

CCX[®] MARKET REPORT

VOLUME iv, NUMBER 10
October 2007

CCX Carbon Market

October 2007 Trading Summary

CFI[™] prices drop then plateau in October

Prices for Carbon Financial Instrument[®] (CFI) contracts fell from September closing prices of \$3.00-\$3.10 per metric ton CO₂ to reach monthly lows on Oct 26 and Oct 29 with prices ranging from \$1.80 to \$1.85 per metric ton CO₂. Prices picked up in the final days of October trading to close the month at \$1.90 per metric ton CO₂ across all vintages.

CCX Volume Surpasses 1.8 million metric tons CO₂

October trading volume totaled 1.84 million metric tons CO₂. Highest transaction volumes were seen in the 2007 and 2006 vintages with 397,100 and 341,000 metric tons transacted respectively. Lowest trading volumes were seen in the 2009 and 2010 vintage contracts with 83,500 and 100,700 metric tons transacted respectively. Daily trading volumes peaked on Oct 15 with 246,400 metric tons CO₂ traded, and on Oct 31 with 205,800 metric tons CO₂ traded. Total historic program-to-date volumes reached 32.4 million metric tons CO₂ (See Table I and Figure 1)

CCX TRADING ACTIVITY

October 2007

Table 1

CFI Contract	VOLUME (metric tons)		CLOSING PRICES (\$ per metric ton)	
	Oct. '07	Program to Date	Sep. 28 '07	Oct. 31 '07
2003 Vintage	258,300	3,703,500	\$3.10	\$1.90
2004 Vintage	261,600	4,596,000	\$3.05	\$1.90
2005 Vintage	275,300	5,656,800	\$3.00	\$1.90
2006 Vintage	341,000	5,660,300	\$3.00	\$1.90
2007 Vintage	397,100	3,787,500	\$3.00	\$1.90
2008 Vintage	123,900	2,845,500	\$3.00	\$1.90
2009 Vintage	83,500	2,995,600	\$3.00	\$1.90
2010 Vintage	100,700	3,200,700	\$3.00	\$1.90
Total	1,841,400	32,445,900		

The figures above represent all trades posted to the CCX trading platform.

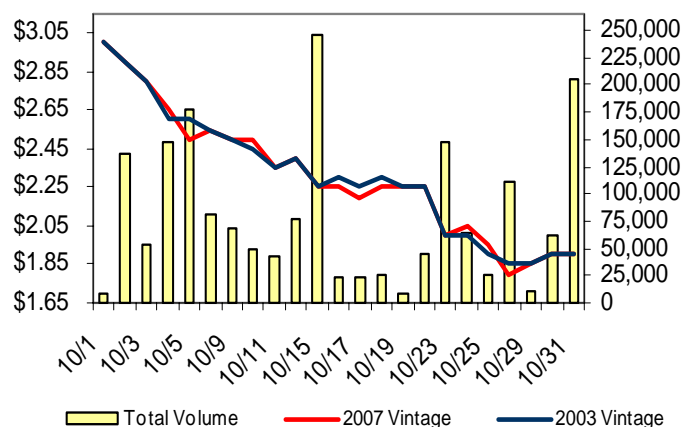
In This Edition:

- US Power Plant Emissions Fall
- Senators Introduce Legislation for Cap-and-Trade in 2012
- Kansas Rejects Coal Plants
- DOE to Test Geologic Carbon Sequestration
- Time Names Richard Sandor Hero of the Environment
- Al Gore and IPCC Receive Nobel Prize
- Spain to Tax Vehicle Emissions
- Asian CO₂ Emissions to Nearly Double by 2030
- ICAP Launches Effort to Create Global Carbon Market

October 2007 Price & Volume (2003 & 2007 vintages)

Price (US\$/metric ton), Volume (metric tons)

Figure 1



CCX market data and news: www.chicagoclimateexchange.com

October 2007 Carbon News

U.S. News

US Power Plant Emissions Fall

2006 power plant CO₂ emissions were 2.2% below 2005 levels, the first decrease since 2001. Net power generation increased by .2%, but emissions drops were caused by increasing use of natural gas-fired plants.

Senators Introduce Legislation for Cap-and-Trade in 2012

Senators John Warner (R-VA) and Joe Lieberman (I-CT) introduced legislation that would develop a cap-and-trade system to reduce GHG emissions beginning in 2012. The plan would auction 51% of emissions allowances at the start date and grow to include 100% by 2036. Senator James Inhofe, although an opponent of the bill, expects it to be approved in subcommittee and to face a battle in the Senate. Republican candidates John McCain and Mike Huckabee, and Democratic candidates John Edwards, Hillary Clinton, and Barack Obama, all favor a similar system, with Obama calling for a system that would auction 100% of allowances at its inception.

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U.S. News, cont'd

Kansas Rejects Coal Plants

The Kansas Secretary of Health and Environment rejected proposals for two new coal-fired plants in the State, citing the 11 million tons of annual CO₂ they would produce as a reason for denying the proposals, as well as the fact that most of the electricity produced would be exported to other states.

US DOE to Test Geologic Carbon Sequestration

The US Department of Energy has awarded three underground carbon storage projects in a pilot program to determine the suitability of testing sites for future large-scale sequestration projects. While the pilot program will use naturally occurring CO₂ deposits, future stages will involve CO₂ from power plants. The test sites are believed to have the capacity to store more than 100 years worth of emissions from all major sources in North America.

Global Carbon Market News

Time Names Sandor Hero of the Environment

In its annual "Heroes" Issue, TIME Magazine named CCX founder Richard Sandor as one of its "Heroes of the Environment". Lauded for his innovative, market-based approach to combating climate change, Sandor is called the father of carbon trading and is joined on the list by Mikhail Gorbachev, Angela Merkel, Al Gore, and others.

Al Gore and IPCC Receive Nobel Prize

Former Vice President Al Gore and the Intergovernmental Panel on Climate Change received the Nobel Peace Prize for their work on promoting awareness of man-made climate change. Gore, also the recipient of an Academy Award, has drawn large crowds since the release of his 2006 documentary, *An Inconvenient Truth*, and has brought climate change into the popular eye.

Spain to Tax Vehicle Emissions

Spain has introduced a scheme by which it would tax the purchase of vehicles depending on their emissions instead of engine size. Vehicles emitting less than 120gCO₂/km would be tax-exempt, and a sliding scale reaching up to those with emissions over 200gCO₂/km, which would be taxed at 14.75% of the purchase price.

Asian CO₂ Emissions to Nearly Double by 2030

Triggered by growth in India and China, Asian CO₂ emissions are expected to increase by 90% by 2030 according to a Japanese energy think tank. Worldwide emissions are expected to increase by 60%, led by an increase of 160% in India's emissions.

Global News, cont'd

ICAP Launches Effort to Create Global Market

The International Carbon Action Partnership aims to make the world's cap-and-trade schemes compatible in order to facilitate the creation of a global carbon market. Launched in Lisbon, Portugal, ICAP was formed by regulators from 21 countries with the hope that a globalized market would lead to larger trading volumes and better liquidity, yielding more accurate pricing for carbon credits.

Emissions Market News

- Natural gas prices increased throughout October, with the largest price spikes occurring at the end of the month. Natural gas prices closed the month at \$8.33/mmBTU and had a monthly average closing price of \$7.22, representing an increase of 16.6% over September. According to the EIA, natural gas prices continue to rise, despite high storage levels and moderate temperatures, due to low LNG imports and record high price levels in the crude oil markets.

- In October the nearby futures contract for WTI crude oil broke several price ceilings and closed the month at an all time nominal record of \$94.53/barrel. While crude oil prices typically fall at this time of year due to the end of peak driving season, the EIA cites several factors influencing the current run-up in oil prices. These include limited upstream capacity, lowered oil inventory levels and fear of supply disruptions due to geopolitical conflict.

- October coal prices increased in most regions October monthly average prices increased for Central Appalachia coal by 6.3% to reach \$48.65/ton, 0.54% for Northern Appalachia coal to reach \$46.50/ton, 2.3% for Illinois Basin coal to reach \$32.75/ton and 1.5% for Powder River Basin coal to reach \$10.68/ton.

Energy Prices

Table 2

NATURAL GAS & OIL FRONT MONTH CONTRACT	SEP'07 AVG. CLOSE	OCT '07 AVG. CLOSE	AVERAGE % CHANGE	OCT 31 '07 CLOSE
Henry Hub Nat Gas	\$6.19	\$7.22	+16.64%	\$8.33
WTI Light Sweet Crude	\$79.63	\$85.66	+7.57%	\$94.53

Source: WTRG Economics