

part of eex group



# Clearing Circular 54/2020

2020-12-16

News

## Transition from the 3rd to the 4th Trading Period of the EU ETS

Physical Settlement

### Summary

Information about the transition from the 3rd to the 4th Trading Period of the European Union Emission Trading Scheme (EU ETS) as well as the product setup, the clearing and settlement processes and preconditions for participation are provided.

Financial Settlement

Risk Management

Information Technology

### Contact

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## Background Information

The 3rd Trading Period (TP3) of the EU ETS will end in December. The deadline for surrender of allowances for 2020 is 30th April 2021. Emissions of the year 2020 can only be surrendered with TP3 allowances. However, TP3 allowances can also be surrendered for emissions of compliance years after 2020 (“banking”).

The 4th Trading Period (TP4) of the EU ETS will start in January 2021. TP4 allowances can only be surrendered for emissions of the compliance years from 2021 onwards. CERs cannot be surrendered anymore for emissions from 2021 onwards.

Please be reminded that during January to April 2021, TP3 and TP4 allowances will be in circulation in parallel, but only TP3 allowances can be submitted for compliance obligations for 2020. After April 2021, both TP3 and TP4 allowances can be surrendered for compliance for 2021 or later years.

Please also consider the information published by the European Commission regarding the start of phase 4.

## Product Setup

The following changes are resulting for the product setup of EEX:

### **EUA/EUAA Primary Auctions**

The regular auctioning of TP3 allowances was closed on 14 December 2020. From 2021 onwards only TP4 allowances will be auctioned. The product setup in the auctions is not subject to any changes.

### **EUA/EUAA Spot Market**

Under the currently available TP3 spot market instrument, only TP3 allowances can be traded and delivered.

A new TP4 spot instrument will be available from 25 January 2021 under which only TP4 allowances can be used for delivery. Delivery obligations from trades conducted from May 2021 will be either TP3 or TP4 allowances.

The TP3 spot instrument will be discontinued by 30 April 2021.

## EUA/EUAA Futures Market

For futures expiries until April 2021, only TP3 allowances are used for delivery. For the futures expiries from May 2021 onwards, both TP3 and TP4 allowances will be used for the delivery process.

The EUAA Future will be extended by two further December expiries as of 25 January 2021.

## Options on EEX EUA Futures

The underlying for EUA premium style as well as futures style options is the front December future expiry of the respective year, i.e. for option expiries in 2021, the underlying is the Dec21 EUA Future Expiry for which both TP3 and TP4 allowances can be used to fulfill the delivery obligations.

## CER Spot and Futures

It is not planned to list any future expiries beyond December 2020. CER spot trading will be available until 30 April 2021.

The amendments described above result in the following changes to product settings within the ECC settlement system:

Product Name	Trading Period	Short Code		Validity	SMSS Product Group
EEX EUA Primary Auction Spot	TP3	T3PA		Until December 2020	EEX_ST_EUA3_DMS
	TP4			From January 2021	EEX_ST_EUA4_DMS
EEX EUAA Primary Auction Spot	TP3	EAA3		Until December 2020	EEX_ST_EUAA3_DMS
	TP4			From January 2021	EEX_ST_EUAA4_DMS
EEX EUA Spot	TP3	SEME*	Dec21	Until April 2021	EEX_ST_EUA3_DMS
	TP4		Dec29	From January 2021	EEX_ST_EUA4_DMS
EEX EUAA Spot	TP3	SEMA*	Dec21	Until April 2021	EEX_ST_EUAA3_DMS
	TP4		Dec29	From January 2021	EEX_ST_EUAA4_DMS
EUA Futures	TP3	FEUA		Until April 2021	EEX_FT_EUA3_DMS
	TP4			From May 2021	EEX_FT_EUA4_DMS
EUAA Futures	TP3	FEAA		Until April 2021	EEX_FT_EUAA3_DMS
	TP4			From May 2021	EEX_FT_EUAA4_DMS
EEX EUA Option (Premium Style)	TP3	OEUA		Until December 2020	EEX_OT_EUA3_DMS
	TP4			From January 2021	EEX_OT_EUA4_DMS
EEX EUA Options (Futures Style)	TP3	OEUB		Until December 2020	EEX_OT_EUA3_DMS
	TP4			From January 2021	EEX_OT_EUA4_DMS

\*Different instruments/technical expiries are used to differentiate between the different trading periods.

Detailed information on the respective product setup is provided in the ECC Clearing Specifications and in the ECC Contract Detail File, which are available for download on the ECC website.

## Clearing Process

### Delivery processes

As it has been the case so far, the emission allowances are delivered to the corresponding trading participants' ECC delivery accounts on the ECC business day following the conclusion of a spot trade and on the second business day following the expiration of a futures expiry.

A new delivery account for TP4 allowances will be implemented for each participant. Consequently, the participants will be able to review the account balances for TP3 and TP4 individually in the Member Area.

Transfers between the internal delivery accounts of every trading participant are exclusively permitted from the primary market accounts to the respective secondary market accounts. Requests for the delivery of emission allowances can be requested from all accounts to registry accounts which can be selected freely through the ECC Member Area at any time. Please apply the following instructions when handling deliveries with regards to the segregation of TP3 and TP4 allowances:

Trading Period	Delivery of allowances
TP3	<ul style="list-style-type: none"> <li>- Can be requested via ECC Member Area</li> <li>- If balance is not sufficient on TP3 delivery account, ECC will reject the request</li> </ul>
TP4	<ul style="list-style-type: none"> <li>- Can be requested via ECC Member Area</li> <li>- If balance is not sufficient on TP4 delivery account, ECC will offer to deliver allowances of 3rd generation instead via direct communication with participant. If this offer is not accepted, the request for delivery will be rejected by ECC.</li> </ul>

ECC will only accept TP3 allowances for covering deliveries from short positions in futures until 30<sup>th</sup> April 2021.

### Reporting

The new products will be integrated into the existing SMSS trade, delivery and payment reports. If you would like to receive corresponding sample reports, please send an e-mail to [clearing@ecc.de](mailto:clearing@ecc.de).

### **EUA as Collateral**

TP4 allowances are equally as eligible as TP3 allowances as margin collateral. General information on EUA as collateral is available on the ECC website.

### **Trading Limits for EEX Emissions Auction market**

There will be no changes in the limit functionality and the limit maintenance procedure. For further details on the limit setup we advise you to consult Clearing Circular No. 50/2020 published on 1st December 2020.

### **Preconditions for Participation**

All trading participants admitted at EEX for the product and recognised by ECC to trade EEX Emission products will automatically receive access to the new expiries. In case of any issues, please contact the Member Readiness Team ([memberreadiness@ecc.de](mailto:memberreadiness@ecc.de) or phone +49 341 24680 261).