



Европейска инвестиционна банка
Evropská investiční banka
Den Europæiske Investeringsbank
Europäische Investitionsbank
Euroopa Investeeringispank
Ευρωπαϊκή Τράπεζα Επενδύσεων
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
Banca europea per gli investimenti
Eiropas Investīciju banka

Europos investicijų bankas
Európai Beruházási Bank
Bank Ewropew tal-Investment
Europese Investeringsbank
Europejski Bank Inwestycyjny
Banco Europeu de Investimento
Banca Europeană de Investiții
Európska investičná banka
Evropska investicijska banka
Euroopan investointipankki
Europeiska investeringsbanken

Henry Derwent

President & CEO

IETA

24, Rue Merle d'Aubigné

CH - Geneva, 1207

Luxembourg, 17th November 2011

Subject: Your letter regarding EIB communication on monetisation of NER300 allowances dated 21 October 2011

The EIB welcomes IETA's continued interest in the monetisation aspects of the NER300 initiative. As you know, the Bank is always open to listen to proposals from market participants to further improve communication and to ensure an adequate execution of our role as an agent for the NER300 initiative.

Regarding the NER300 monetisation, the Bank's main communication channel is its dedicated website¹, which contains all information that the Bank has released. The Bank is committed to updating this website as soon as new information is available. In addition, the Bank has recently held a press conference and presented the current status of the monetisation aspects at a leading carbon market conference. The presentation from the conference is available on the website².

In order to address your questions and concerns, I would like to highlight the following aspects of the envisaged monetisation process:

- The Bank intends to follow a staged approach for the monetisation. Sales will start on an OTC forward basis followed by exchange-based transactions. Negotiations have been concluded with a sufficiently large group of OTC counterparts to ensure that the Bank can begin on an OTC forward basis as soon as delivery has taken place. In line with common market practice, the exact timing and details of the OTC transactions following the delivery of the allowances to the Bank from the European Commission will not be disclosed in advance. This approach was also requested by and agreed with market counterparts. The OTC transactions are structured in a way so that they ensure best competition and limit any information advantage to the amount executed with each market counterpart.

¹ <http://www.eib.org/about/news/ner-300.htm>

² <http://www.eib.org/about/news/platts-european-emissions-markets-conference.htm>



- The Bank is ready and will start selling soon after allowances are delivered by the European Commission. The timing of the delivery is in the hands of the European Commission. The Bank and Commission have agreed to inform market participants once delivery has taken place.
- The first tranche of 200 million EUAs will be sold over 10 months following the delivery of the EUAs. The Bank intends to spread the volume as evenly as possible with an indicative average of 20 million EUAs a month taking into account available trading days and liquidity.
- Through a public tender process, the Bank has selected ICE ECX and EEX as eligible carbon exchanges and has commenced membership negotiations. Once exchange membership has been obtained, the Bank will be able to execute direct screen trades, OTC exchange-cleared transactions and at a later stage auctions.
- In order to minimize any impact on the market, the Bank intends to use all instruments referred to in the Cooperation Agreement between the Bank and the European Commission.
- The Bank will provide monthly reports of overall sales volumes and aggregated prices obtained on its webpage. In addition, the Bank will notify market participants once exchange membership negotiations have been finalised. Furthermore, the Bank will publish a detailed calendar in advance of any auctions to ensure predictability and transparency as anticipated for the upcoming auctions conducted by Member States.

I am confident that the above responses as well as the information available on the website address the concerns of IETA members. The Bank is committed to keeping market participants informed about the NER300 monetisation process and looks forward to further fruitful dialogue with yourself and IETA members in the future.

In the interest of transparency, I will post a copy of this letter on our website.

Simon Brooks
Vice President