

Schedule 2 – Bidding Rules

**Bidding Rules for the
Pilot Auction Facility for Methane and
Climate Change Mitigation**

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NERA
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ARTICLE I. Introduction

I.1. Background

- I.1.1. The Pilot Auction Facility for Methane and Climate Change Mitigation, developed by the International Bank for Reconstruction and Development (“**IBRD**”), is a pay-for-performance mechanism that allocates public funds and attracts private sector investment to projects that reduce emissions. The PAF’s third auction will focus on nitrous oxide (“**N2O**”) emissions, taking advantage of the Clean Development Mechanism (“**CDM**”) and Verified Carbon Standard (“**VCS**”) infrastructures in place for implementation.
- I.1.2. The key objective of the PAF is to demonstrate a new, cost-effective climate finance mechanism that incentivizes private sector investment and action in climate change in developing countries by providing a guaranteed floor price on Emission Reductions. The PAF’s auctions are used to determine the allocation and the level of the guaranteed price.
- I.1.3. In this third of a series of auctions, funds are to be allocated for emission reductions of N2O from industrial nitric acid and caprolactam plants (“**Emission Reductions**”) – N2O abatement from the production of adipic acid is specifically excluded. As opposed to earlier auctions organized by the PAF, this auction is subdivided into two distinct segments. The first segment (“**New Segment**”) of the auction, through the issuance of notes referred to as New Segment PAFERs (as defined in the Participation Agreement), specifically targets support to new N2O abatement projects that never operated abatement technology prior to the Auction Date (“**New Abatement Projects**”), meaning that the date on which these new abatement projects first purchase a secondary or tertiary catalyst or abatement equipment (collectively, “**Abatement Technology**”) at an existing host site (“**First Abatement Technology Purchase Date**”) must be at the earliest on the Auction Date (as defined below). On the other hand, the second segment (“**Open Segment**”) and, together with the New Segment, the “**Segments**”), through the issuance of notes referred to as Open Segment PAFERs (as defined in the Participation Agreement), targets all N2O abatement projects, irrespective of their First Abatement Technology Purchase Date. For the avoidance of doubt and notwithstanding the above, only Emission Reductions generated after the Auction Date are eligible. Please refer to each separate Final Terms for the New Segment (“**New Segment Final Terms**”) and the Open Segment (“**Open Segment Final Terms**”, collectively with the New Segment Final Terms, the “**Final Terms**”) for a full description of the eligibility criteria of Emission Reductions.
- I.1.4. The facility’s resources will only be disbursed after the Emission Reductions have been independently verified as eligible for surrender under the PAFERs, making the PAF a “pay-for-performance” facility. The guaranteed floor price will be embedded in a note issued by IBRD under its Global Debt Issuance Facility - such notes being termed PAF: Emission Reduction Notes (“**PAFERs**”). IBRD’s obligation under the PAFERs will be funded by the PAF. Under the Final Terms of the PAFERs, the noteholders will have the right, but not the obligation, to deliver qualifying Emission Reductions sourced from the underlying projects meeting specified eligibility criteria to an independent verification agent and in return, upon verification of the eligibility criteria, the noteholders will receive the specified redemption amount of those PAFERs.

I.1.5. The auction format is a multiple-round descending clock auction that is conducted through an online electronic platform referred to as the “**Auction Software**”.

I.2. Documents and Sources of Information

I.2.1. The term “**Bidder**” is used in these Bidding Rules to refer to a legal entity or person that is qualified to participate in the auction.

I.2.2. This document contains the Bidding Rules. These Bidding Rules describe the mechanics of the auction that will be used to allocate PAFERs to Bidders. An auction under these Bidding Rules shall constitute a PAF Auction as defined in the Participation Agreement.

I.2.3. The main source of information is the PAF website: <http://www.pilotauctionfacility.org>, where public documents are made available to Bidders and other stakeholders.

I.2.4. Before submitting an application to participate in the auction, an interested party should also review the following documents so as to ensure that it understands the conditions under which the auction will be conducted:

- the document entitled “Pilot Auction Facility for Methane and Climate Change Mitigation Bidder Application Package (October 18, 2016)” (the “**Bidder Application Package**”);
- the IDD Questionnaire; and
- the Participation Agreement together with the schedules attached thereto, including these Bidding Rules, the Final Terms and the Auction Software Terms of Use.

I.2.5. To participate in the auction, an applicant must satisfy the conditions for qualification, which include submitting the IDD Questionnaire, submitting an executed Participation Agreement (with schedule 1 (Bidder Information) completed), providing a Bid Deposit, stating whether the applicant intends to participate in the Segment of the auction that targets support to New Abatement Projects, and responding to requests for information from the Evaluation Team. Please refer to paragraph 2.4 of the Bidder Application Package for more information on the conditions for qualification. Further details of the application process are set out in the Bidder Application Package. Following review of the information submitted, the Evaluation Team, in its absolute discretion, may qualify an applicant as a Bidder that is eligible to participate in the auction.

I.3. General

I.3.1. Capitalized terms not defined in this document are defined in the Participation Agreement or in the Final Terms of the PAFERs.

I.3.2. The provisions set out in Article I.1 (*Background*), Article I.2 (*Documents and Sources of Information*), Article II.1 (*Product*) and Article III.1 (*Overview*) are provided for information purposes only and, save for the definitions included therein, shall not be legally binding on

Bidders. The glossary of terms (the **“Glossary”**) in Article IV (*Glossary of Terms*) is a non-binding guide to the meaning of terms used in these Bidding Rules.

All other provisions of these Bidding Rules are legally binding on Bidders.

ARTICLE II. Product, Bidding, Auction Parameters and Bid Deposit

II.1. Product

- II.1.1. A CER (Certified Emission Reduction) is issued by the Kyoto Protocol's CDM to projects that reduce emissions of greenhouse gases in developing countries. A VCU (Verified Carbon Unit) is similarly issued by the Verified Carbon Standard. These two types of carbon credits are referred to as "**Emission Reductions**" or "**ERs**" in this document. The number of ERs achieved corresponds to the reduction in carbon emissions below a baseline that represents business as usual.
- II.1.2. Bidders participate in the auction to purchase PAFERNs at the Issue Price for each PAFERN. On a Redemption Date, the PAFERNs give holders the right, but not the obligation, to deliver Qualifying ERs to the PAF in return for receiving a specified redemption value for the PAFERN, called the "**Redemption Amount**". The auction does not establish the Issue Price, which in this auction is pre-specified for all abatement projects at the price set out in Article II.3 (*Auction Parameters*). Instead, the auction establishes an Auction-Clearing Payment for a Bid Unit (each as defined below). The Auction-Clearing Payment is a multiple of the Redemption Amount, which locks in a floor price for ERs for holders of the PAFERN, but does not limit holders from selling their ERs on the open market if they can get a better price. The Auction-Clearing Payment from the Segment of the auction that targets support to New Abatement Projects, called "New Segment", may be different from the Auction-Clearing Payment from the Segment of the auction that targets all abatement projects, called "Open Segment"; as a consequence, the Redemption Amount associated with PAFERNs purchased in this New Segment that targets support to New Abatement Projects may be different from the Redemption Amount associated with PAFERNs purchased in this Open Segment that targets all abatement projects.
- II.1.3. Both New Segment PAFERNs and Open Segment PAFERNs are tradable. Holders of each type of PAFERNs may sell it to another entity at its own discretion. Notwithstanding the foregoing, it is important to note that New Segment PAFERNs, which are the subject to the New Segment Final Terms, and Open Segment PAFERNs, which are the subject to the Open Segment Final Terms, include, *inter alia*, different eligibility criteria for redemption and are not fungible with each other.
- II.1.4. A Carbon Credit Lot for the purposes of the PAFERNs consists of the number of ERs as set out in Article II.3 (*Auction Parameters*), in respect of which each ER is from the same Project as well as from the same Monitoring Period in respect of CERs or Vintage Period in respect of VCUs. A Carbon Credit Lot must be delivered by a Redemption Date to redeem a PAFERN. Four PAFERNs, each with four Redemption Dates (three Optional Redemption Dates and a Maturity Date) constitutes a "**Bid Unit**".
- II.1.5. Each Successful Bidder will be required to pay the Issue Price, which in this auction is pre-specified at the value set out in Article II.3 (*Auction Parameters*), for each PAFERN included in the Bid Units won at the auction.

II.2. Bidding

- II.2.1. As mentioned above, the “**New Segment**” is the Segment of the auction that specifically targets support to New Abatement Projects and the “**Open Segment**” is the Segment that targets all abatement projects, irrespective of their First Abatement Technology Purchase Date. Bidding in the New Segment will occur first, starting with round 1 and, after it concludes, bidding in the Open Segment will occur next with a new round 1 for that Segment. Bidding for both Segments is expected to occur on the same day; however, at IBRD’s discretion, bidding in the Open Segment may occur on a separate day.
- II.2.2. The provisions of this article apply to each Segment.
- II.2.3. A “**Bid**” placed in any round is an offer by the Bidder to purchase an integer number of Bid Units at the Bid Unit Price given the Going Payment for that round. The integer number of Bid Units is the sum of the number of Bid Units Selected and any number of the Bid Units Withdrawn in that round, where, if bidding in the Segment ends in that round, the Redemption Amount for each Carbon Credit Lot subject to the Bid is equal to one fourth of the Auction-Clearing Payment and where the Auction-Clearing Payment is (i) no more than the Going Payment of the prior round (provided that for round 1, this will be deemed to be the Going Payment for round 1), (ii) no less than the Going Payment announced by the Auction Manager for that round for each Bid Unit Selected by the Bidder; and (iii) (other than in round 1) no less than the Exit Payment for that round specified in accordance with these Bidding Rules for each Bid Unit that the Bidder Withdraws and for which it is a provisionally successful Bidder pursuant to Article III.4.
- II.2.4. A Bidder “**Selects**” a number of Bid Units in a round if the Bid placed in the Auction Software by or on behalf of the Bidder specifies that number of Bid Units as the number of Bid Units that it is willing to purchase at the Going Payment of that round and “**Selected**” shall be construed accordingly.
- II.2.5. A Bidder may not Select fewer Bid Units than the “**Minimum Bid**”, which is set out in Article II.3 (*Auction Parameters*), unless the Bidder makes a Zero Selection. A Bidder may not Select more Bid Units than the “**Maximum Bid**”, which is set out in Article II.3 (*Auction Parameters*). A Bidder may not Select more Bid Units than the number of Bid Units available in round 1. If IBRD considers, in its absolute discretion, that two or more Bidders are affiliated with each other, it may require one or more of those Bidders to bid in round 1 less than the Maximum Bid and/or to bid less than the number of Bid Units available in round 1.
- II.2.6. A Bidder’s “**Eligibility**” in a round is the maximum number of Bid Units which a Bidder may Select in that round.
- II.2.7. A Bidder “**Withdraws**” a number of Bid Units if the number of Bid Units it Selects in a round is less than the number of Bid Units it Selected in the prior round and an Exit Payment for those Bid Units it Withdrew is specified in the Auction Software by or on behalf of the Bidder and “**Withdrawn**” shall be construed accordingly.

II.3. Auction Parameters

II.3.1. The following provides information regarding the parameters of the auction.

Table II-1. Auction Parameters.

Auction Date	January 10, 2017
Additional Auction Date	January 12, 2017
Budget	New Segment U.S.\$6 million Open Segment U.S.\$12 million, less the amount of the Budget spent in the New Segment
Bid Unit	New Segment Four New Segment PAFERs, each with four Redemption Dates (three Optional Redemption Dates and a Maturity Date) (equivalent to 10,000 ERs). Open Segment Four Open Segment PAFERs, each with four Redemption Dates (three Optional Redemption Dates and a Maturity Date) (equivalent to 10,000 ERs).
Bid Unit Price	U.S.\$3,000 per Bid Unit
Carbon Credit Lot size	2,500 ERs (associated with 1 PAFERN)
Decrement	The Decrement will be larger at the start of bidding when Excess Demand is larger than at the end when Excess Demand is smaller.
Going Payment for round 1	New Segment U.S.\$60,000 per Bid Unit (equivalent to a Redemption Amount of U.S.\$6 per ER) Open Segment U.S.\$50,000 per Bid Unit (equivalent to a Redemption Amount of U.S.\$5 per ER)
Issue Price value	U.S.\$750 per PAFERN (equivalent to U.S.\$0.30 per ER)
Maximum Bid	200 Bid Units (equivalent to 2,000,000 ERs) across both Segments
Maximum Bid Deposit	20% of the Issue Price for each PAFERN that is subject to a Maximum Bid, namely U.S.\$120,000
Minimum Bid	10 Bid Units (equivalent to 100,000 ERs)
Minimum Bid Deposit	20% of the Issue Price for each PAFERN that is subject to a Minimum Bid, namely U.S.\$6,000
Number of Bid Units available in	New Segment

round 1	100 Bid Units Open Segment 120 to 240 Bid Units
Bid Deposit	Number of Bid Units times U.S.\$600

- II.3.2. The budget for the New Segment is U.S.\$6 million. The IBRD may, in its absolute discretion, certify the auction results for the New Segment. In such a case, if there is any unspent budget given the number of Bid Units for which Bidders are together provisionally successful and the Auction-Clearing Payment for the New Segment, the unspent budget will be added to the budget of the Open Segment. The IBRD may, in its absolute discretion, annul the auction results for the New Segment. In such a case, the budget for the Open Segment will be U.S.\$12 million. Such certification or annulment of the results for the New Segment will occur prior to the beginning of bidding in the Open Segment.
- II.3.3. In advance of the auction, IBRD may provide further non-binding guidance with respect to the process for determining the Decrements. At least 24 hours prior to the auction, Bidders will be provided with a non-binding schedule setting out the proposed timing of (i) proxy bidding, and (ii) bidding rounds. IBRD may also provide non-binding guidance on the expected timing of offers in the event of an Undersell in the Open Segment.

II.4. Bid Deposit

- II.4.1. The “**Minimum Bid Deposit**” is set out in Article II.3 (*Auction Parameters*). The “**Maximum Bid Deposit**” is set out in Article II.3 (*Auction Parameters*). Each applicant must pay a Bid Deposit that is no less than the Minimum Bid Deposit. An applicant that pays a Bid Deposit that exceeds the Maximum Bid Deposit will, if it qualifies to participate, be considered to have submitted a Bid Deposit equal to the Maximum Bid Deposit for purposes of calculating the Bidder’s Initial Eligibility.
- II.4.2. A Bidder’s “**Initial Eligibility**” is its Eligibility in round 1 for a Segment.
- II.4.3. A Bidder’s Initial Eligibility for the New Segment is the lesser of: (i) the Bid Deposit paid by that Bidder divided by U.S.\$600; and (ii) the number of Bid Units available in round 1 for the New Segment as set out in Article II.3 (*Auction Parameters*).
- II.4.4. A Bidder’s Initial Eligibility for the Open Segment is determined after the conclusion of bidding in the New Segment. A Bidder’s Initial Eligibility for the Open Segment is the lesser of: (i) the Bid Deposit paid by that Bidder divided by U.S.\$600 less the number of Bid Units for which the Bidder is a Successful Bidder in the New Segment; and (ii) the number of Bid Units available in round 1 for the Open Segment. If a Bidder’s Initial Eligibility for the Open Segment is calculated to be less than 10 Bid Units, that Bidder’s Initial Eligibility for the Open Segment shall be deemed to be 0 (zero) Bid Units.

ARTICLE III. Bidding Rules

III.1. Overview

- III.1.1. As stated above, the auction format is a multiple-round descending clock auction that is conducted through an online electronic platform referred to as the Auction Software.
- III.1.2. Bidding shall begin on the date which is set out in Article II.3 (*Auction Parameters*), or such later date as IBRD (in its absolute discretion) may notify to the Bidders (the “**Auction Date**”). Bidding in the New Segment occurs first on the Auction Date and, after it concludes, bidding in the Open Segment occurs next. Bidding for both Segments is expected to occur on the Auction Date; however, at IBRD’s discretion, IBRD may notify Bidders on the Auction Date that bidding in the Open Segment will be deferred to a later date (the “**Additional Auction Date**”).
- III.1.3. In these Bidding Rules, a “**Payment**” is the total payment a Bidder would receive for delivering four (4) Carbon Credit Lots under the Final Terms for the PAFERs within a Bid Unit. A Payment is denominated in U.S.\$ per Bid Unit and will be a multiple of U.S.\$100.
- III.1.4. A multiple-round descending clock auction proceeds in a series of rounds. In a round, each Bidder states the number of Bid Units that it wants to purchase at the stated Bid Unit Price on the basis of the Payment announced by the Auction Manager for that round (the “**Going Payment**”). The Issue Price of the PAFERs is not determined through the auction and is instead pre-specified at the value set out in Article II.3 (*Auction Parameters*). The “**Bid Unit Price**” is four times the value of the Issue Price, as set out in Article II.3 (*Auction Parameters*).
- III.1.5. A multiple-round descending clock auction is held separately for each Segment. The provisions of this article apply to each Segment separately and the term “auction” shall be interpreted in this Article III (*Bidding Rules*) to refer to the multiple-round descending clock auction held with respect to a Segment. Provisions that apply only to a particular Segment are identified as such.
- III.1.6. If, in a round, the number of Bid Units that Bidders together Select exceeds the number of Bid Units available in that round, the Auction Manager announces a new reduced Going Payment for the next round and the Auction Manager communicates this new Going Payment to Bidders before the next Bidding Phase opens. Bidding in the Segment continues and the Going Payment reduces down round by round until the number of Bid Units that Bidders together Select equals to or falls short of the number of Bid Units available. When this happens, the Redemption Amount for Carbon Credit Lots under the PAFERs and the identity of provisionally successful Bidders will be established based on the Bids made by Bidders in this Final Round, as set out further in these Bidding Rules. The Redemption Amount under New Segment PAFERs purchased in the New Segment may be different from the Redemption Amount under Open Segment PAFERs purchased in the Open Segment.
- III.1.7. If, in the Final Round of the Open Segment, the difference between: (i) the number of Bid Units available; and (ii) the sum of the Bids Units for which Bidders are provisionally successful; is strictly positive, such amount is called the “**Undersell**”. IBRD may offer the Undersell to specific Bidders on the basis of their Bids in the Final Round of the Open Segment, as set out further in these Bidding Rules.

- III.1.8. The “**Auction-Clearing Payment**” is the Payment that will be used for the purposes of determining the Redemption Amount of the PAFERs that are to be issued to Successful Bidders and is determined in accordance with these Bidding Rules. The Auction-Clearing Payment from the New Segment may be different from the Auction-Clearing Payment from the Open Segment.
- III.1.9. If the results for a Segment are certified by IBRD in accordance with Article III.4.11 and Article III.4.12, a binding obligation exists, between IBRD and each Successful Bidder, for the sale and purchase of PAFERs in accordance with and subject to the conditions set out in the Participation Agreement.
- III.1.10. The “**Budget**” is the maximum potential value of the sum of the Redemption Amounts of the PAFERs offered to be sold and is denominated in U.S. dollars. The Budget for the Segments and how such Budget will be allocated between Segments is set out in this Article III.1.10 and in Article II.3 (*Auction Parameters*). The Budget for the Open Segment will be the Budget for both Segments from which will be subtracted the sum of the Redemption Amounts of the PAFERs sold in the New Segment. The number of Bid Units available for a given Payment is calculated by dividing the Budget for the Segment by the proposed Payment and rounding down to the nearest integer. The number of Bid Units available in round 1 for the New Segment is set out in Article II.3 (*Auction Parameters*). The range of the possible number of Bid Units available in the Open Segment is set out Article II.3 (*Auction Parameters*).
- III.1.11. The “**Excess Demand**” is the difference between the number of Bid Units that Bidders together Select in a round and the number of Bid Units available in that round at the Going Payment for the round. If Excess Demand is strictly positive in a round, the auction proceeds to a further round.
- III.1.12. Each round of the auction is divided into three phases: a Bidding Phase, a Calculating Phase, and a Reporting Phase.
- III.1.13. In the “**Bidding Phase**” of a round, Bidders may place Bids. In the “**Calculating Phase**” of a round, Bidders may no longer place Bids and Bidders do not yet have access to information regarding the immediately preceding Bidding Phase. In the “**Reporting Phase**” of a round, Bidders have access to information regarding the immediately preceding Bidding Phase. Further, in the Reporting Phase if the auction continues to the next round, Bidders are informed of the Going Payment for the next round; otherwise, Bidders are informed of the Auction-Clearing Payment.

III.2. Round 1

- III.2.1. The Going Payment for round 1 is set out in Article II.3 (*Auction Parameters*) for each Segment separately.
- III.2.2. During the Bidding Phase, Bidders may place Bids. A Bidder cannot Select a number of Bid Units greater than its Initial Eligibility. A Bidder may Select a number of Bid Units equal to or fewer than its Initial Eligibility, provided that:
- the Bidder must Select a number of Bid Units equal to or greater than the Minimum Bid (a “**Non-Zero Selection**”); or

- the Bidder must Select zero Bid Units (a “Zero Selection”). If the Bidder makes a Zero Selection in a Segment, it will not be able to place any further Bids in subsequent rounds and it cannot be a Successful Bidder for that Segment.

III.2.3. During the Calculating Phase, the Auction Manager will use the Auction Software to tabulate the results of the Bidding Phase and to determine whether bidding will proceed to round 2. Bidding will proceed to round 2 if the number of Bid Units that all Bidders together Selected exceeds the number of Bid Units available. Otherwise, bidding ends and:

- If bidding ends in round 1 for the New Segment, there are no provisionally successful Bidders for the Segment and no PAFERs are sold. The entirety of the Budget for both Segments is made available in the Open Segment.
- If bidding ends in round 1 for the Open Segment, the Auction-Clearing Payment is the Going Payment for round 1. Each Bidder that made a Non-Zero Selection will be a provisionally successful Bidder for the number of Bid Units Selected.

III.2.4. During the Reporting Phase, the Auction Manager will inform all Bidders through the Auction Software of the results of the Bidding Phase.

- If bidding proceeds to round 2, the Auction Manager will announce to all Bidders the Going Payment for round 2 and a range of Excess Demand for round 1. The Going Payment for round 2 will be lower than the Going Payment for round 1. The range of Excess Demand will include the actual Excess Demand in round 1. Furthermore, the Auction Manager will inform each Bidder individually of its Eligibility for round 2, which will be equal to the number of Bid Units that the Bidder Selected in round 1.
- If bidding ends in round 1, the Auction Manager will announce this fact to Bidders. In the case of the Open Segment, the Auction Manager will announce the Auction-Clearing Payment and inform each Bidder individually of the number of Bid Units for which it is a provisionally successful Bidder.

III.3. Round 2 and Subsequent Rounds

III.3.1. In accordance with Article III.2.4 (in respect of round 2) and Article III.3.5 (in respect of each subsequent round), the Going Payment for round 2 and subsequent rounds shall be announced by the Auction Manager through the Auction Software in the Reporting Phase of the immediately preceding round.

III.3.2. During the Bidding Phase, Bidders may place Bids. A Bidder cannot Select a number of Bid Units greater than its Eligibility. A Bidder may Select a number of Bid Units equal to or fewer than its Eligibility, provided that:

- the Bidder must make a Non-Zero Selection or a Zero Selection. If the Bidder makes a Zero Selection, it will not be able to place any further Bids in subsequent rounds and, unless bidding for the Segment ends in the round in which it makes such a Selection, it cannot be a Successful Bidder for that Segment; and
- if the Bidder Selects fewer Bid Units than its Eligibility (including where it makes a Zero Selection), it shall be deemed to Withdraw Bid Units (where the number of Withdrawn

Bid Units equals the difference between the number of Bid Units Selected in the prior round and the number of Bid Units Selected in the current round). A single Exit Payment for the Bid Units that it is Withdrawing must be specified. An “Exit Payment” is the lowest Payment at which the Bidder is willing to purchase the Withdrawn Bid Units at the Bid Unit Price. An Exit Payment must be less than or equal to the Going Payment in the immediately preceding round and must be greater than the Going Payment in the current round. An Exit Payment specified must be a multiple of U.S.\$100 and any Exit Payment specified that does not meet this requirement will be rounded up to the nearest U.S.\$100 multiple.

- III.3.3. The Eligibility of a Bidder in round 3 or in any subsequent round will be the Eligibility of the Bidder in the prior round less the number of Bid Units that the Bidder has Withdrawn in the prior round. Thus, a Bidder that Withdraws Bid Units in a Segment loses the ability to place a Bid with respect to these Bid Units for the remainder of bidding in that Segment.
- III.3.4. During the Calculating Phase, the Auction Manager will use the Auction Software to tabulate the results of the just concluded Bidding Phase and to determine whether bidding will proceed to the next round.
- If the number of Bid Units that all Bidders together Selected exceeds the number of Bid Units available, bidding will proceed to the next round;
 - Otherwise, bidding ends for the Segment. The Auction-Clearing Payment for that Segment and the provisionally successful Bidders are determined as set out further in these Bidding Rules.
- III.3.5. During the Reporting Phase, the Auction Manager will inform Bidders through the Auction Software of the results of the just concluded Bidding Phase.
- If bidding proceeds to the next round, the Auction Manager will announce to Bidders the Going Payment for the next round and a range of Excess Demand for the immediately preceding Bidding Phase. The range of Excess Demand will include the actual Excess Demand in the immediately preceding Bidding Phase. Furthermore, the Auction Manager will inform each Bidder individually of its Eligibility for the next round.
 - If bidding ends, the Auction Manager will announce this fact to Bidders, together with the Auction-Clearing Payment. Furthermore, the Auction Manager will inform each Bidder individually of the number of Bid Units for which it is provisionally successful. Furthermore:
 - III.3.5.1. After bidding concludes in the New Segment, the Auction Manager will announce to Bidders participating in the Open Segment the date and time at which bidding in the Open Segment will begin as well as the Budget that will be available for the Open Segment. Such date and time supersede any provisional date and time notified to Bidders by IBRD.
 - III.3.5.2. After bidding concludes in the Open Segment, if there is an Undersell, the Auction Manager will inform individually a Bidder that is eligible on the basis of its Bid in the Final Round that it has the option to purchase some or all of the Undersell.

III.4. Conclusion of Bidding

III.4.1. Bidding concludes for each Segment separately and the provisions of this Article apply to each Segment separately. Provisions that apply only to a particular Segment are identified as such.

III.4.2. Determination of the Final Round. The Segment ends in the Reporting Phase of the first round in which the number of Bid Units that Bidders together Select at the Going Payment equals to or falls short of the number of Bid Units available. This is the “**Final Round**”.

III.4.3. Determination of the Auction-Clearing Payment.

III.4.3.1 If the number of Bid Units that Bidders together Select at the Going Payment of the Final Round exactly equals the number of Bid Units available at that Going Payment, the Auction-Clearing Payment will be the Going Payment of the Final Round.

III.4.3.2 If the number of Bid Units that Bidders together Select at the Going Payment of the Final Round is less than the number of Bid Units available, the Auction Manager will rank all Exit Payments from lowest to highest.

III.4.3.3 For each Exit Payment specified by or on behalf of a Bidder ranked from lowest to highest, the Auction Manager will use the Auction Software to calculate the number of Bid Units available and the “**Final Demand**” at that Exit Payment. The Final Demand at a given Exit Payment is the sum of: (i) the number of Bid Units that Bidders together Selected in the Final Round; (ii) the number of Bid Units Withdrawn by Bidders at that Exit Payment; and (iii) the number of Bid Units Withdrawn by Bidders at any Exit Payment lower than that Exit Payment.

III.4.3.4 If there is at least one Exit Payment for which the Final Demand equals to or exceeds the number of Bid Units available, then the Auction-Clearing Payment will be the lowest such Exit Payment.

III.4.3.5 If there is no Exit Payment for which the Final Demand equals to or exceeds the number of Bid Units available, then the Auction-Clearing Payment is the Going Payment of the round immediately preceding the Final Round.

III.4.4. Definition of Marginal Bidder and Remainder.

III.4.4.1 Where the circumstances in Article III.4.3.4 apply such that the Auction-Clearing Payment is the lowest specified Exit Payment for which the Final Demand equals to or exceeds the number of Bid Units available:

III.4.4.1.1 All Bidders that specified an Exit Payment equal to the Auction-Clearing Payment are “Marginal Bidders”; and

III.4.4.1.2 The “Remainder” is the number of Bid Units available at the Auction-Clearing Payment less the sum of (i) the number of Bid Units Selected at the Going Payment of the Final Round and (ii) the number of Bid

Units Withdrawn at an Exit Payment lower than the Auction-Clearing Payment.

III.4.4.2 Where the circumstances in Article III.4.3.5 apply such that the Auction-Clearing Payment is the Going Payment of the round immediately preceding the Final Round and no Bidders have specified an Exit Payment equal to the Auction-Clearing Payment:

III.4.4.2.1 All Bidders that made a Non-Zero Selection in the round immediately preceding the Final Round are “Marginal Bidders”; and

III.4.4.2.2 The “Remainder” is the number of Bid Units available at the Auction-Clearing Payment.

III.4.5. Determination of the Amounts for which Bidders are Provisionally Successful.

III.4.5.1 Where the circumstances in Article III.4.3.1 apply such that the Auction-Clearing Payment is equal to the Going Payment of the Final Round, a Bidder that has made a Non-Zero Selection in the Final Round is a provisionally successful Bidder in that Segment for the number of Bid Units that it Selected in the Final Round. Other Bidders are not provisionally successful Bidders for that Segment.

III.4.5.2 Where (i) the circumstances in Article III.4.3.4 apply such that the Auction-Clearing Payment is an Exit Payment; and furthermore (ii) the Final Demand at the Auction-Clearing Payment is equal to the number of Bid Units available at the Auction-Clearing Payment; then: a Bidder is a provisionally successful Bidder in that Segment for the number of Bid Units equal to the sum of: (a) the number of Bid Units it Selected at the Going Payment of the Final Round; and: (b) the number of Bid Units that it Withdrew at an Exit Payment equal to or less than the Auction-Clearing Payment.

III.4.5.3 Where (i) the circumstances in Article III.4.3.4 or Article III.4.3.5 apply such that the Auction-Clearing Payment is higher than the Going Payment of the Final Round; and furthermore (ii) the Final Demand at the Auction-Clearing Payment is greater than the number of Bid Units available; then: the number of Bid Units for which a Bidder is provisionally successful in that Segment is determined under Article III.4.6 and Article III.4.7 for the New Segment and under Article III.4.8 and Article III.4.9 for the Open Segment.

a. **New Segment Provisions**

III.4.6. Determination of the Amounts for which Bidders are Provisionally Successful under Article III.4.5.3 for the New Segment.

This Article III.4.6 applies to the New Segment when (i) the circumstances in Article III.4.3.4 apply such that the Auction-Clearing Payment is an Exit Payment; and furthermore (ii) the Final Demand at the Auction-Clearing Payment is greater than the number of Bid Units available at the Auction-Clearing Payment.

- III.4.6.1 A Bidder other than a Marginal Bidder is a provisionally successful Bidder for a number of Bid Units equal to the sum of: (i) the number of Bid Units it Selected at the Going Payment of the Final Round; and: (ii) the number of Bid Units that it Withdrew at an Exit Payment less than the Auction-Clearing Payment.
- III.4.6.2 A Marginal Bidder is a provisionally successful Bidder for a number of Bid Units equal to the sum of (i) the number of Bid Units it Selected at the Going Payment of the Final Round; and (ii) either all or none of the Bid Units that the Marginal Bidder Withdrew at the Auction-Clearing Payment, as determined by the outcome of the allocation procedure set out in Article III.4.6.3.
- III.4.6.3 The Marginal Bidders will be ranked at random from first to last.
 - III.4.6.3.1 For the Marginal Bidder ranked first: (i) if the number of Bid Units it Withdrew at the Auction-Clearing Payment exceeds the Remainder, then the Marginal Bidder is a provisionally successful Bidder for none of the Bid Units that it Withdrew at the Auction-Clearing Payment; (ii) if the number of Bid Units it Withdrew at the Auction-Clearing Payment does not exceed the Remainder, then the Marginal Bidder is a provisionally successful Bidder for all of the Bid Units that it Withdrew at the Auction-Clearing Payment and the “Remaining Amount” is calculated.
 - III.4.6.3.2 The “**Remaining Amount**” is the Remainder less any Bid Units Withdrawn at the Auction-Clearing Payment for which Marginal Bidders are provisionally successful Bidders to this point under the allocation procedure.
 - III.4.6.3.3 If the Remaining Amount is strictly positive and there is at least one Marginal Bidder that has not yet been considered under this procedure, the next ranked Marginal Bidder is considered. For such next ranked Marginal Bidder: (i) if the number of Bid Units it Withdrew at the Auction-Clearing Payment exceeds the Remaining Amount, then the Marginal Bidder is a provisionally successful Bidder for none of the Bid Units that it Withdrew at the Auction-Clearing Payment; (ii) if the number of Bid Units it Withdrew at the Auction-Clearing Payment does not exceed the Remaining Amount, then the Marginal Bidder is a provisionally successful Bidder for all of the Bid Units that it Withdrew at the Auction-Clearing Payment and this number of Bid Units is subtracted from the Remaining Amount.
 - III.4.6.3.4 This allocation procedure continues with the next ranked Marginal Bidder until the Remaining Amount is zero or until all Marginal Bidders have been considered, whichever comes first.
- III.4.6.4 For the avoidance of doubt, a Bidder that made a Zero Selection in the Final Round and that Withdrew at an Exit Payment higher than the Auction-Clearing Payment is not a provisionally successful Bidder.

III.4.7. Determination of the Amounts for which Bidders are Provisionally Successful under Article III.4.5.3 for the New Segment.

This Article III.4.7 applies to the New Segment when the circumstances in Article III.4.3.5 apply such that (i) the Auction-Clearing Payment is the Going Payment of the round immediately preceding the Final Round and (ii) no Bidders have specified an Exit Payment equal to the Auction-Clearing Payment. At the Auction-Clearing Payment, the number of Bid Units that all Bidders together Selected exceeds the number of Bid Units available.

III.4.7.1 A Marginal Bidder is a provisionally successful Bidder for either all or none of the Bid Units that the Marginal Bidder Selected at the Auction-Clearing Payment in the round immediately preceding the Final Round, as determined by the outcome of the allocation procedure set out in Article III.4.7.2. Reference in the allocation procedure to a number of Bid Units that a Marginal Bidder Selected at the Auction-Clearing Payment refers to such Selection in the round immediately preceding the Final Round.

III.4.7.2 The Marginal Bidders will be ranked at random from first to last.

III.4.7.2.1 For the Marginal Bidder ranked first, the Marginal Bidder is a provisionally successful Bidder for the Bid Units it Selected at the Auction-Clearing Payment and the “Remaining Bid Units Available” is calculated.

III.4.7.2.2 The “**Remaining Bid Units Available**” is the number of Bid Units available at the Auction-Clearing Payment less the number of Bid Units for which all Marginal Bidders are together provisionally successful Bidders to this point in the allocation procedure.

III.4.7.2.3 For the next ranked Marginal Bidder: (i) if the number of Bid Units it Selected at the Auction-Clearing Payment exceeds the Remaining Bid Units Available, then the Marginal Bidder is a provisionally successful Bidder for none of the Bid Units that it Selected at the Auction-Clearing Payment; (ii) if the number of Bid Units it Selected at the Auction-Clearing Payment does not exceed the Remaining Bid Units Available, then the Marginal Bidder is a provisionally successful Bidder for all of the Bid Units that it Selected at the Auction-Clearing Payment and this number of Bid Units is subtracted from the Remaining Bid Units Available.

III.4.7.2.4 This allocation procedure continues with the next ranked Marginal Bidder until the Remaining Bid Units Available is zero or until all Marginal Bidders have been considered, whichever comes first.

b. **Open Segment Provisions**

III.4.8. Determination of the Amounts for which Bidders are Provisionally Successful under Article III.4.5.3 for the Open Segment.

This Article III.4.8 applies to the Open Segment when (i) the circumstances in Article III.4.3.4 apply such that the Auction-Clearing Payment is an Exit Payment; and furthermore (ii) the Final Demand at the Auction-Clearing Payment is greater than the number of Bid Units available at the Auction-Clearing Payment.

III.4.8.1 A Bidder other than a Marginal Bidder is a provisionally successful Bidder for a number of Bid Units equal to the sum of: (i) the number of Bid Units it Selected at the Going Payment of the Final Round; and: (ii) the number of Bid Units that it Withdrew at an Exit Payment less than the Auction-Clearing Payment.

III.4.8.2 A Marginal Bidder is a provisionally successful Bidder for a number of Bid Units equal to the sum of (i) the number of Bid Units it Selected at the Going Payment of the Final Round; and (ii) all, none, or a portion of the Bid Units that the Marginal Bidder Withdrew at the Auction-Clearing Payment, as determined by the outcome of the allocation procedure set out in Article III.4.8.3, provided that in no event shall a Marginal Bidder be a provisionally successful Bidder for fewer than 10 Bid Units.

III.4.8.3 The Marginal Bidders will be ranked at random from first to last.

III.4.8.3.1 For the Marginal Bidder ranked first, if: (i) the number of Bid Units it Withdrew at the Auction-Clearing Payment exceeds or is equal to the Remainder; and (ii) the sum of the number of Bid Units it Selected at the Going Payment of the Final Round and the Remainder is at least 10 Bid Units; then: the Marginal Bidder is a provisionally successful Bidder for a number of Bid Units equal to the Remainder (and any Bid Units it Selected at the Going Payment of the Final Round). In such a case, the allocation procedure ends and a Marginal Bidder not yet considered is a provisionally successful Bidder for none of the Bid Units it Withdrew at the Auction-Clearing Payment (but it will be a provisionally successful Bidder for any Bid Units it Selected at the Going Payment of the Final Round).

III.4.8.3.2 For the Marginal Bidder ranked first, if: (i) the number of Bid Units it Withdrew at the Auction-Clearing Payment exceeds or is equal to the Remainder; but (ii) the sum of the number of Bid Units it Selected at the Going Payment of the Final Round and the Remainder is less than 10 Bid Units; then: the Marginal Bidder is a provisionally successful Bidder for none of the Bid Units it Withdrew at the Auction-Clearing Payment, and the "Remaining Amount" is calculated.

III.4.8.3.3 For the Marginal Bidder ranked first, if the number of Bid Units it Withdrew at the Auction-Clearing Payment is less than the Remainder, then the Marginal Bidder is a provisionally successful Bidder for all of the Bid Units that it Withdrew at the Auction-Clearing Payment (and any Bid Units it Selected at the Going Payment of the Final Round), and the "Remaining Amount" is calculated.

- III.4.8.3.4 The “**Remaining Amount**” is the Remainder less any Bid Units Withdrawn at the Auction-Clearing Payment for which Marginal Bidders are provisionally successful Bidders to this point under the allocation procedure.
- III.4.8.3.5 If the Remaining Amount is strictly positive and there is at least one Marginal Bidder that has not yet been considered under this procedure, the next ranked Marginal Bidder is considered.
- III.4.8.3.6 For such next ranked Marginal Bidder, if: (i) the number of Bid Units it Withdrew at the Auction-Clearing Payment exceeds or is equal to the Remaining Amount; and (ii) the sum of the number of Bid Units it Selected at the Going Payment of the Final Round and the Remaining Amount is at least 10 Bid Units; then: the Marginal Bidder is a provisionally successful Bidder for a number of Bid Units equal to the Remaining Amount (and any Bid Units it Selected at the Going Payment of the Final Round). In such a case, the allocation procedure ends and a Marginal Bidder not yet considered is a provisionally successful Bidder for none of the Bid Units it Withdrew at the Auction-Clearing Payment (but it will be a provisionally successful Bidder for any Bid Units it Selected at the Going Payment of the Final Round).
- III.4.8.3.7 For such next ranked Marginal Bidder, if: (i) the number of Bid Units it Withdrew at the Auction-Clearing Payment exceeds or is equal to the Remaining Amount; but (ii) the sum of the number of Bid Units it Selected at the Going Payment of the Final Round and the Remaining Amount is less than 10 Bid Units; then: the Marginal Bidder is a provisionally successful Bidder for none of the Bid Units it Withdrew at the Auction-Clearing Payment.
- III.4.8.3.8 For such next ranked Marginal Bidder, if the number of Bid Units it Withdrew at the Auction-Clearing Payment is less than the Remaining Amount then the Marginal Bidder is a provisionally successful Bidder for all of the Bid Units that it Withdrew at the Auction-Clearing Payment (and any Bid Units it Selected at the Going Payment of the Final Round).
- III.4.8.3.9 This allocation procedure continues with the next ranked Marginal Bidder until the Remaining Amount is zero or until all Marginal Bidders have been considered, whichever comes first. If the Remaining Amount is not zero at the end of this allocation procedure, then there is an Undersell equal to the Remaining Amount.
- III.4.8.4 For avoidance of doubt, a Bidder that made a Zero Selection in the Final Round and that Withdrew at an Exit Payment higher than the Auction-Clearing Payment is not a provisionally successful Bidder.
- III.4.8.5 If the Marginal Bidder is a provisionally successful Bidder for a number of Bid Units less than the sum of the number of Bid Units it Selected at the Going Payment in

the Final Round and the number of Bid Units it Withdrew at the Auction-Clearing Payment, the Marginal Bidder commits by its acceptance of these Bidding Rules to purchase the number of Bid Units for which it is a provisionally successful Bidder should IBRD certify the auction results.

III.4.9. Determination of the Amounts for which Bidders are Provisionally Successful under III.4.5.3 for the Open Segment.

This Article III.4.9 applies to the Open Segment when the circumstances in Article III.4.3.5 apply such that (i) the Auction-Clearing Payment is the Going Payment of the round immediately preceding the Final Round and (ii) no Bidders have specified an Exit Payment equal to the Auction-Clearing Payment. At the Auction-Clearing Payment, the number of Bid Units that all Bidders together Selected exceeds the number of Bid Units available.

III.4.9.1 A Marginal Bidder is a provisionally successful Bidder for all, none, or a portion of Bid Units the Marginal Bidder Selected at the Auction-Clearing Payment in the round immediately preceding the Final Round, as determined by the outcome of the allocation procedure set out in Article III.4.9.2 and Article III.4.9.3, provided that in no event shall a Marginal Bidder be a provisionally successful Bidder for fewer than 10 Bid Units. Reference in the allocation procedure to a number of Bid Units that a Marginal Bidder Selected at the Auction-Clearing Payment refers to such Selection in the round immediately preceding the Final Round.

III.4.9.2 The Marginal Bidders will be ranked at random from first to last.

III.4.9.2.1 For the Marginal Bidder ranked first, the Marginal Bidder is a provisionally successful Bidder for the Bid Units it Selected at the Auction-Clearing Payment. The “Remaining Bid Units Available” is calculated.

III.4.9.2.2 The “**Remaining Bid Units Available**” is the number of Bid Units available at the Auction-Clearing Payment less the number of Bid Units for which all Marginal Bidders are together provisionally successful Bidders to this point in the allocation procedure.

III.4.9.3 For the next ranked Marginal Bidder:

III.4.9.3.1 If the Remaining Bid Units Available is less than 10 Bid Units, the random allocation procedure ends and there is an Undersell equal to the Remaining Bid Units Available.

III.4.9.3.2 If the Remaining Bid Units Available is 10 or more Bid Units, then: (i) if the number of Bid Units Selected by the Marginal Bidder at the Auction-Clearing Payment exceeds the Remaining Bid Units Available, then the Marginal Bidder is a provisionally successful Bidder for the Remaining Bid Units Available; or: (ii) if the number of Bid Units it Selected at the Auction-Clearing Payment does not exceed the Remaining Bid Units

Available, then the Marginal Bidder is a provisionally successful Bidder for all of the Bid Units that it Selected at the Auction-Clearing Payment and this number of Bid Units is subtracted from the Remaining Bid Units Available.

III.4.9.3.3 This allocation procedure continues until the Remaining Bid Units Available is less than 10 Bid Units or until all Marginal Bidders have been considered, whichever comes first. If the Remaining Bid Units Available is not zero then there is an Undersell equal to the Remaining Bid Units Available.

III.4.9.4 If the Marginal Bidder is a provisionally successful Bidder for a number of Bid Units less than the number of Bid Units it Selected at the Auction-Clearing Payment, the Marginal Bidder commits by its acceptance of these Bidding Rules to purchase the number of Bid Units for which it is a provisionally successful Bidder should IBRD certify the auction results.

III.4.10. If there is an Undersell in the Open Segment, at the conclusion of the Reporting Phase of the Final Round for the Open Segment, IBRD will give the option to purchase some or all of the Bid Units of the Undersell at the Auction-Clearing Payment to: (i) any Bidder that Selected in the Final Round the Maximum Bid or that Selected in the Final Round the number of Bid Units available in round 1 of the Open Segment, whichever is less; (ii) any Marginal Bidder that is not a provisionally successful Bidder with respect to all Bid Units it Withdrew at the Auction-Clearing Payment under III.4.8 or all Bid Units it Selected at the Auction-Clearing Payment under III.4.9, as the case may be. A Bidder may agree to the option of purchasing some or all of the Undersell at the Auction-Clearing Payment, but such Bidder may not in fact be a Successful Bidder in respect to these Bid Units in the IBRD's sole discretion.

III.4.11. IBRD will review the bidding, the results of the New Segment, and all materials submitted by Bidders to participate. IBRD may, in its absolute discretion:

- certify the results of the New Segment, in which case Bidders that were provisionally successful Bidders shall be Successful Bidders and a binding obligation shall exist between IBRD and each Successful Bidder for the sale and purchase of the New Segment PAFERs in accordance with and subject to the conditions set out in the Participation Agreement; or
- annul the Segment results, in which case the unspent Budget will be used in the Open Segment.

III.4.12. IBRD will review the bidding, the results of the Open Segment, and all materials submitted by Bidders to participate. IBRD may, in its absolute discretion:

- certify the results of the Open Segment, in which case Bidders that were provisionally successful Bidders shall be Successful Bidders and a binding obligation shall exist between IBRD and each Successful Bidder for the sale and purchase of the Open Segment PAFERs in accordance with and subject to the conditions set out in the Participation Agreement; or
- annul the Segment results, in which case no PAFERs shall be issued as a result of bidding in the Open Segment.

III.5. Decrements

- III.5.1. The percentage by which the Going Payment decreases from one round to the next is called a “**Decrement**”. The Decrement will be larger at the start of the auction when Excess Demand is larger than at the end of the auction when Excess Demand is smaller.
- III.5.2. The Auction Manager may provide to Bidders further non-binding guidance regarding the Decrements in the form of rules, formulas, or tables. Such rules, formulas, or tables will be provided as guidance only and the Decrement in any round may be set at the discretion of the Auction Manager.

III.6. Miscellaneous Provisions

- III.6.1. A Bidder can modify its Bid as long as the Bidding Phase of the round is open, including by increasing or decreasing the number of Bid Units that it Selects or by making a Zero Selection, subject to these Bidding Rules. The Bid that will be treated as binding upon the Bidder by the Auction Manager is the last Bid that is submitted and verified by or on behalf of the Bidder during the Bidding Phase and processed by the Auction Software. This Bid cannot be rescinded.
- III.6.2. A range of Excess Demand provided to Bidders in the Reporting Phase of a round will include the actual Excess Demand for that round. The range of Excess Demand will include several integers and the actual Excess Demand may be any one of the integers within that range.
- III.6.3. A Bidder may request an extension to the Bidding Phase of a round during that Bidding Phase with the effect that the Bidding Phase of the round is extended by 10 minutes for all Bidders.
- Each Bidder may request up to two extensions during the auction.
 - The Bidding Phase of a round can be extended only once by 10 minutes.
 - When a request is received from more than one Bidder, all such requests are deemed granted but all extensions run concurrently. All Bidders that requested an extension see their available number of extensions reduced.
- III.6.4. A Bidder with positive Eligibility in any round is automatically deemed to have requested an extension when, by the scheduled ending time of the Bidding Phase, the Bidder has not placed a Bid and the Bidder has not already used the two allowable extensions.
- III.6.5. If, notwithstanding any extension of the Bidding Phase pursuant to Article III.6.4, a Bidder fails to place a Bid using either the primary or secondary bidding method, a “**Default Bid**” will be placed on behalf of the Bidder by the Auction Software, which shall be (i) a Zero Selection; and (ii) (other than in round 1), an Exit Payment which is the Going Payment from the prior round. If the Bidder is a Marginal Bidder and if Marginal Bidders are ranked at random for the allocation of Bid Units, the Marginal Bidder with a Default Bid placed on behalf of the Bidder is disadvantaged and will be ranked after all Marginal Bidders that placed a Bid using either bidding method.

- III.6.6. The Auction Manager can call a time-out to the auction at any time during a round. It is intended that a time-out will suspend activity in the auction for a period of no more than one hour; however, the Auction Manager retains the discretion to suspend activity for a longer period if necessary. When the Auction Manager calls a time-out, it shall inform Bidders of the expected duration of the suspension.
- III.6.7. A Bidder with zero Eligibility in a Segment will lose access to the Auction Software within three rounds.

III.7. Bidding Procedures

- III.7.1. The primary bidding method for the auction is the electronic submission of Bids through the Auction Software.
- III.7.2. The secondary bidding method for the auction is by phone. If a Bidder is experiencing technical difficulty and cannot place a Bid using the Auction Software, the Bidder may call a technical assistant who attempts to place the Bidder's Bid using the Auction Software on the Bidder's behalf.
- III.7.3. Proxy bidding, an option by which the Auction Software can place Bids on behalf of a Bidder on the basis of a pre-determined minimum Payment called the "**Proxy Payment**" below which the Bidder would cease to agree to place Bids for Bid Units, will be allowed. A Bidder will be considered to Select a pre-specified number of Bid Units in each round in which the Going Payment is at or above the Proxy Payment determined by the Bidder prior to the start of the Bidding Phase for round 1. In the first round in which the Going Payment is below the Proxy Payment, the Bidder is deemed to have Withdrawn all Bid Units and is deemed to have specified an Exit Payment equal to the Proxy Payment, and this is the final Bid by that Bidder. If the Bidder elects proxy bidding, a Bidder will not be able to subsequently use either the primary or the secondary bidding method to place Bids. The Bidder's election of proxy bidding and the Bidder's submission of the Proxy Payment and the number of Bid Units will be made in advance of the bidding rounds.
- III.7.4. It is the Bidder's sole and entire responsibility to place a Bid on time whether using the primary or secondary bidding method.

ARTICLE IV. Glossary of Terms

This Glossary is a non-binding guide to the meaning of terms used in these Bidding Rules.

Term	Article	Explanation
Additional Auction Date	III.1.2	Bidding for both Segments is expected to occur on the Auction Date; however, at IBRD's discretion, IBRD may notify Bidders on the Auction Date that bidding in the Open Segment will occur on the Additional Auction Date, which unless deferred by IBRD, shall be January 12, 2017.
Auction Date	III.1.2	The Auction Date is the date on which bidding in the New Segment shall begin, which unless deferred by IBRD, shall be January 10, 2017.
Auction Software	I.1.5	The Auction Software is the online electronic platform used to conduct the auction.
Auction-Clearing Payment	III.1.8	The Auction-Clearing Payment is the Payment that will be used for the purposes of determining the Redemption Amount of the PAFERs that are to be issued to Successful Bidders and is determined in accordance with these Bidding Rules.
Bid	II.2.3	A Bid is an offer by the Bidder to purchase an integer number of Bid Units at the Bid Unit Price given the Going Payment for that round, being the sum of the number of Bid Units Selected and Withdrawn in that round.
Bid Unit	II.1.4	A Bid Unit is four PAFERs, each with four Redemption Dates (three Optional Redemption Dates and a Maturity Date) (equivalent to 10,000 ERs).
Bid Unit Price	III.1.4	The Bid Unit Price is four times the value of the Issue Price or U.S.\$3,000.
Bidder	I.2.1	A Bidder is a legal entity or person that is qualified to participate in the auction.
Bidder Application Package	I.2.4	Bidder Application Package refers to the document entitled "Pilot Auction Facility for Methane and Climate Change Mitigation Bidder Application Package (October 18, 2016)".
Bidding Phase	III.1.13	The Bidding Phase is the phase of a round during which Bidders place Bids.
Budget	III.1.10	The Budget is the maximum potential value of the sum of the Redemption Amounts of the PAFERs offered to be sold in the auction and is denominated in U.S. dollars.
Calculating Phase	III.1.13	The Calculating Phase is the phase of a round during which Bidders may no longer place Bids and Bidders do not yet have access to information regarding the immediately preceding Bidding Phase.
Decrement	III.5.1	The Decrement is the percentage by which the Going Payment decreases from one round to the next.
Default Bid	III.6.5	A Default Bid will be placed on behalf of the Bidder by the Auction Software where a Bidder fails to place a Bid using either the primary or secondary bidding method, and is (i) a Zero Selection; and (ii) (other than in round 1), an Exit Payment which is the Going Payment from the prior round.

Term	Article	Explanation
Eligibility	II.2.6	A Bidder's Eligibility in a round is the maximum number of Bid Units which a Bidder may Select in that round. A Bidder's Eligibility in round 1 is the Bidder's Initial Eligibility. A Bidder's Eligibility in round 2 is the total number of Bid Units Selected at the Going Payment in round 1. For any subsequent round, a Bidder's Eligibility in a round is the Bidder's Eligibility in the prior round minus the number of Bid Units that the Bidder Withdrew in the Bidding Phase of the prior round.
Excess Demand	III.1.11	The Excess Demand is the difference between the number of Bid Units that Bidders together Select in a round and the number of Bid Units available in that round at the Going Payment for the round.
Exit Payment	III.3.2	An Exit Payment is the lowest payment at which the Bidder is willing to purchase the Withdrawn Bid Units at the Bid Unit Price.
Final Demand	III.4.3	The Final Demand at a given Exit Payment is the sum of: (i) the number of Bid Units that Bidders together Selected in the Final Round; (ii) the number of Bid Units Withdrawn by Bidders at that Exit Payment; and (iii) the number of Bid Units Withdrawn by Bidders at any Exit Payment lower than that Exit Payment.
Final Round	III.4.2	The Final Round is the first round in which the number of Bid Units that Bidders together Select equals to or falls short of the number of Bid Units available at the Going Payment for the round.
First Abatement Technology Purchase Date	I.1.3	The date on which the abatement project first purchases a secondary or tertiary catalyst or abatement equipment at an existing host site.
Going Payment	III.1.4	The Going Payment for a round is the Payment announced by the Auction Manager for that round.
Initial Eligibility	II.4.2	A Bidder's Initial Eligibility is its Eligibility in round 1 for a Segment.
Marginal Bidder	III.4.4	When the Auction-Clearing Payment is the lowest specified Exit Payment for which the Final Demand equals to or exceeds the number of Bid Units available, all Bidders that specified an Exit Payment equal to the Auction-Clearing Payment are Marginal Bidders. When the Auction-Clearing Payment is the Going Payment of the round immediately preceding the Final Round and no Bidders have specified an Exit Payment equal to the Auction-Clearing Payment, all Bidders that made a Non-Zero Selection in the round immediately preceding the Final Round are Marginal Bidders.
Maximum Bid	II.2.5	The Maximum Bid is set out in Article II.3 (<i>Auction Parameters</i>). A Bidder may not Select more Bid Units than the Maximum Bid.
Maximum Bid Deposit	II.4.1	The Maximum Bid Deposit is the Bid Deposit that allows the Bidder to Select a number of Bid Units up to the Maximum Bid.
Minimum Bid	II.2.5	The Minimum Bid is set out in Article II.3 (<i>Auction Parameters</i>). A Bidder may not Select fewer Bid Units than the Minimum Bid unless it makes a Zero Selection.

Term	Article	Explanation
Minimum Bid Deposit	II.4.1	The Minimum Bid Deposit is the Bid Deposit that allows a Bidder to Select a number of Bid Units equal to the Minimum Bid.
New Abatement Projects	I.1.3	N2O abatement projects that have a First Abatement Technology Purchase Date that takes place at the earliest on the Auction Date.
New Segment	II.2.1	To be eligible to exercise the redemption rights for PAFERs sold by this Segment, an emission reduction must have been sourced from a New Abatement Project. Bidding in the New Segment occurs first and is followed by bidding in the Open Segment.
Non-Zero Selection	III.2.2	A Non-Zero Selection is a Selection of a number of Bid Units equal to or greater than the Minimum Bid.
Open Segment	II.2.1	To be eligible to exercise the redemption rights for PAFERs sold by this Segment, an emission reduction may be sourced from any abatement projects irrespective of their First Abatement Technology Purchase Date.
Payment	III.1.3	The total payment a Bidder would receive for delivering four (4) Carbon Credit Lots under the Final Terms for the PAFERs within a Bid Unit.
Proxy Payment	III.7.3	Proxy bidding is an option by which the Auction Software can place Bids on behalf of a Bidder at the Proxy Payment. The Proxy Payment is a minimum Payment pre-determined by the Bidder prior to the Bidding Phase of round 1 and below which the Bidder would cease to agree to place Bids for Bid Units.
Remainder	III.4.4	When the Auction-Clearing Payment is the lowest specified Exit Payment for which the Final Demand equals to or exceeds the number of Bid Units available, the "Remainder" is the number of Bid Units available at the Auction-Clearing Payment less the sum of (i) the number of Bid Units Selected at the Going Payment of the Final Round and (ii) the number of Bid Units Withdrawn at an Exit Payment lower than the Auction-Clearing Payment. When the Auction-Clearing Payment is the Going Payment of the round immediately preceding the Final Round and no Bidders have specified an Exit Payment equal to the Auction-Clearing Payment, the "Remainder" is the number of Bid Units available at the Auction-Clearing Payment.
Remaining Amount	III.4.6 and III.4.8	The Remaining Amount is the Remainder less any Bid Units Withdrawn at the Auction-Clearing Payment for which Marginal Bidders are provisionally successful Bidders.
Remaining Bid Units Available	III.4.7 and III.4.9	The Remaining Bid Units Available is the number of Bid Units available at the Auction-Clearing Payment less the number of Bid Units for which all Marginal Bidders are together provisionally successful Bidders.
Reporting Phase	III.1.13	In the Reporting Phase of a round, Bidders have access to information regarding the immediately preceding Bidding Phase.

Term	Article	Explanation
Select	II.2.4	A Bidder Selects a number of Bid Units in a round if the Bid placed in the Auction Software by or on behalf of the Bidder specifies that number of Bid Units as the number of Bid Units that it is willing to purchase at the Going Payment of that round.
Undersell	III.1.7	The difference between the number of Bid Units available and the sum of the Bids Units for which Bidders are provisionally successful.
Withdraw	II.2.7	A Bidder Withdraws a number of Bid Units if the number of Bid Units it Selects in a round is less than the number of Bid Units it Selected in the prior round.
Zero Selection	III.2.2	A Zero Selection is a Selection of zero (0) Bid Units.