



Status as at 01.01.2020

General Terms and Conditions for Auctions (GTCA)

English is not an official language of the Swiss Confederation. This translation is provided for information purposes only and has no legal force.

Introduction

Art. 47 to Art 49a of the Ordinance of 30 November 2012 on the Reduction of CO₂ Emissions (CO₂ Ordinance), in the revised version that entered into force on 1 January 2020, governs the auction of emission allowances. Auctions are handled by the Federal Office for the Environment FOEN via the Swiss Emissions Trading Registry (EHR).

The FOEN hereby issues the following General Terms and Conditions for Auctions (GTCA) for the conduct of auctions of emission allowances for installations (CHU2) and of emission allowances for aircraft (known as CHUA or aCHU). Installations and aircraft operators within the Swiss and European Union (EU) emissions trading system (ETS) and the other companies from the European Economic Area (EEA) admitted to bid in auctions in the EU that wish to take part in the auction, as well as auction agents and bid validators, must expressly recognise and accept these GTCA in advance (Art. 49 para. 1 c CO₂ Ordinance).

1 Scope

1.1 The GTCA apply to the entire auction process.

1.2 Auctions are handled via the online platform operated by the Swiss Emissions Trading Registry (EHR). The EHR is operated on the website with the address <https://www.emissionsregistry.admin.ch>.

2 Auction participants

2.1 Under Article 47 of the CO₂ Ordinance, operators of installations and operators of aircraft within the Swiss and EU ETS, as well as companies from the EEA admitted to bid in auctions in the EU, are eligible for admission to the auctions of emission allowances for installations (CHU2) and emission allowances for aircraft (CHUA), providing they hold an account as described in Art. 57 para. 1 or 1bis CO₂ Ordinance, they have supplied the information specified in Art. 49 CO₂ Ordinance as required for participation, and they meet the requirements laid down in Art. 59 para. 2 CO₂ Ordinance.

2.2 The operators of installations and operators of aircraft within the Swiss and EU ETS, as well as the companies from the EEA admitted to bid in auctions in the EU, which are eligible to participate in Swiss auctions, are published on the EHR website.

2.3 Auction agents and bid validators must check their access to the Swiss EHR at an early stage. Under the Swiss Emissions Trading Registry General Terms and Conditions, passwords are supplied by registered post exclusively. This also applies during an auction.

3 Auction dates

3.1 The FOEN publishes auction dates no later than one month prior to the auction on the EHR website. In general, each year there will be between one and four auctions of emission allowances for

installations (CHU2), and at least one auction of emission allowances for aircraft (CHUA). An auction will usually be held prior to the deadline for fulfilling the obligation to surrender emission allowances and emission reduction certificates, as described in Art. 55 of the CO₂ Ordinance.

3.2 As a rule, the bidding period will be between one and three working days. The duration of this period will be published no later than one month prior to the auction on the EHR home page.

3.3 The FOEN reserves the right to cancel auction dates that have already been published in cases of unforeseeable interruptions to the functioning of the EHR as a result of force majeure, technical problems with Registry operations, or in order to ensure the security of such operations.

4 Auction quantities

4.1 Emission allowances for installations (CHU2): under Art. 48 para. 1 a of the CO₂ Ordinance, the FOEN does not auction more than ten per cent per year of the previous year's cap for installations. This nonetheless applies only if the reserve has not been exhausted completely.

4.2 Emission allowances for aircraft (CHUA): the FOEN auctions 15 per cent of the maximum emission allowances available for aircraft each year (Art. 48 para. 1 b CO₂ Ordinance).

4.3 The auction quantities of emission allowances for installations and aircraft, as well as other details of relevance to the auction, such as minimum and maximum bid quantities, will be published no later than one month prior to the auction on the EHR home page.

4.4 If the auction is cancelled on the grounds laid down in Art. 48 para. 2 of the CO₂ Ordinance (or Section 9 GTCA), or if there is insufficient demand for the quantity of emission allowances allocated to a particular auction, the remaining emission allowances are included in a subsequent auction (Art. 48 para. 48 CO₂ Ordinance). This may involve repeating the same auction, or allocating the emission allowances to (a) later auction(s).

4.5 The emission allowances which are not assigned to an auction are cancelled at the end of the commitment period (Art. 48 para. 5 CO₂ Ordinance). For example, this will be the case with emission allowances for installations which are not auctioned owing to the quantity restriction under Art. 48 para. 1 a of the CO₂ Ordinance, or emission allowances for aircraft retained by the FOEN under Annex 15 point 2 c of the CO₂ Ordinance.

5 Auction procedure

5.1 Auctions are held in a competitive process.

5.2 The competitive process is conducted as a closed uniform price auction with only one bidding round.

6 Submission of bids and binding nature

6.1 The two-man rule (auction agent and bid validator) applies when submitting bids. The auction agent, as described in Art. 49 para. 1 a of the CO₂ Ordinance, is authorised to enter bids, and to amend or withdraw them as necessary. Bids that have been entered may be amended or withdrawn during the bidding period up to the point at which they are validated.

6.2 The bid validator, as described in Art. 49 para. 1 b of the CO₂ Ordinance, is authorised to validate bids. Auction bids do not become binding until they have the approval of the bid validator (Art 49a para. 1 CO₂ Ordinance). All validated bids are binding and can no longer be amended or withdrawn. This applies even if the bidding period is still open.

6.3 Auction agents may not simultaneously be bid validators.

6.4 Bids in auctions of emission allowances must be submitted in euros (Art 49a para. 2 CO₂ Ordinance).

7 Bids

7.1 Minimum and maximum bid quantities are published no later than one month prior to the auction on the EHR home page. The maximum bid quantity generally corresponds to the total quantity to be auctioned on the auction date.

7.2 In the competitive process only one bid – consisting of between one and twenty price-quantity pairs – may be submitted per participant (i.e. per operator of installations and aircraft within the Swiss and EU ETS, or per company from the EEA admitted to bid in auctions in the EU). Participants submit their price-quantity pairs (expressed in steps) to the FOEN. A price-quantity pair corresponds to the maximum number of emission allowances that a participant would like to purchase at a particular price for one allowance. Participants may decide for themselves how many of the twenty possible price-quantity pairs they complete. They must enter a quantity for each price, and vice-versa.

7.3 The following price requirements apply to price-quantity pairs:

- Only positive whole numbers are permitted;
- Prices must be entered in descending order (highest price at the top);
- The same figure may not be entered twice.

7.4 The following quantity requirements apply to price-quantity pairs:

- Only positive whole numbers are permitted;
- The figure must correspond to the minimum bid quantity or a whole number that is a multiple of it;
- The figure may not exceed the highest bid quantity;
- The figures may not become smaller, i.e. with a decreasing price (decreasing demand function).

8 Award and clearing price

8.1 Once the bidding period described in Section 3.2 has ended, the FOEN sorts the bids into descending order, beginning with the highest price-quantity pair (highest price per emission allowance). In this process, the highest price-quantity pair per participant is noted first. With the next-lower price-quantity pair from the same participant, only the quantitative difference compared with the higher price-quantity pair is noted, and so on. All price-quantity pairs from all participants are then added together in descending order.

8.2 The clearing price is a uniform price and corresponds to the price at which the totalled price-quantity pairs reach the quantity of emission allowances being offered for auction, or exceed it for the first time. All price-quantity pairs that are higher than the clearing price are successful, and the corresponding emission allowances are awarded in binding form to the participants concerned (notwithstanding Section 8.5 and/or Section 9.3). The remaining quantity of emission allowances is awarded to the price-quantity pair at the clearing price (the last successful price-quantity pair).

8.3 If a number of price-quantity pairs have been submitted at the clearing price, and if their total is greater than the number of remaining emission allowances, these allowances are distributed between the participants in proportion to the quantities requested at the clearing price. If any emission allowances remain at the end of this process, they are carried over to the next auction.

8.4 If there is insufficient demand in an auction for the entire quantity of emission allowances on offer, the clearing price corresponds to the price of the lowest price-quantity pair (lowest price per emission allowance).

8.5 The FOEN may cancel the auction without making any award if the clearing price during the auction period differs significantly from the applicable price on the secondary market in the EU (cf. Section 9.3).

9 Cancellation of auction without an award

9.1 Under Art. 48 para. 2 a of the CO₂ Ordinance, the FOEN may cancel an auction without making an award if it suspects anti-competitive agreements or unlawful practices on the part of dominant auction participants. Such offences will be prosecuted under criminal law.

9.2 Under Art. 48 para. 2 c of the CO₂ Ordinance, the FOEN may cancel an auction without making an award if technical security risks or other reasons jeopardise the proper conduct of the auction.

9.3 Under Art. 48 para. 2 b of the CO₂ Ordinance, the FOEN may cancel an auction without making an award if the clearing price during the auction period differs significantly from the applicable price on the secondary market in the EU.

9.4 In the case that FOEN releases any further information on the reasons and mechanisms for a significant deviation from the applicable price on the secondary market in the EU it would be published no later than one month prior to the auction date.

10 Announcement of results

10.1 Once the bidding period has ended, the FOEN will generally notify those participants which have entered a valid bid of the clearing price and the quantity of emission allowances awarded to them within three working days.

10.2 The following information is published, with identifying information removed, on the EHR home page:

- Total quantity purchased on the auction date;
- Clearing price (euros per emission allowance);
- Lowest price-quantity pair (euros per emission allowance);
- Highest price-quantity pair (euros per emission allowance);
- Average of all price-quantity pairs (euros per emission allowance);
- Median of all price-quantity pairs (euros per emission allowance);
- Total number of price-quantity pairs submitted;
- Total quantity requested;
- Total number of successful price-quantity pairs;
- Average number of price-quantity pairs per bidder;
- Average quantity requested per price-quantity pair;
- Average quantity requested per bidder;
- Average quantity of emission allowances purchased per bidder;
- Total number of participating bidders;
- Number of successful bidders.

11 Invoicing and transfer of emission allowances

11.1 The FOEN invoices participants for the costs of the emission allowances they have purchased. This invoice must be settled within 30 days

11.2 Invoices for purchased emission allowances must be settled in euros, and via a bank account in Switzerland or the EEA. The FOEN may exclude a participant which fails to pay the invoice from future auctions (Art. 49a para. 2 CO₂ Ordinance).

11.3 Once payment has been received, the FOEN transfers the emission allowances to the EHR account specified in accordance with Art. 57 para. 1 or 1bis of the CO₂ Ordinance.

12 Liability

The FOEN is not liable for loss or damage which might be sustained by participants as the result of the cancellation or postponement of an auction.

13 Amendments

The present GTCA may be amended by the FOEN unilaterally at any time. The amended GTCA will be sent to account holders and auction agents and bid validators by electronic mail. They will also be published on the FOEN website.