

# HUNGARIAN ALLOWANCE SALES IN PHASE 1

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Conference**

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- 66/2006. statutory order (I. NAP):
  - Announced: 27.03.06. ↔ 01.01.05.
- Total cap: 94.98 million t (for 2005-07)
  - New entrant reserve: 1.89 mt (2,0 % of the cap)
  - Auctioned: 2.37 mt (2,5 % of the cap)

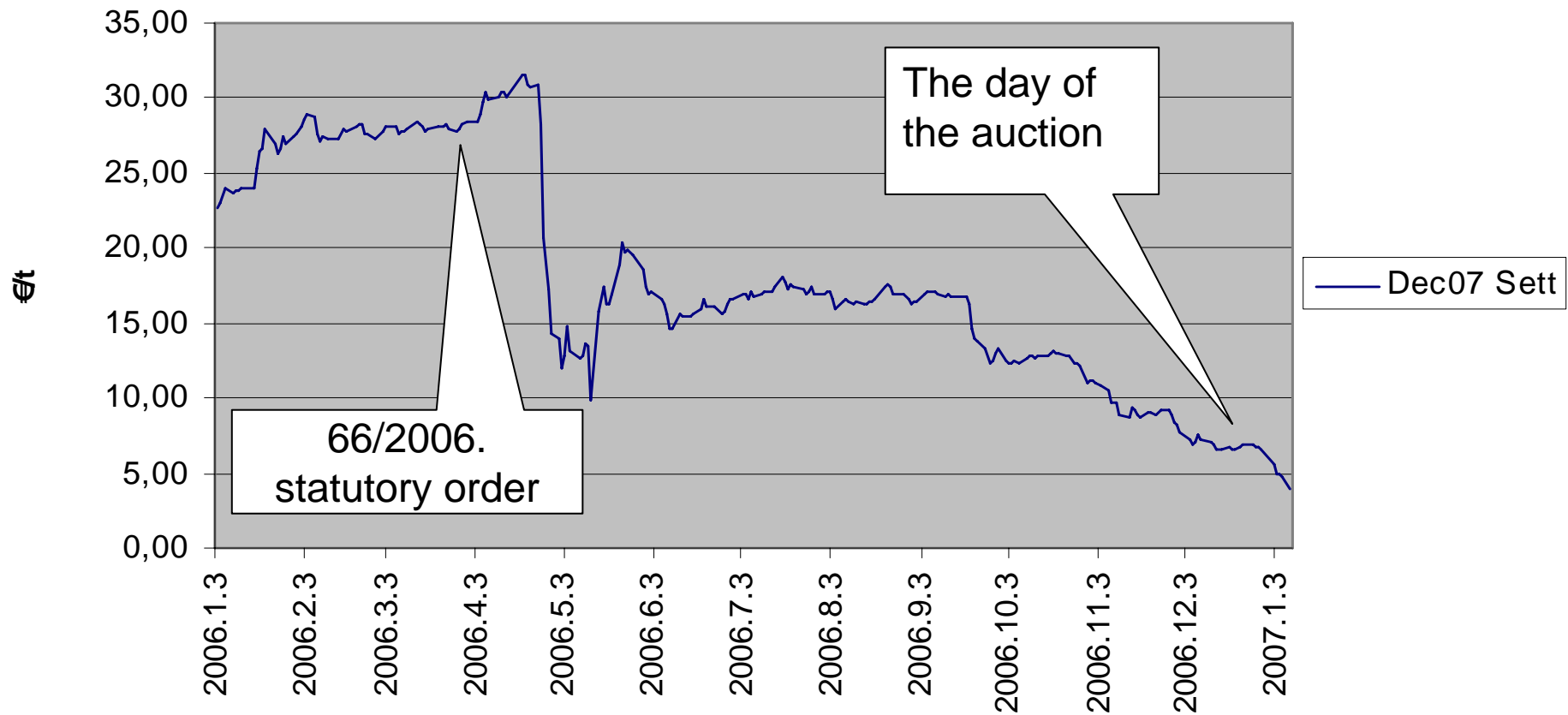
## THE FACTS 1.

- The date of the announcement: 25 November 2006
- The date of the auction:  
11 (and 18) December 2006, between 11:00-12:00 a.m. CET
- Quantity: 1.2 mt EUA (half of the total)
- Electronic auction at the euets.com CO<sub>2</sub> trading platform
- Uniform-price auction

## THE FACTS 2.

- The minimum price: closing forward price quoted at [www.pointcarbon.com](http://www.pointcarbon.com) for the day before the particular auction round minus 0.90 EUR/EUA
- Minimum bid quantity/lot size: 1000 EUA
- Deposit the full collateral two working days before the auction
- Time-stamping

### ECX Future price and the day of the auction



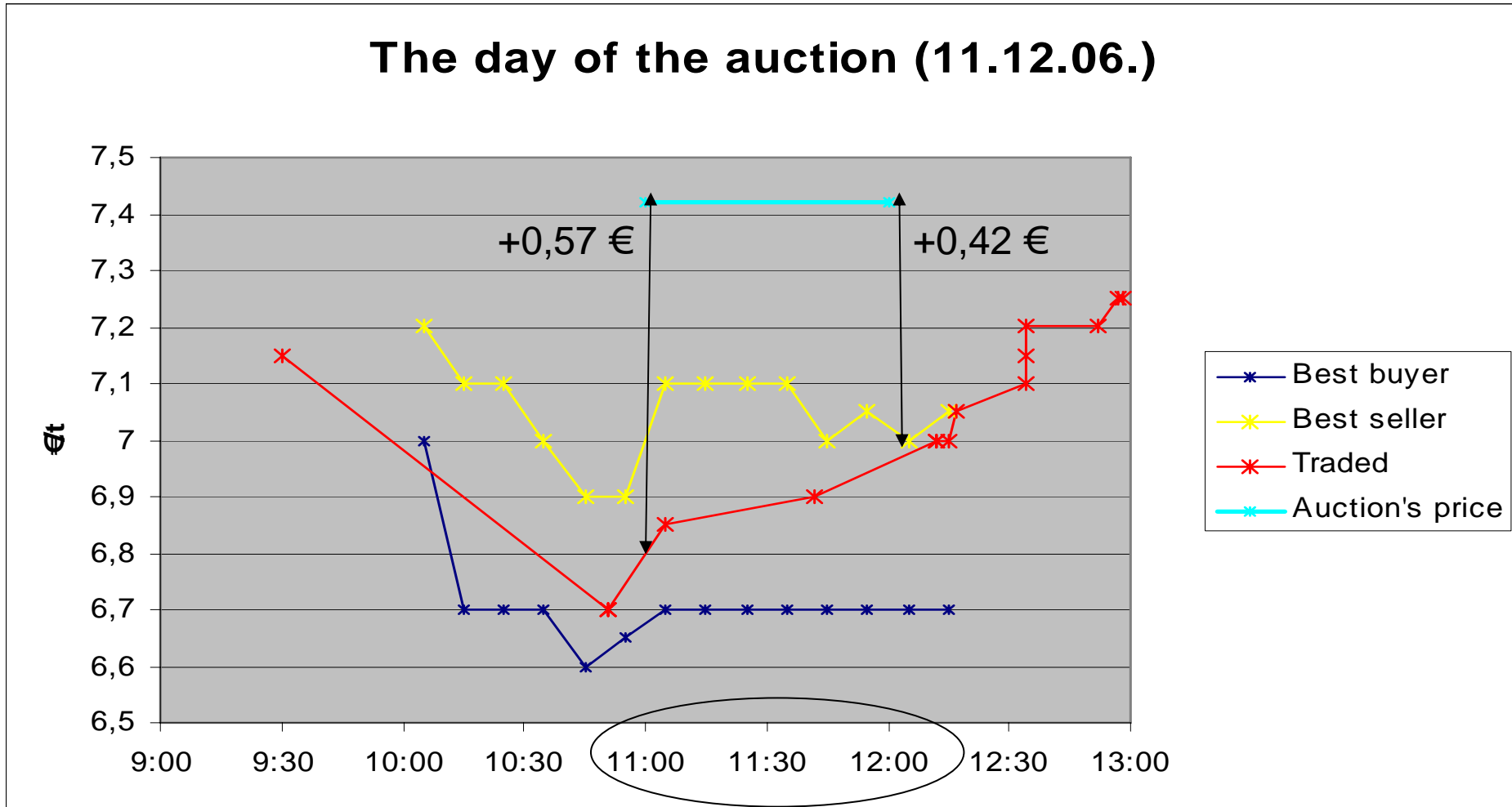
Source: ECX

# THE RESULT OF THE AUCTION I.

- 1.197 million EUA was sold in 11.12.06., no second round
- Clearing price: 7,42 €/t
- Bidding volume: 3.42 million EUA
- Revenue from the EUAs: 8.88 million €

# THE RESULT OF THE AUCTION II.

## The day of the auction (11.12.06.)



Source: [www.nordpool.no](http://www.nordpool.no)

# WAS IT REALLY SUCCESSFUL?

1. Sell earlier

2. Our proposal

- Sell two times per week at ECX in small size from September 2006 to December 2006
- The revenue is less risky
- Our estimated revenue from EUAs sales was more than 13.5 million € ( $\Leftrightarrow$  8.8 m€)



# WHY MARKET SALES?

	Traded volume, first half, 2006 (mt)	Turnover, first half, 2006 (m€)	Share in turnover
<b>ECX</b>	201,2	4 267,6	81,9%
<b>Nordpool</b>	26,0	566,4	10,9%
<b>Powernext</b>	12,4	268,0	5,1%
<b>EEX</b>	4,8	105,0	2,0%
<b>EXAA</b>	0,2	3,7	0,1%
<b>SUM</b>	244,5	5 210,7	100,0%

Price correlation:  $r = 0.996$

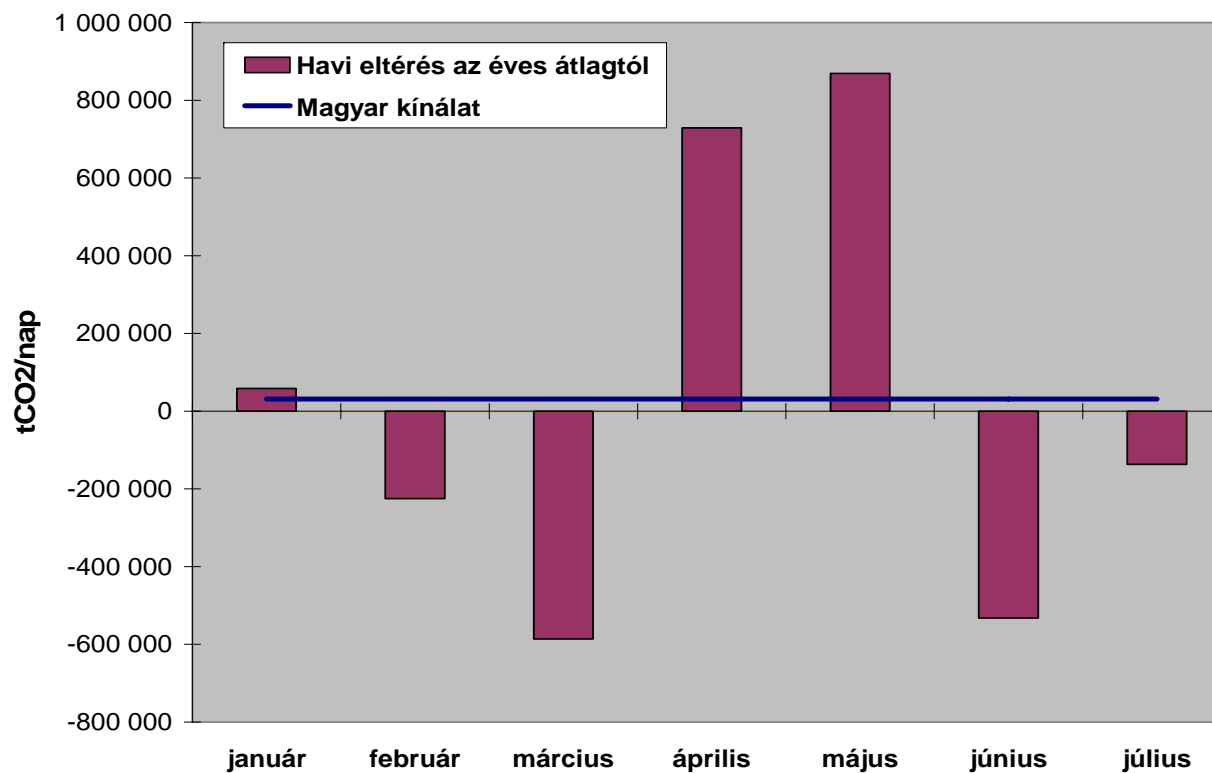
Transaction cost:  $\sim 0,01 \text{ €}$

Daily average traded volume (first half 2006): 1,56 mt EUA

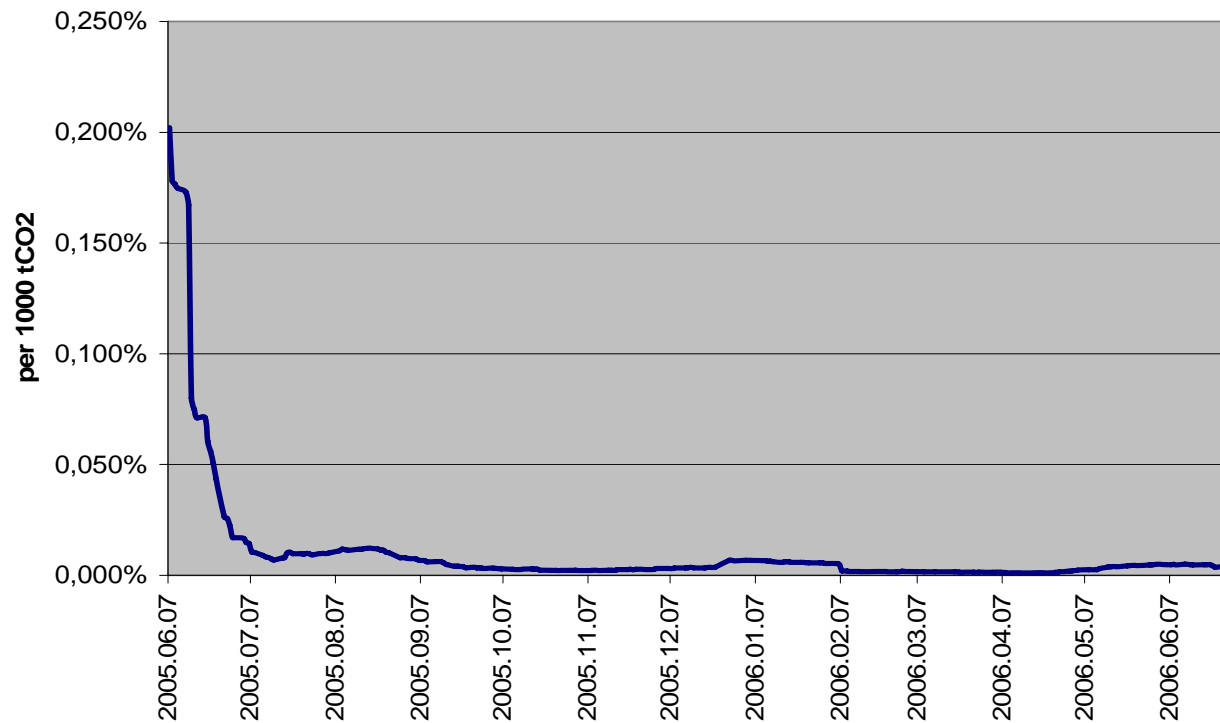
Hungarian supply = 1.5 days volume. Common knowledge

Source: [www.nordpool.no](http://www.nordpool.no)

# HUNGARIAN SUPPLY VS. MONTHLY DEVIATION FROM AVERAGE TRADE



# ESTIMATED PRICE EFFECT OF INCREASED TRADE VOLUME



Short-run price impact of additional 80 thousand tonns / day < 1%

## 3. If auction sale:

- The limit price should not be announced
- The transaction cost should be lower (0,05-0,2 €/t)
- Not only the Climex Alliance partner should join the auction
- Time-stamping ⇔ short bidding phase (1 hour)
- More transparency

**THANK YOU FOR YOUR  
ATTENTION!**

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