

Auctioning after 2012

Decreased free allocation in the third trading period

In the third phase of the EU ETS, the major share of European Emission Allowances (EUA) will be auctioned. Power plants, for example, will receive no free allocation after 2012. Currently, the specific auctioning design is still being discussed. The European Commission is planning to establish a legal framework for post 2012 auctions in June 2010.

Preferences for centralised auctions

One aspect of the debate is whether auctions should be scheduled on a central platform, e.g. operated by the EU Commission, or on decentralised platforms, e.g. on existing exchanges. A clear majority of survey participants (69 percent) supports centralised auctions, while only 26 percent prefer decentralised auctions. Five percent of respondents were undecided.

With regard to the question of newly created (i.e. online platforms) versus existing platforms (i.e. existing exchanges) for auctions in the third period, half of the respondents (52 percent) prefer existing exchanges. 27 percent support new auction platforms and 21 percent of respondents showed no specific preferences.

Concerning the frequency of auctions in the third period of the EU ETS, almost half of the survey participants (48 percent) are of the opinion that auctions should be scheduled once per week. Monthly auctions are preferred by 23 percent, 18 percent argue for daily auctions. Eleven percent of respondents were undecided.

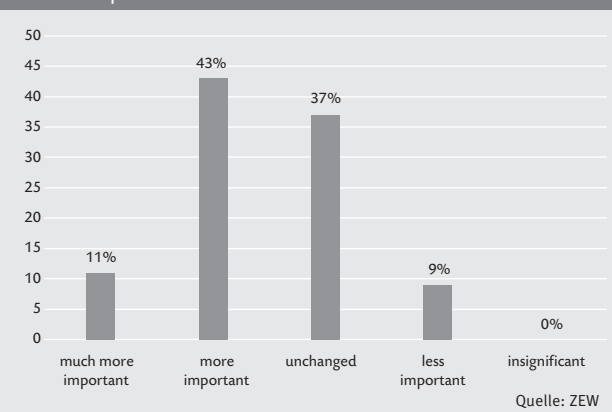
In particular firms from the energy supply sector argue for an auctioning of EUA-futures with a maturity of up to three

years. Asked about the preferences regarding auctioned contract types, 72 percent of the survey participants stated that EUA Spot contracts should be used. EUA Futures were quoted by 58 percent of respondents, which strongly supports a complementary auctioning of Future and Spot EUAs.

Intermediaries expected to play a more dominant role

For small emitters in the EU ETS, direct participation at auctions from 2013 onwards might be too costly in relation to the expected benefits. Thus, 54 percent of respondents expect intermediaries to play a more important role in the future. 37 percent believe that the role of intermediaries will be unchanged in a future carbon-market. Only nine percent expect a decreased importance of intermediaries in the future.

Future Importance of Intermediaries



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About the KfW/ZEW CO₂ Indicator:

The KfW/ZEW CO₂ Indicator is a cooperative project of the KfW Bankengruppe and the Centre for European Economic Research (ZEW). With the KfW/ZEW CO₂ Indicator, carbon market experts are surveyed quarterly on the development of price expectations and on issues which will determine the shape of the future carbon market.

The publications of the KfW/ZEW CO₂ Panel are available on: www.zew.eu/co2panel

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