



Auctioning German Auctioning of Emission Allowances

November 2021

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German Auctioning of Emission Allowances

The German auctions of the fourth trading period are held weekly on the European Energy Exchange (EEX) spot market. The German Emissions Trading Authority (DEHSt) at the German Environment Agency is the competent authority for the German auctions. Further updated information on the fourth trading period auctions can be downloaded from the [EEX website](#). Reports on the second, third and fourth trading periods auction results are available on the [DEHSt auction website](#). The 2021 and 2022 auction calendars are published on the [EEX website](#).

The following tables summarises the key data of the German auctions on the EEX in 2021 and 2022:

2021		
Auction product	Fourth trading period EUA spot contracts	Fourth trading period EUAA spot contracts
Period	29/01/2021 to 17/12/2021	13/10/2021
Auction volume entire year	131,744,000 EUA ¹	600,000 EUAA
Auction volume per auction	January–July: 2,651,000 EUA August: 1,325,500 EUA September–December: 1,805,000 EUA	600,000 EUAA on 13/10/2021
Auction frequency	Weekly (Fridays, 09:00 to 11:00 CET)	On 13/10/2021 (13:00 to 15:00 CET)
Gebotsgröße	500 EUA/EUAA	
Versteigerungsmodus	Single-round, uniform-price procedure with a closed order book	

2022		
Auction product	Fourth trading period EUA spot contracts	Fourth trading period EUAA spot contracts
Period	14/01/2022 to 16/12/2022	19/10/2022
Auction volume entire year	112,944,500 EUA (provisional) ²	586,500 EUAA
Auction volume per auction	January–July: 1,944,000 EUA August: 972,000 EUA September–December: 3,656,000 EUA (provisional) ²	586,500 EUAA on 19/10/2022
Auction frequency	Weekly (Fridays, 09:00 to 11:00 CET)	On 19/10/2022 (09:00 to 11:00 CET)
Gebotsgröße	500 EUA/EUAA	
Versteigerungsmodus	Single-round, uniform-price procedure with a closed order book	

¹ The MSR reduction for the auction volumes from September 2021 to August 2022 was [published](#) by the European Commission on 12th May 2021.

² The MSR reduction for the auction volumes from September 2022 to August 2023 is expected to be determined by the European Commission in May 2022.

1 Overview

1.1 November 2021

In November, four auctions of emission allowances (EUA) of the fourth trading period were successfully carried out for Germany at the EEX.

Overall, about **7 million EUA** with a total value of almost **€ 480 million** were auctioned. This results in a volume-weighted average price per allowance of **€ 66.44** (plus 10 percent compared to the previous month). At the auction on 26th November, the **highest price since the start of auctioning in 2010** was achieved with € 71.95. The deviations of the clearing prices from the current prices on the lead market fluctuated between -0.26 and -0.05 percent (see also Chapter 3.3).

Overall, valid bids totalling about 12 million allowances were entered into trading system across the four EUA auction dates. Thus, the average cover ratio in the reporting period was 1.69 (see also Chapter 2.2). The average participation number of 20 bidders was slightly below the level of the previous month (21). The average number of successful bidders was however above the previous month's level (14) at 16, (see also Chapter 2.1).

The following table gives an overview of the most important auction figures from the EUA auctions performed during the reporting period.

Table 1: Overview of German EUA auctions in November 2021

Date	Auction volume	Bid volume	Cover ratio	Bidders	Successful bidders	Price	Revenue
05/11/2021	1,805,000	3,073,500	1.70	21	15	€ 61.05	€ 110,195,250
12/11/2021	1,805,000	3,117,000	1.73	19	16	€ 63.53	€ 114,671,650
19/11/2021	1,805,000	2,883,500	1.60	20	15	€ 69.21	€ 124,924,050
26/11/2021	1,805,000	3,104,000	1.72	21	17	€ 71.95	€ 129,869,750
November	7,220,000	12,178,000	*1.69	*20	*16	*€ 66.44	€ 479,660,700

Source: EEX, DEHSt
*average

1.2 Overview of the entire year 2021

In the first eleven months of the current year a total of about **96 million EUA and EUAA** with a total value of over **€ 4.87 billion** were auctioned at the EEX for Germany. This results in a volume-weighted average price per allowance of **€ 50.93**.

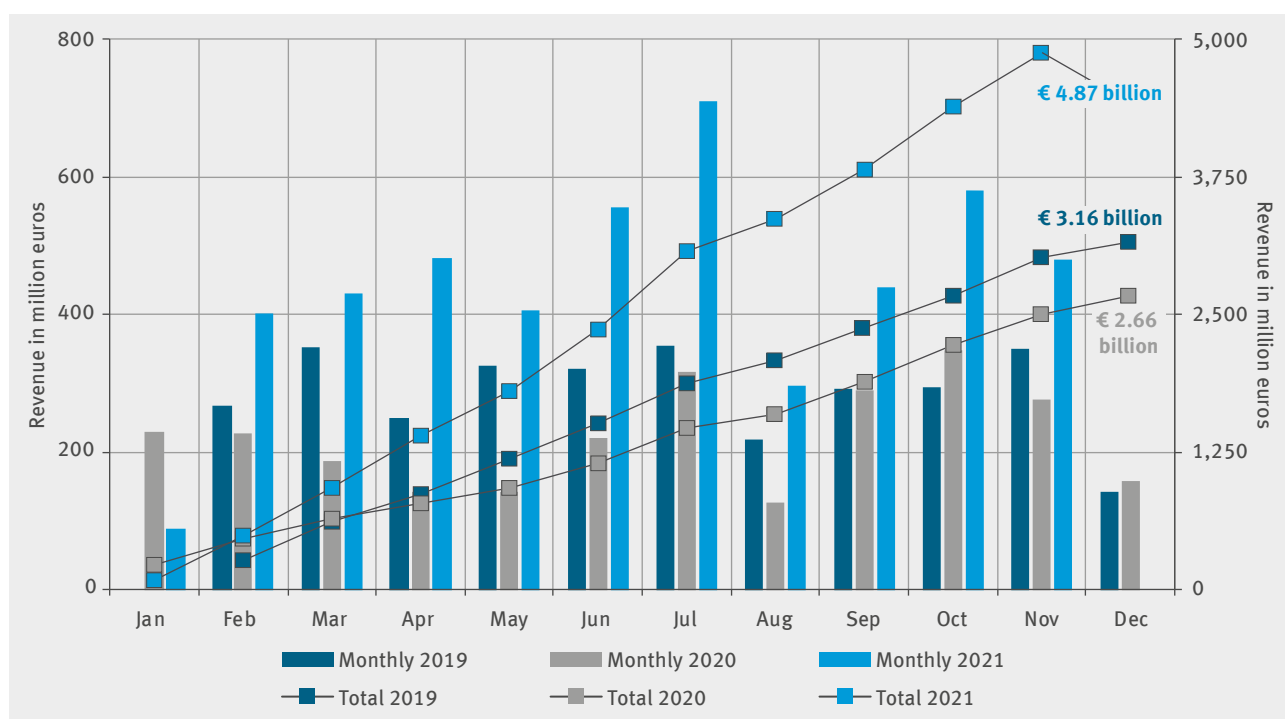
The following table summarises the auction results on a monthly basis.

Table 2: Overview of the entire year 2021

Month	Type	Auction volume	Bid volume	Cover ratio	Bidders	Successful bidders	Price	Revenue
January	EUA	2,651,000	4,208,000	1.59	27	19	€ 33.51	€ 88,835,010
February	EUA	10,604,000	19,908,500	*1.88	*26	*20	*€ 37.82	€ 401,043,280
March	EUA	10,604,000	17,754,500	*1.67	*24	*20	*€ 40.59	€ 430,442,870
April	EUA	10,604,000	16,994,000	*1.60	*24	*19	*€ 45.44	€ 481,872,270
May	EUA	7,953,000	13,982,000	*1.76	*25	*19	*€ 51.08	€ 406,265,750
June	EUA	10,604,000	17,539,500	*1.66	*26	*19	*€ 52.47	€ 556,365,370
July	EUA	13,255,000	19,514,000	*1.47	*23	*17	*€ 53.48	€ 708,930,420
August	EUA	5,305,000	11,509,500	**2.17	*20	*15	**€ 56.06	€ 297,389,395
September	EUA	7,220,000	12,426,500	*1.72	*22	*15	*€ 60.99	€ 440,311,700
October	EUA	9,025,000	17,563,500	*1.95	*21	*14	*€ 60.37	€ 544,875,350
	EUAA	600,000	1,785,000	2,98	8	4	€ 58.75	€ 35,250,000
November	EUA	7,220,000	12,178,000	*1.69	*20	*16	*€ 66.44	€ 479,660,700
Total		95,645,000	165,363,000	**1.73	*23	*17	**€ 50.93	€ 4,871,242,115

Source: EEX, DEHSt
 * average
 ** volume-weighted average

The following figure shows the German EUA/EUAA auction revenues in the period since 2019. In addition to the monthly values, the cumulative total revenues of the individual years are also shown in the chart. After the first eleven months of the current year, German revenues were already clearly above the previous record result for an entire year from 2019. Since 2012 German auction revenues flow entirely into the so-called Energy and Climate Fund (EKF).



Source: EEX, DEHSt

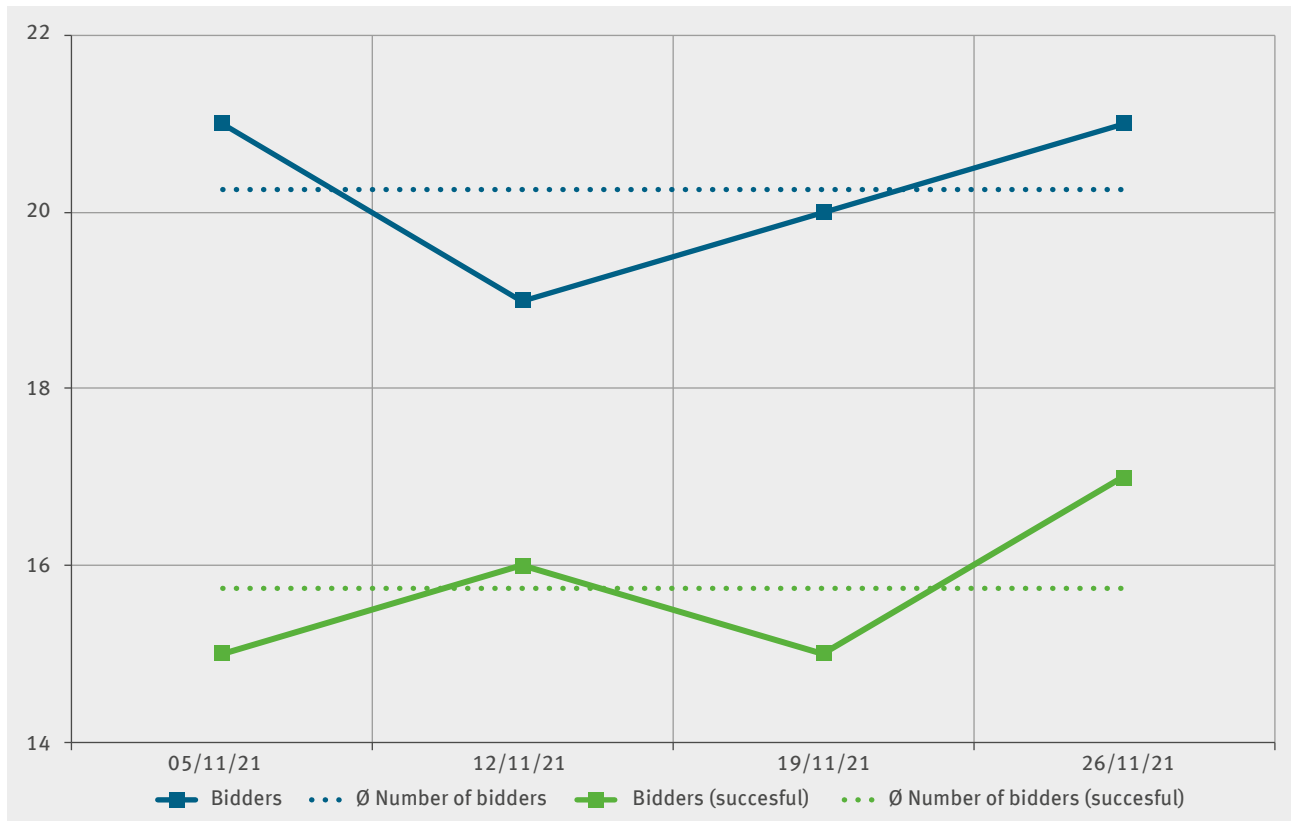
Figure 1: Auction revenues (EUA+EUAA) from 2019 to 2021

2 Bidder Participation

2.1 Participation

The number of participants in the German EUA auctions in November averaged across all dates was about 20 bidders. The average number of successful bidders was about 16. Participation in the auctions fluctuated between 19 and 21 bidders during the reporting period. The number of successful participants ranged from 15 to 17. There was no auction in which all participating bidders were successful.

The following figure illustrates EUA auction participation over time.



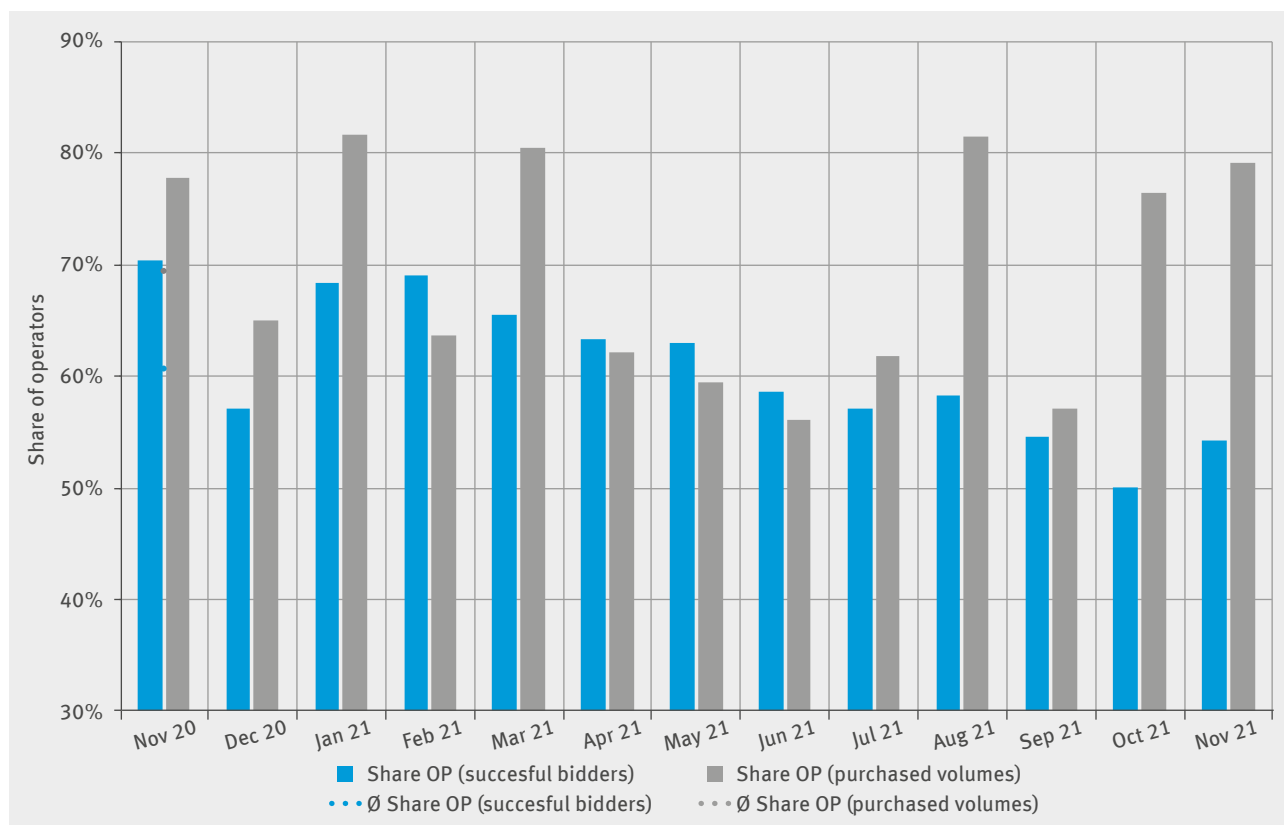
Source: EEX, DEHSt

Figure 2: Number of participating and successful bidders per auction date (EUA)

By the end of November 2021, a total of 93 trading members of EEX (plus 1 compared to the previous month) had been authorized to submit bids in the primary market auctions. In November, a total of 24 different bidders were successful in the German primary market auctions. Out of the 24 of those bidders, 13 were operators (i. e. operators of ETS covered installations or aircraft operators), which accounts for 54 percent of all successful bidders.³ Overall, operators purchased approximately 79 percent of the auctioned volumes in November 2021. In the months of the preceding year, the operators' share of the purchased auction volumes fluctuated more than the proportion of successful bidders. Nonetheless, the moving averages of the past 12 months for both parameters are relatively close to each other (at around 69 or 61 percent respectively).

³ Pursuant to Art. 18 of the EU Auctioning Regulation bidding categories eligible to take part in the auctions at EEX are amongst others (installation and aircraft) operators, credit institutions, investment firms and business groupings.

The following figure illustrates the development of the proportion of operators among the successful bidders as well as of the purchased auction volumes in the past 12 months before the current reporting period.



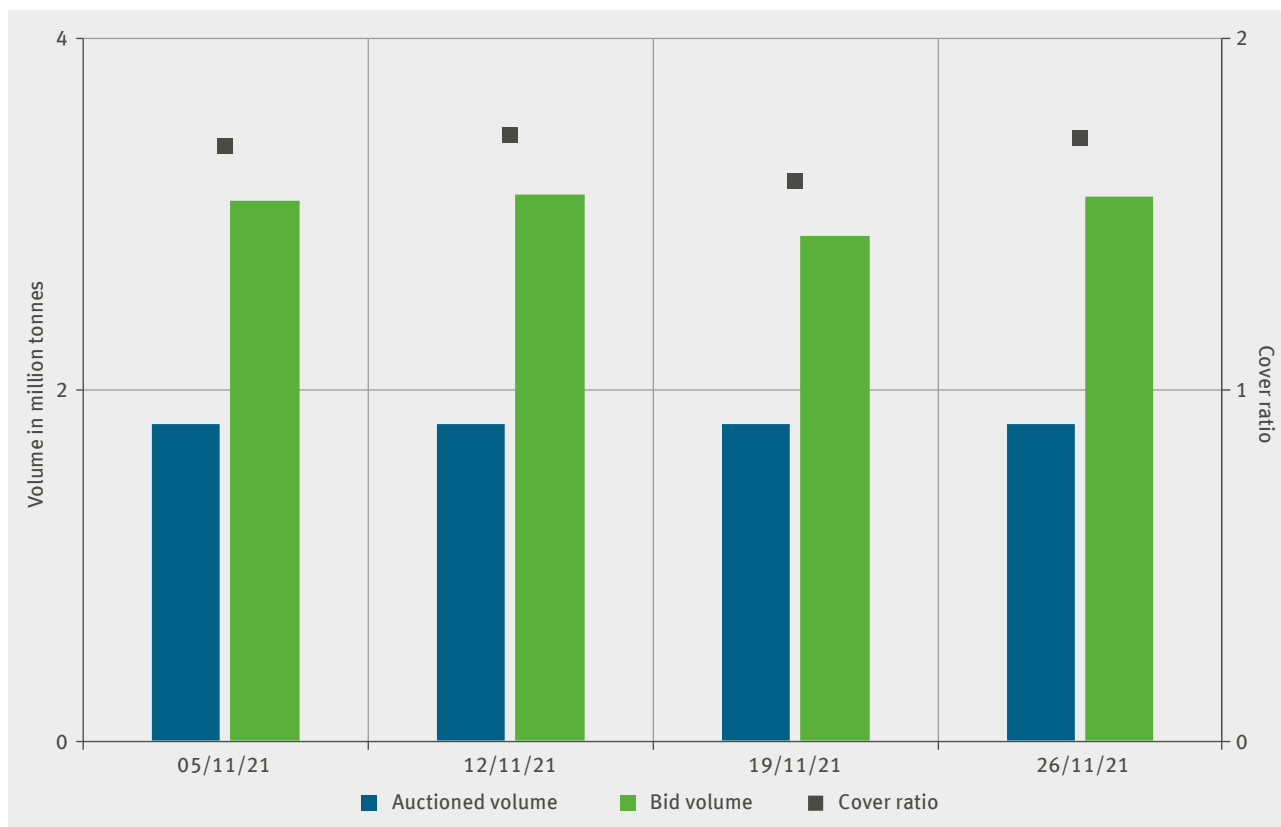
Source: EEX, DEHSt
OP = Operators

Figure 3: Share of operators among successful bidders and purchased auction volumes over the past 12 months (EUA)

2.2 Volume Demand

During the reporting period, the aggregated bid volumes per auction date fluctuated from 2.9 to 3.1 million allowances. Overall, valid bids totalling about 12 million allowances were entered into trading system in November. The supply volumes were stable at around 1.8 million EUA per date. The resulting cover ratios during the reporting period ranged between 1.60 and 1.73 (1.69 on average).

The figure below summarises the results for each EUA auction date.



Source: EEX, DEHSt

Figure 4: Auctioned and bid volume and cover ratio for each auction date (EUA)

Thus, the average bid volume per EUA auction participant in November was about 150,000 allowances. The average volume awarded to each successful bidder was about 115,000 allowances.

Awarding allowances at all auctions is based on the EU-wide applicable uniform price procedure with one prescribed round of bidding (also see Info box below).

Uniform Price Auction at the EEX

The auctions at the EEX follow the uniform price procedure which is common practice throughout the European Union. It involves one round of bidding and a closed order book. This simple and robust procedure protects against market manipulation and was used already for German auctions during the second trading period. The uniform price procedure means that all successful bidders pay the same price. The auction clearing price is determined by ranking all eligible bids, beginning with the highest bid, according to the bidding price.

In the event of equal bids, the bids are sorted by a random process. The bid volumes are aggregated starting with the highest bid until the volume of emission allowances on offer (e.g. 1.8 million EUA) is reached. The bid price at which the aggregate volume of bids reaches or exceeds the offered volume of auctioned allowances determines the auction clearing price.

Bidders will thus be awarded their bid volume if their bidding price at least matches the auction clearing price. If a bid matches the clearing price exactly, the bidder may be awarded the remaining allowances which may be below the volume requested, depending on the bidding situation. If the bid from several participants matches the auction clearing price exactly, the above-mentioned random process applies.



3 Auctions and the Secondary Market

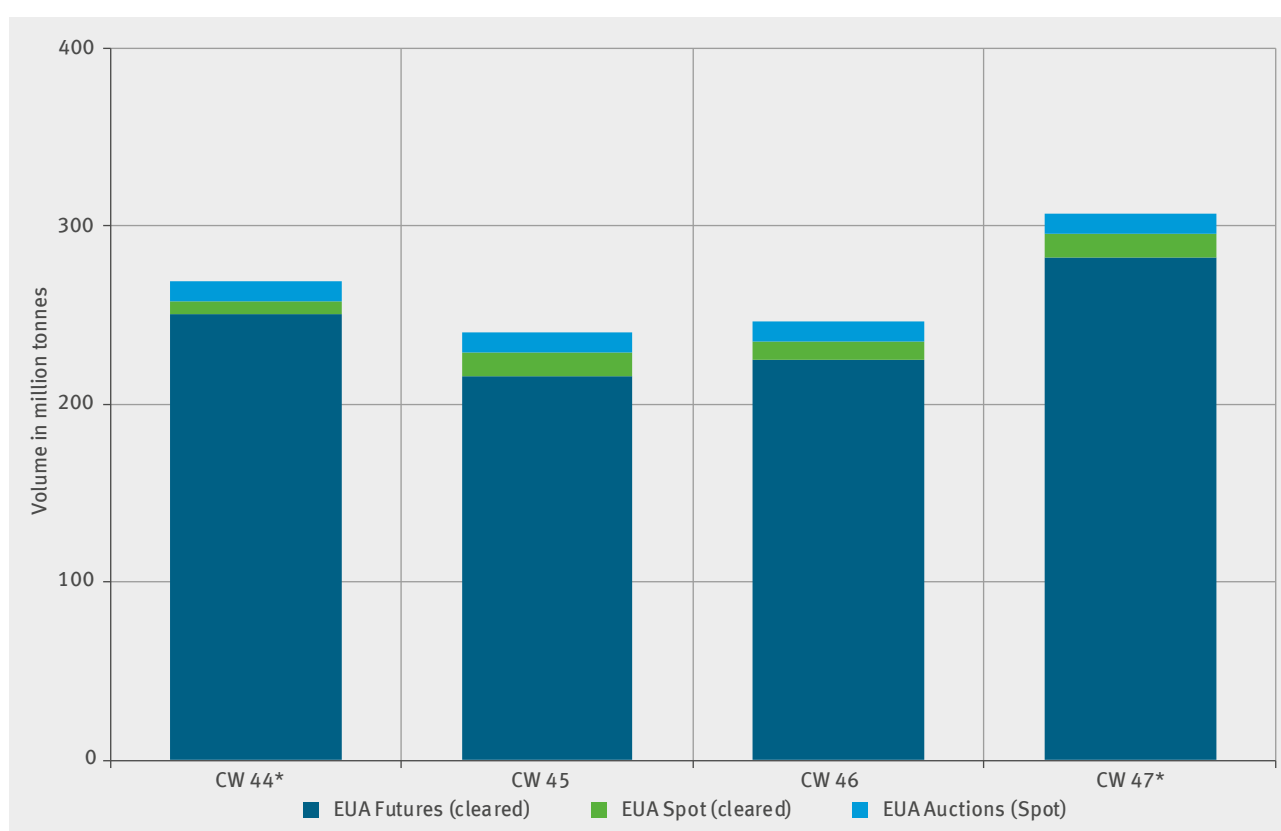
3.1 Trading Volume EUA

In November 2021, a total of about 7 million EUA were auctioned at the EEX for Germany. During the reporting period, the cumulative trading volume in the relevant total market was about 1.18 billion EUA.⁴ This comprises the monthly data of the London Energy Brokers' Association (LEBA) on OTC (see also Figure 7).⁵

The secondary market trading volume of 1.13 billion EUA was divided into approximately 1.08 billion EUA on the cleared futures market and some 49 million EUA on the cleared spot market

In November 2021, a total of about 51 million allowances were auctioned by Member States on the primary market as spot contracts. With respect to the relevant total market for EUA, around 4 percent of the traded volume was related to auctions (see also Table 3).

The figure below illustrates the trading volumes separately for different market segments based on calendar weeks (CW).



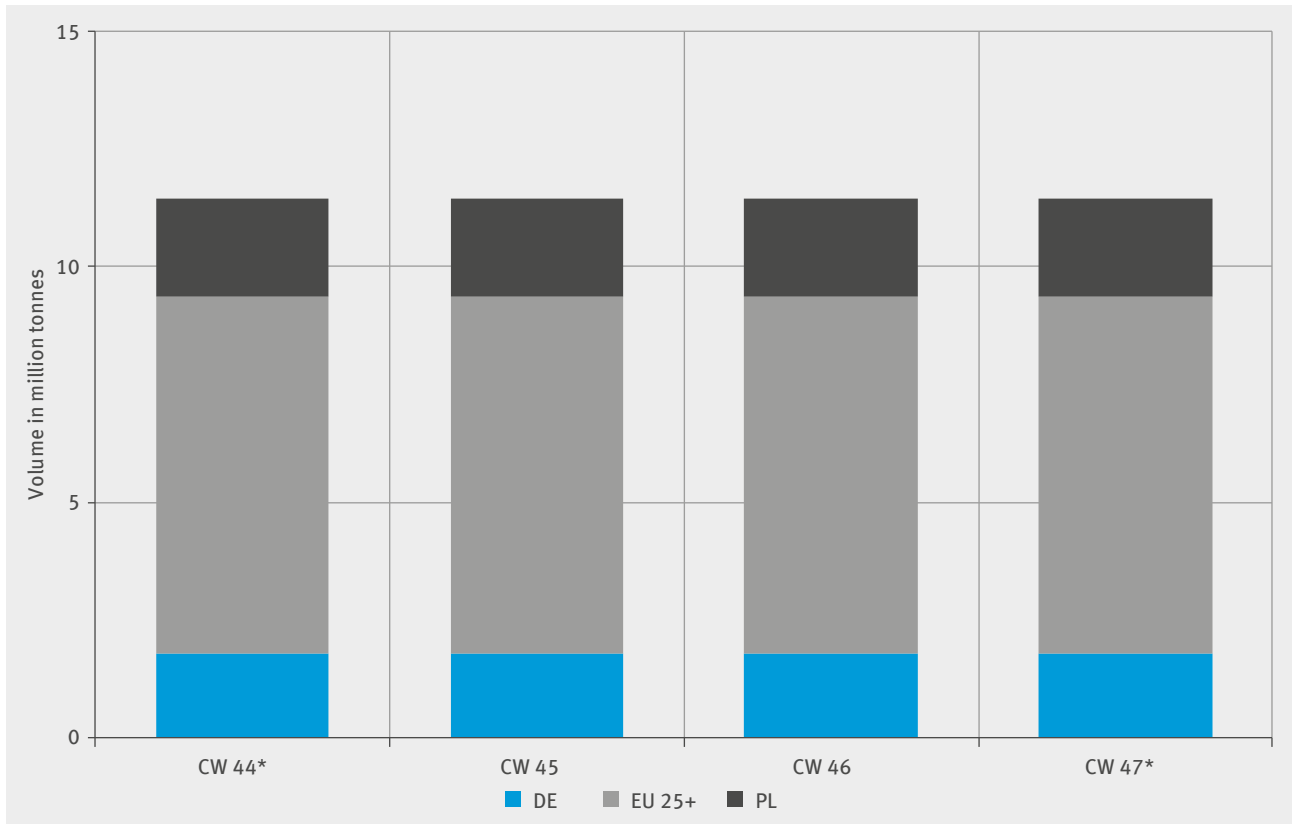
Source: ICE, EEX, Nasdaq OMX, Refinitiv Eikon, DEHSt
* CW 44: 01/11/2021–05/11/2021; CW 47: 22/11/2021–26/11/2021

Figure 5: Trading volumes on the primary and secondary market in November 2021 (EUA)

4 All emission allowances (EUA) of the fourth trading period traded on the spot and futures markets on the ICE, EEX and Nasdaq OMX exchanges are considered. Transactions completed directly on the stock exchange (screen traded) or those bilateral transactions that at least used the stock exchange clearing mechanism are included. The EUA spot contracts auctioned in November 2021 are also considered. As far as data on OTC volumes from bilateral trading activity (i. e. off-exchange) is available, it is included in the analysis. Option contracts are not involved.

5 LEBA is an association of large brokerage firms active in the trading of energy commodities (including EUA). Their monthly volume reports also include bilaterally settled contracts that were not registered on clearing platforms. The data are not broken down into futures-/spot-contracts. Moreover, since the volumes are only available as monthly aggregated values, the data were taken into account only in Figure 7, but not in Figure 5.

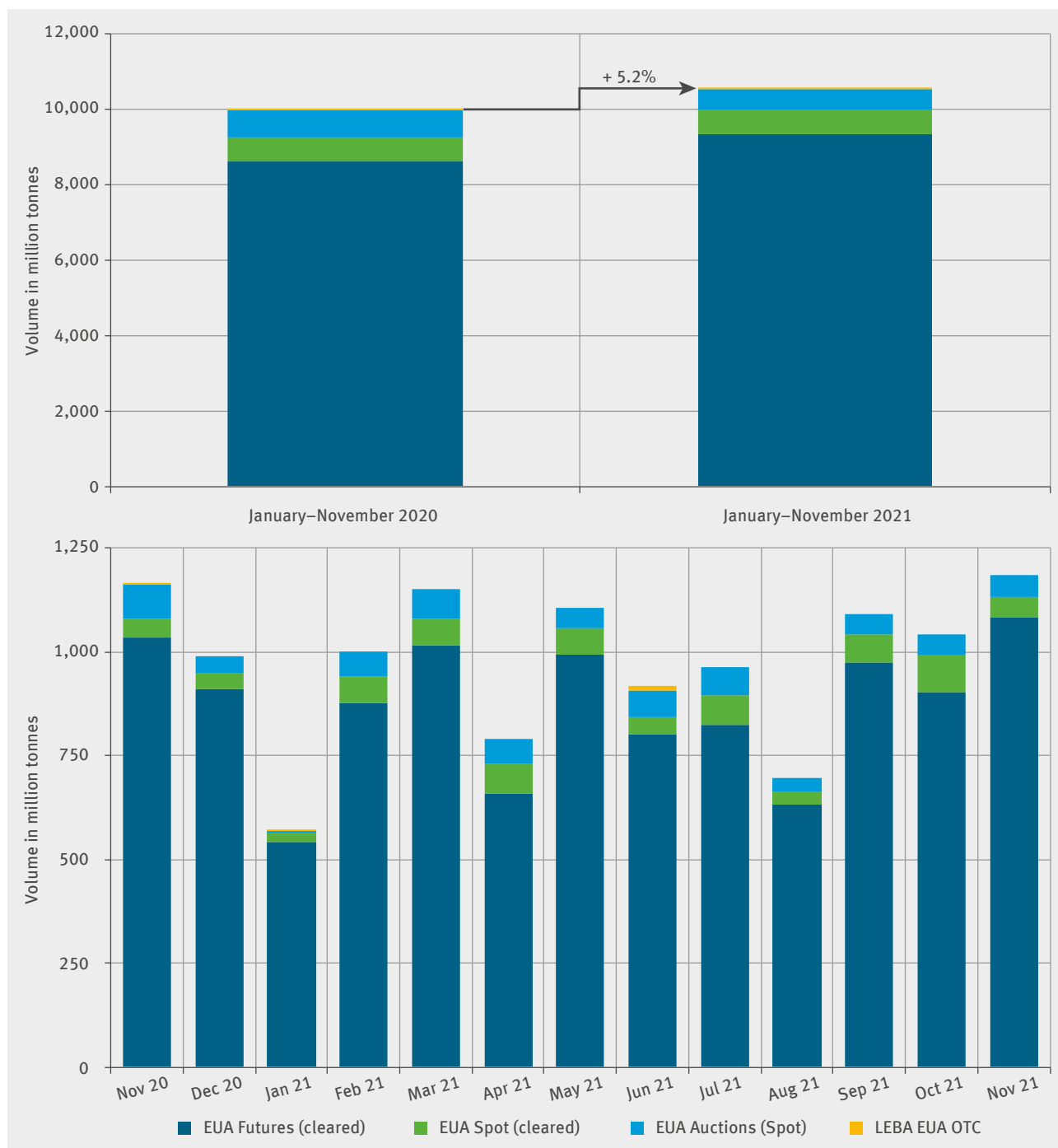
The figure below shows the auction volumes on the primary market per calendar week (CW). In addition to the German auctions, auction volumes of other EU Member States, as well as Norway, Iceland and Liechtenstein are also included in the figure.



Source: EEX, Refinitiv Eikon, DEHSt
 DE = Germany, PL = Poland, EU25+ = EU-Commission on behalf of other member states and Norway, Iceland and Liechtenstein
 * CW 44: 01/11/2021–05/11/2021; CW 47: 22/11/2021–26/11/2021

Figure 6: Auction volumes on the primary market in November 2021 (EUA)

The following chart shows the development of the monthly EUA trading volumes on the primary and secondary market over the past 12 months before the current reporting month. In the first eleven months of 2021, the total market volume of about 10.5 billion EUA was 5 percent above the previous year's level (Jan–Nov 2020: 10 billion EUA).



Source: ICE, EEX, Nasdaq OMX, Refinitiv Eikon, LEBA, DEHSt

Figure 7: Trading volumes on the primary and secondary market over the past 12 month (EUA)

Table 3: Market shares of the various trading segments (EUA)

Market segments		Nov 2021	Oct 2021	Jan–Nov 2021	Jan–Nov 2020
Primary market	EUA Auctions (Spot)	4.3%	4.6%	5.2%	7.4%
Secondary market	EUA Futures (cleared)	91.6%	86.7%	88.6%	86.0%
	EUA Spot (cleared)	4.2%	8.8%	6.1%	6.6%
	LEBA EUA OTC	–	–	0.1%	< 0.1%

Source: ICE, EEX, Nasdaq OMX, Refinitiv Eikon, LEBA, DEHSt

3.2 Trading Volume EUAA

In November 2021, about 1 million aviation allowances (EUAA) were traded on the secondary market⁶. During the reporting period, about 0.6 million EUAA were auctioned by the countries participating in the EU ETS on the primary market. Further information on the EUAA auction calendars is available on the website of the [European Commission](#).

3.3 Auction Prices and Price Development on the Secondary Market

Reference prices from the most liquid trading venues served as appropriate benchmarks for evaluating the auction clearing prices achieved on the EUA spot auctions. The reference contract for the auctions is the daily future traded on the ICE Endex or the EEX EUA spot contract. The product specifications are comparable with the spot-product of the auctions. The trade price immediately before the end of the bidding period was used as a reference price. If no trades take place immediately before the end of the bidding period, the last best bid was used as a reference price (see also Info box below).

Reference Prices

In regular exchange trading (secondary trading), participants enter their buying and selling requests (bids and asks) into an order book which is constantly updated. As in auctions, such buying bids in secondary trading include quantity and price limits. The price limit is the highest price a buyer is prepared to pay for the purchase of an allowance. Sellers can also put a price limit on their bid, i. e. a minimum price per allowance sold.

The order book is open to inspection by any participant. It shows the current highest purchase offer (best bid) and the lowest sales offer (best ask) with the relevant quantities. Trading occurs where best bid and best ask overlap. Trading price records finally show the price limits where supply equals demand.

Table 4 shows the relative deviations of the auction clearing price from the secondary market. The deviation on each EUA auction date just before the end of the bidding period (11 a.m. CET) varied over the reporting period between € –0.19 (–0.26 percent) and € –0.03 (–0.05 percent).

For a mean value analysis, the arithmetic mean of the absolute values of individual deviations over the reporting period is calculated. The average deviation from the last best bid was € 0.10 or 0.14 percent averaged over all dates.

⁶ All aviation allowances (EUAA) of the third trading period traded on the spot and futures markets on the ICE and EEX exchanges are considered. Transactions completed directly on the stock exchange (screen traded) or those bilateral transactions that at least used the stock exchange clearing mechanism are included.

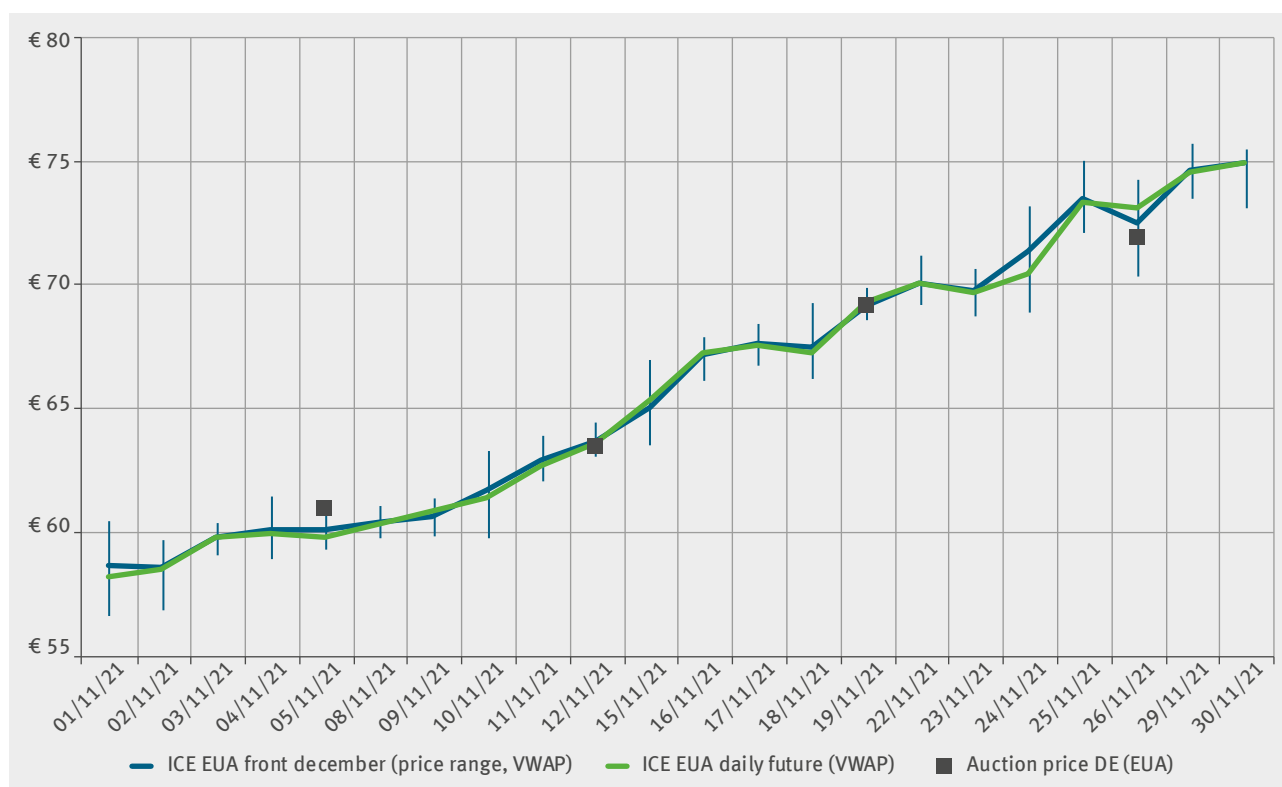


Table 4: EUA auctions and deviations from secondary market prices in November 2021 (EUA)

Date	Contract	Clearing price	Deviation from secondary market	
			Absolute	%
05/11/2021	EUA Spot 4 th TP	€ 61.05	*€ -0.05	*-0.08%
12/11/2021	EUA Spot 4 th TP	€ 63.53	*€ -0.03	*-0.05%
19/11/2021	EUA Spot 4 th TP	€ 69.21	*€ -0.11	*-0.16%
26/11/2021	EUA Spot 4 th TP	€ 71.95	*€ -0.19	*-0.26%
Mean absolute deviation			€ 0.10	0.14%

Source: ICE, EEX, Refinitiv Eikon, DEHSt
* best bid ICE Daily Future

The following figure shows an overview of the price development for emission allowances on the lead market. In addition to the daily futures the development of futures for December delivery of the current and the following year is also shown (so-called “front-December future”).⁷ Rather than following the common practice of considering only settlement prices, our analysis takes into account all trades completed at the exchanges.⁸ The following graphic is based on volume-weighted daily average trading prices (VWAP). In addition, the daily trading range of the front-December contract is also shown in the chart (vertical price line). In November 2021 the price fluctuated within an interval between € 56.65 and € 75.76, the **highest level since the start of the EU ETS in 2005**.⁹



Source: ICE, EEX, Refinitiv Eikon, DEHSt

Figure 8: ICE secondary market prices and EEX auction clearing prices (EUA)

7 ICE EUA Dec21 contract expires on 20/12/2021.

8 Settlement prices are determined by the exchanges at the end of the trading day. Hence, they only reflect trade activity immediately before closure of the exchange and are, thus, not always an adequate reflection of the prevailing intra-day prices in the secondary market.

9 The volume-weighted average prices (VWAP) for the ICE EUA front-December future and the ICE daily future contract is based on data from Refinitiv Eikon.

4 Implementation of Valid Regulations

4.1 Surveillance Report by HÜSt

In order to guarantee above-board market activities are free of manipulation on the EEX continuous surveillance is conducted by an independent Market Surveillance Office (Handelsüberwachungsstelle, HÜSt) as required under German law. HÜSt reports to the DEHSt on the results of its surveillance activities through regular internal reports. HÜSt reported on auctions in November 2021 as follows (excerpt):

“Within their surveillance for the auctioning of emission allowances on behalf of the German Environment Agency at the EEX in November 2021 the Market Surveillance Office of the EEX could not detect any irregularities and especially no behaviour of bidders that was targeted at manipulating the auction price.”

4.2 Fair and Open Access

The implementation of the provisions of the EU Auctioning Regulation guarantees a fair and open access for all auction participants at EEX. Current access options can be found at [EEX Website \(Access to the auctions\)](#).

More information about the auction process is also available on the EEX auction hotline. EEX can be reached by phone from Mondays to Fridays from 8:00 to 18:00 CET at +49 341 2156-331 or by e-mail at auctions@eex.com.

4.3 Auction Result Publication

All auction results and accompanying data were made publicly available during the reporting period within a 15-minute time window directly linked to the respective auction at [EEX Website](#).

4.4 Other Events

There are no matters relating to the implementation of the existing rules to be reported during the reporting period. The current regulations can be downloaded from [EEX Website \(Rules and Regulations\)](#).

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