

SO₂ Markets February 2006

evomark	END OF MONTH SETTLE	MONTHLY AVERAGE
02/28/06	\$970.00	\$995.00
01/31/06	\$1,350	\$1,500

In response to requests from market participants for a monthly market index, Evolution Markets publishes the EvoMark, a price index that gives the settle price for the last day of the month as well as a monthly average of all the daily settle prices.

Market Activity » Allowances

Spot SO₂ continued its downtrend for the year in February trading to a low of 910 down from 1350 on February's close. Volume was around 175,000 tons for the month.

Most of this month's activity continued to be natural revenue sellers and speculative longs exiting the market. Some days of heavy volume occurred as both discretionary compliance buyers and speculative buyers attempted to pick the bottom and buy.

Most of the large end users seem to be sitting on the sidelines until the EPA auction at the end of March. 250,000 tons will be auctioned off at this time. The market turned sideways at the end of the month and traded between 950 and 1000.

The market attention right now as well as being focused on the EPA auction and spot SO₂; is also focused on the forward SO₂ curve in the time period from 2010-2014 and from 2015-2035. Uncertainty due to scrubber installation schedules and tighter control levels and how this interaction affects the volume of the SO₂ bank is making increased activity in this area extremely likely.

▼ TERM	▼ BID	▼ OFFER	▼ LAST	▼ DATE
2006	\$960.00	\$990.00	\$970.00	2/28/06
2007	\$955.00	\$995.00		
2008	\$860.00	\$900.00		
2009	\$785.00	\$835.00		
2010	\$450.00	\$500.00		

Market Activity » Options

The options market was stale in February with only 3 or 4 trades occurring all being call sales for June expiry in the low 30% volatility area mainly made by directional sellers correctly anticipating a market drop.

▼ TYPE	▼ TERM	▼ STRIKE	▼ EXPIRY	▼ BID	▼ OFFER
call	2006	\$1,200	6/15/06	\$20.00	\$25.00
put	2006	\$820.00	6/15/06	\$20.00	\$25.00

