

Commodity Derivatives Market Integrity (CDMI) Supervisory Practice of AFM



CDMI Surveillance Practice (1/2)

European law

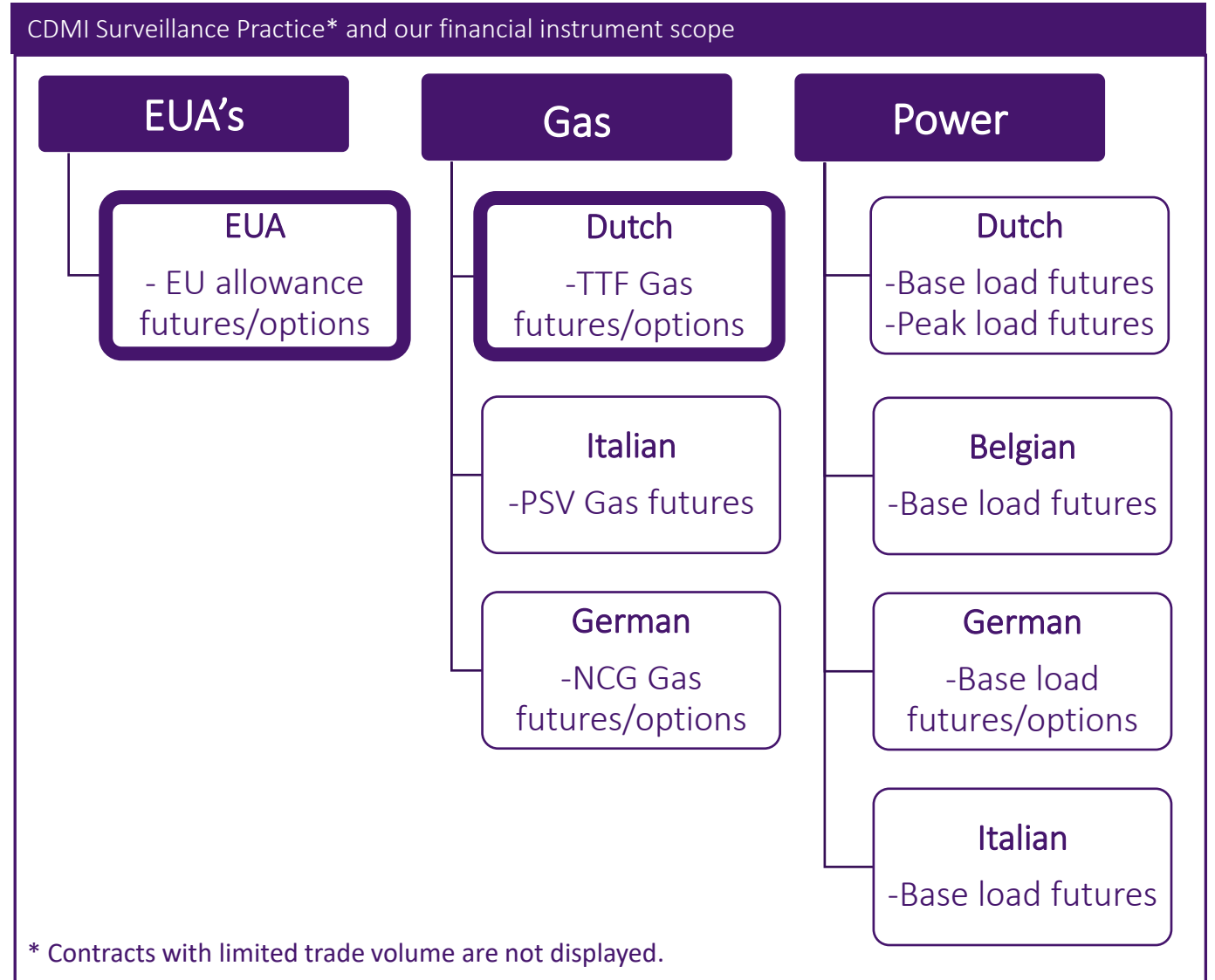
- MiFIR: EUAs, gas- and power derivatives became financial instruments per 2018.
- MAR: Market abuse in CDM, with a primary focus on trade venue (hence EMIR, OTC activity, has secondary focus).

☞ REMIT: spot contracts are **out of scope***.

Trade venues

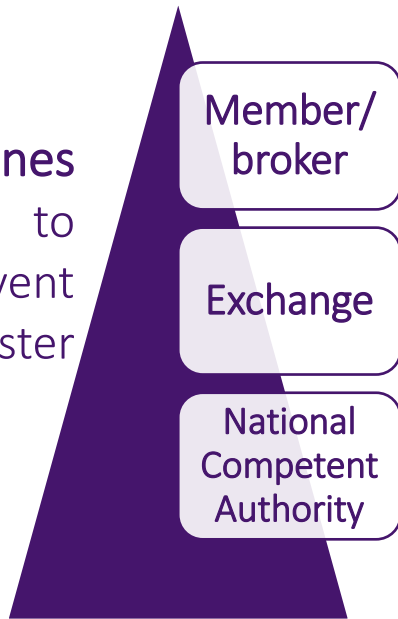
- ICE Endex B.V. (IE) in Amsterdam is **EU's largest energy derivatives** platform.
- ICE moved its **EUA trade activity** from London to Amsterdam in June 2021.
- For overview, see figure on right.

☞ The **EEX** in Frankfurt and **Nasdaq** Oslo, complete the **EU top 3 list of most liquid venues in EUAs, gas and power.**



CDMI Surveillance Practice (2/2)

MAR art. 16 defense lines
Layered framework to detect, report and prevent market abuse, and foster market integrity.



National regulators

- Financial markets:



- Energy (spot):



EU regulators



MAR: SMARTS surveillance on trade activity (e.g. TTF-gas derivatives)

Orders
(abusive behavior e.g. spoofing)



Transactions
(idem)



Strategy (alerts as basis for monitoring abusive behaviour)



MiFID II: Monitoring TTF-gas position limits through our Commodity Position Reporting System (CPRS)

EUA and TTF-gas market developments in 2021 – 2022

- In 2021 fossil fuel commodities posted a price rally, due to low gas storage levels and lack of renewable energy.
- In October 2021 the European Commission published its plan to tackle rising energy prices, and asked ESMA to assess the carbon market functioning (Report published in April 2022).
- Measures that EC adopted in for TTF-gas in December 2022 included a.o.: New position limits (proposed by AFM), (ii) Market Correction Mechanism, Intra-day Volatility Mechanism.

European Commission: Toolbox for action and support of EU economy

Immediate measures to protect consumers and industry

Short-term measures must be targeted to the specific needs of consumers and industry, and be temporary in nature to reflect the expected duration of the current energy price spike.



EMERGENCY INCOME SUPPORT AND PREVENTING DISCONNECTIONS

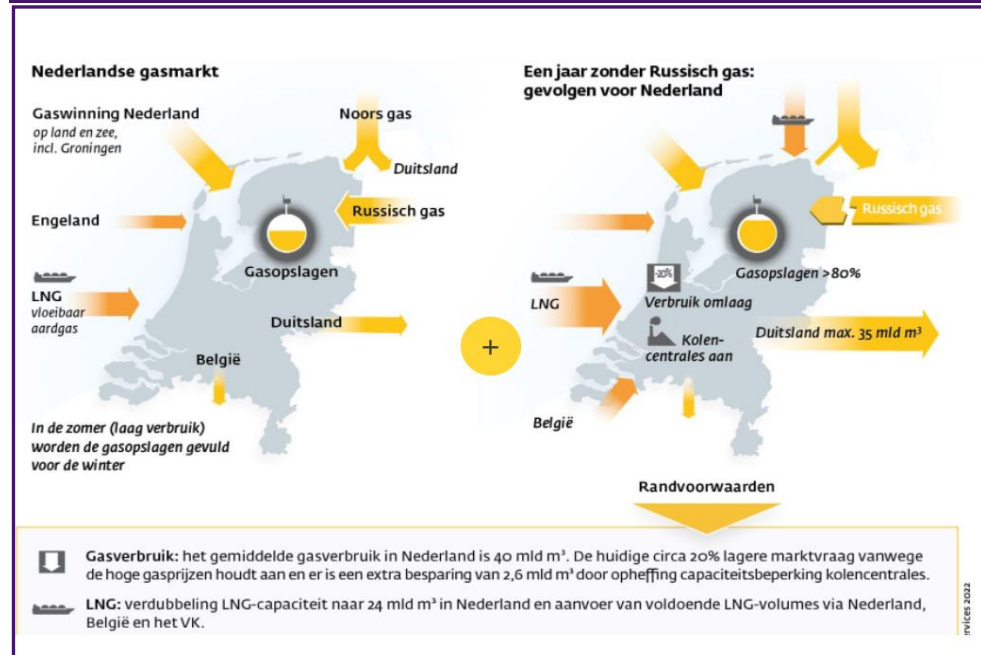
Member States can:

- Make social payments to those most at risk to help them pay their energy bills – this can be financed with EU Emissions Trading System (ETS) revenues
- Put in place safeguards to avoid disconnections from the energy grid or authorise deferrals of bill payments temporarily

TTF-gas front-month futures price (€/Mwh) peaked due to war in Ukraine (Russia is key supplier)



Winter 2022 'no Russian gas' scenario predicted by GTS in summer 2022



CDMI Research Practice – Illustration: March 2022 TTF-gas price peak

In general

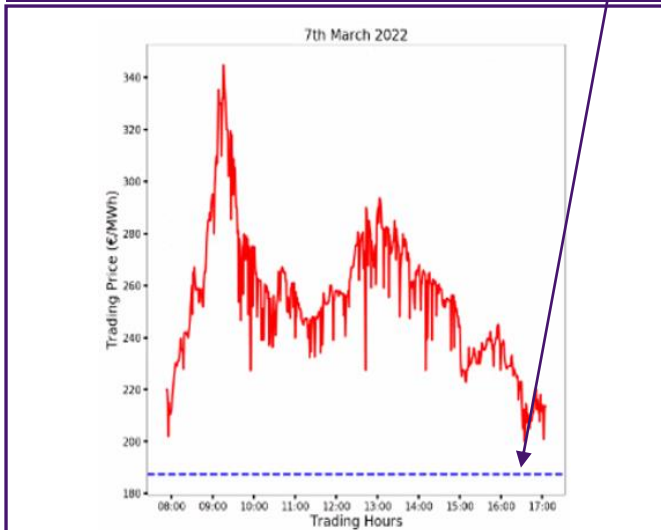
- The ‘rolling front-month’ TTF-gas contract is the most liquid from all available futures (Month-, Quarter-, Season-, Year), and is seen as the EU reference gas price.
- A variety of players is typically active in the markets to deal with price risk, credit risk and/or liquidity risk.

Observations for 7 March 2022

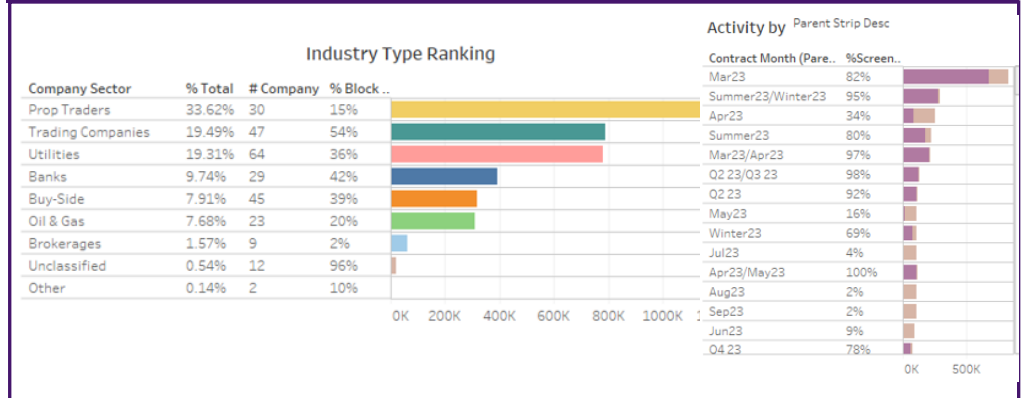
- Price peak: €340/Mwh (blue: previous record, 21 Dec. 2021).

☞ Can we observe a pattern / from the entire message traffic (transactions, orders, cancellations, amendments)?

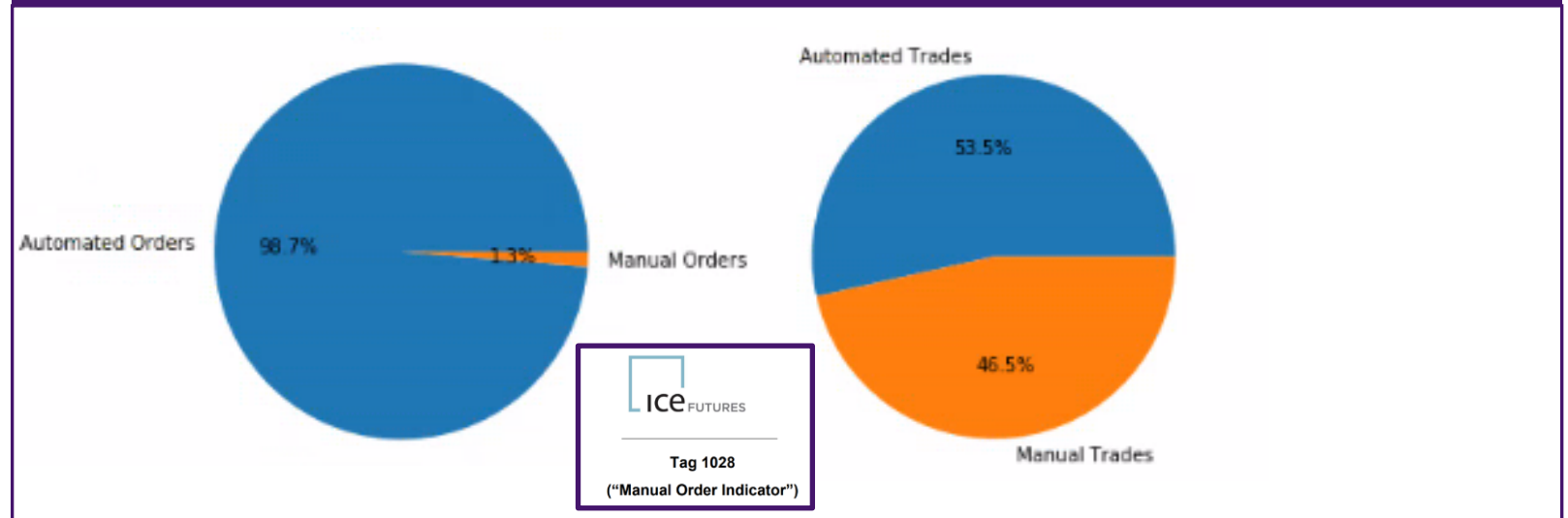
Intra-day price evolution on 7 March 2022



IE report metrics that AFM receives (NB: shown for illustrative purposes)



Overview of both automated- and manual orders (left) and transactions (right) on 7 March 2022



Thank you for the attention

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