

# Vattenfall's views on ETS Auctioning

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- Auctioning design and implementation should be made with maximum amount of thought. It is absolutely essential that the auction design is watertight prior to its inception

On the other hand

- Any late delivery of allowances to the market puts at risk the functioning of not only the emissions market, but also the electricity market. First auctions should start not later than mid-2011

With regard to experience from Phase I and II there is concern that the Phase III auction process will not start promptly

Auction design differences (English, Dutch, Vickery, etc) are not vital to the result, since

- Market power – at least on the buying side – will not be a problem
- A strong secondary market exists so price discovery is not a significant consideration
- Holding and release of allowances by non-electricity companies will add to the EUA supply

Greater threats are:

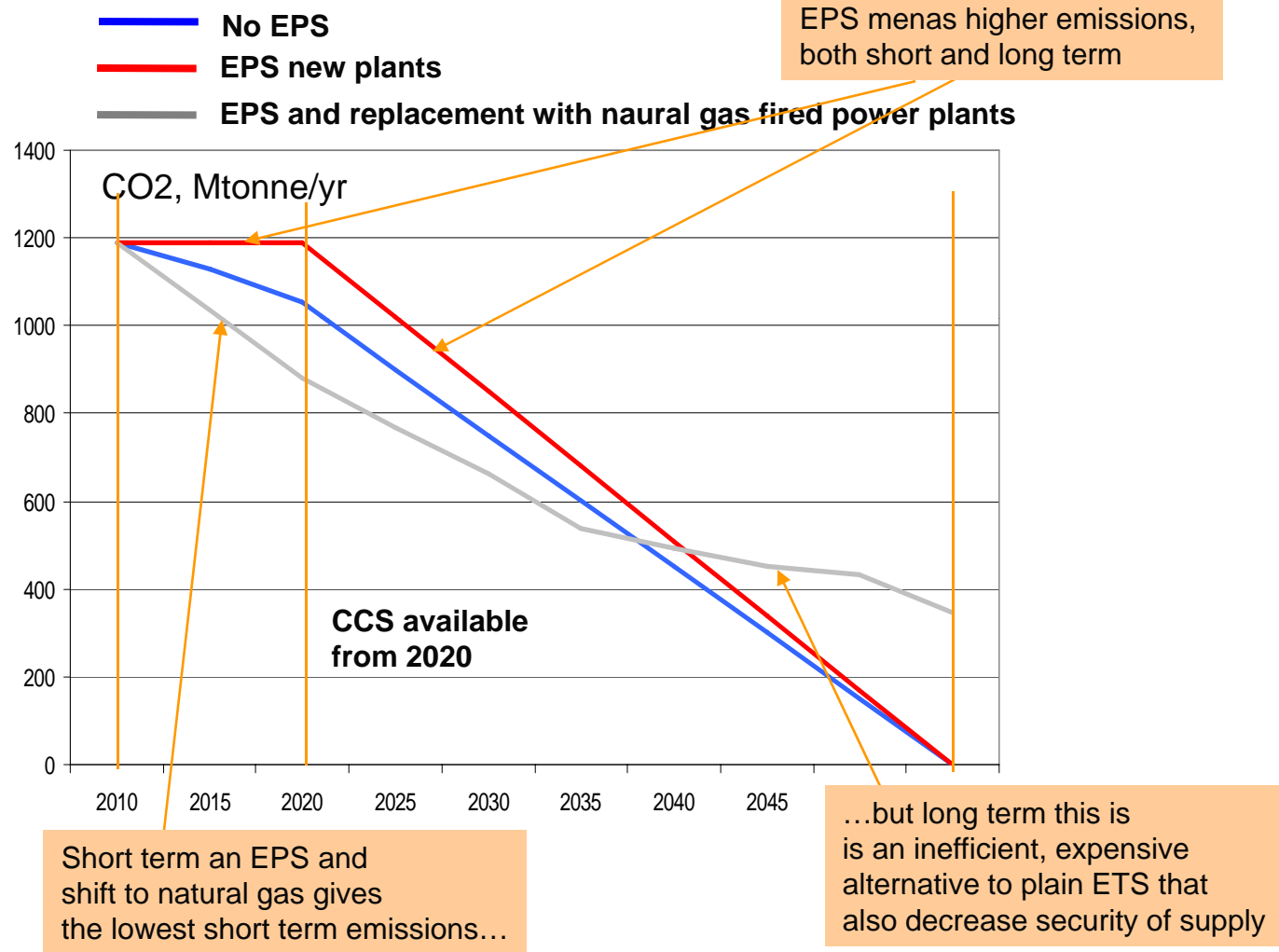
- Interference in price formation
- Uncertainty due to lack of information on emissions data
- Possible participation by the sellers in the market

## Desired auction characteristics

- Simple design (& low transaction costs);
- Process predictability, in particular the timing and frequency, sequencing and the volumes available for auction;
- Fair, equal access and transparency for all eligible participants;
- Efficiency (& consistency with other sectors including aviation);  
and
- Avoidance of market manipulation and interference.

Best design is: a static, single-round, sealed bid, uniform price auction with multiple bidding allowed (cp. Nord Pool)

# Emission Performance Standards



## Additional consideration

- The sudden move from almost zero percent auctioning to 100 percent may lead to some unintended effects, especially with regard to borderline plants which are currently being run for security of supply reasons.
- Policy-makers should examine the possible effects of this move.