

Leipzig European Energy Exchange EEX will be in charge of auctioning emission allowances

Weekly auctioning will start in 2010

The Leipzig European Energy Exchange (EEX) will in future auction greenhouse gas emission allowances on behalf of the German government. This is the result of an invitation to tender issued by the Federal Environment Ministry. Following the awarding of the contract, the EEX will shortly publish the details regarding auctions of spot and futures contracts.

For the past two years German companies in the emissions trading scheme have no longer been receiving all allowances free of charge. Almost 10 percent of the total volume, i.e. 40 million allowances per year, are sold on the market. In 2008 and 2009 the KfW Bankengruppe offered the allowances on European emissions trading exchanges on behalf of the Federal Environment Ministry.

In accordance with legal stipulations, from 2010 this sale will be replaced by an auctioning procedure. To select suitable exchanges the Federal Environment Ministry carried out a restricted invitation to tender and asked eligible stock exchanges in Germany and abroad to submit bids. In order to be part of the tender, exchanges had to provide proof of the operation of a functioning secondary market for spot and futures trading in allowances. Several bids were submitted, which were assessed on the basis of cost and quality criteria. The Leipzig EEX won the contract with the most cost-effective bid.

The German government specified the framework conditions for the auctioning procedure in July 2009 in the Ordinance on the Auctioning of Emission Allowances 2012 (EHVV 2012). The concept for auctioning on the stock exchange relies to a large extent on the existing market infrastructure. Germany has thus chosen a cost-effective, secure and efficient path and is setting benchmarks for the much greater volume of allowances to be auctioned from 2013.