



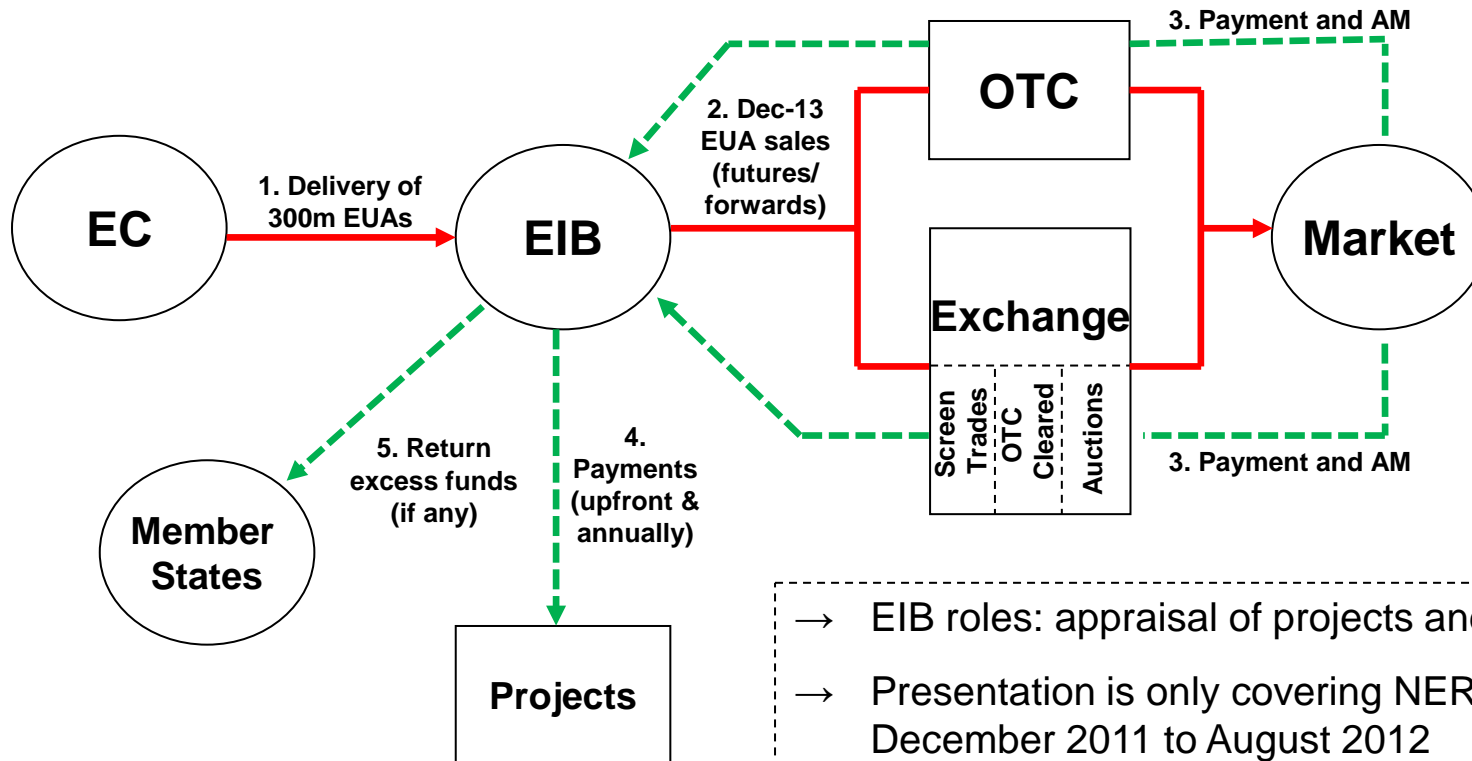
EIB update – NER300 sales

4th Annual European Emissions Markets Conference

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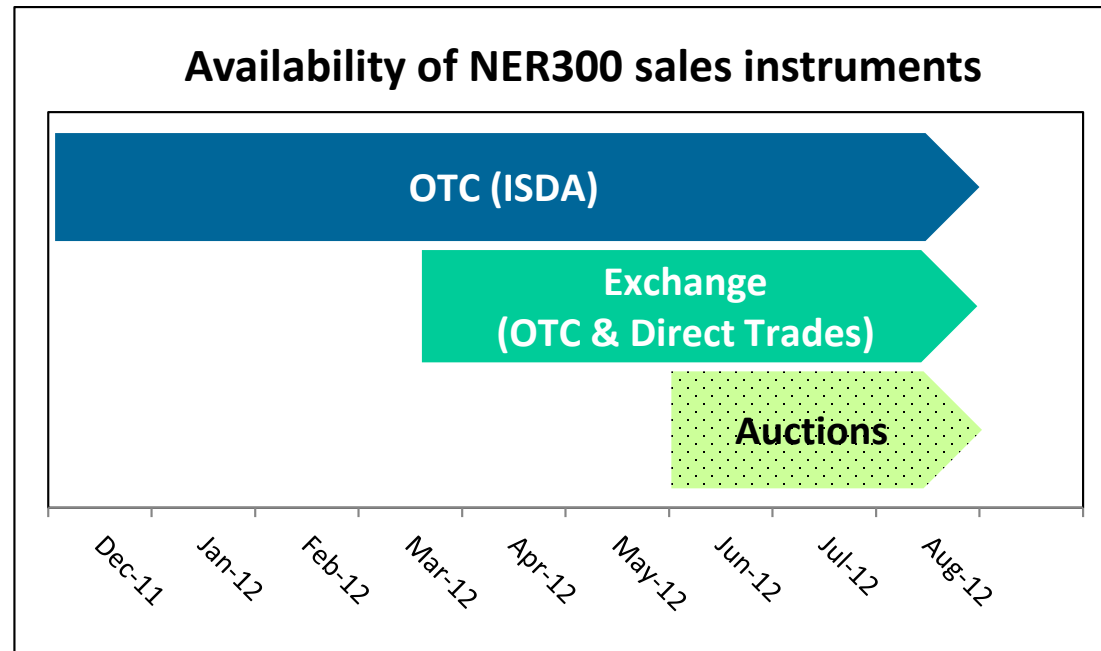
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NER300 sales – overview



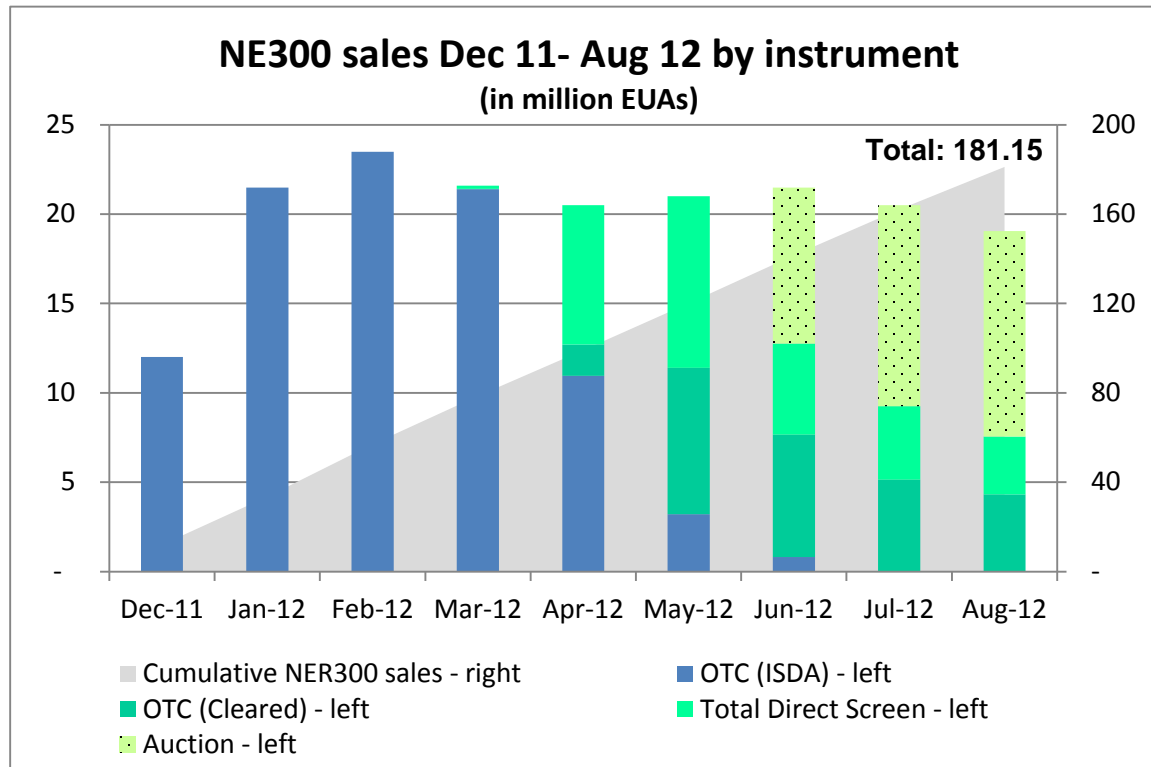
- EIB roles: appraisal of projects and monetisation
- Presentation is only covering NER300 sales from December 2011 to August 2012
- NER300 sales programme is divided into two tranches; EIB is currently completing sales of 200m EUAs from the first tranche
- Unlike most other governmental carbon allowance sales programmes, NER300 sales are structured on a forward and futures basis

NER300 sales instruments



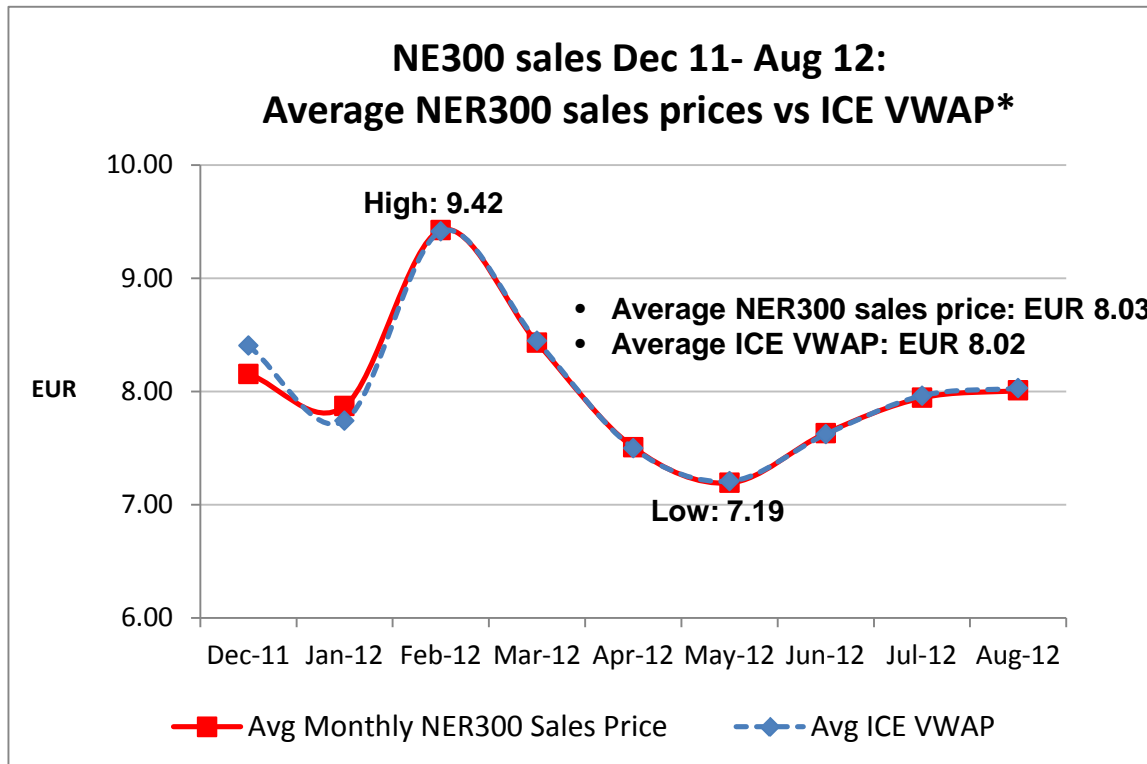
- ❖ EIB consulted leading market participants and industry groups on what instruments to use
- ❖ The vast majority recommended a combination of the three available instruments
- ❖ EIB followed the advice and used a staged approach to implement the sales programme

First nine months of NER300 sales (1)



- ❖ EIB sells on average 20m per month using all available instruments
- ❖ Sales volume is adjusted to reflect available trading days and liquidity
- ❖ The first tranche of 200m will be sold by the end of this month (September 2012)

First nine months of NER300 sales (2)



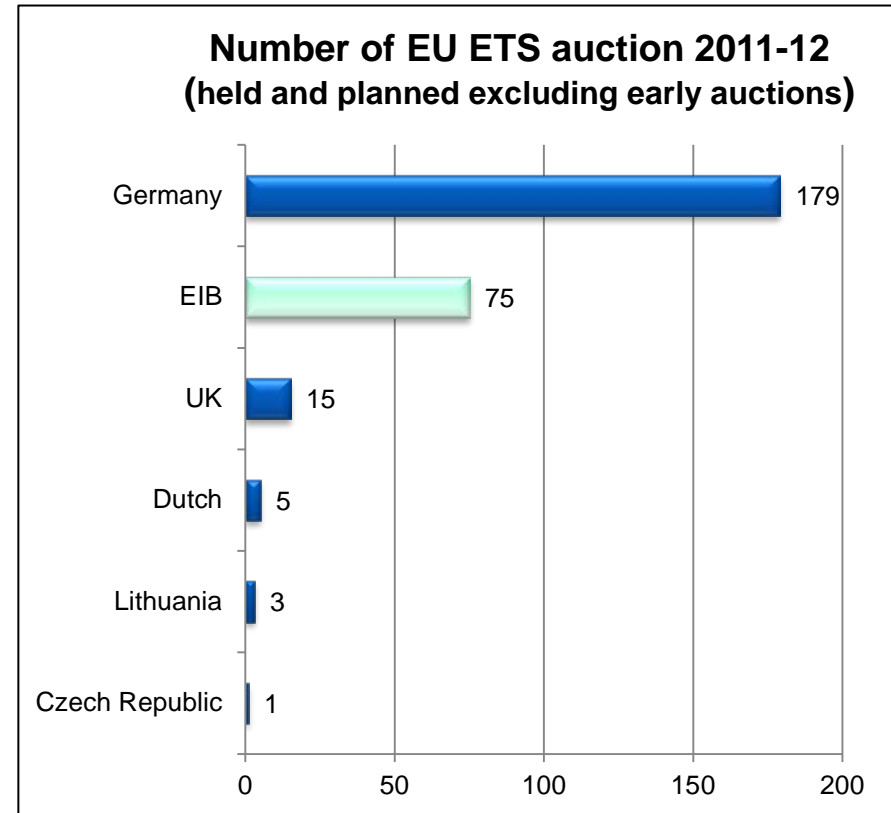
*Volume Weighted Average Price as quoted on ICE

- ❖ EIB uses the Volume Weighted Average Price as quoted on ICE as a benchmark for the NER300 sales
- ❖ EIB was able to replicate the ICE VWAP during the first nine month of the NER300 sales for the entire sales volume

NER300 Auctions



- ❖ EIB auctions were splits in two blocks
- ❖ Block 1 on EEX (June/July):
 - 4 times/week
 - 32 auctions
 - 625k/auctions, 20m EUAs in total
- ❖ Block 2 on ICE & EEX (Aug/Sep):
 - 5 times/week
 - 43 auction, 3x ICE / 2xEEX
 - 500k/auctions, 21.5m EUAs in total
- ❖ EIB will be the auctioneer of 75 auctions by the end of the first tranche



What can be learnt ?



- ❖ Did the NER300 sales negatively impact the market?
 - Given its size, NER300 sales had an impact when sales were announced
 - However, part of early phase 3 volume → in absence of the NER300 the volume would have most likely been sold through other channels (e.g. early auctions)
 - Steady rise in open interest suggest that volume is absorbed for hedging activities
- ❖ Did certain market participants have an information advantage?
 - No OTC counterparty was aware of the total volume sold at any trading day. Most OTC volume was sold against VWAP, which minimized any information advantage and incentivized even placement during the trading day
- ❖ Were certain market participants excluded from sales?
 - EIB had no intention to exclude anyone however committed to use same risk criteria as for its own business
 - EIB is using exchanges which cover over 90% of the exchange traded EUA volume and provide access to over 400 market participants
 - Since June, EIB is holding auctions, which allows additional market participants to directly or indirectly purchase EUAs from the NER300

Conclusion & Outlook



- ❖ EIB is on track to finalise the first tranche of 200m by the end of September
- ❖ NER300 sales appear to be positively received by the market given their steady and predictable sales pattern, high degree of post-sales transparency and contribution to supply for hedging activities by compliance buyers
- ❖ As for the timing of the second tranche of 100 million allowances, the Commission and the EIB agreed that decisions on timing will be based on a review of experience in selling the first 200 million allowances. Further information on the timing of the second tranche will be provided once a decision has been taken.

Further resources



- ❖ For more information on the NER300 sales, please visit: <http://www.eib.org/ner300>
- ❖ The EIB auction calendar can be downloaded at <http://www.eib.org/products/ner-300/auctions/index.htm>
- ❖ NER300 Monetisation reports can be downloaded at <http://www.eib.org/products/ner-300/reports/index.htm>
- ❖ The September 2012 sales report will be published on Wednesday 10 October 2012 shortly after 6 p.m. CET on <http://www.eib.org/products/ner-300/reports/index.htm>
- ❖ For an NER300 sales or trading inquiries, please contact NER300Quotations@eib.org
- ❖ For press inquiries, please contact Richard Willis at r.willis@eib.org