Accelerating growth by strengthening European energy & environmental derivatives markets

- The Draghi report recommends **reforms[1] to the regulation of energy derivatives markets. However, we must respectfully point out that its analysis is based on incomplete data. The markets concerned are competitive, diverse and not at all concentrated.**
- The analysis Intercontinental Exchange (ICE) performed is based on the complete dataset (see annex) and shows that important aspects of **the analysis and related policy recommendations are unfounded.**
- The TTF gas futures market, the European gas market which serves as a global benchmark, is highly diverse in terms of position holders and has a healthy distribution of financial and non-financial participants. European supervisors have consistently confirmed that the energy[2] and environmental[3] derivatives markets are operating soundly and efficiently.
- The proposed measures, based on incomplete and erroneous data, would negatively affect the functioning of European energy and environmental markets, including the EU ETS[4].
- **Reforms that limit (financial) participation, unduly restrict price formation or raise market access barriers would undermine the liquidity of these strategic markets and the reliability of their price signal.** Moreover, such measures would not contribute to the objective of bringing down energy prices, as they would not solve structural problems in relation to the supply of energy to Europe or reduce demand.
- The Draghi report recommends a range of other interventions to bring down high energy prices in order to strengthen the competitiveness of Europe's industries. ICE shares these concerns and recommends the following measures:
    - **Prevent extraordinary price peaks in natural gas by uncontrolled buying in day-ahead markets.** The tighter governance arrangements and controls that apply to MiFID trading venues should in future apply also to day-ahead gas market operators.
    - **Regulatory duplication applying to participants in commodity derivatives markets should be reduced** by removing the overlap between EU financial regulation (MiFID) and energy regulation (REMIT).
    - **Avoid the announcement of a gas price cap in the forthcoming Clean Industrial Deal**, as it could have far-reaching negative consequences for the stability of European energy markets and the security of supply across the continent.
- ICE is eager to work with EU policymakers to develop options to improve Europe's competitiveness by strengthening energy and environmental derivatives markets.

---

[1] The future of European competitiveness, Part B. Measure 6 of natural gas proposals: 'Limit the possibility of speculative behaviours: financial position limits, dynamic caps, an EU trading rule book and an obligation to trade in the EU'.

[2] **ACER-CEER**: "European gas market trends and price drivers. 2023 Market Monitoring Report" (October 2023), **ESMA**: TRV Risk Analysis, "The August 2022 surge in the price of natural gas futures" (24 October 2023) and **ECB:** "Speculation in oil and gas prices in times of geopolitical risks", report published as part of the ECB Economic Bulletin, Issue 2 (2024).

[3] ESMA market report 'EU carbon markets 2024', 7 October 2024.

[4] ICE's EUA derivatives are the largest carbon market in the world and a key price reference and transfer mechanism for emissions allowances under the EU ETS.

Annex. ICE data analysis on concentration in TTF gas futures

Data on market concentration in EU gas derivatives markets taken from an ESMA report[5] is referenced in the Draghi report on 'the future of European competitiveness' and the market is "characterised by a high degree of concentration" (p.13, Part B). Our analysis shows that the ESMA data is incomplete and does not include a significant proportion of non-EU liquidity. When that is added, it is clear that ICE's TTF futures market is highly diversified, and the concentration of positions is comparable with some of the most liquid energy derivatives markets in the world, the Brent[6] and Gasoil futures markets.

- **ICE's TTF futures market is highly diverse. The top 5 companies hold around 21% of positions** in ICE's TTF futures market in November 2022. The ESMA data referenced in the Draghi report sets this number incorrectly around 60% of positions (p.39, Part A). Moreover, as can be expected, concentration in ICE's TTF futures market further reduced following the energy crisis to 18% in August 2024.

- Data on market participation shows a healthy distribution of financial and non-financial participants in ICEs TTF futures market, whereby generally trading activity from **non-financial firms account for between 40 and 60 percent of transaction volumes**. The Draghi report however claims that "a few non-financial counterparties account for most derivatives trading activity (p.13, Part B).

Background

ESMA states that in November 2022, ICE's TTF futures market were majorly traded by top 5/10 clients (~60% for top 5 and ~80% for the top 10 participants). In its report, ESMA recognizes the limitations of their analysis due to data fragmentation and data gaps: "The analysis of risks in natural gas derivatives markets is hampered by data fragmentation and the availability of data to ESMA and NCAs. Data fragmentation relate to information on some derivatives being reported only to energy regulators or only to NCAs. Data gaps relate to reporting requirements for energy firms." For the analysis of ICE's markets, ICE does not face similar limitations as stated in the ESMA report.

Analysis by ICE

1) **Data and Methodology:**

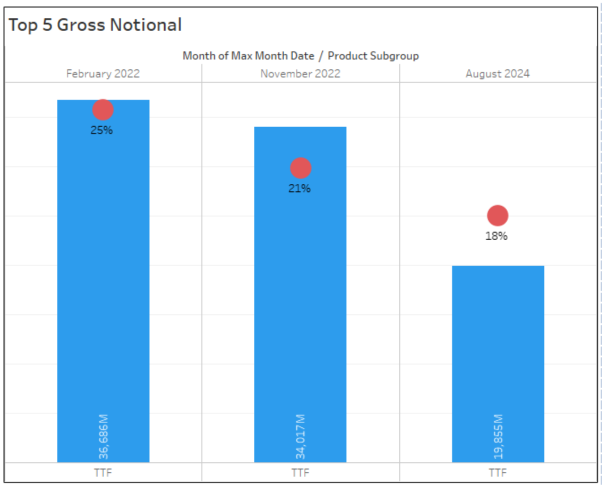
    a. Data Source: Market Surveillance Application (MSA) data.
    b. Methodology:
        i. We take **'TTF futures only'** data and look at 'MSA netted positions by Maturity' for the last day of the month.
        ii. Clients are ranked on gross absolute positions and concentrations are compared for top 5 and top 10 for this analysis.
        iii. Concentration = (net positions for top 5/10) / (total net positions).

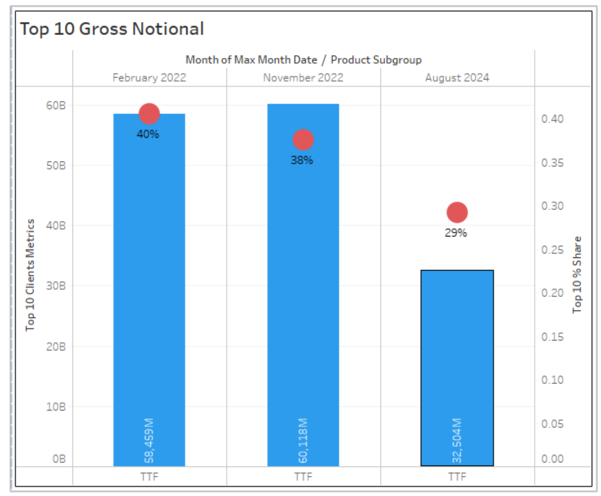
[5] ESMA TRV risks analysis, EU natural gas markets: risks and trends, 12 May 2023.

[6] As one of the world's most liquid crude grades, brent oil forms the pricing benchmark, directly or indirectly, for over 75% of the world's exported crude oil.

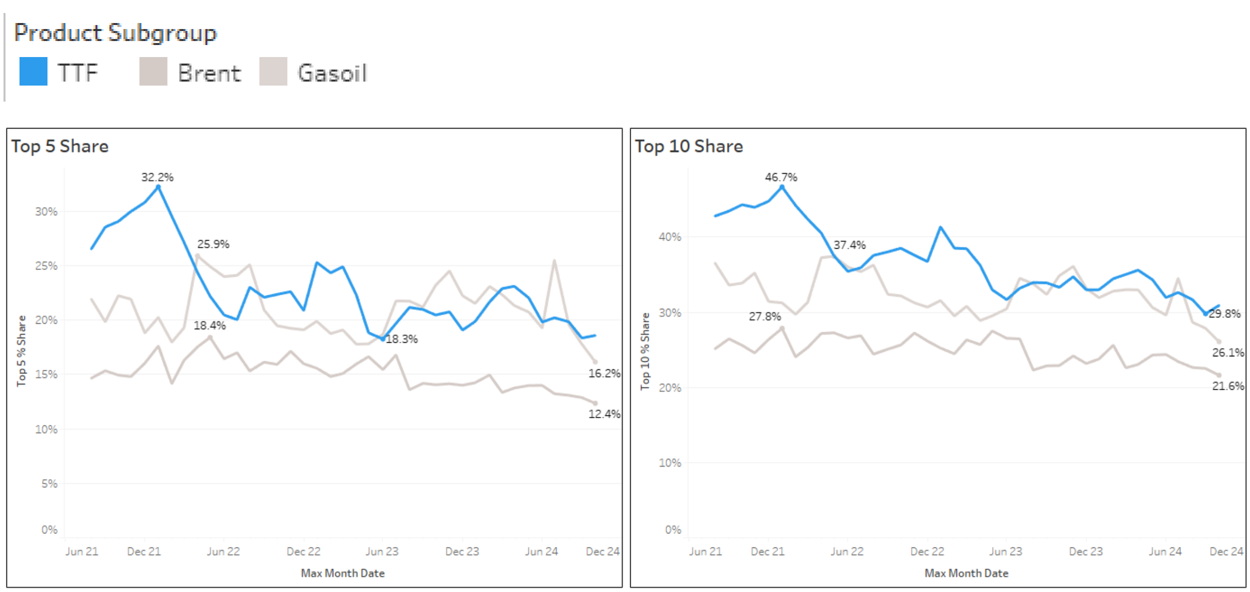
2) Analysis:

a. **Specific months**: Our analysis shows that for the given timeframe, our TTF futures markets had about **21%** positions for top 5 clients and **38%** for top 10 clients as per below chart.





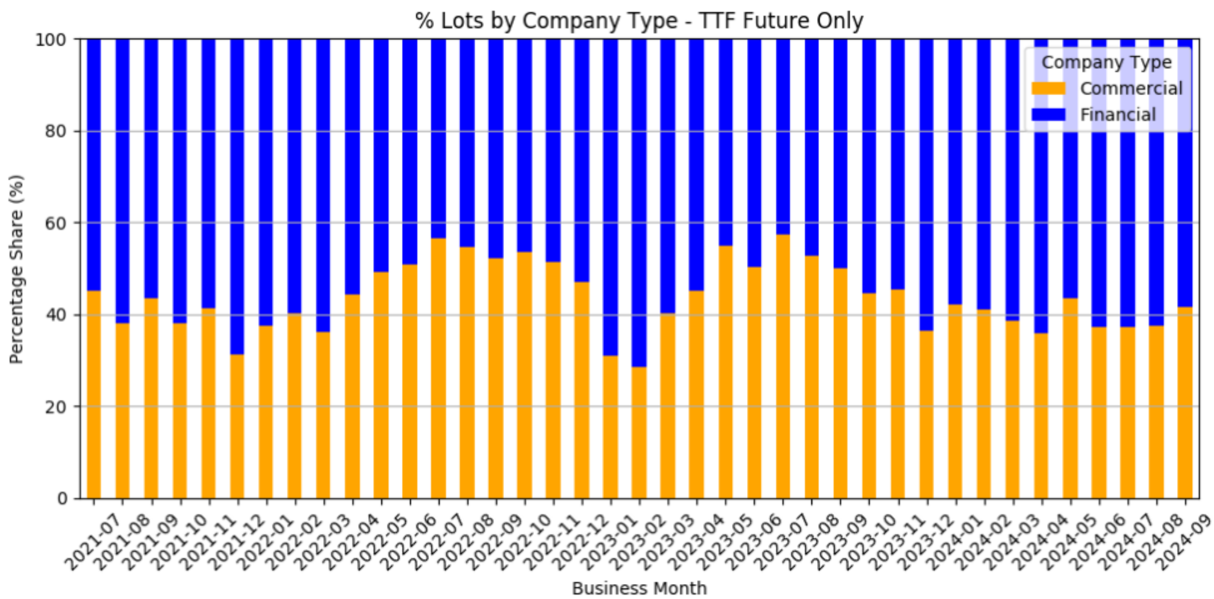
b. **Trend:** In addition, looking at the historical trend for TTF futures, our top 5 participants never crossed ~**33%** and top 10 ~**47%** of market share. Also, our concentrations are in line with global commodity derivative benchmark products (Brent and Gasoil futures) as shown in the trend below.



c. **Commercial versus financial market participants:** The Draghi report also claims that concentration was mainly driven by 'NFC' participants. As we look at our top 10 participants for TTF futures, our financial to commercial ratio from 2021 till date lies majorly between 40-60% as shown below.

Commercial share for specific dates:

Feb 22 - **40.2%**	Nov 22 - **51.3%**	Sep 24 - **41.5%**



Disclaimer

The information and materials contained in this document - including text, graphics, links or other items - are provided "*as is*" and "*as available*." The information provided in this document may also be subject to change at short notice. You should not rely on any information contained in this document without first checking with ICE that it is up to date.

The document represents ICE's view on the subject matter. The document and its content is not to be construed as a recommendation or offer to buy or sell or the solicitation of an offer to buy or sell any security, financial product or instrument or to participate in any particular trading strategy. ICE does not make any recommendations regarding the merit of any company, security or other financial product or investment identified in this document, nor does it make any recommendation regarding the purchase or sale of any such company, security, financial product or investment that may be described or referred to in this document. Nothing contained on this document is intended to be, nor shall it be construed to be, legal, tax, accounting or investment advice.