

NO_x Markets February 2006

evomark	END OF MONTH SETTLE	MONTHLY AVERAGE
2006	\$2,475	\$2,578
2007	\$2,400	\$2,370

Market Activity » Allowances

The end of February brings nearer the end of winter, and the beginning of the 2006 NO_x season is closing in. What February also brought was the release of the Banked NO_x from the "frozen" EPA Accounts. The market slid down in reaction. Companies who previously could not sell due to their allowances being tied up in unit accounts during reconciliation, or who were surprised by the length they received back from the EPA, began selling the 2006 and 2005 Vintages to lows of \$2425.00 and \$2000.00 respectively. In recent trading, the market has contracted and the vintage spreads have tightened to unprecedented levels. Every traded vintage through 2008, is within \$500 which is due to the large banked overhang and the fact that new CAIR rules are coming in 2009. This rule gives banked allowances full compliance value, and seems to be creating a floor for bank pricing.

Volume for the month was steady at about 5000 allowances in total trading. About half of that was for 2006 vintage allowances. The main differential this month came when the curve for the 2008 vintage began trading for a premium compared to the Banked allowances. That spread use to trade \$50-\$100 with the 2008's under, now they are premium. It will be interesting to see what happens to the tightly packed forward curve as we enter the ozone season.

▼ TERM	▼ BID	▼ OFFER	▼ LAST	▼ DATE
2005	\$1,975	\$2,050		
2006	\$2,450	\$2,500	\$2,475	2/28/06
2007	\$2,300	\$2,450	\$2,400	2/28/06
2008	\$2,000	\$2,150		

Market Activity » Options

▼ TYPE	▼ TERM	▼ STRIKE	▼ EXPIRY	▼ BID	▼ OFFER
call	2006	\$2,600	6/15/06	\$80.00	\$110.00
put	2006	\$2,200	6/15/06	\$50.00	\$100.00

