed to trying to "reveal" that price). Against the backdrop of non-perishability and a continuous and active spot market, any risk related to collusion and signalling is extremely remote and pro-rata scaling of bids is easy and well understood.

### Question 21

Should a reserve price apply?

A: No

### Question 22

In case a reserve price would apply, should the methodology/formula for calculating it be kept secret? [Y/N] N

Please comment on your choice.

A: Although the desire to avoid "targeting" of the reserve price algorithm is understandable, the opposing risk is that natural market volatility - rather than exceptional, uncontrollable "force majeure" style conditions - causes the reserve price to kick in when it shouldn't. As a consequence, if a reserve price is used then:

- it's imperative that it is designed to be non-binding in anything other than extreme circumstances (which would lead away from a simple discount to historic averages toward more sophisticated approaches based on likely volatility); and
- market participants should have the opportunity to review and comment on the methodology.

### **Question 23**

Is a maximum bid-size per single entity desirable in a Uniform-price auction?

[Y/N] N

Is a maximum bid-size per single entity desirable in a discriminatory-price auction?

[Y/N] N

Please comment on your choice.

A: Many market participants face very significant annual purchase requirements which may comfortably exceed the volumes available in any one auction. There would be nothing inherently wrong with a single participant successfully bidding for all of the allowances for one auction on one day. (Indeed some parties buying a lot of allowances is to be expected, rather than deemed to provide de facto evidence of an underlying problem or abuse.)

Moreover, the choice over when and how to buy is fundamental to the development of liquid and efficient markets and is crucial to ensure efficient price discovery and convergence across several auction platforms. Restricting this choice - through a maximum bid size - could force market participants into having to participate in some or all auctions and commit to a particular programme of purchases. This could lead to serious unintended consequences and distorted results for some auctions and would undermine efficiency and liquidity in the secondary markets. To the extent that market participants can ultimately buy allowances via the secondary market, a maximum bid size would also force unnecessary and inefficient inter-mediation via the secondary markets (ie, if you can't buy in the primary auction you are merely forced to buy in secondary market from someone who could buy in the primary auction).

### **Question 24**

If so, what is the desirable bid-size limit (as a percentage of the volume of allowances auctioned per auction – only one choice is possible):

- 10%:       15%:       20%:   
25%:       30%:       More than 30%:  Please specify: \_\_\_\_\_

Please comment on your choice.

A: There should be no bid size limit

### Question 25

In case only one of the two following options would be chosen, to limit the risk of market manipulation or collusion, which one would be preferable?

- A discriminatory-price auction format?  
 A maximum bid-size per single entity?

Please comment on your choice.

A: They are both bad ideas. The former is unnecessary, adds complexity and is damaging for market participants who are not routinely in the market, the latter risks serious distortion and inefficiency in the market.

### Question 26

Are the following pre-registration requirements appropriate and adequate?

*Identity:*

- Natural or legal person;  
 Name, address, whether publicly listed, whether licensed and supervised under the AML rules; membership of a professional association; membership of a chamber of commerce; VAT and/or tax number;  
 Contact details of authorised representatives and proof of authorisation; and  
 CITL-Registry account details.  
 Anything else? Please specify: Bank account details

*Declarations with respect to the past 5 years on absence of:*

- Indictment or conviction of serious crimes: check corporate officers, directors, principals, members or partners;
- Infringement of the rules of any regulated or unregulated market;
- Permits to conduct business being revoked or suspended;
- Infringement of procurement rules; and
- Infringement of disclosure of confidential information.
- Anything else? Please specify: \_\_\_\_\_

*Declarations and submission of documentation relating to:*

- Proof of identity;
- Type of business;
- Participation in EU ETS or not;
- EU ETS registered installations, if any;
- Bank account contact details;
- Intended auctioning activity;
- Whether bidding on own account or on behalf of another beneficial owner;
- Corporate and business affiliations;
- Creditworthiness;
- Collateral; and
- Whether it carries out transactions subject to VAT or transactions exempted from VAT.
- Anything else? Please specify: Any additional background checks should be consistent with - and should not go further than - standard anti-money laundering rules and checks by existing exchange platforms. Indeed, this is yet another compelling reason why auctions should be conducted via existing trade platforms rather than going to the unnecessary duplication and inefficiency associated with the development of a parallel bespoke platform.

**Question 27**

Do you agree that the pre-registration requirements for admittance to EU auctions should be harmonised throughout the EU?

Yes  No

Please comment on your choice.

A: Dealing with ad hoc - and potentially unending - checks on a national basis would raise huge barriers to pan-European participation in every potential auction.

### Question 28

Should the amount of information to be supplied in order to satisfy the pre-registration requirements for admittance to EU auctions depend on the:

- means of establishing the trading relationship;
- identity of bidder;
- whether auctioning spot or futures;
- size of bid;
- means of payment and delivery;
- anything else? Please specify: \_\_\_\_\_

If so, what should the differences be?

A: Standard Know-Your-Customer checks in line with the anti-money laundering rules depend on the identity of the bidder (eg, whether or not they are a publicly listed company, individual etc) and the means of establishing a trading relationship (eg, whether that relationship is direct or is intermediated by a regulated exchange platform which has already performed the relevant checks.

### Question 29

Should the bidder pre-registration requirements under the Regulation apply in the same manner irrespective of whether or not the auctioneer is covered by the MiFID or AML rules? [Y/N] Y

A: The intent should be to apply the same rules irrespective of the auctioneer. To the extent that existing platforms are covered by the MiFID/AML etc, then there would be no need for the Regulation to specify additional checks (but merely to acknowledge that those checks are deemed to have been undertaken). In the event, that the auctioneer is not covered directly by the rules then the Regulation may need to require the application of the same standard tests under the MiFID/AML rules. Advice however should be taken on precisely when an auction platform would and would not be covered by MiFID rules since - on the face of it - a bespoke auction platform for futures would seem to constitute a multi-lateral trading facility for the buying and selling of an instrument covered by MiFID.

If not, why not?

A:

Please provide arguments to support your case.

### Question 30

Do you agree that the auctioneer(s) should be allowed to rely on pre-registration checks carried out by reliable third parties including: [Y/N] Y

- Other auctioneers?
- Credit and/or financial institutions?
- Other? Please specify: Other auctioneers operating regulated markets (under the MIFID definition)

Please comment on your choice.

A: Although the auctioneer may retain the primary responsibility to make the checks, it seems reasonable to allow some flexibility to rely on checks already performed by verifiable and recognised third-parties.

### Question 31

In order to facilitate bidder pre-registration in their home country, should the auctioneer(s) be allowed to provide for pre-registration by potential bidders in other (or all) Member States than the auctioneer's home country e.g. by outsourcing this to a reliable third party?

Yes  No

Please comment on your choice:

A: Just as there should be some flexibility in accepting checks by third parties, there should be scope to "passport" any approval to other countries to reduce the overall compliance burden.

If so, should such entities be:

- Covered by the AML rules?
- Covered by MiFID?
- Covered by both?
- Other? Please specify: \_\_\_\_\_

Please comment on your choice:

A: The nature of the checks means that they should be performed by a competent entity with the experience of performing checks under the MIFID/AML rules, eg, an existing exchange.

### Question 32

Should the Regulation prohibit the multiplicity of pre-registration checks in the case of Member States auctioning jointly?

Yes  No

Please comment on your choice.

A: A requirement to satisfy several - essentially identical - checks to access a single platform seems futile.

### Question 33

Do you agree that the *level* of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions? [Y/N] N

If so, how should they be harmonised?

A:

If not, why not?

A: Allowances - whether spot or futures - should be sold via existing trading platforms with their own bespoke collateral rules. This is less of an issue for spot, where "collateral" is really only required for a very short period of time, but for futures collateral rules can involve highly sophisticated analysis of future potential price movements, probability of default etc etc and it would be difficult, nigh on impossible, to

attempt to impose a standard methodology. Neither would this necessarily lead to an efficient reduction risk and/or an increase in efficiency. For example, where several products are traded on a single exchange, collateral rules may permit for netting of offsetting positions. The establishment of a separate bespoke trading platform would therefore require the carve out of a separate "collateral" pool solely for emissions futures bought in a primary auction, which could lead to a net increase in overall risk and a reduction in the capital efficiency. Again, this provides another compelling justification for any futures auctions to take place on existing platforms.

### Question 34

Do you agree that the *type* of collateral accepted in EUA auctions should be harmonised for all EU ETS auctions? [Y/N] N

If so, how should they be harmonised?

A:

If not, why not?

A:As in the answer to question 33, the auction regulation should not be the place to "reinvent" duplicate collateral methodologies to run in parallel to those on existing trade platforms.

### Question 35

Do you agree that 100% collateral in electronic money transfer ought to be deposited up-front at a central counterparty or credit institution designated by the auctioneer to access spot auctions? [Y/N] Y

If not, why not?

A:

What alternative(s) would you suggest? Please provide arguments to support your case:

A:

### Question 36

In case futures are auctioned, should a clearing house be involved to mitigate credit and market risks? [Y/N] Y

If so, should specific rules – other than those currently used in exchange clearing houses – apply to:

- the level of the initial margin;
- the level of variation margin calls;

the daily frequency of variation margin call payments?

If you have answered yes, please justify and elaborate on the rules that should apply and the mechanisms to implement them:

A: Any sale of futures should take place on existing platforms and via existing clearing houses. The development of a bespoke rules should be developed for emissions allowances is neither necessary nor efficient.

### Question 37

What are the most preferable payment and delivery procedures that should be implemented for auctioning EUAs?

- Payment before delivery.  
 Delivery versus payment.  
 Both.

Please comment on your choice.

A: The results of spot auctions need to be firm and hence the possibility of non-payment should be avoided by advance payment. That said, payment and delivery should take place as close to the conclusion of the auction as is possible and in any event within the same day.

### Question 38

Irrespective of the payment procedure, should the Regulation fix a maximum delay of time for payment and delivery to take place? [Y/N] Y

If yes; what should it be?

- 4 working days  
 5 working days  
 6 working days  
 7 working days

Other? Please specify: Same day

### Question 39

Should the Regulation provide any specific provisions for the handling of payment and delivery incidents or failures? [Y/N] N

If yes, what should they be?

A: The use of existing platforms and/or advance payment should hopefully avoid the need for these rules in the Regulation, but backstop provisions may nevertheless be required if this is not the case.

#### Question 40

Should the Regulation provide for all matters that are central to the very creation, existence and termination or frustration of the transaction arising from the EUA auctions? [Y/N] Y

If not, why not?

A: The purpose for doing so should be clear, ie, to ensure that the terms and conditions mirror those prevailing in the existing secondary markets and to prevent the imposition of different terms in some auctions or member states.

If so, are the matters enumerated below complete? [Y/N] Y

- The designation of the parties' to the trade.
- The characteristics of the auctioned product:
  - Nature: EUAs or EUAAs, trading period concerned.
  - Date of delivery: date at which winning bidders will receive the allowances on their registry account.
  - Date of payment: date at which payment will be required from winning bidders.
  - Lot size: number of allowances associated with one unit of the auctioned good.
- Events of 'force majeure' and resulting consequences.
- Events of default by the auctioneer and/or the bidder and their consequences.
- Applicable remedies or penalties.
- The regime governing the judicial review of claims across the EU.

If not, what additional matters should be foreseen in the Regulation and why?

A:

#### Question 41

Should the Regulation provide for rules on jurisdiction and the mutual recognition and enforcement of judgments? [Y/N] Y

If so, should these be:

- specific to the Regulation;
- by reference to the Brussels I Regulation;
- by citing exceptions from the Brussels I Regulation;
- by citing additions to the Brussels I Regulation?

Please comment on your choice:

A:

If not, why not?

A:

#### **Question 42**

Which auction model is preferable?

- Direct bidding?
- Indirect bidding?
- Both?

Please comment on your choice.

A: The central design of the auctions should therefore be focused on direct bidding by compliance buyers and other market participants. The indirect model used in the UK currently is highly irregular and inefficient in that it:

- unnecessarily forces compliance buyers to go through intermediaries to buy allowances;  
and

- requires anyone want to participate directly to hold themselves out as an intermediary to bid on behalf of others (which may have compliance and qualification issues).

The primary focus of emissions trading is environmental delivery via the reduction in emissions of compliance buyers and to therefore exclude compliance buyers from the primary means for disbursing allowances is perverse. Moreover, allowing direct market participation does not prevent indirect participation: indeed in most markets, most buyers would still choose to go through a reseller rather than enter the wholesale traded market directly themselves. Just as most people buy their flour from the supermarket rather than Cargill or the farmer, many compliance buyers may find it more convenient to buy allowances via their bank, energy supplier etc than to directly participate in the auctions. This is a natural and efficient process and limited resources should be expended on designing bespoke "indirect" solutions within the auctions themselves to cater for a process which is likely to occur naturally in any case. That said, if governments

nevertheless want to secure an alternative indirect route to the auctions - rather than rely on the market to provide one - then this can easily be done by selecting/procuring one or several "agency" bidders to provide this as an added value service.

### Question 43

If an indirect model is used, what share of the total volume of EU allowances could be auctioned through indirect bidding? None

Please provide arguments to support your case.

A: The service of indirect bidding (whether provided by the market or explicitly contracted) does not require the identification of a separate "pot" of allowances, nor would this be a good idea as it would raise the prospect of inefficient attempts to arbitrage between the respective pools.

### Question 44

If the primary participants model is used, what provisions would be desirable for mitigating disadvantages of restricting direct access (more than one answer is possible):

- Allow direct access to largest emitters, even if they trade only on their own account?  
If so, who should have direct access and what thresholds should apply? all emitters should be able to participate without the obligation to bid on behalf of indirect bidders
- Disallow primary participants trading on their own account?
- Impose strict separation of own-account trading from trading on behalf of indirect bidders?
- Other? Please specify: \_\_\_\_\_

### Question 45

If the primary participants' model is used, what conflict of interest requirements should be imposed? (more than one answer possible)

- Separation of client registration and trading on behalf of clients from all own account trading activities.
- Separation of collateral management, payment and delivery on behalf of clients from all own account trading activities.
- Separation of anything else, please specify: \_\_\_\_\_

#### Question 46

What obligations should apply to primary participants acting in EU-wide auctions as:

- Intermediaries? A: The "primary participant" model should not be used and neither should it be necessary to impose obligations on intermediaries one
- Market makers? A: The emissions market already has many competing participants providing two way prices, there is absolutely no need to mandate or procure an explicit market maker and neither would the auctioning regulation be the appropriate place to do so.

Please provide arguments to support your case.

#### Question 47

Under what conditions should auctioning through exchanges be allowed (more than one answer possible):

- Only for futures auctions open to established members of the exchange?
- Also for spot auctions open to established members of the exchange?
- Only when the exchange-based auction is open to non-established members on a non-discriminatory cost-effective basis?
- Other? Please specify: \_\_\_\_\_

Please provide arguments to support your case.

A: The advantage of using existing platforms is that the auctions can piggy back on existing pre-qualification rules and the existing payment, margining and clearing architecture. There should be no need to duplicate these platforms by "reinventing the wheel" with a purpose built bespoke platform. While some means of ensuring that non-established members can participate via existing platforms (via the application of similar and appropriate pre-qualification checks) will be required - this should be no more onerous than the pre-qualification checks that would in any case be required on a bespoke platform. That's not to say that access and participation needs to be onerous nor that joining the exchange is either necessary or desirable. Many exchanges have a distinction between clearing members and general clearing members (who provide services on agency basis to others). Moreover, non-members can also readily "access" the prices and volumes in the exchanges via their arrangements with third-parties (ie, buying their needs at a price linked to the auction outturn).

#### **Question 48**

Should direct auctions be allowed through:

- 1) Third party service providers? [Y/N] Y
- 2) Public authorities? [Y/N] N

Please comment on your selection:

A: It is unnecessary to duplicate the systems, procedures, contracts etc when allowances can be readily sold via existing trading platforms.

#### **Question 49**

Do the general rules for auctioning EUAs suffice for ensuring full, fair and equitable access to allowances to SMEs covered by the EU ETS and small emitters? [Y/N] Y

If not, why not?

A:

#### **Question 50**

Is allowing non-competitive bids necessary for ensuring access to allowances to SMEs covered by the EU ETS and small emitters in case of:

- discriminatory-price auctions? A: No - there would be no ready, fair or undistorted means to arrive at the price paid by the non-competitive bidders and this would generate attempts to game between competitive and non-competitive portions.

- uniform-price auctions? A: Non-competitive bids are wholly unnecessary in a uniform price auction, since the same effect can be achieved by bidding above the current market price.

### Question 51

If non-competitive bids are provided for in spot auctions, what maximum share of allowances could be allocated through this route?

- 5%
- 10%
- Other? Please specify: None

Please comment on your choice.

A:

### Question 52

What rule should apply for accessing non-competitive bids (more than one answer possible):

- Participants should only be allowed to use one of the two bidding routes?
- Non-competitive bids should be restricted to SMEs covered by the EU ETS and small emitters only?
- Other? Please specify: \_\_\_\_\_

Please comment on your choice.

A: Non-competitive bids should not be used.

### Question 53

What should be the maximum bid-size allowed for SMEs covered by the EU ETS and small emitters submitting non-competitive bids?

- 5 000 EUAs
- 10 000 EUAs
- 25 000 EUAs
- Over 25 000 EUAs, please specify exact size and give reasons for your answer: \_\_\_\_\_

### Question 54

Are there any other specific measures not mentioned in this consultation that may be necessary for ensuring full, fair and equitable access to allowances for SMEs covered by the EU ETS and small emitters? [Y/N] Y

If so, please specify:

A: Although most of the issues have been mentioned, it's important to recognise that the simpler, more efficient the auction arrangements are the easier and cheaper it will be for SMEs to access their allowances. Many of the suggested "refinements" to a simple auction methodology are actually more likely to introduce distortions, inefficiency and unexpected consequences and they are completely unnecessary given the parallel presence of a liquid, transparent secondary market.

### Question 55

What should be the minimum period of time before the auction date for the release of the notice to auction?

2 weeks       1 month       2 months

Other  Please specify: Ideally the entire auction calendar for Phase 3 should be set in advance of the Phase

Please comment on your proposal.

A:

### Question 56

What should be the minimum period of time before the auction date for the submission of the intention to bid?

1 week       2 weeks       1 month

Other  Please specify: An intention to bid should be possible up until shortly before the auction - say a day at most - albeit pre-qualification checks may need a longer time horizon

Please comment on your proposal.

A:

### Question 57

Are there any specific provisions that need to be highlighted in:

- The notice to auction?
- The intention to bid?
- Both?

Please specify what they are.

A: Any deviations from the pre-agreed auction schedule and volumes and specifically any changes to the volumes resulting from the release of NER's, or unallocated allowances (eg, following closure).

### Question 58

What information should be disclosed after the auction:

- Clearing price (if allowances are awarded on a uniform-price basis or in the case of non-competitive bids being allowed)?
- Average price (if allowances are awarded on a discriminatory-price basis)?
- Any relevant information to solve tied bids?
- Total volume of EUAs auctioned?
- Total volume of bids submitted distinguishing between competitive and non-competitive bids (if applicable)?
- Total volume of allowances allocated?
- Anything else? Please specify: Number of participants

### Question 59

What should be the maximum delay for the announcement of auction results?

- 5 minutes       15 minutes       30 minutes   
1 hour

Other  Please specify: \_\_\_\_\_

Please comment on your proposal.

A: It's really important that the results - and hence one's current trading position, are known as soon as possible and this should take no longer than 15 minutes.

### Question 60

Do you feel that any specific additional provisions should be adopted in the Regulation for the granting of fair and equal access to auction information? [Y/N] Y

If so, what may they be? The auction results should be published as well as being disclosed to the participants.

### Question 61

Should an auction monitor be appointed centrally to monitor all EU auctions?

[Y/N] Y

If not, why not?

A:

### Question 62

Do you agree that the Regulation should contain general principles on [mark those that you agree with, ]:

the designation and mandate of the auction monitor; and

cooperation between the auctioneer(s) and the auction monitor?

If not, why not?

A:

Should these be supplemented by operational guidance, possibly through Commission guidelines? [Y/N] Y

If not, why not?

A:

### Question 63

Is there a need for harmonised market abuse provisions in the Regulation to prevent insider dealing and market manipulation? [Y/N] N

If not, why not?

A: The regulation deals with the primary sale of allowances and the observed conduct in the auctions themselves will not provide any information about whether or not any form of manipulation or abuse has occurred. At best you'll know that someone bought a lot of allowances, which given that some participants actually do have to buy a lot of allowances, isn't going to provide much of an insight. The regulation cannot and should not hope to cover conduct in the secondary and derivatives markets in allowances not

least since these are already covered by existing financial services rules covering market manipulation and insider trading - inter alia under the Market Abuse Directive and the rules adopted by the trading platforms and exchanges themselves. Moreover, fraud, bribery and anti-trust provisions exist which would prohibit organised and concerted action either between bidders or between a bidder and the auctioneer. Instead of attempting to duplicate or supplement these provisions - and the associated enforcement provisions and authorities - it would be far better to assess whether there are any specific characteristics of the emissions market (ie, not the auctions themselves) that would require amendments to those existing provisions. Indeed in this area the Commission is already investigating the development of the a bespoke market integrity regime to cover the power, gas and emissions markets.

Please comment on your choice outlining the provisions you deem necessary and stating the reasons why.

A: Individuals operating the auctions may at times be privy to information that could be deemed inside information (eg, that an auction only had one registered bidder, surprise results that could move the market once published etc). In terms of the execution of the auctions it will therefore be necessary to adopt measures which impose confidentiality obligations, restrict the parties with access to information (via an "insiders list"), and the conduct of those parties (ie, preventing them or any related persons - partners, parents, friends - from trading in allowances).

#### **Question 64**

Should the Regulation provide for harmonised enforcement measures to sanction [mark those that you agree with, ]:

Non-compliance with its provisions?

Market abuse?

Please provide arguments to support your case.

A: As addressed in question 63, market abuse should be left to the financial markets regime. In other areas of the Regulation though, and in the absence of alternative routes for enforcement, there seems a need for mechanisms to enforce the obligations imposed by the Regulation itself.

#### **Question 65**

Should the enforcement measures include [mark those that you agree with, ]:

- The suspension of the auctioneer(s) and/or bidders from the EU-wide auctions?  
If so, for how long should such suspension last? \_\_\_\_\_
- Financial penalties?  
If so, at what level should such penalties be fixed? \_\_\_\_\_
- The power to address binding interim decisions to the auctioneer(s) and/or bidders to avert any urgent, imminent threat of breach of the Regulation with likely irreversible adverse consequences?
- Anything else? Please specify: \_\_\_\_\_

Please provide arguments to support your case.

A:

### Question 66

Should such enforcement measures apply at:

- EU level?
- National level?
- Both?

Please comment on your choice.

A:

### Question 67

Who should enforce compliance with the Regulation (more than one answer is possible):

- The auction monitor?
- The auctioneer?
- A competent authority at EU level?
- A competent authority at national level?
- Other? Please specify: \_\_\_\_\_

Please provide evidence to support your case.

A: The auction monitor should act as the investigatory authority, but with a competent authority taking the decision on any enforcement. The authority has to be at an EU level to cover off the possibility of a national effort to distort the outcomes of the auctions (eg, by unwritten attempts to restrict the auctions to national bidders alone).

### Question 68

Which of the three approaches for an overall EU auction model do you prefer? Please rate the options below (1 being the most preferable, 3 being the least preferable)

- 2 Limited number of coordinated auction processes.
- 1 Full centralisation based on a single EU-wide auction process.
- 3 The hybrid approach where different auction processes are cleared through a centralised system.

Please give arguments to support your case.

A: A coordinated process is required to ensure a steady, coordinated flow of allowances into the market and harmonisation of the terms and conditions of sale. That coordinated approach should, however, be executed by using existing market trading platforms to undertake the auctions themselves, thereby avoiding any undue duplication of existing systems and payment/clearing structures.

### Question 69

If a limited number of coordinated auction processes develops, what should be the maximum number?

- 2
- 3
- 5
- 7
- more than 7, please specify: \_\_\_\_\_

Please give arguments to support your case.

A: Auction processes should be centralised and executed via existing platforms.

### Question 70

Is there a need for a transitional phase in order to develop gradually the optimal auction infrastructure? [Y/N] N

If so, what kind of transitional arrangements would you recommend? There is no need to develop any new auction infrastructure, optimally, gradually or otherwise.

### Question 71

Should the Regulation impose the following requirements for the auctioneer(s) and auction processes? [mark those that apply, ]:

*Technical capabilities of auctioneers:*

- capacity and experience to conduct auctions (or a specific part of the auction process) in an open, fair, transparent, cost-effective and non-discriminatory manner;
- appropriate investment in keeping the system up-to-date and in line with ongoing market and technological developments; and
- relevant professional licences, high ethical and quality control standards, compliance with financial and market integrity rules.

*Integrity:*

- guarantee confidentiality of bids, ability to manage market sensitive information in an appropriate manner;
- duly protected electronic systems and appropriate security procedures with regards to identification and data transmission;
- appropriate rules on avoiding and monitoring conflicts of interest; and
- full cooperation with the auction monitor.

*Reliability:*

- robust organisation and IT systems;
- adequate fallback measures in case of unexpected events;
- minimisation of the risk of cancelling an individual auction once announced;
- minimisation of the risk of failing functionalities (e.g. access to the bidding platform for certain potential bidders); and
- fallback system in case of IT problems on the bidder side.

*Accessibility and user friendliness:*

- fair, concise, comprehensible and easily accessible information on how to participate in auctions;
- short and simple pre-registration forms;
- clear and simple electronic tools;
- (option of) accessibility of platforms through a dedicated internet interface;
- ability of the auction platform to connect to and communicate with proprietary trading systems used by bidders;
- adequate and regular training (including mock auctions);
- detailed user guidance on how to participate in the auction; and
- ability to test identification and access to the auction.

Please elaborate if any of these requirements need not be included.

A:

Please elaborate what additional requirements would be desirable.

A:

### **Question 72**

What provisions on administrative fees should the Regulation include (more than one answer is possible)?

- General principles on proportionality, fairness and non-discrimination.
- Rules on fee structure.
- Rules on the amount of admissible fees.
- Other? Please specify: No fees

Please provide arguments to support your case.

A: The fees for the auctioneer should be covered out of auction revenues.

### **Question 73**

Should there be provisions for public disclosure of material steps when introducing new (or adapted) auction processes?

A: Yes

Should new (or adapted) auction process be notified to and authorised by the Commission before inclusion in the auction calendar?

A:Yes

#### Question 74

Which one of the following options is the most appropriate in case a Member State does not hold auctions (on time)?

- Auctions by an auctioneer authorised by the Commission.
- Automatic addition of the delayed quantities to those foreseen for the next two or three auctions.

What other option would you envisage? Please specify:

A:

#### Question 75

Should a sanction apply to a Member State that does not auction allowances in line with its commitments? [Y/N] Y

If so, what form should that sanction take?

A: Any volumes which are not sold should be redistributed to other Member States - on the basis of shares laid down in Article 10(2) - and auctioned by the other Member States at the earliest opportunity.

#### Question 76

As a general rule throughout the trading period, in your opinion, are early auctions necessary? [Y/N] Y

If so, what should the profile of EUAA auctions be:

- 5-10% in year n-2, 10-20% in year n-1, remainder in year n
- 10-20% in year n-2, 20-30% in year n-1, remainder in year n
- 20-30% in year n-2, 30-35% in year n-1, remainder in year n
- Other? Please specify: It is for the airline operators to indicate their preferred schedule, but by extension from the need for EUAs, early allocations would appear to be required to prevent artificial shortages developing in the aviation sector and any consequent spill over into the EUA sector.

**Question 77**

Do you think there is a need to auction EUAA futures? [Y/N] Y  
If so, why?

A: Similar reasoning would apply to EUA's

**This page contains two questions that will not be made public. These questions cannot be completed on this document**

**Request for potentially confidential information 3**

Please send the answer to this question in paper and electronic format, marked on the envelope "Strictly Private and Confidential – Auctioning consultation", directly to the European Commission, DG ENV, Directorate C, Unit C2, to the attention of the Head of Unit, Office BU-5 2/1, 1049 Brussels, Belgium. It will be treated confidentially and will not be disclosed publicly.

For aircraft operators covered by the EU ETS:

Have you determined a corporate hedging strategy for carbon needs?

Yes [ ]

No [ ]

If so, what share of your expected emissions covered by the EU ETS in a given year n do you (intend to) hedge and how much in advance?

- year n : \_\_\_\_\_%
- year n-1 : \_\_\_\_\_%
- year n-2 : \_\_\_\_\_%

**Request for potentially confidential information 4**

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What share of the annual quantity of allowances you intend to purchase *via* auctions would you wish to buy spot or futures respectively?

- |   |          | SPOT |        | FUTURES |
|---|----------|------|--------|---------|
| • | year n   | :    | _____% | _____%  |
| • | year n-1 | :    | _____% | _____%  |
| • | year n-2 | :    | _____% | _____%  |

### Question 78

What should be the optimal frequency and size of EUAA auctions:

- 2 auctions per year of around 15 million EUAAs?
- 3 auctions per year of around 10 million EUAAs?
- More than 3 auctions per year? Please specify: \_\_\_\_\_

Please comment on your choice.

A:

### Question 79

What would be your preferred timing for EUAA auctions:

- Equally spread throughout the year?
- November – March?
- Other? Please specify: \_\_\_\_\_

### Question 80

Should any of the EUAA auction design elements be different compared to EUA auctions (see section 3)? [Y/N] N

If so, please specify and comment on your choice.

A:

### Question 81

Do you agree there is no need for a maximum bid-size? [Y/N] Y

If not, why not?

A:

### Question 82

Is there any information regarding aircraft operators made available as part of the regulatory process to the competent authorities that could facilitate the KYC checks performed by the auctioneer(s)? [Y/N] \_

If so, please describe what information is concerned and whether it should be referred to in the Regulation or any operational guidance published by the Commission.

A:

### Question 83

In your opinion, is there a specific need to allow for non-competitive bids in EUAA auctions?

A: No

Would this be the case even when applying a uniform clearing price format?

A:No

Please provide arguments to support your case.

### Question 84

Do you agree that there is no need for any specific provisions for EUAA auctions as regards [mark those that you agree with, ]:

- Involvement of primary participants, exchanges or third party service providers?
- Guarantees and financial assurance?
- Payment and delivery?
- Information disclosure?
- Auction monitoring?
- Preventing anti-competitive behaviour and/or market manipulation?
- Enforcement?

If not, please describe in detail what rules would be needed and why.

A:

### Question 85

Taking into account the smaller volume of EUAA allowances to be auctioned compared to EUAs, which of the three approaches for an overall EUAA auctioning model do you prefer? Please rate the options below (1 being the most preferable, 3 being the least preferable)

- 2 Limited number of coordinated auction processes.
- 1 Full centralisation based on a single EU-wide auction process.
- 3 Hybrid approach where different auction processes are cleared through a centralised system.

Does your choice differ from the approach preferred for EUAs? [Y/N] N

Please provide arguments to support your case.

A:

### Question 86

Do you agree that there is no need for any specific provisions for EUAA auctions as regards. [mark those that you agree with, ]:

- Requirements for the auctioneer(s) and auction processes?
- Administrative fees?
- Rules to ensure appropriate and timely preparation of the auctions?

If not, please describe in detail what rules would be needed and why.

A: