

Auction your carbon needs!

Are you active or interested in buying or selling Carbon Emission Rights? Climex Exchange can be of interest to you. Climex Exchange has an auction platform which can provide you:

- An easy way to contact buyers and sellers of and investors in CERs, ERUs, EUAs and VERs.
- An efficient way to communicate your carbon rights or needs to the market
- A transparent way to get the best offer and the best price
- Low transaction fees and only after a successful transaction

Climex Customer Service Desk

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What does the auction platform do?

The basic idea is simple; we communicate to the market what you want to buy or sell and invite potential counterparties to participate in an auction at a specific moment in time. Climex is an internet based exchange where potential counterparties can bid against each other so you, the participant, gets the best price for your offer. After the auction, it is up to you to decide with which counterparty you wish to do business with. Because it is an internet based platform, you can participate in the auction at any moment, at any time and with any potential counterparty all over the world. In order to participate on the Climex Auction Platform, you register as a participant. Registration is free and without any further obligations.

The free Climex membership offers you:

- the possibility to participate in auctions and tenders and receive the best possible price;
- a channel to reach a large number of counterparties without having to leave your desk;
- the lowest transaction costs and no additional fees;
- an easy step by step process which helps to structure negotiations and reduce negotiation time and effort;
- experienced support in creating Term Sheet and ERPA
- the opportunity to sell or buy any volume you want, large or small;
- clear upfront communication of the conditions under which you want to sell or buy.

Which products can be auctioned?

The Climex Auction Platform is especially build to auction Carbon Credits. These can be European Allowances (EUAs), Certified Emission Rights (CERs), Emission Reduction Units (ERUs), Secondary CERs or Voluntary/Verified Emission Rights (VERs). Both buyers and sellers can organise auctions. Even investment needs can be put on the platform.

How does it work?

The auction consists of 4 phases.

Phase I: The definition phase

In this phase you can tailor-make your auction. You can: Define the conditions under which you wish to do business.

What, for example, is the product, the volume, the minimum price, type of payment, the underlying contract you want to use, etc. We help you to design the best auction format for what you want and to lay down the conditions in a Term Sheet and Contract. We also organise the marketing and communication of each auction. It is up to you to decide who is allowed to participate in the actual auction and to select the time frame. When will the auction be communicated to the market? Until what time can companies sign up? When will the auction take place? Etc. etc. Facilitated with our knowledge and experience you choose what kind of auction you want. The Climex Auction Platform flexibly supports different auction formats;

- Single vs. multiple sided
- Closed or open
- One price vs. multiple price
- Upward vs. downward
- Spot or Forward

Phase II: The communication phase

In accordance with the defined time lines the communication with the market starts, companies are invited to sign up and the pre selection can commence.

Phase III: The execution phase

The companies you have approved are now asked to log in on the Climex Auction Trading Platform and to engage in the bidding process. Depending on the kind of auction you have chosen you can select the company with the best offer.

Phase IV: The signing of the contracts

The signing of the contract depends on whether you chose a Spot or a Forward auction. If you chose the spot auction then payment and delivery will take place immediately after the auction. The contractual terms are laid down in the Participation Agreement and the Rules & Regulations of the auction. Central counterparty for these auctions is the APX Group. The advantage here is that you run no risk on your counterparty and payment or delivery of the rights are guaranteed. If you have chosen the Forward auction, payment and delivery will take place somewhere in the future. The contract (ERPA) has to be signed after the auction. Depending on what has been communicated with the participants it is either a fixed contract or it is possible that elements of the contract can still be open to negotiation.

Examples

Seller offering a project for sale

Case: A CDM project has a PDD, host country approval and is validated. It would like to sell its credits at standard offset conditions at a reasonable price.

How would this work

In this situation the seller signs a Sales Commitment Contract with Climex. Together with a Climex contact person the seller creates a Term Sheet in which the project, volumes and the terms and conditions under which the seller is offering the project are recorded. The seller can determine which auction form he chooses and according to which timeline and procedures the bidding will take place. The buyer can see this in the Term Sheet of the project and the Process and Procedures of the auction. In this process the seller decides upon a number of things: (a) to which extent items will be fixed or still open to negotiation before entering into an auction with interested buyers, (b) the number of days or weeks the offer is valid for and (c) if he wants to create a questionnaire with conditions buyers need to meet before they can enter into negotiations with the seller. Simultaneous with the creation of the Term Sheet basic due diligence will be executed and all the collected documents related to the project will be uploaded into the Register. Buyers who are already members will be notified automatically of each new auction. As soon as the deadline for the offer is reached, or when enough qualified buyers have reacted an auction will be organised.

Execution of the auction

The auction is executed as designed by the seller and as communicated to all participants. At the end of an auction or an auction round the best bid is shown on screen. In every auction round buyers can improve the price offered in the previous round. (If chosen by the seller, it is also possible to negotiate multiple conditions during the auction and not only the price.)

The auction stops when there have not been any reactions for two rounds (or, when the last round has been reached in case the auction initiator has chosen a fixed amount of rounds). When there are no reactions in a certain round all buyers will be notified that the next round is the final round should nobody bid.

The seller is presented with an overview of all reactions and the best bid related to his terms and conditions. The seller has a fixed amount of time to accept or reject the bids. It is also possible that he does not accept any of the bids. In case the seller accepts a bid, all the fixed terms from the Term Sheet and the terms negotiated during the auction will become a non negotiable part of the ERPA. If the seller still had flexible terms in his offer, it is possible there are some remaining items which need to be negotiated. The seller and the buyer whose bid was accepted get a maximum of 60 days to finalise the ERPA.

Buyer expresses a buying interest

Case: A large VER buyer who is creating a portfolio of VERs for a company wide carbon neutral programme enters a buying interest (tender) on the platform.

How would this work

The buyer registers as a member (if he is not already a member). The buyer can look if there are any projects for sale which meet his requirements. If this is the case the buyer can enter the bidding process for these projects directly. If there are no projects that meet his requirements the buyer can place a buying interest on the platform. In a Term Sheet the buyer describes the type of project(s) and volumes he requires and the terms and conditions he

is prepared to offer. Like in the previous example the buyer decides upon fixed conditions or leave them open to negotiation, (b) expiry date (c) if he wishes to create a questionnaire with conditions sellers need to meet and/or if he wants sellers to send a proposal.

When all this is finalised a buying request will be put online (anonymously) and all members will be able to view the information. The buyer also has the opportunity to invite specific sellers who are not yet a member of the platform. If sellers are invited they can become a one time only member for free and their access will be limited to the buying request of the inviter. Sellers who are already a member will be automatically notified of the new posting.

Sellers can express their interest in the buying request anonymously online. The buyer will receive these messages.

If one of the conditions of the buyer was for the sellers to have to prepare their starting proposals or fill in the questionnaires, they will have to do so. A registered seller can put his reaction into the project register and give the buyer exclusive viewing rights. The buyer will be notified with an e-mail. At this moment the seller loses its anonymity. Based on the information received from the seller the buyer can decide to invite a seller to participate in the auction. When the deadline is reached, or when enough qualified sellers have reacted an auction will be organised in line with the design of the buyer. The execution of the auction is the same as described in the previous example.

Frequently asked questions

How can I participate in an auction?

Participating in the auction is free. The only thing necessary is to register or sign a Sales Commitment Contract. You can register on the website www.Climex.com and we will send you the Participation Contract and the Rules and Regulations. As soon as you have sent us the signed Participation Contract together with the required enclosures you will receive a login to the platform.

What does it cost to register?

At the moment registration as a participant is free. Further costs will only be incurred if transactions are completed successfully.

The Use Related fees over the total sum of the transacted amount are:

Transaction	URL for volumes < 1 million	URL for volumes > 1 million
Buying CERs, ERUs, VERs	1.75%	1%
Selling CERs, ERUs, VERs	1%	0.5%
Buying secondary CERs	1%	0.5%
Selling secondary CERs	1%	0.5%
Posting buying interest	1.75%	1%
Posting request for fi nance	0.5 % for amounts < € 10 million	0.01% for amounts > € 10 million

In what language is the auction?

The auction platform is available in English and will soon be available in Spanish and Central European languages. Climex is constantly working on expanding the languages in which the auction platform will be available. If a large party or a group of (potential) participants from a certain country or region approaches us asking for a specific language we are always willing to look into this.

Where can I get more information?

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