



AUCTIONING

Auctioning of Emission Allowances in Germany Periodical Report: Third Quarter 2011

IMPRINT

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Status: 10/2011

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AUCTIONING OF EMISSION ALLOWANCES IN GERMANY

Since January 2010, the Federal Republic of Germany has been offering an annual total of 40 million emission allowances (EUAs) for auctioning. Between 2010 and 2012 the auctions are held weekly at the spot and futures markets of the European Energy Exchange EEX in Leipzig (see info box below). The German Emissions Trading Authority (DEHSt) at the Federal Environment Agency has commissioned the KfW banking group to act as vendor (seller) of allowances at the EEX on behalf of the Federal Government. Further updated information on terms and conditions of participation is to be found on the EEX website¹. Previous Periodical Reports are available on the auctioning website of the DEHSt².

Info Box: Participation, Deadlines and Procedure

Weekly auctions of futures or spot contracts at EEX are part of normal exchange trading. Participation is possible either directly for EEX members or indirectly via a broker or as a client of an EEX member. This ensures that small and medium-sized enterprises that have no dedicated trading department can also benefit from the auctions. Exchange members already admitted to emissions trading on the EEX can participate in the weekly auctions at no cost or fixed charges.

From 2010 to 2011, auctions will be held on separate dates between January and October - 300,000 allowances for immediate delivery (spot contract) are auctioned every Tuesday and 570,000 allowances to be delivered by December (futures) are auctioned every Wednesday. In 2012, the weekly volume of futures contracts will increase to 645,000 EUAs. In 2010 and 2011, 870,000 allowances are auctioned weekly on the spot market from November. In 2012 this volume increases to 945,000 allowances. The exact auction dates are published in the respective EEX Auction Calendars for 2011 and 2012.

EEX Calendar 2011 [European Energy Exchange Auction Calendar 2011](#)

EEX Calendar 2012: [European Energy Exchange Auction Calendar 2012](#)

The auction procedure is broadly laid down in the Ordinance on the Auctioning of Emission Allowances (Emissionshandels-Versteigerungsverordnung, EHVV 2012). A single-round, uniform-price procedure is applied at auctions. All successful bidders pay the same price. Auctions are conducted with a closed order book, and bidders can only see their own bids. The minimum bid is 500 allowances in auctions on the spot market and 1,000 allowances in auctions on the futures market.

1 see: [European Energy Exchange: EUA-Primary Market Auction](#)

2 see: [DEHSt - Reports by DEHSt on the Auctioning of EU Allowances in Germany](#)

1. CURRENT DEVELOPMENTS

Auction Calendar set for the rest of 2011: Pursuant to Article 5 Section 4 of the Ordinance on the Auctioning of Emission Allowances (Emissionshandels-Versteigerungsverordnung, EHVV 2012), the DEHSt publicised on its [website](#) on November 4th the number of emission allowances (EUAs) auctioned to cover system costs. This number amounts to 675,289 EUAs bringing up the total of EUAs to be auctioned in 2011 to 40.67 million EUAs (see Chapter 4). Auctions on the 2011 futures market ended on October 26th, as anticipated. As set out in EHVV 2012, the weekly volume of stock market auctions will be increased to 870,000 EUAs between November and December. The German auction calendar at the EEX for 2011 will thus close on November 22nd with an auction volume of 655,500 EUAs.

Higher Auction Volumes in 2012: In the coming year, auction volumes at the EEX will be slightly increased compared to 2010 and 2011. Thus, the weekly quantities offered for futures contracts (F2EA) between January and October will increase from currently 570,000 to 645,000 EUAs. For spot contracts (T2PA), by contrast, quantities offered for the same period will remain at 300,000 EUAs. From November 2012, spot market quantities will increase to 945,000 EUAs. Detailed information can be found in the [EEX Auction Calendar for 2012](#). This increase is legally based on the amended German Greenhouse Gas Emissions Trading Act of July 21st 2011.

Germany launches tender for a new Auction Platform: The European Emissions Trading Scheme requires a significant increase in the proportion of emission allowances to be sold to participants by auction for the next trading periods. In aviation, 15% of the total allocation volume will be auctioned next year. For stationary emissions, representatives of all 27 EU Member States agreed that 120 million emission allowances should be already auctioned in 2012 from the compliance years 2013 and 2014 (early auctions). This has been decided to facilitate a seamless transition between trading periods. Of this contingent, 23.5 million will be auctioned by the Federal Republic of Germany.

In order to implement these European requirements, the Federal Environment Agency has initiated a procurement procedure on behalf of the German Government on 27/10/2011 to commission a purpose-built auction platform. It will be used to auction the emission allowances in 2012 and 2013 on a transitional basis assigned to the German Government according to EU regulation specifications, until a permanent auctioning platform is commissioned in a second procurement. This will not affect the auctioning of emission allowances during the current trading period, which will continue to take place at the spot and futures markets of the Leipzig Energy Exchange EEX in 2012.

2. MARKET SURVEILLANCE REPORT BY THE HÜST

In order to guarantee above-board market activities free of manipulation on the EEX, continuous surveillance is conducted by an independent Market Surveillance Office (Handelsüberwachungsstelle, HÜSt), as required under German law. The HÜSt reports to the DEHSt in regular internal reports on the results of its surveillance activities. HÜSt reported on auctions in the third quarter of 2011 as follows:

„The auctions of emission allowances at the EEX on behalf of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety in the third quarter of 2011 took place following the defined procedure and without any disturbances. For this period, the Market Surveillance of the EEX could not detect any irregularities and especially no behaviour of bidders that aims at manipulating the auction price.“

3. OVERVIEW OF THE THIRD QUARTER 2011

Between July and September 2011, a total of 11,310,000 emission allowances (EUAs) worth 137,623,200 Euros were auctioned. Due to market price developments over the past three months, revenues dropped by approximately 25 percent compared to the previous quarter (183,768,000 Euros). The volume-weighted revenue per allowance was 12.17 Euros (16.25 Euros).

Of the total volume auctioned, 7,410,000 emission allowances worth 90,778,200 Euros (average price 12.25 Euros) were futures contracts (MidDec2011) and 3,900,000 emission allowances worth 46,845,000 Euros (average price 12.01 Euros) were sold at spot auctions (see Table 1). Auction results per auction date are shown in detail in Tables 2 (spot) and 3 (futures).

Table 1: Overview of the 3rd quarter 2011

Contract	Number of Auctions	Bid Volume	Auction Volume	Cover Ratio	Clearing Price	Revenue
Spot	13	28,064,000	3,900,000	*7.20	*12.01 €	46,845,000 €
Futures	13	55,446,000	7,410,000	*7.48	*12.25 €	90,778,200 €
Total	26	83,510,000	11,310,000	**7.38	**12.17 €	137,623,200 €

* Period average

** Volume-weighted average

In total, at 26 auction dates, valid bids for over 83 million allowances were entered into the trading system (see Chapter 6.2). Aggregated bidder demand during the reporting period exceeded supply by a factor of 7.38. The spot market cover ratio (7.20) was slightly lower than that of the futures market (7.48). Average bidder participation on the futures and spot markets remained stable compared to the previous quarter at approximately 6 participants (see Chapter 6.1).

Deviations of clearing prices from secondary trading prices on the lead markets were again minimal during the third quarter. For spot contracts, the average deviation was +0.05 percent, while for futures contracts, it was +0.04 percent (see Chapter 6.2).

Table 2: Overview of auction data for the 3rd quarter 2011 (spot)

Date	Number of Bidders	Bid Volume	Auction Volume	Cover Ratio	Clearing Price	Revenue
05/07/2011	7	6,397,000	300,000	21.32	13.33 €	3,999,000 €
12/07/2011	6	2,975,000	300,000	9.92	11.54 €	3,462,000 €
19/07/2011	7	3,895,000	300,000	12.98	12.22 €	3,666,000 €
26/07/2011	5	2,210,000	300,000	7.37	12.87 €	3,861,000 €
02/08/2011	4	1,065,000	300,000	3.55	11.55 €	3,465,000 €
09/08/2011	8	3,320,000	300,000	11.07	10.55 €	3,165,000 €
16/08/2011	6	1,178,000	300,000	3.93	12.14 €	3,642,000 €
23/08/2011	7	1,475,000	300,000	4.92	12.55 €	3,765,000 €
30/08/2011	3	1,830,000	300,000	6.10	12.92 €	3,876,000 €
06/09/2011	6	1,261,000	300,000	4.20	12.33 €	3,699,000 €
13/09/2011	5	625,000	300,000	2.08	11.74 €	3,522,000 €
20/09/2011	5	948,000	300,000	3.16	11.61 €	3,483,000 €
27/09/2011	6	885,000	300,000	2.95	10.80 €	3,240,000 €
September	22	3,719,000	1,200,000	*3.10	*11.62 €	13,944,000 €
July to September	75	28,064,000	3,900,000	*7.20	*12.01 €	46,845,000 €

* Period average

Table 3: Overview of auction data for the 3rd quarter 2011 (futures)

Date	Number of Bidders	Bid Volume	Auction Volume	Cover Ratio	Clearing Price	Revenue
06/07/2011	7	6,370,000	570,000	11.18	13.25 €	7,552,500 €
13/07/2011	5	6,825,000	570,000	11.97	11.98 €	6,828,600 €
20/07/2011	5	5,155,000	570,000	9.04	12.74 €	7,261,800 €
27/07/2011	4	2,920,000	570,000	5.12	12.54 €	7,147,800 €
03/08/2011	5	4,315,000	570,000	7.57	11.36 €	6,475,200 €
10/08/2011	7	4,355,000	570,000	7.64	11.59 €	6,606,300 €
17/08/2011	6	2,685,000	570,000	4.71	12.76 €	7,273,200 €
24/08/2011	7	6,495,000	570,000	11.39	13.21 €	7,529,700 €
31/08/2011	5	2,247,000	570,000	3.94	13.14 €	7,489,800 €
07/09/2011	6	3,785,000	570,000	6.64	12.38 €	7,056,600 €
14/09/2011	6	5,210,000	570,000	9.14	12.05 €	6,868,500 €
21/09/2011	3	1,749,000	570,000	3.07	11.73 €	6,686,100 €
28/09/2011	6	3,335,000	570,000	5.85	10.53 €	6,002,100 €
September	21	14,079,000	2,280,000	*6.18	*11.67 €	26,613,300 €
July to September	72	55,446,000	7,410,000	*7.48	*12.25 €	90,778,200 €

* Period average

4. OVERVIEW OF THE CURRENT YEAR

In the first nine months of 2011, 77 individual auctions were held and a total of 33,930,000 emission allowances (EUAs) worth 493,939,800 Euros were auctioned (average price 14.56 Euros). Of the total auction volume, 22,230,000 emission allowances worth 325,834,800 Euros (average price 14.66 Euros) were futures contracts (MidDec2011) and 11,700,000 emission allowances worth 168,105,000 Euros (average price 14.37 Euros) were auctioned on the spot market, in accordance with legal requirements. The cumulated auction results of the current year are shown in Table 4.

In addition to the **basic annual amount** of 40 million emission allowances set by the law, additional allowances from the National Reserve are auctioned every year to cover the cost incurred by the Federal Government in the exercise of its duties and responsibilities in connection with emissions trading. The **annual refinancing volume** of EUAs is calculated from the average auction clearing prices for the calendar months January to October. The refinancing volume of 675,289 allowances for 2011 was announced by the DEHSt on November 4th on its [website](#).

The **total annual amount** for 2011, consisting of the basic annual amount and the refinancing volume, taking also into account the minimum bid volume of 500 EUAs on the EEX spot market, is 40,675,500 allowances. Accordingly, the remaining volume to be auctioned this year is 6,745,500 EUAs. Thus, the allowances auctioned between January and September 2011 make up about 83 percent of the total annual amount.

In accordance with EHVV 2012, there will be no further auctions held at the futures market between November and December. The volume to be auctioned at the weekly spot auctions will be increased from 300,000 to 870,000 allowances from November. The last auction of the year will take place on November 22th. The remaining 655,500 allowances of the annual total amount will be auctioned on that date.

Table 4: Overview of the current year 2011

Month	Contract	Number of Auctions	Bid Volume	Auction Volume	Cover Ratio	Clearing Price	Revenue
January	Spot	4	5,931,000	1,200,000	*4.94	*14.14 €	16,965,000 €
	Futures	4	11,877,000	2,280,000	*5.21	*14.51 €	33,071,400 €
February	Spot	3	8,657,000	1,200,000	*7.21	*14.66 €	17,595,000 €
	Futures	4	14,081,000	2,280,000	*6.18	*14.87 €	33,892,200 €
March	Spot	5	11,693,000	1,500,000	*7.80	*15.92 €	23,886,000 €
	Futures	5	25,105,000	2,850,000	*8.81	*16.54 €	47,139,000 €
April	Spot	4	9,529,000	1,200,000	*7.94	*16.45 €	19,737,000 €
	Futures	4	18,997,000	2,280,000	*8.33	*16.92 €	38,577,600 €
May	Spot	5	19,924,000	1,500,000	*13.28	*16.62 €	24,930,000 €
	Futures	4	24,197,000	2,280,000	*10.61	*16.69 €	38,047,500 €
June	Spot	4	15,479,000	1,200,000	*12.90	*15.12 €	18,147,000 €
	Futures	5	20,503,000	2,850,000	*7.19	*15.55 €	44,328,900 €
July	Spot	4	15,477,000	1,200,000	*12.90	*12.49 €	14,988,000 €
	Futures	4	21,270,000	2,280,000	*9.33	*12.63 €	28,790,700 €
August	Spot	5	8,868,000	1,500,000	*5.91	*11.94 €	17,913,000 €
	Futures	5	20,097,000	2,850,000	*7.05	*12.41 €	35,374,200 €
September	Spot	4	3,719,000	1,200,000	*3.10	*11.62 €	13,944,000 €
	Futures	4	14,079,000	2,280,000	*6.18	*11.67 €	26,613,300 €
January to	Spot	38	99,277,000	11,700,000	*8.49	*14.37 €	168,105,000 €
September	Futures	39	170,206,000	22,230,000	*7.66	*14.66 €	325,834,800 €
Total		77	269,483,000	33,930,000	**7.94	**14.56 €	493,939,800 €

* Period average

** Volume-weighted average

5. BIDDER PARTICIPATION

5.1. PARTICIPATION

The total volume auctioned during the third quarter of 11.31 million EUAs went to 74 successful bidders. Of these bidders, 38 took part in the futures market and 36 in the spot market auctions. Thus, the number of successful trading participants slightly exceeded the levels of the previous quarter (70). The total number of bidders actively participating in the auctions during the reporting period was 147.³ From a bidder's perspective, the average success rate over all twenty-six auction dates was almost 50 percent. The average quantity awarded per successful bidder was approximately 110,000 allowances in spot and 195,000 allowances in futures auctions.

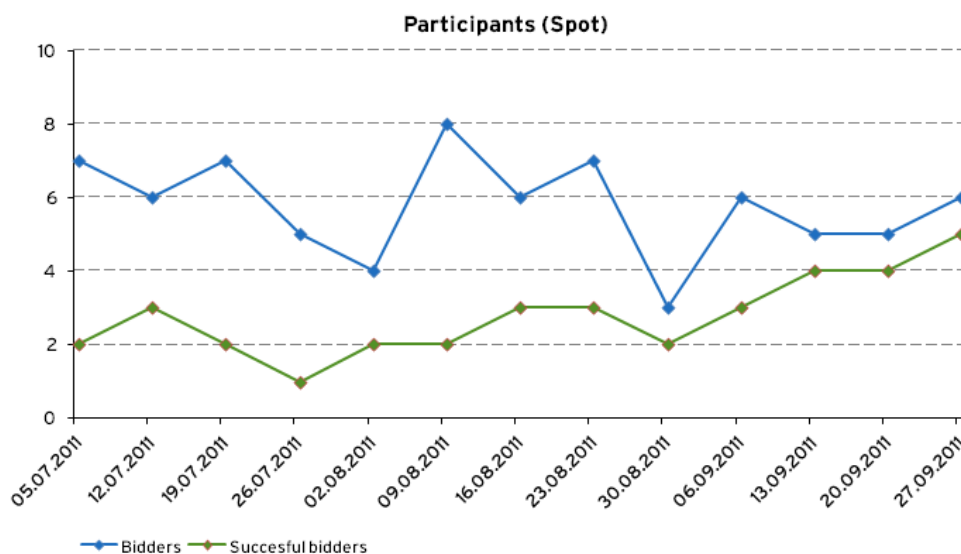


Figure 1: Number of participating and successful bidders per auction in the 3rd quarter of 2011 (spot)

Figures 1 and 2 show the structural development of participant numbers for spot and futures markets respectively. In both segments, bidder participation essentially fluctuated between 5 and 8 bidders. Only 4 out of 26 auction dates saw fewer than 5 active bidders.

The number of eventually successful bidders fluctuated between 2 and 4 bidders in approximately 90 percent of all auctions. Only on two auction dates did the number of successful bidders fall below the threshold of two during the third quarter.

The fact that auction clearing prices hardly deviated from secondary market trading prices confirms once again that in a competitive market environment even a relative small number of bidders suffices to ensure that emission allowances are efficiently auctioned at market prices. The total number of potential bidders in relation to the volume to be auctioned must be sufficient to generate a sufficiently high general demand. It seems that these conditions continue to be met at the German auctions at the EEX.

³ As trading participants are allowed to enter bids on several successive dates, the number of participating and successful bidders does not necessarily reflect the true number of different parties taking part in auctions over the reporting period. It must also be taken into account that bidders were able to participate indirectly via intermediaries such as banks and financial service providers, which is not reflected in the quoted number of participants. Numbers only include trading participants acting as intermediaries, not indirect third-party bidders.

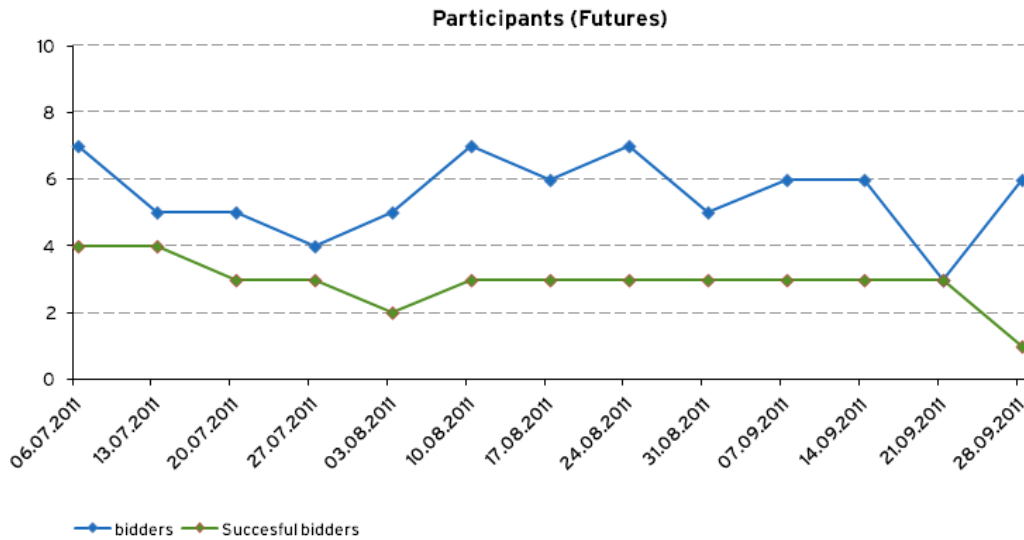


Figure 2: Number of participating and successful bidders per auction in the 3rd quarter of 2011 (futures)

5.2. VOLUME DEMAND

The aggregated volume of bids per futures auction date was between 1.75 and 6.83 million allowances in the third quarter. The corresponding cover ratios during the reporting period thus fluctuated between 3.07 and 11.97 (average 7.48). On the spot market, bidder demand fluctuated between 0.63 and 6.40 million allowances. Accordingly, cover ratios were in the range of 2.08 to 21.32 (average 7.20).

The extreme fluctuations between subsequent auction dates may be explained not only by actual fluctuations in demand, but also by the fact that the number and volume of bids a single bidder can submit to the trading system is unlimited. Thus, in theory, bidders could enter several individual bids into the order book and exceed the volume of allowances to be traded - 300,000 on the spot market or 570,000 allowances on the futures market. Such behaviour seems to be perfectly acceptable from a procedural perspective and allows the bidder to submit staggered bids, depending on the price development on the lead market (see also info box below).

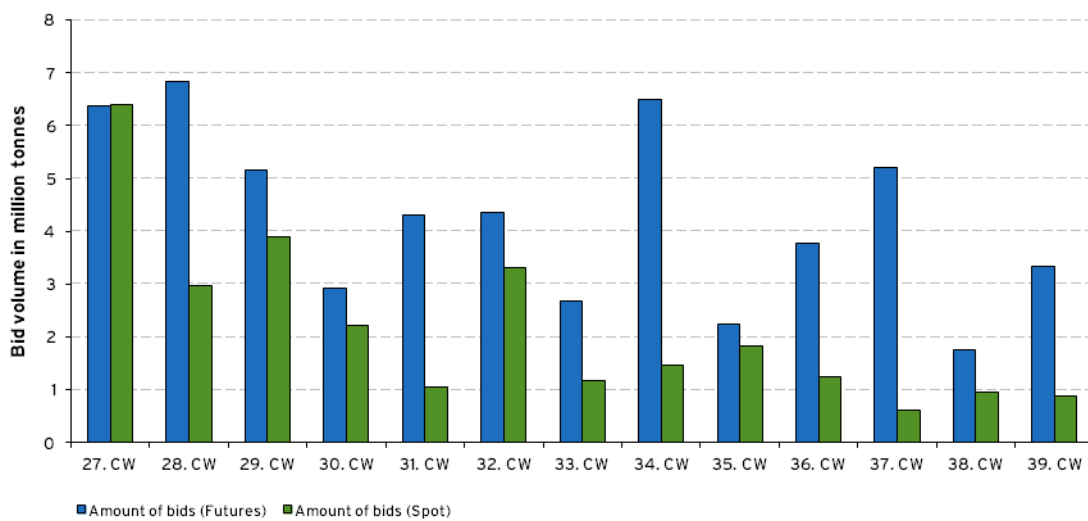


Figure 3: Bid volumes on the futures and spot markets for the 3rd quarter of 2011

Info Box: Uniform Price Auction at the EEX

The German 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 will continue to be used during the third trading period and for aviation. 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 a tied bid, the bids are additionally ranked according to the time they were entered, beginning with the earliest bid („first-come-first-served principle“). Starting with the highest bid, the volumes of the bids are aggregated until the volume of emission allowances on offer (300,000 (spot) and 570,000 (futures)) 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 exactly matches the clearing price, the bidder may be awarded the remaining allowances, which may be below the volume demanded, depending on the bidding situation. If several participants' bid exactly matches the auction clearing price, the above-mentioned „first-come-first-served“ principle applies.

6. AUCTIONS AND THE SECONDARY MARKET

6.1. TRADING VOLUME ON THE SECONDARY MARKET

While a total of 11.31 million emission allowances were auctioned by the Federal Republic during the third quarter, the total market volume for the same period was around 1.06 billion allowances (894 million in Q2 2011).⁴ Thus the average market share of German auctions was approximately 1.1 percent. Figures 4 and 5 show the market volumes traded during the reporting period and the corresponding share of the German auction volume per calendar week (CW), for the spot and futures markets respectively.

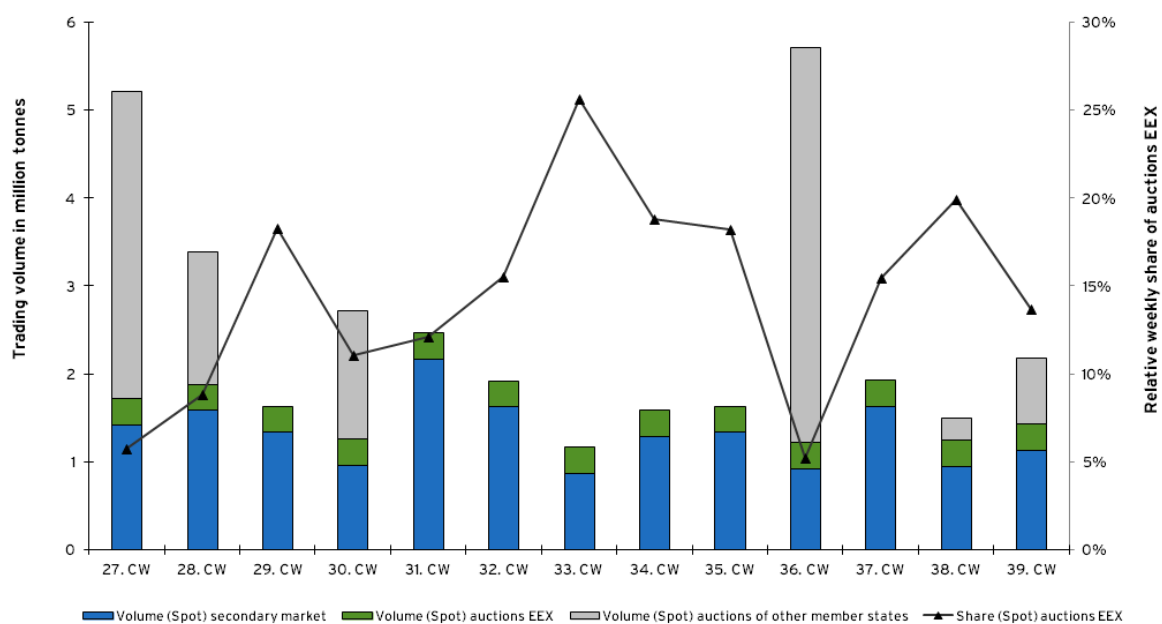


Figure 4: Trading volume on the entire market (spot) and relative weekly share of German auctions (EEX) in the 3rd quarter of 2011

During the third quarter, the share of German auction volumes on the market for spot products was around 15 to 25 percent, levels comparable to the previous quarter. In those calendar weeks (CW) in which other EU Member States held auctions alongside the German auctions, the volume share dropped to 5 to 12 percent.

⁴ The analysis only includes transaction for immediate delivery (spot) and futures contracts maturing in December 2011, which are traded at the ICE/ECX, BlueNext, EEX, Nasdaq OMX and GreenX exchanges. Only transactions concluded at the exchange (screen-traded) or bilateral transactions that went through the exchange clearing mechanisms are included, whereas options and longer-maturing futures contracts are not included. Spot contracts auctioned by other EU Member States during the third quarter of 2011 are also included.

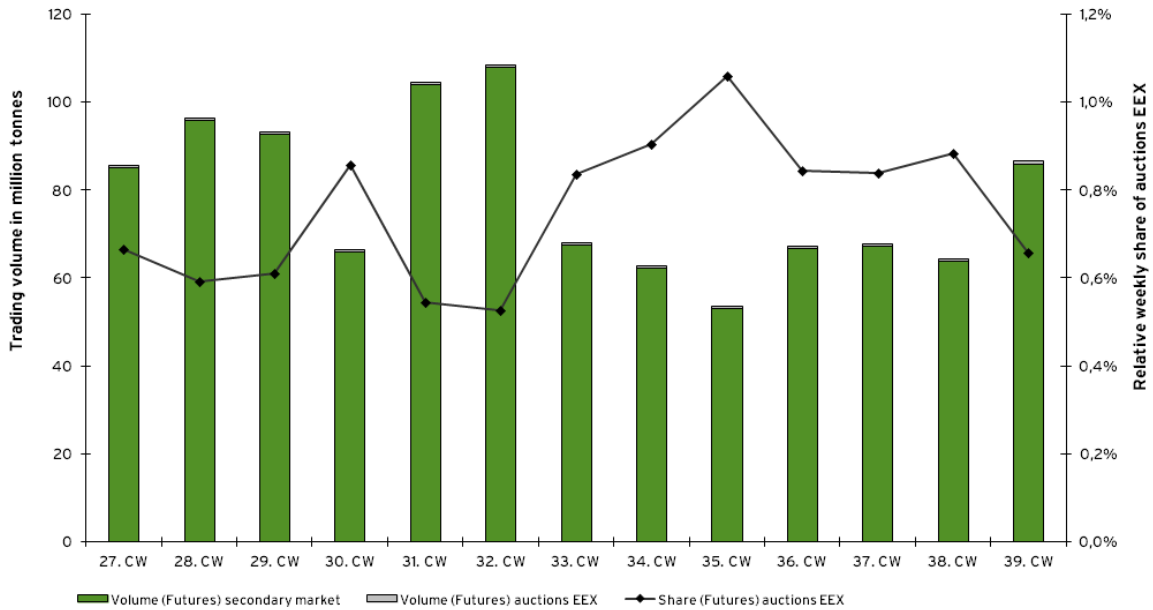


Figure 5: Trading volume on the entire market (Futures Dec11) and relative weekly share of German auctions (EEX) during the 3rd quarter 2011

Weekly volume shares of futures auctions on the liquid futures market (Dec11) fluctuated between 0.5 and 1.1 percent (see Figure 5). During the reporting period, the share was on average 0.8 percent, which is considerably lower than the spot market share. Apart from Germany, there are currently no other EU Member States auctioning futures contracts.

6.2. CLEARING PRICES AND PRICE DEVELOPMENT ON THE SECONDARY MARKET

For the evaluation of auction clearing prices realised, reference prices from the most liquid exchanges were used as benchmarks (see next Info Box). The reference contract for the auctioning of the MidDec11 futures contract is the Dec11 Future, traded at the London ICE/ECX, whereas the BlueNext EUA spot market in Paris is the reference for spot markets.

Info Box: Reference Prices

In regular exchange trading, participants enter their buying and selling requests (bids and asks) into an order book, which is constantly updated. As in German auctions, such buying bids 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, too, can 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 currently 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. The best bid is therefore a good indicator for the willingness to pay on a market. Trading price records finally show at what price limits supply equals demand.

Table 5 shows the relative deviations of clearing prices at futures auctions from the London lead market just before the end of the bidding period. Reference prices were the last trade and the last best bid.

The average deviation from the last best bid for all 13 auction dates was +0.04 percent, while the corresponding last trade deviation was -0.12 percent. Deviations for individual auction dates during the reporting period varied between -0.51 and +0.38 percent (Last Best Bid) and -0.86 and +0.09 percent (Last Trade) respectively, which is comparable to the previous quarter.

Table 5: Clearing prices (futures) and deviations from secondary market prices (ICE/ECX Dec11) in the 3rd quarter of 2011

Auction Date	Contract	Clearing Price	Deviation from Lead Market (ICE/ECX Dec11)	
			Last Best Bid	Last Trade
06/07/2011	Futures	13.25 €	0.00%	-0.23%
13/07/2011	Futures	11.98 €	0.08%	-0.17%
20/07/2011	Futures	12.74 €	-0.47%	-0.86%
27/07/2011	Futures	12.54 €	0.08%	-0.08%
03/08/2011	Futures	11.36 €	0.09%	0.09%
10/08/2011	Futures	11.59 €	0.17%	0.09%
17/08/2011	Futures	12.76 €	0.08%	0.00%
24/08/2011	Futures	13.21 €	0.08%	0.08%
31/08/2011	Futures	13.14 €	0.08%	-0.15%
07/09/2011	Futures	12.38 €	0.16%	0.08%
14/09/2011	Futures	12.05 €	0.33%	0.08%
21/09/2011	Futures	11.73 €	-0.51%	-0.51%
28/09/2011	Futures	10.53 €	0.38%	0.00%
Futures		*12.25 €	*0.04%	*-0.12%

* Period average

Table 6 shows clearing price deviations at spot auctions from the reference price at the BlueNext exchange (last best bid) and from the ICE/ECX futures market (Dec11 Futures). The fragmentation of the entire spot market highlighted in the two previous quarterly reports was no longer observed in the third quarter of 2011. Deviations of clearing prices from secondary trading prices at the BlueNext exchange were between -0.68 and +0.60 percent (average +0.05 percent), returning to the approximate levels of the beginning of the year.

Deviations of clearing prices on the spot market from the Futures Dec11 contracts remained at -0.75 to -1.37 percent over the entire trading period which is usual in functioning markets where spot markets are normally rated lower than front-year contracts. The average deviation for all 13 auction dates was 1.08 percent.

Table 6: Clearing prices (spot) and deviations from the secondary market price (BlueNext and ICE/ECX) in the 3rd quarter of 2011

Auction Date	Contract	Clearing Price	Deviation from Lead Market	
			Last Best Bid Spot (BlueNext)	Last Best Bid Future Dec11 (ICE/ECX)
05/07/2011	Spot	13.33 €	0.60%	-0.97%
12/07/2011	Spot	11.54 €	0.17%	-1.28%
19/07/2011	Spot	12.22 €	0.00%	-1.13%
26/07/2011	Spot	12.87 €	0.08%	-0.77%
02/08/2011	Spot	11.55 €	0.00%	-1.11%
09/08/2011	Spot	10.55 €	0.57%	-0.75%
16/08/2011	Spot	12.14 €	0.08%	-1.06%
23/08/2011	Spot	12.55 €	0.08%	-1.10%
30/08/2011	Spot	12.92 €	0.00%	-1.37%
06/09/2011	Spot	12.33 €	0.16%	-0.96%
13/09/2011	Spot	11.74 €	-0.25%	-1.10%
20/09/2011	Spot	11.61 €	-0.68%	-1.28%
27/09/2011	Spot	10.80 €	-0.18%	-1.19%
Spot		*12.01 €	*0.05 %	*-1.08 %

* Period average

To complement the snapshot of the markets during call phases on auction days, Figures 6 (futures) and 7 (spot) give an overview of the clearing prices in German auctions in the context of historical price developments on the relevant lead markets during the third quarter. Rather than following the common practice of just looking at settlement prices, our analysis takes into account all trades completed at the exchanges during the reporting period.⁵ The following graphics are based on volume-weighted average trading prices.

At the ICE/ECX, trading prices for the delivery of an emission allowances as a futures contract due in December 2011 fluctuated between 10.57 Euros and 13.44 Euros in the third quarter. As Figure 6 shows, auctions over the entire reporting period were held almost in parallel to the London lead market. In this market environment, clearing prices in futures auctions fluctuated between 10.53 Euros and 13.25 Euros.

⁵ Settlement prices are set by the exchanges at the end of the trading day. They usually only reflect trade activity immediately before closure of the exchange and are thus not always a true reflection of the secondary market.

Futures-Market

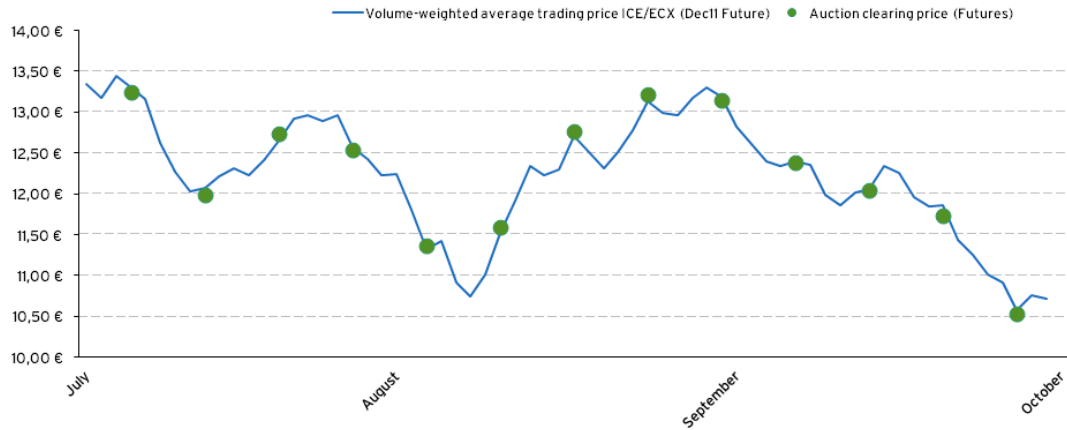


Figure 6: Clearing prices (futures) and volume-weighted average prices at ICE/ECX (Dec2011 Future) in the 3rd quarter of 2011

The price integration on the spot market, observed in the short-term market price overview (Table 6) is clearly shown in Figure 7. Spot market auctions were held almost in parallel to the lead market in Paris.

Spot-Market

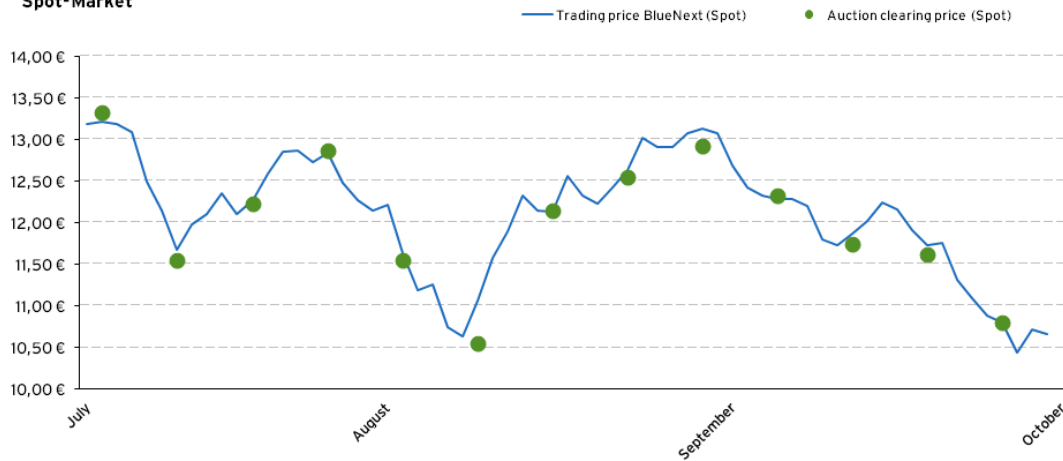
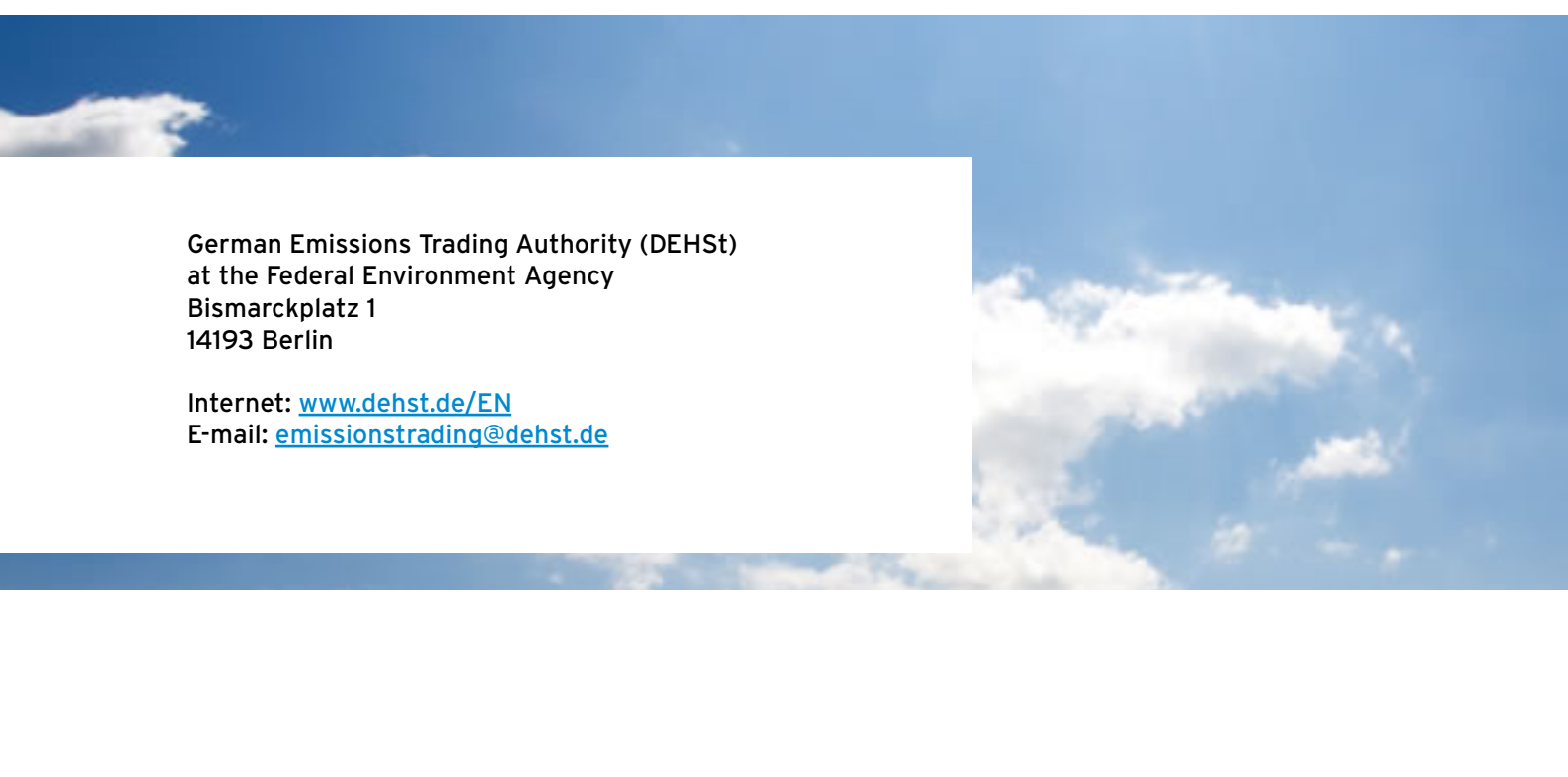


Figure 7: Clearing prices (spot) and daily average price at the BlueNext spot market in the 3rd quarter of 2011



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