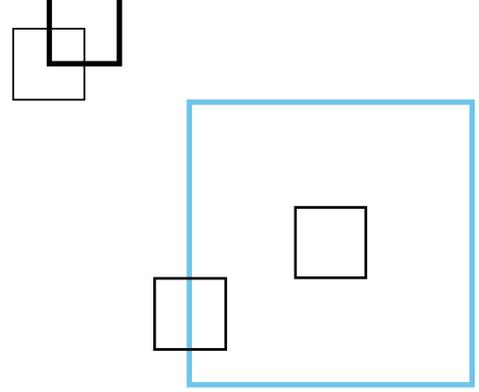


# How the auctions operate

## ICE emissions auctions



### AUCTION FORMAT AND OPERATIONS

Participants bidding in an auction on the ICE Futures Europe (“ICE” or “the Exchange”) auction platform shall submit sealed bids during the auction window without seeing bids submitted by other participants.

In accordance with the Auctioning Regulation, each bid submitted shall state:

- The identity of the bidder and whether the bidder is bidding on their own account or on behalf of a client;
- The identity of the client, where the bidder is bidding on behalf of a client;
- The bid volume as a number of UKAs in integral multiples of lots of 500; and
- The bid price in Pounds Sterling (£) for each UKA specified to two decimal places.

These details will only be made available to the Exchange.

### THE AUCTION TIMELINE

The auction is designed as a series of time periods as described below:

#### ■ Period 1 (Prior to the auction):

The Auctioneer delivers the allowances to ICE, effectively establishing that the sell order has been received. Participants have trading limits set up by their Clearing Members.

#### ■ Period 2 (Two hour bidding window):

For two hours, participants are able to enter, amend and withdraw bids on WebICE. Each bid that is submitted by a participant will be binding unless modified or withdrawn before the close of the two-hour bid window.

During this period, ICE will continuously monitor and supervise the market to ensure that the market is being conducted in an orderly manner. Any market abuse or disorderly behaviour identified will be dealt with in accordance with the Exchange Rules.

#### ■ End of Period 2:

The auction is closed to participants.

#### ■ Period 3 (Up to 10 minutes):

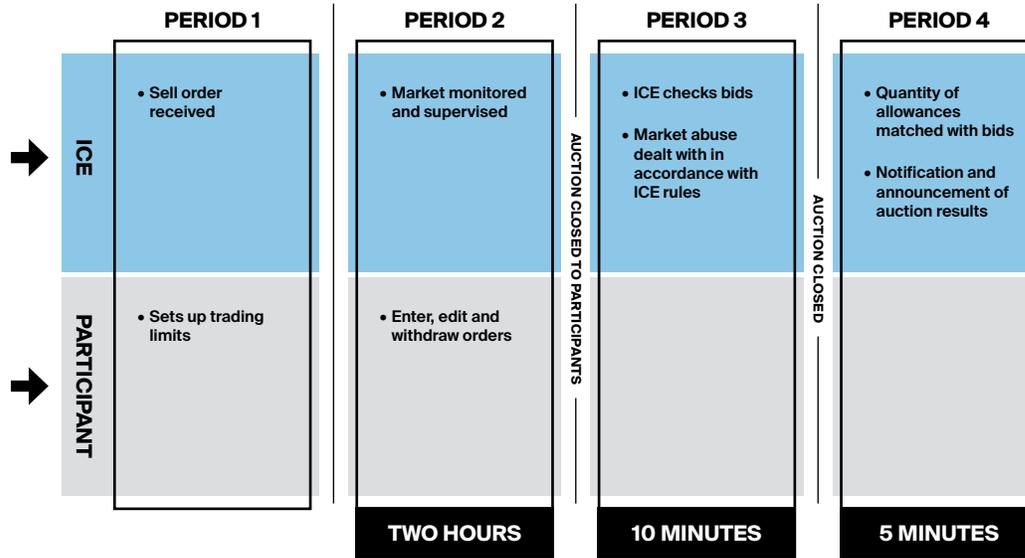
The Exchange will make further checks that all bids received conform to orderly market behaviour. Any market abuse or disorderly behaviour identified will be dealt with in accordance with the Exchange Rules.

#### ■ Period 4 (Up to 5 minutes):

At the beginning of this period, the Exchange will match the quantity UKAs on offer from the Auctioneer with the bids in price priority (with random allocation of tied bids) up to the offered quantity.

The price at which the sum of the bid volumes matches or exceeds the volume of UKAs auctioned shall be the auction clearing price. No later than 15 minutes after the close of the auction to participants, ICE will notify auction participants of the results. The graphic below displays the auction timeline.

## Auction Timeline

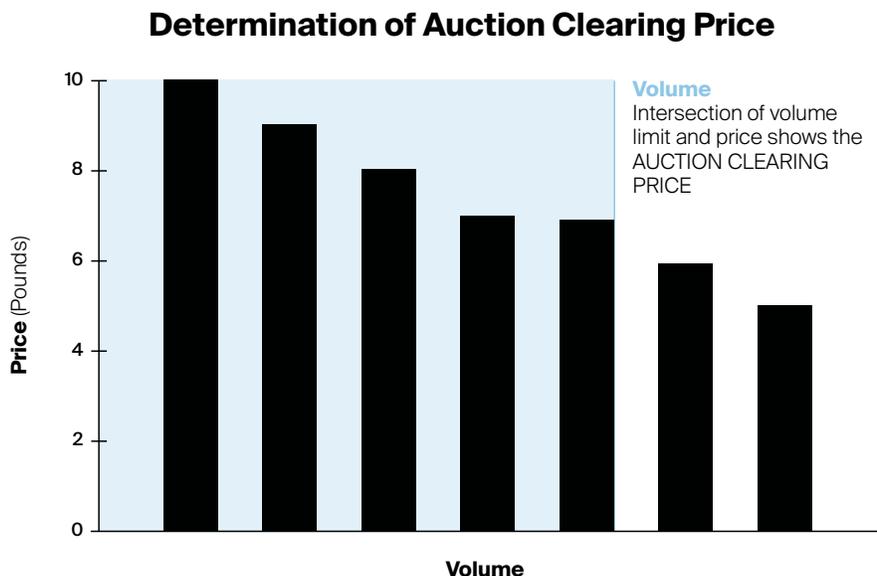


### DETERMINATION OF THE AUCTION CLEARING PRICE

Upon the close of the bidding window, the Exchange will determine the auction clearing price using the methodology outlined below:

- the bids will be ranked in descending order of the bid price from the highest to the lowest price;
- the total amount available to be matched with the offer at a given bid price will be computed;
- the price at which the total quantity of received bids matches or exceeds the offered quantity will be the auction clearing price;
- all bids above the auction clearing price will be matched with the offer, at the auction clearing price;
- all tied bids at the final bid price will be matched randomly using an algorithm until all the remaining offered quantity is exhausted.

All successful bidders shall pay the auction clearing price irrespective of the price they bid. The graph below shows how the bid prices and quantity auctioned interact to determine the auction clearing price:



## SETTLEMENT OF CONTRACTS

The auctioned contracts are physically deliverable at T + 2 to ICE Clear Europe. Prior to the auction, the transfer of allowances will take place from the holding account of the Auctioneer at the applicable registry to the holding account of ICE Clear Europe at the registry. After payment by the successful bidder, the transfer of allowances will take place from the holding account of ICE Clear Europe at the registry to the holding account of the Buying Clearing Member at the registry.

The successful bidders' Clearing Members will pay, and the Auctioneer will receive, full contract value on the first business day following the auction and UKAs will not be transferred to a successful auction participant or its Clearing Member until such payment is made and transferred to the Auctioneer in full.

Successful bidders are required to pay ICE Clear Europe in full by 09.00am on the day following the auction. Upon receipt of payment ICE Clear Europe will initiate the transfer of allowances from its registry account to the registry accounts of the successful bidders held by the Clearing Members.

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## AUCTION RESULTS

### 1. Announcement and notification of auction results:

The Exchange will announce the results of each UKA auction within 15 minutes of the close of the bidding window on the ICE Report Centre. The announcement shall include:

- a. the volume of the allowances auctioned;
- b. the auction clearing price in pounds Sterling and pence;
- c. the total volume of bids submitted;
- d. the total number of bidders;
- e. the number of successful bidders;
- f. the total revenue earned from the auction.

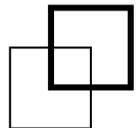
The auction clearing price will be distributed to all participants at the same time as bidders are notified.

### 2. Announcement of the auction results to successful bidders:

ICE will notify each successful bidder of the auction results. The announcement will contain:

- a. the total number of allowances to be allocated to that bidder;
- b. which of its tied bids, if any, were randomly selected;
- c. the payment due in pounds Sterling; and
- d. the date by which the payment due must be paid in cleared funds into the Auctioneer's nominated bank account.

Auction results will be published on the Exchange's Report Centre.



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### FOR MORE INFORMATION:

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