

# **Auctioning of Allowances in the EU ETS in NAP I and II**

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Side-Event of the bvek at COP12, 14<sup>th</sup> November 2006:

How to auction EU-Allowances in the 2nd period of the EU-ETS?

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- » The legal framework
  - » Auctioning in NAP I in different member states
  - » Planned auctioning in NAP II in different member states
  - » Outlook

# Legal Framework – EU-Directive 2003/87/EC

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- » EU-Directive 2003/87/EC
    - ... establishes a scheme for greenhouse gas emission allowance trading within the Community
  
  - » Article 10 on the method of allocation states
    - » For the three-year period beginning 1 January 2005 Member States shall allocate at least 95 % of the allowances free of charge.
    - » For the five-year period beginning 1 January 2008, Member States shall allocate at least 90 % of the allowances free of charge.
  
  - » No direct reference to auctioning
  - » Member states are free to decide how to allocate the remainder – for example by auctioning
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# Auctioning in NAP I – Overview



Country	Y/N	Remarks	Country	Y/N	Remarks
Austria	N		Latvia	N	
Belgium	N		Lithuania	Y	1,5 %
Cyprus	N		Luxembourg	N	
Czech Republic	Y	NER-R* annually	Malta	N	
Denmark	Y	1,7 Mio. t/a (5 %)	Netherlands	N	
Estonia	N		Poland	Y	NER-R once
Finland	N		Portugal	Y	NER-R once
France	N		Slovakia	Y	NER-R once
Germany	N		Slovenia	N	
Greece	Y	NER-R once	Spain	Y	NER-R once
Hungary	Y	2,5 %, NER-R once	Sweden	N	
Ireland	Y	0,5 Mio t/a (0,75 %) + NER-R	United Kingdom	Y	NER-R annually
Italy	N		*) NER-R = Reminder of New Entrant Reserve		

**A total of 8,4 Mio. t/a (0,13 %) of all allowances will be auctioned in the period 2005 – 2007.**

# Auctioning in NAP I – Example: Ireland

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- » Mean annual allocation 66,96 Mio. t
  - » Auctioning of 0,75 % equivalent to 0,5 Mio. t/a
  - » Two auctions with 0,25 Mio. t each year to minimise the risk of auctioning at low market prices
  - » Sealed-bid auction: every bidder submits his demand schedules with up to five mutually exclusive unit price/quantity combinations simultaneously
  - » Uniform price auction: each successful bidder pays the clearing price
  - » Setting of a non-disclosed reserve price and a lot size of 500 allowances
  - » Bidding open to all bidders holding an account in an EU-ETS registry
  - » Bidders subject to pre-validation and refundable/deductible deposits of 3.000 €
  - » First auction held in February 2006 with a clearing price of 26,30 €/t
  - » Revenue accrues to the treasury to cover the administrative costs of the EU-ETS
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# Auctioning in NAP I – Example: Denmark

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- » Mean annual allocation 33,5 Mio. t
- » Auctioning of 5 % equivalent to 1,7 Mio. t/a
- » One or more open auctions
- » Bidding not restricted to Danish operators ...
- » ... but open for international operators and non-operators
- » Revenue to cover costs of the auction(s)
- » Reminder of the revenue accrues to the Danish treasury
  
- » **Not yet executed?**

# Auctioning in NAP II – Overview



Country	Y/N	Remarks	Country	Y/N	Remarks
Austria	Y	0,4 Mio. t/y (1,2 %)	Latvia	Y	NER-R (optional)
Belgium	Y	0,2 Mio. t/y (0,5 %)*	Lithuania	Y	0,5 Mio. t/y (2,8 %)
Cyprus	N		Luxembourg	Y	0,2 Mio. t/y (4,8 %)
Czech Republic	N		Malta	N	
Denmark	??		Netherlands	Y	4,0 Mio. t/y (3,6 %)
Estonia	N		Poland	Y	2,6 Mio. t/y (0,9 %)
Finland	N		Portugal	N	
France	Y	NER-R (optional)	Slovakia	N	
Germany	N	Under discussion	Slovenia	N	
Greece	Y	NER-R (optional)	Spain	N	
Hungary	Y	1,5 Mio. t (5 %)	Sweden	N	
Ireland	Y	0,1 Mio. t/a (0,5 %)	United Kingdom	Y	17,2 Mio. t/a (7 %) + NER-R
Italy**	Y	6,0 Mio. t/a (3 %)	*) Flanders only **) Not yet notified to EU		

**A total of 33 Mio. t/a (0,5 %) of all allowances will be auctioned in the period 2008 – 2012.**

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- » A great number of independent studies come to the conclusion, that auctioning
    - » is a better alternative to allocate allowances
    - » reduces windfall profits for utilities
    - » is the macro-economically most efficient solution
  
  - » EU-Directive 2003/87/EC
    - » will be revised before 2012
    - » likely to include other provisions concerning auctions



**Thank you for  
your attention!**

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