Warsaw, 18 July 2019

TGE introduces CO2 emission allowances on the Financial Instruments Market

Press Release

On 18 July 2019, TGE in cooperation with IRGiT started trading CO2 emission allowances on the Financial Instruments Market (FIM), thus enabling the Members to conclude transactions for EUAs (European Union Allowances) with physical delivery on the spot market.

As a result of the implementation of regulations related to the MiFID 2 Directive, CO2 emission allowance transactions have become a financial instrument traded on the Financial Instruments Market operated by TGE. This is the first instrument introduced to trading on the RIF, which offers the participants of that market the possibility to conclude transactions in PLN. The new instrument is a spot contract for CO2 emission allowances (EUAs) and is identified as C_EUA-20. The market, similarly as other markets operated by TGE, will be cleared by IRGiT.

TGE launched the Financial Instruments Market on 4 November 2015 as a natural step in the development of the company and extension of its product offering. At that time, the trading concerned electricity forward contracts with the TGe24 index as the underlying instrument, which was determined on the basis of transactions concluded for hourly products in the fixed auction price system at the first fixing, which took place on the Day-Ahead Market. The FIM made possible the hedging of buy or sell prices on the commodity market in a longer term, facilitated price risk management and created access to financial instruments also for financial institutions.

Along with the need to align the TGE's activity with the requirements of the MiFID2 Directive, the Exchange Management Board decided to suspend trading on the FIM as of 29 November 2017 and on the CO2 Emission Allowance Market as of 30 December 2017. According to MiFID2, CO emission allowances have been recognised as a financial instrument.

The re-launch of CO2 emission allowances trading not only required that new Trading Terms be prepared by TGE, but also involved the amendment of the Detailed Rules of Granting Access to the IT System as well as the Detailed Trading Rules for the FIM and the Exchange Rules. The latter was approved by the Financial Supervision Authority on 30 May 2019 and entered into force on 14 June 2019.

The clearing and settlement of the CO2 emission allowances will be conducted according to the rules specified in the Regulations of the Clearing and Settlement House, which have been aligned for the new range of financial instruments and came into force on 3 June 2019. As a result of the changes introduced by IRGiT, the status of the House Participant will also be available to energy companies. The business model defined by IRGiT will allow market participants to maintain the ability to optimize their collateral costs (e.g. through the acceptance non-monetary collaterals) while at the same time ensuring an offer which guarantees security of the clearing process.