

FAQ s on Non-competitive bidding facility

Updated May 2010

1. Who is able to use the non-competitive bidding facility?

Any Greenhouse Gas (GHG) Emissions permit holder from any Member State may apply to submit a non-competitive bid.

2. When will the non-competitive bidding facility take place?

The dates of an auction containing a non-competitive bidding facility will be announced no less than two months before the date the bidding window opens.

3. What do I need to do to take part in the non-competitive bidding facility?

Before being able to submit a bid a permit holder must apply for and obtain approval from the non-competitive bidding administrator (Computershare Investor Services), who will manage the admin aspects of the facility on behalf of DECC.

When setting up an account you will be asked to supply details for a Controlling Representative and an Authorised Representative. Only Authorised Representatives are able to submit bids, though the same person can be both the Controlling and the Authorised Representative. The Controlling Representative is the only person able to change who the representatives are on the account.

4. How long will the bidding window be open?

A non-competitive bidding window will kept open for no less than five working days. It will close one clear working day before the day on which a competitive bidding window opens. The opening and closing times of the bidding window will be announced at the same time the dates of the auction will be announced.

5. When was the first non-competitive bidding facility held?

The first auction with a non-competitive bidding facility was held on the 7th January 2010. Further announcements will be made on future auction dates in due course.

6. Where will these announcements be made?

The announcements will be made on the DECC website and also by the administrator. Computershare will also email all registered participants directly.

7. How many allowances will be available to non-competitive bidders?

The administrator will announce the total number of allowances available no less than one month before the opening of the bidding window.

8. How do I apply for approval from the administrator?

You can register online at:

www.computershare.com/ets

The registration requires you to submit the following information to the auction administrator:

- i. Name and address of permit holder
- ii. Copies of GHG permits that you hold
- iii. Name, address, email and phone number of no less than two authorised representatives
- iv. Unique number of nominated registry operator holding account
- v. A statement that the permit holder has legal power and authority to submit a non-competitive bid in an auction
- vi. VAT registration number (if any)

9. Why is this information required?

The information is required so that the administrator can carry out customer due diligence measures¹.

10. Will the administrator request any further information from me?

The administrator may request by notice further information from the permit holder.

11. When do I need to apply for approval to take part in the non-competitive bidding facility?

An application for approval must be made at least 15 working days before the date of the opening of the bidding window in which the permit holder wishes to submit a bid.

12. If I need to submit further information, when do I need to do this by?

¹ Customer due diligence measures has the meaning given to it by regulation 5 of the Money Laundering Regulations 2007

The notice requesting further information will state a specified time period.

13. What will happen if I am unable to submit information for approval in time?

If information required by the administrator is missing then approval to submit a non-competitive bid will not be given.

14. If approval is not given, will I be able to make another application for a later auction?

A permit holder may make another application for approval. However the administrator must refuse approval if it suspects money laundering or terrorist financing.

15. If I am approved, will I need to make further applications for approval for later auctions?

The approval of a permit holder is valid until 31 March 2013. However the administrator may by notice withdraw approval at any time.

16. What happens if the information I submitted for approval changes?

If the information changes then the permit holder must provide updated information to the administrator as soon as reasonably possible.

17. Can I appeal if approval is not given or withdrawn?

You can make written representations to the administrator within 28 days of receipt of a notice rejecting/withdrawing approval.

18. How do I make a non-competitive bid?

This information will be provided on the administrator's website.

19. How many allowances will I be able to bid for?

The maximum number of allowances for a non-competitive bid is 10,000 allowances. There is no minimum bid number.

20. How many bids can I make?

You will only be able to submit one bid per auction for each GHG permit you have supplied to the administrator.

21. Can I change my bid?

You can withdraw a bid up to one hour before the close of the bidding window. If a bid is withdrawn then you can submit a further non-competitive bid.

22. Can the administrator reject a bid?

Yes the administrator must reject the bid if they suspect money laundering or terrorist financing. A bid may also be rejected if the administrator considers that the person who made the bid is no longer a GHG permit holder or if cleared funds are not received by the close of the bidding window.

23. How much will I need to pay for the allowances?

You will be required to make a deposit payment. The administrator will announce the deposit price on the working day before the opening of the non-competitive bidding window. When submitting a bid the total deposit payment owed will be calculated and shown online. The administrator will also send an email with details of any payments due.

24. When will I need to pay for the allowances?

The allowances must be paid for in full and cleared through the banking system before the close of non-competitive bidding window, otherwise the bid will be withdrawn. The administrator will send an email to confirm when payment has been received.

25. What form does the payment needed to be made in?

Payment must be made by electronic transfer from an account with a credit institution into the nominated bank account.

26. What happens if the clearing price is less than the deposit price?

Any money not used to satisfy payment for allowances will be refunded as soon as reasonably practicable after the close of the bidding window.

27. What happens if the clearing price is greater than the deposit price?

Whole allowances are allocated up to the value of the deposit payment. Any difference in the deposit will be refunded.

28. How will the allowances available to non-competitive bidders be allocated?

If the number of allowances bid for exceeds the total number of allowances available to non-competitive bidders then the allocation will be determined in the following way:

- Where the *sum of bids for less than or equal to 1000 allowances is less than total number of allowances available*:
 - Bids for less than or equal to 1000 allowances allocated in full
 - Bids for more than 1000 allowances will be allocated pro rata by the following calculation:

- *Bids for more than 1000 allowances x (Remaining allowances / Sum of bids of more than 1000 allowances)*
- Where the *Sum of bids for less than or equal to 1000 allowances is greater than total number of allowances available*
 - No allocation for bids greater than 1000 allowances
 - Bids for less than or equal to 1000 allowances will be allocated pro rata by the following calculation:
 - *Total number of allowances / sum of bids for less than or equal to 1000 allowances*

29. What is the rationale for this allocation calculation?

The non-competitive bidding facility is aimed at small operators who require allowances for compliance purposes. Larger operators or companies who want to use the auctions for trading purposes can use the competitive bidding window which is more suited for their needs.

30. Where can I find out more information about the competitive auctions?

Information is available on the DECC website at:

http://www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_climate/emissions/eu_ets/euets_phase_ii/auctioning/auctioning.aspx

31. When will I receive my allowances?

The administrators will pass on the results of the auction to the Environment Agency (UK registry administrators) as soon as possible after the close of the bidding window. The Environment Agency will place allowances into registry accounts as soon as reasonably possible after receiving the results.

32. What happens to the revenue generated from the non-competitive bidding facility?

The money goes into the Government's consolidated fund for general spending purposes.

33. Can I participate in auctions held by other Member States?

Other Member States are developing their auctioning policy and operators should check the relevant Member State websites or the EU Commission:

http://ec.europa.eu/environment/climat/emission/index_en.htm

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