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General Terms and Conditions for Auctions (GTCA)

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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 2022, 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 (CHU) and of emission allowances for aircraft (CHUA). 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 \(EHR\)](#).

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 (CHU) and emission allowances for aircraft (CHUA), providing they hold an account as described in Art. 57 para. 1 or 2 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 auction participants which are eligible to participate 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, the quantity of emission allowances for installations (CHU) available for auctioning for the corresponding year (Art. 48 para. 1 let. a in connection with para. 1^{bis} CO₂ Ordinance) is divided into two auctions. An auction will usually be held prior to the deadline (30 April) for fulfilling the obligation to surrender emission allowances, as described in Art. 55 of the CO₂ Ordinance. An auction of emission allowances for aircraft (CHUA) is also usually held once a year.

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 (CHU): The FOEN auctions the quantity available for auctioning pursuant to Art. 48 para. 1 let. a and para. 1^{bis} of the CO₂ Ordinance. As a rule, this quantity is, as far as possible, evenly distributed over two auction dates. Residual quantities that cannot be offered on these two auction dates are allocated to a subsequent auction.

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 let. b CO₂ Ordinance). This quantity is usually auctioned on one date. Residual quantities that cannot be offered on this auction date are allocated to a subsequent auction.

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 of emission allowances for installations (CHU) is cancelled on the grounds laid down in Art. 48 para. 2 of the CO₂ Ordinance, or if there is insufficient demand for the quantity of emission allowances allocated to a particular auction, the remaining emission allowances are allocated to the next auction. If these emission allowances are again not auctioned, they are cancelled at the end of the commitment period.

4.5 If the auction of emission allowances for aircraft (CHUA) is cancelled on the grounds laid down in Art. 48 para. 2 of the CO₂ Ordinance, or if there is insufficient demand for the quantity of emission allowances allocated to a particular auction, the remaining emission allowances are allocated to a subsequent auction. This may involve repeating the same auction (if cancelled pursuant to Art. 48 para. 2 of the CO₂ Ordinance) or they are allocated to the next auction (if there was insufficient demand for the quantity allocated to the auction).

4.6 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 market stabilisation under Art. 48 para. 1^{bis} of the CO₂ Ordinance, or emission allowances for aircraft retained by the FOEN under Annex 15 No 4 let. 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. 1a 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 binds 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 auction participant. 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 price may not be entered twice.
- The auction agent enters the price in euro cents. The bid validator sees the price at the time of validation in euros.

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

- Only positive whole numbers are permitted.
- The quantity must correspond to the minimum bid quantity or a whole number that is a multiple of it.
- The quantity may not exceed the highest bid quantity.
- The quantities 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 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 2 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.