

Auctioning in EU ETS

Since 2010, the Federal Republic of Germany has regularly auctioned emission allowances on the European Energy Exchange (EEX) in Leipzig. Since the third trading period (2013–2020) of the European Emissions Trading System (EU ETS), the free allocation volumes have been significantly reduced and auctions have been greatly expanded. Across Europe, slightly more than half of the emission allowances have been auctioned during the third trading period. This also applies in principle to the current fourth trading period (2021–2030), although the share of auctions will increase continuously.



Auction as an allocation method

Auctioning is the most transparent allocation method and lays the foundation for companies to include climate costs in their business decisions and put the polluter-pays principle into practice. At the same time, the revenues from the auctions open up a new scope for state support for climate protection measures. In Germany, all auction revenues – with the exception of the annual costs of refinancing the emissions trading system – go into the Climate and Transformation Fund (KTF).

Auctioning has been the basic allocation method in the EU ETS throughout Europe since the beginning of the third trading period. In principle, emission allowances that are not allocated to operators free of charge are auctioned. The Federal Republic of Germany has a share of about 22 percent of this Europe-wide auction volume. Power producers must acquire all the required emission allowances through auctions since the third trading period.

DEHSt as the competent authority

The German Emissions Trading Authority (DEHSt) at the German Environment Agency is the competent authority in Germany for the implementation of the EU ETS and thus also responsible for the control of German auctions. We coordinate the overall process, commission the German auction platform in a tendering procedure and act as the supplier of

Auction product	Fourth trading period EUA spot contracts	Fourth trading period EUAA spot contracts
Auction period	13/01/2023 to 15/12/2023	18/10/2023
Auction volume Whole year	113,094,000 EUA	907,000 EUAA
Auction volume per session	Jan–Jul: 1,939,500 EUA Aug: 970,000 EUA Sep–Dec: 3,552,500 EUA	907,00 EUAA on 18/10/2023
Auction frequency	Weekly (Fridays from 09:00–11:00 hours MET)	On 19/10/2023 (09:00–11:00 hours MET)
Bid size	500 EUA/EUAA	
Auction mode	Single round, uniform-price method with closed order book	

Industries with high emissions and heat producers will continue to receive free allocation based on “benchmarks”. Aviation was included in the EU ETS starting in 2012, one year before the regular start of the third trading period. The auctioned share of aviation emission allowances has been 15 percent since the third trading period.

allowances in the auctions. Our monthly auction reports contain a detailed analysis of the German auction results as well as a comprehensive overview of the developments on the secondary market, i. e. the resale market for allowances already in circulation. The table (above) summarises the core data of the German auctions on the EEX in 2022.

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EUA – EU Allowances

Emission allowances for stationary emissions trading

EUAA – EU Aviation Allowances

Emission allowances for aviation

Spot contracts

Contract with a maximum settlement period of 2 trading day

Auction reports



► www.dehst.de/Auctioning-reports

Auction results

About 1.6 billion emission allowances (EUA) and emission allowances for aviation (EUAA) have been auctioned on the EEX in almost 750 auctions since the start of the German auctions in January 2010. They generated a total revenue of almost 27 billion euros (as of December 2022). The start of the German auctions on the EEX in 2010 was preceded by two years of direct

sales of emission allowances by the KfW; German credit institute for reconstruction (see Table). Including these 2008 and 2009 sales, the total revenue up to 2022 amounted to more than 28 billion euros. These funds have been used almost entirely to finance national and international climate protection measures.



Period	Sessions	Volume	Price*	Revenue
Total (2008 to 2020)	742	1,648,485,500	€ 17.21	€ 28,363,995,099
Sale (2008 to 2009)	–	82,130,000	€ 18.18	€ 1,493,050,034
Auctioning (from 2010)	742	1,566,355,500	€ 17.16	€ 26,870,945,065
thereof in:				
▶ 2020	47	108,202,000	€ 24.61	€ 2,662,366,420
▶ 2021	46	101,062,500	€ 52.50	€ 5,306,163,940
▶ 2022	47	84,816,500	€ 80.32	€ 6,812,644,760

* volume weighted average

Backloading and Market Stability Reserve

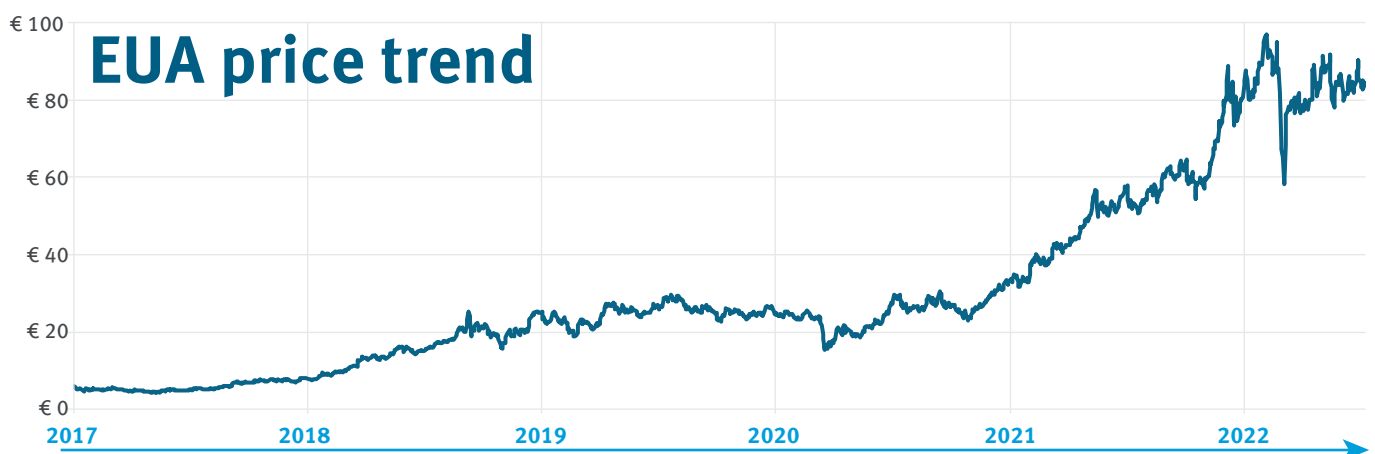
Since the second trading period (2008 to 2012) surpluses of emission allowances have accumulated in the EU ETS. The high supply led to a strong decline in prices, so that emissions trading only had a limited steering effect. In the third trading period, measures were adopted to make the supply more flexible and reduce the surplus: a total of 900 million emission allowances were backloaded from European auctions between 2014 and 2016 and transferred to the Market Stability Reserve (MSR) of the EU ETS. The regular mechanism of the MSR, which reduces the auction volume if there are too many i. e. more than 833 million emission allowances in circulation, has been in operation since January 2019. It further reduces the surplus and prevents the

accumulation of additional surpluses. Conversely, additional allowances can be auctioned from the MSR if there are too few, i. e. less than 400 million allowances in circulation. The MSR mechanism continues to apply in the current fourth trading period.

Find out more:

▶ www.dehst.de/Market-stability-reserve

The remarkable price increase since mid-2017 shows that the reform of the EU ETS has restored confidence in the market.



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