



Auctioning of EU ETS emission allowances

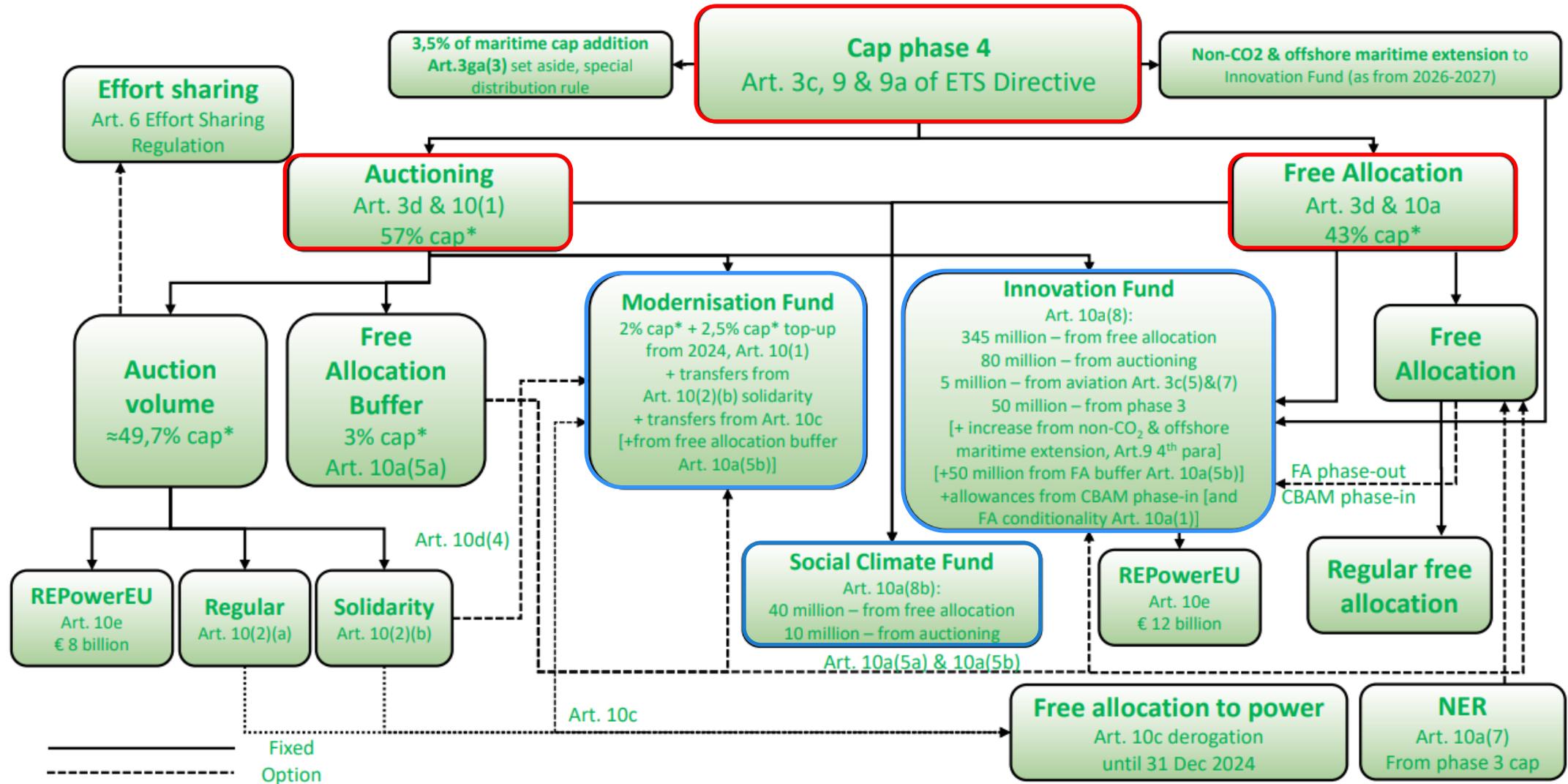
Regulation, operational and financial challenges

Workshop on allowances auctioning
September 2025

Auctioning - Background

- **A transparent method** for allocating emission allowances that allows participants to acquire the allowances concerned at **market price**
- **The default method** of allocating allowances since 2013 (so-called phase 3 of the EU ETS). Up to **57%** of the allowances allocated through auctioning.
- The exact **auctioning volume**:
 - Determined annually based on the provisions of the ETS Directive.
 - May also be impacted by the functioning of the Market Stability Reserve.
- The proportion of allowances businesses have to buy through auctions is **increasing**:
 - Aviation - 100% auctioning from 2026
 - Maritime - added in 2024
 - ETS2 for building, road transport and additional sector - starting in 2027 (also 100% auctioning)

Auctioning – Volume (ETS Directive)



3 * The percentages for the share of various elements in the cap are calculated in relation to the part of the Art. 9 cap that is subject to Art. 10 and 10a distribution, i.e. after deducting the 3,5% of the maritime cap referred to in Art. 3ga(3) to be attributed to EL, CY and MT considering their ratio of shipping companies based on data available for the period from 2018 to 2020, and the share of the cap from the non-CO₂ and offshore maritime extension
 * These percentages do not take into account the Art. 3c cap, where free allocation will be phased out by 2026, and a review will address scope for 2027-30, Art 28b(3).

Auctioning – Relevant Legislation

- European Climate Law
- ETS Directive (as revised in 2023)

- Auctioning Regulation (revised version adopted in 2023)
- Joint Procurement Agreement
- Common auction platform (CAP3) contract with Annexes
 - Escrow and custody agreements
 - Clearing conditions, as part of contractor's tender

Environmental

Operational

- Since 2018, **emission allowances are classified as financial instruments** under the Markets in Financial Instruments Directive (MiFID).
- Financial rules are applicable to emission allowances, in particular:
 - Market Abuse Regulation (MAR)
 - Anti-Money Laundering Directive (AMLD)
 - Settlement Finality Directive
 - Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EMIR)

Financial

Auctioning – Supervisory framework

- **Auction platform (EEX)** – regulated market, licensed under MiFID
- **Clearing house (ECC)** – licenced under EMIR
- **Auction rules** – set in the Auctioning Regulation (*note: the auctioning process is not supervised by financial regulation like MiFID or EMIR*)
- **Day-to-day work** – auction platform and clearing house supervised by independent national competent authorities:
 - **EEX Market Surveillance** – independent and autonomous body of the exchange (*specificity of German exchanges, which have public supervisory functions*)
 - **Saxon State Ministry of Economic Affairs, Labour and Transport** – supervising the regulated market EEX.
 - **BaFIN** – supervising the clearing house ECC
 - supervising EEX regarding compliance with Market Abuse Regulation

Auctioning - Auctioning Platform

- 28 countries (25 EU Member States and 3 EEA/EFTA countries) auction their allowances on the common auction platform. To this end, they have signed a **Joint Procurement Agreement**
- Currently, the **European Energy Exchange (EEX) in Leipzig is the common auction platform.**
- **Germany and Poland** have opted-out of the common auction platform. Germany has nominated EEX as its opt-out platform, while Poland is using the common auction platform (EEX) to auction its allowances until further notice.
- For **ETS2**, allowances will be auctioned by the common auction platform only (no opt-out platforms).

Auctioning – The Auction Process

Auctioning Regulation, article 3(13): *‘auction process’ means the process encompassing:*

- *the setting of the auction calendar,*
- *the procedures for admission to bid,*
- *the procedures for submission of bids,*
- ***the conduct of the auction,***
- *the calculation and announcement of the auction results,*
- *the arrangements for **payment** of the price due, **delivery** of the allowances and management of the collateral needed to cover any transaction risks, as well as*
- *the surveillance and monitoring of the proper conduct of the auctions by an auction platform.*

Auction Calendars

1. Auction **volumes** are communicated by the European Commission to the auctioning platform.
2. Auction **calendars** are **prepared** by the auctioning platform based on the Auctioning Regulation rules – timing and frequency of auctions, volume spread in equal volume, etc.
3. The **calendars** are then **endorsed** by the European Commission (Commission Decision on auction tables)
 - Calendars include the **auction dates, volumes, and bidding windows**. They are **published** on the [webpage](#) of the auction platform

Week 1	Call Trading Period	Product Code	Trading Period	Volume		Auction Name
Monday 03-Jan-22						
Tuesday 04-Jan-22						
Wednesday 05-Jan-22						
Thursday 06-Jan-22	Epiphany					
Friday 07-Jan-22						

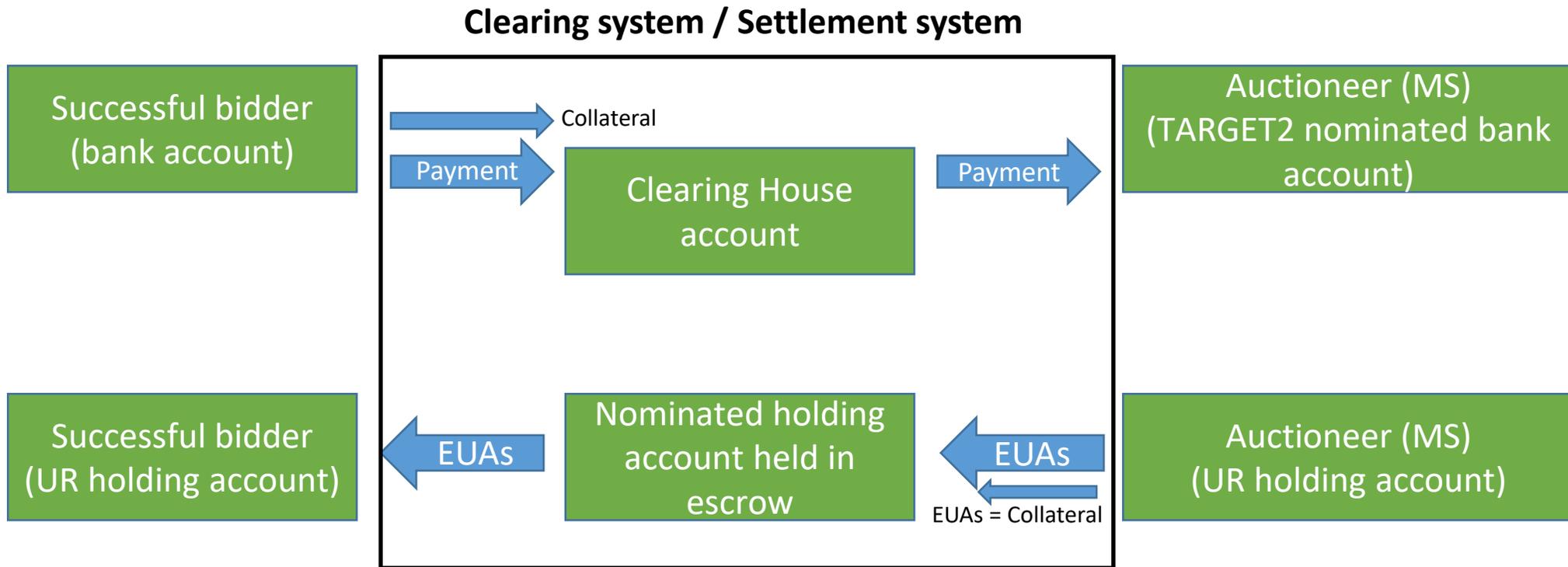
Week 2	Call Trading Period	Product Code	Trading Period	Volume		Auction Name
Monday 10-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	2,449,000		Spot Market - EU Primary Auction CAP3 - EUA
Tuesday 11-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	2,449,000		Spot Market - EU Primary Auction CAP3 - EUA
Wednesday 12-Jan-22						
Thursday 13-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	2,449,000		Spot Market - EU Primary Auction CAP3 - EUA
Friday 14-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	1,944,000		Spot Market - German Primary Auction - EUA

Week 3	Call Trading Period	Product Code	Trading Period	Volume		Auction Name
Monday 17-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	2,449,000		Spot Market - EU Primary Auction CAP3 - EUA
Tuesday 18-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	2,449,000		Spot Market - EU Primary Auction CAP3 - EUA
Wednesday 19-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	2,658,000		Spot Market - Polish Primary Auction CAP3 - EUA
Thursday 20-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	2,449,000		Spot Market - EU Primary Auction CAP3 - EUA
Friday 21-Jan-22	09.00 am - 11.00 am	T3PA	4th Period	1,944,000		Spot Market - German Primary Auction - EUA

Auctioning – the Registry

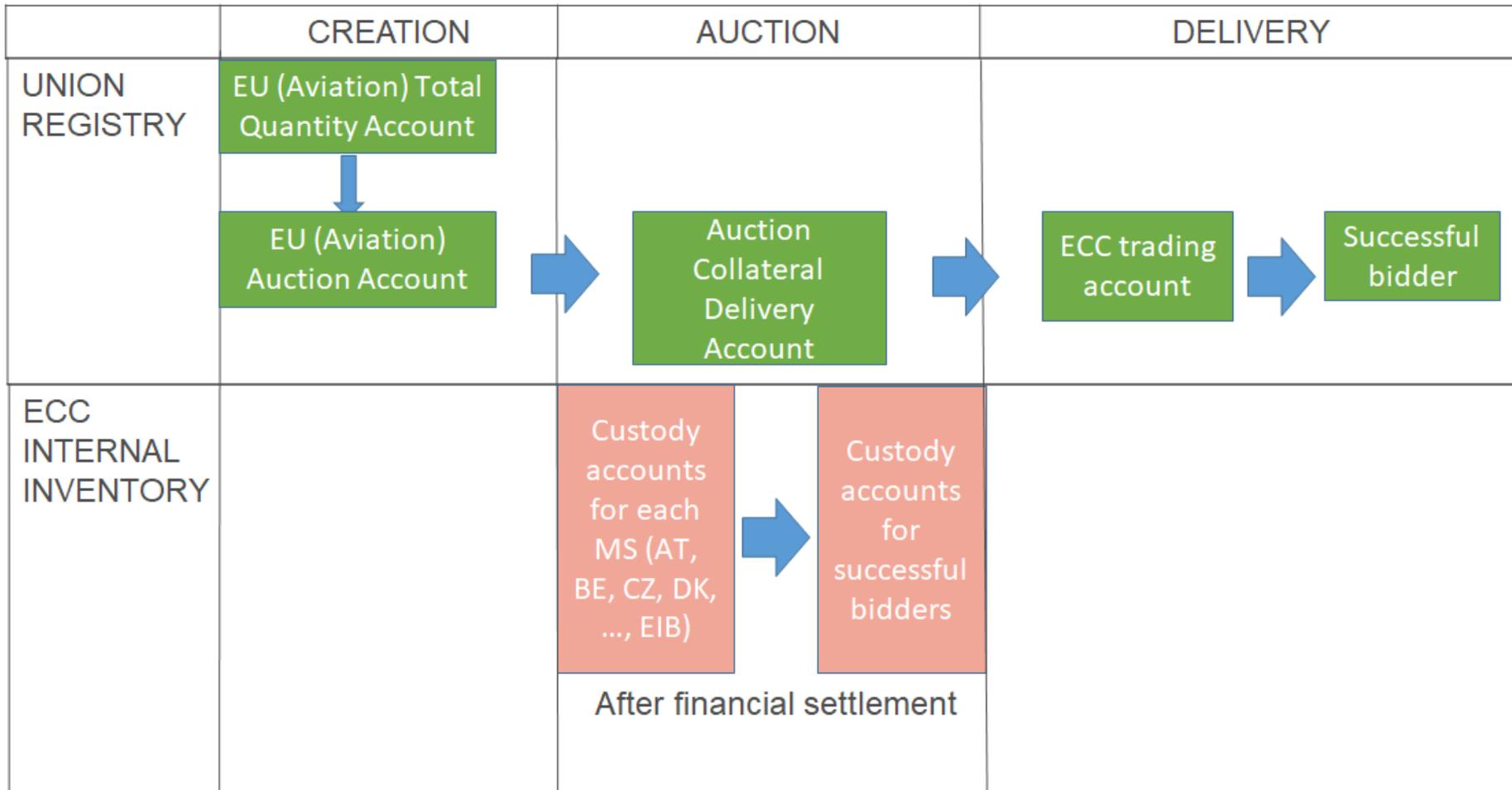
- **Registry Regulation** – sets the rules for the functioning of the Union Registry
- **Union Registry** - records all allowances in separate accounts and keeps record of all transactions
- **Auction table:**
 - ✓ sets the volumes to be transferred ahead of every auction to the account of the clearing house of the auction platform
 - ✓ corresponds to the auction calendar
 - ✓ the Commission adopts an internal decision to enter the auction tables in the Union Registry
 - ✓ Based on the auction table, 2-3 days ahead of each auction the relevant volumes are transferred by the Commission on behalf of the Member States to the clearing house of the auction platform
- **After the auctions:** the clearing house of the auction platform transfers the respective volume of allowances to the successful bidders

Union Registry and Auctioning Payment & Delivery



Union Registry and Auctioning

Physical Settlement



Auctioning – question list

- a) **Why are allowances allocated directly to the various funds**, instead of having the European Commission first auction the allowances, collect the revenue, and then provide a fixed budget to each fund? We understand that if funding were provided based on a fixed budget, the fund would be able to manage its revenues and expenditures more easily. Allocating allowances could introduce uncertainty in revenue and increase the complexity of management. We would like to understand the reason why the EU ETS chooses to allocate allowances.
- b) **Each fund auctions part of its allowances every year — how is the number of allowances to be auctioned determined?**
- c) **Why do Poland and Germany hold auctions separately?** We notice that Poland and Germany have chosen to determine their auction platforms independently. Although both currently auction on EEX, they do so through separate accounts. We would like to understand the reason for this arrangement—is it because the volume of allowances to be auctioned is too large and requires separate management, or is it due to political or economic considerations?

Useful links:

Carbon Market Report

[92ec0ab3-24cf-4814-ad59-81c15e310bea_en](https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/auctioning_en)

DG Clima website >> EU Action >> ETS >> Auctioning

https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/auctioning_en

Auctioning Regulation

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202302830

EEX (the common auction platform)

<https://www.eex.com/en/market-data/environmentals/eu-ets-auctions>

Thank you



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