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June 18, 2009

VIA E-MAIL

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Rule Certification. New York Mercantile Exchange, Inc. Submission #09.112: Notification Regarding the Listing of In Delivery Month European Union Allowance (EUA) and In Delivery Month Certified Emission Reduction (CER) Futures and Option Contracts on CME ClearPort® and the NYMEX Trading Floor

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of In Delivery Month European Union Allowance ("IDM EUA") futures and option contracts and In Delivery Month Certified Emission Reduction ("IDM CER") futures and option contracts on CME ClearPort and the NYMEX trading floor. Specifically, the new futures contracts will be listed for trading and clearing on CME ClearPort. The new option contracts will be listed for trading on the NYMEX trading floor and for clearing on CME ClearPort. These contracts, codes and rule numbers are as follows.

<u>Contract</u>	<u>Code</u>	<u>Chapter</u>
In Delivery Month European Union Allowance (EUA) Futures	6T	850
In Delivery Month European Union Allowance (EUA) Option	6U	851
In Delivery Month Certified Emission Reduction (CER) Futures	6S	852
In Delivery Month Certified Emission Reduction (CER) Option	6P	853

The IDM EUA futures and option rules are included herewith in Appendix A. The IDM CER futures and option rules are included herewith in Appendix B. These contracts will be physically delivered. The first month listed for trading these contracts will be September 2009. These contracts will be listed on a consecutive quarterly basis until December 2012.

Electronic trading is conducted from 6:00 p.m. Sunday until 5:15 p.m. Friday (New York prevailing time) via the CME ClearPort. There is a 45-minute halt in trading each day between 5:15 p.m. (current trade date) and 6:00 p.m. (next trade date). Open outcry trading on the Exchange trading floor is available between 9:00 a.m. and 2:30 p.m. (New York prevailing time) Monday through Friday, except on Exchange Holidays.

The two (2) IDM EUA and IDM CER futures contracts will be listed for clearing and trading on CME ClearPort beginning on Sunday, June 21, 2009 for trade date Monday, June 22, 2009. Additionally, on Tuesday, June 23, 2009, the Exchange will list two (2) IDM EUA and CER

option contracts for trading on the NYMEX trading floor and for clearing on CME ClearPort. The Exchange will allow exchange of futures for physical ("EFP") and exchange of futures for swap ("EFS") transactions to be submitted through CME ClearPort clearing. The EFP and EFS transactions in these futures contracts will be governed by the provisions of Exchange Rules 6.21 and 6.21A, respectively.

These new futures and option contracts will be listed in conjunction with four (4) existing European Union Allowance ("EUA") and Certified Emission Reduction ("CER") futures and option contracts. The termination and delivery dates differentiate the new contracts from the existing EUA and CER futures and option contracts, which will continue to be available for trading and clearing. Please note that the Exchange is self-certifying amendments to the existing EUA and CER futures and option contracts under separate cover via submission #09-115. As noted in submission #09-115, those rule amendments are intended to provide clarification of rule references, consolidate certain rules within the chapters and correct non-substantive errors, respectively, as well as implement conforming language across similar contract groups. The termination and delivery dates for the existing EUA and CER futures and option contracts remain unchanged.

Appendix C, attached herewith, contains the supplemental market information for these new IDM EUA and IDM CER contracts. The recommended position limits for the new contracts are also included in the supplemental market information. However, the position limits will be submitted to the Commission for self-certification under separate cover.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. The listing of these contracts will become effective on trade date June 22, 2009 (futures contracts) and June 23, 2009 (option contracts).

Should you have any questions concerning the above, please contact Brad Leach at (212) 299-2609 or me at (312) 648-5422.

Sincerely,

/s/ Stephen M. Szarmack
Director and Associate General Counsel

Attachments: Appendix A (Contract Terms and Conditions for In Delivery Month EUA Futures and Options)
Appendix B (Contract Terms and Conditions for In Delivery Month CER Futures and Options)
Appendix C (Supplemental Market Information for In Delivery Month EUA and CER Futures and Options)

APPENDIX A – IN DELIVERY MONTH EUA FUTURES AND OPTIONS

In Delivery Month European Union Allowance (EUA) Futures

850.01A Definitions

(A) EU ETS: In January 2005, the European Union Emissions Trading Scheme ("EU ETS") commenced operation as the largest multi-country, multi-sector Greenhouse Gas emission trading scheme world-wide. It covers over 11,500 energy-intensive installations across the EU which represent approximately half of Europe's emissions of CO₂. These installations include combustion plants, oil refineries, coke ovens, iron and steel plants, and factories making cement, glass, lime, brick, ceramics, pulp and paper. The scheme is based on Directive 2003/87/EC, which entered into force on 25 October 2003.

(B) EUA: European Union Allowance ("EUA") granted under a National Allocation Plan of an EU member state.

(C) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively. Further, for purposes of this contract, Sellers and Buyers may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the eligible registries. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(D) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in NYMEX Rule 11G.11.

(E) ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol.

(F) Community Independent Transaction Log (CITL) shall mean the independent transaction log provided for in Article 20(1) of Directive 2003/87/EC, for the purpose of recording the issue, transfer and cancellation of EUAs under the Scheme and established, operated and maintained pursuant to Article 5 of the Registry Regulations;

The EU Commission established and is the Administrator of the CITL for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for transfers of EUAs between national registries.

(G) Communication Link shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with a Registry, and/or (2) by which a Registry communicates with CITL, and/or (3) by which CITL communicates with the UNFCCC International Transaction Log (where applicable), and/or (4) by which a Registry communicates with the UNFCCC International Transaction Log (where Applicable), and/or (5) by which the UNFCCC International Transaction Log communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer;

(H) Registry shall mean any registry in an EU Member State meeting the eligibility criteria and which has implemented the Linking Directive in a manner that authorizes private persons to hold EUAs and has Person Holding Accounts established in order to ensure the accurate accounting of the issue of holding, transfer, acquisition, surrender, cancellation, and replacement of EUAs under the Scheme, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract;

(I) Registry Regulations shall mean the EU Commission Regulation (EC) No 2216/2004 for a standardized and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the

Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time including by EU Commission Regulation (EC) No.916/2007;

850.01 Scope

The provisions of these rules shall apply to all Phase 2008-2012 European Union EUAs bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry.

850.02 Time References

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in Greenwich Mean Time (GMT).

850.03 Contract Unit

The contract unit shall be one thousand (1,000) EUAs for a delivery made by transfer through UK Emissions Trading Registry.

850.04 Delivery

EUA delivery shall comply with all requirements for the electronic transfer of EUAs on the UK Emissions Trading Registry. All deliveries made under these rules shall be final and there shall be no appeal. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to Sellers and Buyers.

850.05 Delivery Months

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

850.06 Minimum Price Fluctuations

Prices shall be quoted in Euros and Euro cents per EUA. The minimum price fluctuation shall be € 0.01 per EUA (€10.00 per contract). There shall be no maximum price fluctuation.

850.07 Termination of Trading

Trading in the delivery month shall cease on the last Monday of the delivery month. If the last Monday of the delivery month occurs on a UK Bank Holiday or, if a UK Bank Holiday occurs on any of the four (4) days following the last Monday of the delivery month, trading shall cease on the penultimate Monday of the delivery month. If the penultimate Monday of the delivery month occurs on a UK Bank Holiday or, if a UK Bank Holiday occurs on any of the four (4) days following the penultimate Monday of the delivery month, trading shall cease on the antepenultimate Monday of the delivery month.

850.08 Product Placement

For purposes of Rule 9A.19, the Seller and Buyer shall fulfill their respective contractual obligations on a maturing contract unless, by 5:00 p.m. GMT on the 10th business day prior to the first business day of the delivery month, such Seller and Buyer have provided account certification, in the form prescribed by the Exchange stating that: (i) If a buyer, the Buyer has an account with UK Emissions Trading Registry; and (ii) If a seller, the Seller has an account with UK Emissions Trading Registry.

The receipt of such certification shall not relieve the Seller or Buyer of any obligations under any Rule other than Rule 9A.19.

850.09 Delivery Procedures and Obligations

The Clearing House is a party to all deliveries under this contract and will receive EUAs from the Seller into the Clearing House Holding Account of the UK Emissions Trading Registry. Following receipt from the Seller,

the Clearing House will deliver EUAs to the Buyer from the Clearing House Holding Account to the UK Emissions Trading Registry Holding Account nominated by the Buyer.

The Seller shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to the submission of the forms noted in this Rule. The Buyer shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the Regulations or the Clearing House Rules is inconsistent with a provision of the Registry Regulations, the provision of the Regulations or the Clearing House Rules shall prevail as between the Buyer, Seller, and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

(A) OPERATIONAL RESPONSIBILITIES OF CLEARING MEMBERS

(1) Notice of Intention to Accept:

By 10:00 PM GMT on the final day of trading of the expiring delivery month, a Buyer having an open long position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Number of contracts to be accepted; UK Emissions Trading Registry Account Number; Name; Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account, and any additional information as may be required by the Exchange.

(2) Notice of Intention to Deliver:

By 10:00 PM GMT on the final day of trading of the expiring delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Number of contracts to be delivered; UK Emissions Trading Registry Account Number; Name; Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account, and any additional information as may be required by the Exchange.

(3) By 6:30 PM GMT on the first business day after the final day of trading of the delivery month, the Seller will transfer EUAs subject to delivery to the Clearing House Holding Account of the UK Emissions Trading Registry.

(4) By 7:00 PM GMT on the first business day after the final day of trading of the delivery month, for each Buyer that has satisfied its obligations under Rule 850.09(A)(6), the Clearing House will initiate the process of transferring the EUAs to the Buyer's account at the UK Emissions Trading Registry.

(5) By 3:00 PM GMT the second business day after the final day of trading of the delivery month, Buyer shall receive EUAs from the Clearing House Holding Account of the UK Emissions Trading Registry.

(6) By 2:00 PM GMT on the business day following the last day of trading, the Buyer shall deposit / transfer Euro currency equal to the full value of the product to the designated Clearing House bank account.

(7) By 3:00 PM GMT on the second business day following the last day of trading, for each Seller that has satisfied its obligations under Rule 850.09(A)(3), the Clearing House shall pay the Seller full contract value.

(B) ASSIGNMENT DAY

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching positions, to the extent possible.

(2) The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery month.

(C) PAYMENT AND DELIVERY MARGINS

(1) Definitions:

- (A) Daily Margin: The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.
- (B) "Payment" shall include the settlement price times the number of contracts times 1,000.
- (C) "Payment Date" shall mean the date on which the Clearing House transfers payment in connection with a delivery to a Seller.
- (D) Any payment made on Payment Date shall be based on EUAs that the Seller is obligated to deliver pursuant to the applicable delivery.

850.10 Validity of Documents

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these Rules.

850.11 Exchange of Futures for Physical (EFP) and Exchange of Futures for Swaps (EFS)

(A) An exchange of futures for, or in connection with, the product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consist of two discrete, but related, transactions: a physical commodity or swap transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and Seller's Customer of the futures must be respectively the Seller's Customer and Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by-product or related product). The quantity of physical product or swap agreement must be approximately equivalent to the quantity covered by the futures contract.

(B) Except as provided below, an EFP or EFS transaction is permitted at any time before 5:30 p.m. GMT on the last trading day of the delivery month, provided, however, that an EFP or EFS which would establish a futures position for both the Buyer's Customer and the Seller's Customer shall not be permitted during the final hour of the last trading day.

(C) Any EFP or EFS transaction shall be governed by the provisions of this Rule and by the provisions of Exchange Rules 6.21 and 6.21A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to the EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

850.12 Alternative Delivery Procedure

An Alternative Buyer may agree with the Seller with which it has been matched by the Exchange under Rule 850.09(B) to make and take delivery under terms or conditions which differ from the terms and conditions

prescribed by this Chapter. In such a case, Buyers and Sellers shall execute an Alternative Delivery Procedure on a form prescribed by the Exchange and shall deliver a completed executed copy of such form to the Exchange. The delivery of an executed Alternative Delivery Procedure form to the Exchange shall release the Buyer, Seller and the Exchange from their respective obligations under the Exchange contracts.

In executing such Alternative Delivery Procedure form, Buyers and Sellers shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Delivery Procedure form, the Exchange will return to the Buyer and Seller all margin monies held for the account of each with respect to the contracts involved.

850.13 Late Performance, Failure to Perform, and Force Majeure

(A) DEFINITION. As used in this Rule 850.13, the following terms, as well as variations thereof, shall have the meaning described below.

- (1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by, a Seller or a Buyer will be deemed a Failure to Perform.
- (2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.
- (3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.
- (4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of EUAs per contract) times the number of contracts to be delivered.
- (5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.
(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.
- (6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

- (1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.
- (2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

- (1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:
 - (a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;
 - (b) Upon the written request of both the Buyer and the Seller;
 - (c) When the President or any person designated by the President requests such appointment; or
 - (d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.
- (2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.
- (3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.
- (4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action.

(D) EXCHANGE ACTION

- (1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.
- (2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.
- (3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

- (b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.
- (c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.
- (4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by Market Regulation Department or are otherwise relevant to the matter.
- (5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President, or his designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.
- (6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:
- (a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.
 - (b) At such hearing: The Appellant may appear personally and may be represented by counselor or other representative of his choice at the appeal.
 - (c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.
 - (d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.
 - (e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.
 - (f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.
 - (g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.
 - (h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.

- (i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.
- (8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the President shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

- (1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.
- (2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.
- (3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

850.14 Exclusion of Liability

Except as specifically provided in the Rules (and to the extent permitted by law), the Clearing House accepts no liability in connection with this futures contract, its performance, non-performance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, the Clearing House shall not be responsible for or shall have any liability whatsoever to any Buyer or Seller for the: availability, suitability, unavailability or malfunction of a Communication Link or any part thereof; performance or non-performance by a registry or CITL or UNFCCC International Transaction Log of their respective obligations under the Registry Regulations or otherwise; any act or omission of any operator of a Communication Link or any part thereof; or any act or omission of an authorized agent of any other party; or any performance or non-performance by the Clearing House in relation to its serving as a party to the deliveries and the Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits. Additionally, nothing in these Rules will constrain the Clearing House from performing its duties under CME Rule 802.

In Delivery Month European Union Allowance (EUA) Option

851.01 Expiration

An In Delivery Month European Union Allowance (EUA) Option contract ("In Delivery Month EUA Option") listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying In Delivery Month European Union Allowance (EUA) Futures contract ("In Delivery Month EUA Futures").

851.02 Trading Unit

An In Delivery Month EUA Option contract is a European-style option. An In Delivery Month EUA put or call Option contract traded on the Exchange represents an option to assume a short or long position in the underlying In Delivery Month EUA Futures contract traded on the Exchange.

851.03 Trading Months

Trading in an In Delivery Month EUA Option contract shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

851.04 Hours of Trading

The In Delivery Month EUA Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.

The In Delivery Month EUA Option contract is available for clearing on CME ClearPort[®] clearing system from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

851.05 Strike Prices

Trading shall be conducted for options with strike prices in increments as set forth below.

- (A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for In Delivery Month EUA Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price (ii) the ten fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 851.05(A) and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 851.05(A).
- (B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.
- (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in In Delivery Month EUA Option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an In Delivery Month EUA Option contract in which no new strike prices may be introduced.

851.06 Prices and Price Fluctuations

Prices shall be quoted in Euros (€) and Euro cents (¢) per allowance. The minimum price fluctuation is €0.01 per allowance. A cabinet trade may occur at a price of €1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

851.07 Absence of Price Fluctuation Limitations

Trading in In Delivery Month EUA Option contracts shall not be subject to price fluctuation limitations.

APPENDIX B – IN DELIVERY MONTH CER FUTURES AND OPTIONS

In Delivery Month Certified Emission Reduction (CER) Futures

852.01A Definitions

(A) Certified Emission Reduction ("CER"). CER shall mean a unit issued pursuant to Articles 12 and 17 of the Kyoto Protocol and the decisions adopted pursuant to the UNFCCC or the Kyoto Protocol which may be used for compliance purposes under the European Union Emissions Trading Scheme ("EU ETS") in accordance with Article 11a(3)(a) and (b) of the Directive 2003/87/EC (as amended from time to time) and the Linking Directive 2004/101/EC as implemented into Member State law. CERs from nuclear facilities; land use, land use change and forestry activities (LULUCF); and hydroelectric projects with generating capacities exceeding 20 MW are excluded from this definition.

(B) CDM ("Clean Development Mechanism") shall mean a mechanism established by Article 12 of the Kyoto Protocol for project-based emission reduction activities in developing countries.

(C) Clean Development Mechanism-Executive Board (CDM-EB): The CDM EB registers validated project activities as CDM projects, issues certified emission reductions to relevant projects participants, and manages series of technical panels and working groups meetings.

(D) The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively. Further, for purposes of this contract, Sellers and Buyers may utilize a designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the eligible registries.

(E) The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.

(F) ITL (International Transaction Log): All transactions between registries are maintained by transaction logs which verify the validity of transactions. The UNFCCC Secretariat maintains the ITL for the purposes of transfer under the Kyoto Protocol. Moreover the EU Commission established and is the Administrator of the Community Transaction Independent Log (CITL) for transfers involving EU Member States. Transfers involving EU Entities entail an additional step from the ITL to the CITL under the Kyoto Protocol for transfers of CERs between national registries.

(G) The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in NYMEX Rule 11G.11.

(H) "Communication Link" shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with a Registry, and/or (2) by which a Registry communicates with CITL, and/or (3) by which CITL communicates with the UNFCCC International Transaction Log (where applicable), and/or (4) by which a Registry communicates with the UNFCCC International Transaction Log (where Applicable), and/or (5) by which the UNFCCC International Transaction Log communicates with the CDM Registry (where applicable), which in any case is necessary to facilitate a transfer;

(I) "Registry" shall mean any registry in an EU Member State meeting the eligibility criteria and which has implemented the Linking Directive in a manner that authorizes private persons to hold CERs and has Person Holding Accounts established in order to ensure the accurate accounting of the issue of holding, transfer, acquisition, surrender, cancellation, and replacement of CERs under the Scheme, and which has been identified as a Registry by the Clearing House from time to time for the purpose of this futures contract;

(J) "Registry Regulations" shall mean the EU Commission Regulation (EC) No 2216/2004 for a standardized and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the

Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time including by EU Commission Regulation (EC) No.916/2007;

852.01 Scope

The provisions of these rules shall apply to all CERs, issued pursuant to Articles 12 and 17 of the Kyoto Protocol, bought or sold for future delivery on the Exchange with the Delivery at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

852.02 Time References

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in Greenwich Mean Time (GMT).

852.03 Contract Unit

The contract unit shall be one thousand (1,000) CERs for a delivery made by transfer through the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

852.04 Delivery

At the registry designation of the buyer, CER delivery shall take place by electronic transfer of CERs at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry. The registry will be designated by the Buyer, and it must satisfy "Eligibility Criteria" for international emissions trading specified in Article 17 of the Kyoto Protocol and Decision 11/CMP.1. All deliveries made under these Rules shall be final and there shall be no appeal. Notwithstanding the use of a designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to Sellers and Buyers.

852.05 Delivery Months

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

852.06 Minimum Price Fluctuations

Prices shall be quoted in Euro and Euro cents per CER. The minimum price fluctuation shall be € 0.01 per CER (€10.00 per contract). There shall be no maximum price fluctuation.

852.07 Termination of Trading

Trading in the delivery month shall cease on the last Monday of the delivery month. If the last Monday of the delivery month occurs on a UK Bank Holiday or, if a UK Bank Holiday occurs on any of the four (4) days following the last Monday of the delivery month, trading shall cease on the penultimate Monday of the delivery month. If the penultimate Monday of the delivery month occurs on a UK Bank Holiday or, if a UK Bank Holiday occurs on any of the four (4) days following the penultimate Monday of the delivery month, trading shall cease on the antepenultimate Monday of the delivery month.

852.08 Product Placement

For purposes of Rule 9A.19, the Seller and Buyer shall fulfill their respective contractual obligations on a maturing contract unless, by 5:00 p.m. GMT on the 10 th business day prior to the first business day of the delivery month, such Seller and Buyer have provided account certification, in the form prescribed by the Exchange stating that: (i) If a buyer, the Buyer has an account with the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry; (ii) If a seller, the Seller has an account with the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

The receipt of such certification shall not relieve the Seller or Buyer of any obligations under any Rule other than Rule 9A.19.

852.09 Delivery Procedures and Obligations

The Clearing House is a party to all deliveries under this contract and will receive CERs from the Seller into the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry. Following receipt from the Seller, the Clearing House will deliver CERs to the Buyer from the Clearing House Holding Account to the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry Holding Account nominated by the Buyer.

The Seller shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to the submission of the forms noted in this Rule. The Buyer shall comply with such requirements and obligations imposed by or under applicable Registry Regulations in all respects material to ensure the acceptance of a valid transfer into its Holding Account. If a provision of the Regulations or the Clearing House Rules is inconsistent with a provision of the Registry Regulations, the provision of the Regulations or the Clearing House Rules shall prevail as between the Buyer, Seller, and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

(A) OPERATIONAL RESPONSIBILITIES OF CLEARING MEMBERS

(1) Notice of Intention to Accept:

By 10:00 PM GMT on the final day of trading of the delivery month, a Buyer having an open long position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Number of contracts to be accepted; Registry Name; Registry Account Number; Name, Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account; and any additional information as may be required by the Exchange

(2) Notice of Intention to Deliver:

By 10:00 PM GMT on the final day of trading of the delivery month, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Number of contracts to be delivered; Registry Name; Registry Account Number; Name, Telephone Number and e-mail address of the Authorized Representative(s) for that Registry account; and any additional information as may be required by the Exchange.

(3) By 6:30 PM GMT on the first business day after the final day of trading of the delivery month, the Seller will transfer CERs subject to delivery to the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(4) By 7:00 PM GMT on the first business day after the final day of trading of the delivery month, for each Buyer that has satisfied its obligation under Rule 852.09(A)(6), the Clearing House will initiate the process of transferring the CERs to the Buyer's account at the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(5) By 3:00 PM GMT the second business day after the final day of trading of the delivery month, Buyer shall receive CERs from the Clearing House Holding Account of the UK Emissions Trading Registry or the Dutch CO2 Emissions Trading Registry.

(6) By 2:00 PM GMT on the business day following the last day of trading, the Buyer shall deposit / transfer of Euro currency equal to the full value of the product to be delivered designated Clearing House bank account.

(7) By 3:00 PM GMT on the second business day following the last day of trading, for each Seller that has satisfied its obligations under Rule 852.09(A)(3), the Clearing House shall pay the Seller full contract value.

(B) ASSIGNMENT DAY

- (1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching positions, to the extent possible.
- (2) The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery month.

(C) PAYMENT AND DELIVERY MARGINS

(1) Definitions:

- (A) "Daily Margin" shall mean the Exchange margins that the Buyer and Seller deposit in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.
- (B) "Payment" shall include the settlement price times the number of contracts times 1,000.
- (C) "Payment Date" shall mean the date on which the Clearing House transfers payment in connection with a delivery to a Seller.
- (D) Any payment made on Payment Date shall be based on CERs that the Seller is obligated to deliver pursuant to the applicable delivery.

852.10 Validity of Documents

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these Rules.

852.11 Exchange of Futures for Physical (EFP) and Exchange of Futures for Swaps (EFS)

(A) An exchange of futures for, or in connection with, the product (EFP) or exchange of futures for, or in connection with, swap (EFS) transactions consist of two discrete, but related, transactions: a physical commodity or swap transaction and a futures transaction. At the time such transaction is effected, the Buyer's Customer and Seller's Customer of the futures must be respectively the Seller's Customer and Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Section (or any derivative, by-product or related product). The quantity of physical product or swap agreement must be approximately equivalent to the quantity covered by the futures contract.

(B) Except as provided below, an EFP or EFS transaction is permitted at any time before 5:30 p.m. GMT on the last trading day of the delivery month provided, however, that an EFP or EFS which would establish a futures position for both the Buyer's Customer and the Seller's Customer shall not be permitted during the final hour of the last trading day.

(C) Any EFP or EFS transaction shall be governed by the provisions of this Rule and by the provisions of Exchange Rules 6.21 and 6.21A, respectively.

(D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange, at its request, that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to the EFP or EFS, including, without limitation, evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their customers and made available by the Clearing Members for examination by the Exchange upon request.

(E) A report of each EFP or EFS transaction shall be entered on the day that the transaction thereto was made, or if such agreement was made after the close of trading, then on the next business day. EFP or EFS transactions shall be cleared through the Exchange in accordance with normal procedures, shall be clearly identified as EFP or EFS transactions, and shall be recorded as such by the Exchange and by the Clearing Members involved.

852.12 Alternative Delivery Procedure

An Alternative Buyer may agree with the Seller with which it has been matched by the Exchange under Rule 852.09(B) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Buyers and Sellers shall execute an Alternative Delivery Procedure on a form prescribed by the Exchange and shall deliver a completed executed copy of such form to the Exchange. The delivery of an executed Alternative to Delivery Procedure form to the Exchange shall release the Buyer, Seller and the Exchange from their respective obligations under the Exchange contracts.

In executing such Alternative Delivery Procedure form, Buyers and Sellers shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Delivery Procedure form, the Exchange will return to the Buyers and Sellers all margin monies held for the account of each with respect to the contracts involved.

852.13 Late Performance, Failure to Perform, and Force Majeure

(A) DEFINITION. As used in this Rule 852.13, the following terms, as well as variations thereof, shall have the meaning described below.

- (1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by a Seller or a Buyer will be deemed a Failure to Perform.
- (2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer, a Seller, or the Clearing House was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.
- (3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.
- (4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of CERs per contract) times the number of contracts to be delivered.
- (5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.
(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.
- (6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

- (1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.
- (2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

- (1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions

Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

- (a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;
 - (b) Upon the written request of both the Buyer and the Seller;
 - (c) When the President or any person designated by the President requests such appointment; or
 - (d) When either Party to the delivery notifies the Exchange that circumstances exist constituting Force Majeure.
- (2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.
- (3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists, whether a Buyer or Seller is late in performing, or has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.
- (4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable, order: an extension of time not to exceed 10 days from the date of the scheduled delivery; or refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action

(D) EXCHANGE ACTION

- (1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.
- (2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.
- (3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.
 - (b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.
 - (c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal with the time specified in subsection (D)(4)(a) of this Rule shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to Appeal or waives the opportunity to appeal a Notice of Assessment the Assessment, and findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

- (4) Within ten (10) days after receipt of the Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Market Regulation Department or are otherwise relevant to the matter.
- (5) In the event of an appeal by a Party, the President, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. No member of the Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the President or his designee any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.
- (6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:
 - (a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.
 - (b) At such hearing: The Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.
 - (c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.
 - (d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.
 - (e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.
 - (f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.
 - (g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.
 - (h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.
 - (i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.
- (8) The Assessment Appeal Panel shall consider, and make recommendations to the President, or his designee concerning acceptance or rejection of any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

- (1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.
- (2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice

of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.

- (3) The Arbitration will be governed by Chapter 6A of the Rules except that the President or his designee shall appoint an Arbitration Panel.

852.14 Exclusion of Liability

Except as specifically provided in the Rules (and to the extent permitted by law), the Clearing House accepts no liability in connection with this futures contract, its performance, non-performance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, the Clearing House shall not be responsible for or shall have any liability whatsoever to any Buyer or Seller for the: availability, suitability, unavailability or malfunction of a Communication Link or any part thereof; performance or non-performance by a registry or CITL or UNFCCC International Transaction Log of their respective obligations under the Registry Regulations or otherwise; any act or omission of any operator of a Communication Link or any part thereof; or any act or omission of an authorized agent of any other party; or any performance or non-performance by the Clearing House in relation to its serving as a party to the deliveries and the Clearing House shall under no circumstances be liable for any indirect or consequential loss or loss of profits. Additionally, nothing in these Rules will constrain the Clearing House from performing its duties under CME Rule 802.

In Delivery Month Certified Emission Reduction (CER) Option

853.01 Expiration

An In Delivery Month Certified Emission Reduction (CER) Option contract ("In Delivery Month CER Option") listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying In Delivery Month Certified Emission Reduction (CER) Futures contract ("In Delivery Month CER Futures").

853.02 Trading Unit

An In Delivery Month CER Option is a European-style option. An In Delivery Month CER put or call Option contract traded on the Exchange represents an option to assume a short or long position in the underlying In Delivery Month CER Futures contract traded on the Exchange.

853.03 Trading Months

Trading in an In Delivery Month CER Option contract shall be conducted in the contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

853.04 Hours of Trading

The In Delivery Month CER Option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.

The In Delivery Month CER Option contract is available for clearing on CME ClearPort[®] clearing system from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

853.05 Strike Prices

Trading shall be conducted for option contracts with strike prices in increments as set forth below:

- (A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for In Delivery Month CER Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price; (ii) the ten fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 853.05(A); and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 853.05(A).
- (B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.
- (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in In Delivery Month CER Option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an In Delivery Month CER Option contract in which no new strike prices may be introduced.

853.06 Prices and Price Fluctuations

Prices shall be quoted in Euros (€) and Euro cents (¢) per metric CER. The minimum price fluctuation is € 0.01 (1 ¢) per CER. A cabinet trade may occur at a price of €1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

853.07 Absence of Price Fluctuation Limitations

Trading in In Delivery Month CER Option contracts shall not be subject to price fluctuation limitations.

APPENDIX C – SUPPLEMENTAL INFORMATION

EUROPEAN UNION ALLOWANCE CONTRACTS

The European Union Emission Trading Scheme

The In Delivery Month European Union Allowance (EUA) Futures contract relates to the European Union Trading Scheme (EU ETS) that was established in 2005 and is the largest multi-national carbon emissions program in the world with 25 European Community (EC) member states participating in this program. The EU ETS is the most liquid carbon trading market in the world and accounted for over 775 million metric tons of CO₂ equivalent traded in the first half of 2007, according to the World Bank. The NYMEX, In Delivery Month EUA Futures contract is structured to deliver Phase 2 EUAs which cover the EU ETS compliance period from December 2008 through December 2012. An EUA is defined as one metric ton of carbon dioxide equivalent. EUAs are issued to companies by EC member states in accordance with National Allocation Plans (NAP) developed by each EU ETS nation. The purpose of the NAP is to cap total CO₂ emissions by the identified base of companies. While Phase 2 allowances are issued on an annual basis, each Phase 2 allowance can be used for annual compliance through the previously stated Phase 2 period. The referenced Wikipedia article below provides additional information about the EU ETS program.

The EU ETS is the largest multi-national, emissions trading scheme in the world, and is a major pillar of EU climate policy. The ETS currently covers more than 10,000 installations in the energy and industrial sectors which are collectively responsible for approximately half of the EU's emissions of CO₂ and 40% of its total greenhouse gas emissions.

Under the EU ETS, large emitters of carbon dioxide within the EU must monitor and annually report their CO₂ emissions, and they are obliged every year to surrender an amount of emission allowances to the government that is equivalent to their CO₂ emissions in that year. The installations may get the allowances for free from the government, or may purchase them from others (installations, traders, and the government.) If an installation has received more free allowances than it needs, it may sell them to anybody.

In January 2008, the European Commission proposed a number of changes to the scheme, including centralized allocation (no more national allocation plans), a turn to auctioning a greater share (60+ %) of permits rather than allocating freely, and inclusion of the greenhouse gases nitrous oxide and fluorocarbons. Also, the proposed caps foresee in an overall reduction of greenhouse gases for the sector of 21% in 2020 compared to 2005 emissions.

A. Mechanisms

The EU scheme is largely modeled on the mechanisms in the Marrakech Accords of the Kyoto Protocol, helped by the experience gained during the running of the voluntary UK Emissions Trading Scheme in the previous years.

Thus the governments of the EU Member States agree to national emission caps, allocate allowances to their industrial operators, track and validate the actual emissions in accordance with the relevant assigned amount, and require the allowances to be retired after the end of each year. The operators within the ETS may reassign or trade their allowances by several means:

- privately, moving allowances between operators within a company and across national borders
- over the counter, using a broker to privately match buyers and sellers
- trading on the spot market of one of Europe's climate exchanges
- Like any other financial instrument, trading consists of matching buyers and sellers between members of the exchange and then settling by depositing an allowance in exchange for the agreed financial consideration. Much like a stock market, companies and private individuals can trade through brokers who are listed on the exchange.

When each change of ownership of an allowance is proposed, the national registry and the European Commission are informed in order for them to validate the transaction. During Phase II of the EU ETS the UNFCCC will also validate any change that alters the distribution within each national allocation plan.

Like the Kyoto trading scheme, the EU scheme allows a regulated operator to use carbon credits in the form of Emission Reduction Units (ERU) to comply with its obligations. A Kyoto Certified Emission Reduction unit (CER), produced by a carbon project that has been certified by the UNFCCC's Clean Development Mechanism Executive Board or the Joint Implementation project's host country, respectively, is accepted by the EU as equivalent.

During Phase II of the EU ETS, the operators within each Member State must surrender their allowances for inspection by the EU before they can be "retired" by the UNFCCC.

B. Allocation

In order to make sure that real trading emerges (and that CO₂ emissions are reduced), EU governments must make sure that the total amount of allowances issued to installations is less than the amount that would have been emitted under a business-as-usual scenario. For each Phase, the total quantity to be allocated by each Member State is defined in the Member State National Allocation Plan (NAP) (equivalent to its UNFCCC-defined carbon account.) The European Commission has oversight of the NAP process and decides if the NAP fulfills the 12 criteria set out in the Annex III of the Emission Trading Directive (EU Directive 2003/87/EC). The first and foremost criterion is that the proposed total quantity is in line with a Member State's Kyoto target.

Of course, the Member State's plan can, and should, also take account of emission levels in other sectors not covered by the EU ETS, and address these within its own domestic policies. For instance, transport is responsible for 21% of EU greenhouse gas emissions, households and small businesses for 17% and agriculture for 10%.

During Phase I, most allowances in all countries were given freely. This approach has been criticized as giving rise to windfall profits, being less efficient than auctioning, and providing too little incentive for innovative new competition to provide clean, renewable energy.

To address these problems, the European Commission proposed various changes in a January 2008 package, including the abolishment of NAPs from 2013 and auctioning a far greater share (ca. 60% in 2013, growing afterward) of emission permits. At the time of writing (January 2008), the proposal would still need approval from the European member states and the EU Parliament to come into effect.

In Phase I (2005-2007), the EU ETS included some 12,000 installations, representing approximately 40% of EU CO₂ emissions, covering energy activities (combustion installations with a rated thermal input exceeding 20 MW, mineral oil refineries, coke ovens), production and processing of ferrous metals, mineral industry (cement clinker, glass and ceramic bricks) and pulp, paper and board activities.

C. Launch and operation

The scheme, in which all 15 member states that were then members of the European Union participated, commenced operation on 1 January 2005, although many national registries were unable to settle transactions for the first few months. However, the prior existence of the UK Emissions Trading Scheme meant that market participants were already in place and ready. In its first year, 362 million tons of CO₂ were traded on the market for a sum of €7.2 billion, and a large number of futures and options. The price of allowances increased more or less steadily to its peak level in April 2006 of about €30 per ton CO₂, but fell in May 2006 to under €10/ton on news that some countries were likely to give their industries such generous emission caps that there was no need for them to reduce emissions. Lack of scarcity under the first phase of the scheme continued through 2006 resulting in a trading price of €1.2 a ton in March 2007, declining to €0.10 in September 2007.

Consequently, observers and NGO's have accused national governments of abusing the system under industry pressure, and have urged for far stricter caps in the second phase (2008-2012).

Phase II

Member State	1st period cap	2005 verified emissions	Proposed cap 2008-2012	Cap allowed 2008-2012
http://en.wikipedia.org/wiki/Image:Flag_of_Austria.svg Austria	33.0	33.4	32.8	30.7
http://en.wikipedia.org/wiki/Image:Flag_of_Belgium_%28civil%29.svg Belgium	62.08	55.58 †	63.33	58.5
http://en.wikipedia.org/wiki/Image:Flag_of_the_Czech_Republic.svg Czech Republic	97.6	82.5	101.9	86.8
http://en.wikipedia.org/wiki/Image:Flag_of_France.svg France	156.5	131.3	132.8	132.8
http://en.wikipedia.org/wiki/Image:Flag_of_Germany.svg Germany	499	474	482	453.1
http://en.wikipedia.org/wiki/Image:Flag_of_Greece.svg Greece	74.4	71.3	75.5	69.1
http://en.wikipedia.org/wiki/Image:Flag_of_Ireland.svg Ireland	22.3	22.4	22.6	21.15
http://en.wikipedia.org/wiki/Image:Flag_of_Latvia.svg Latvia	4.6	2.9	7.7	3.3
http://en.wikipedia.org/wiki/Image:Flag_of_Lithuania.svg Lithuania	12.3	6.6	16.6	8.8
http://en.wikipedia.org/wiki/Image:Flag_of_Luxembourg.svg Luxembourg	3.4	2.6	3.95	2.7
http://en.wikipedia.org/wiki/Image:Flag_of_Malta.svg Malta †††	2.9	1.98	2.96	2.1
http://en.wikipedia.org/wiki/Image:Flag_of_the_Netherlands.svg Netherlands	95.3	80.35 ††	90.4	85.8
http://en.wikipedia.org/wiki/Image:Flag_of_Poland.svg Poland	239.1	203.1	284.6	208.5
http://en.wikipedia.org/wiki/Image:Flag_of_Slovakia.svg Slovakia	30.5	25.2	41.3	30.9
http://en.wikipedia.org/wiki/Image:Flag_of_Slovenia.svg Slovenia	8.8	8.7	8.3	8.3
http://en.wikipedia.org/wiki/Image:Flag_of_Spain.svg Spain	174.4	182.9	152.7	152.3
http://en.wikipedia.org/wiki/Image:Flag_of_Sweden.svg Sweden	22.9	19.3	25.2	22.8
http://en.wikipedia.org/wiki/Image:Flag_of_the_United_Kingdom.svg United Kingdom	245.3	242.4 †††	246.2	246.2
Totals	1784.38	1646.51	1790.84	1623.85

Source: EU press release IP/07/459: "Emissions trading: Commission adopts decision on Austria's national allocation plan for 2008-2012" 02/04/2007^[12] (totals added in wikipedia)

Additional installations and emissions included in the second trading period are not included in this table.

- † Including installations opted out in 2005.

*†† Verified emissions for 2005 do not include installations opted out in 2005 which will be covered in 2008 and 2012 and are estimated to amount to some 6 Mt.

*††† Verified emissions for 2005 do not include installations opted out in 2005 which will be covered in 2008 and 2012 and are estimated to amount to some 30 Mt.

*†††† Cyprus and Malta, as new EU accession states, but not Annex I countries, will have their own NAPs and participate in trading during Phase II.

The second phase (2008-12) expands the scope significantly:

- CDM and JI credits are expected to be introduced in second phase through the EU's 'Linking Directive', although it has been agreed that schemes can be started in advance during Phase I.
- Aviation emissions are expected to be included beginning in 2010.
- Four non-EU members, Norway, Iceland, Liechtenstein, and Switzerland join the scheme.
- The inclusion of aviation is a move considered important due to the large and rapidly growing emissions of the sector. The inclusion of aviation is estimated to lead to an increase in demand of allowances of about 10-12 million tons of CO₂ per year in phase two. This in turn is expected to lead to an increased use of JI credits from projects in Russia and Ukraine, which would offset the increase in prices and eventually result in no discernible impact on average annual CO₂ prices.
- Ultimately, the Commission wishes the post-2012 ETS to include all greenhouse gases and all sectors, including aviation, maritime transport and forestry.
- For the transport sector, the large number of individual users adds complexities, but might be implemented either as a cap-and-trade system for fuel suppliers or a baseline-and-credit system for car manufacturers.
- The National Allocation Plans for Phase II, the first of which were announced on 29 November 2006, will result in an average cut of nearly 7% below the 2005 emission levels.

The European Commission has started infringement proceedings against Austria, Czech Republic, Denmark, Hungary, Italy and Spain, for failure to submit their proposed National Allocation Plans on time.

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3. UK Emissions Trading Scheme DEFRA
4. ITL link, EU ETS review key for 2008 prices Carbon Finance 9 January, 2008
5. Questions and Answers on Emissions Trading and National Allocation Plans for 2008 to 2012 EU November 2006
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7. NAPs 2005-7: Do they deliver? Climate Action Network Europe 2006
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9. [Carbon 2006 market survey](#) Point Carbon 28 February 2006
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11. [Emissierechten](#) (in Dutch)
12. [Emissions trading: Commission adopts decision on Austria's national allocation plan for 2008-2012](#) EU Europa
13. [Questions & Answers on Aviation & Climate Change](#) EU Europa
14. [Iceland, Norway, Liechtenstein to join EU emissions trading system](#) EU Business 27 October 2007
15. [Including Aviation into the EU ETS: Impact on EU allowance prices](#) ICF Consulting for DEFRA February 2006
16. [Stavros Dimas Speech](#) House of Commons London, EU Europa 21 November 2005
17. [Emissions trading: Commission decides on first set of national allocation plans for the 2008-2012 trading period](#) EU Europa November 2006
18. [Member States' compliance with the Emissions Trading Scheme](#) EU Europa Environment Committee 27 November 2006
19. [Analysis of NAPs for the EU ETS](#) Ecofys August 2004
20. [NAPsReport Summary](#) Climate Action Network 2006
21. [Market analysis](#) Emissierechten (in Dutch)
22. [Market information](#) EEX
23. [NAP Assessment summary](#) Ecofys (registration required)
24. [Emissions trading: Commission decides on first set of national allocation plans for the 2008-2012 trading period](#) EU Europa
25. [Hotspot newsletter](#) Climate Action Network, March 2006

External links

Official pages

- [European Commission official EU ETS website](#)
- [Directive 2003/87/EC](#) Legal text of the EU Directive establishing EU ETS.
- [Phase II NAPs](#)

How ETS works

- [UK Defra General overview at the UK Department for Environment, Food and Rural Affairs](#)
- [Pew Center White Paper : overview of EU ETS](#)

Key reports, and assessments

- [Fraunhofer Institute November 2006 assessment of preliminary Phase 2 NAPs](#)
- [Ecofys evaluation of preliminary Phase 2 NAPs](#)
- [Ecofys evaluation of Phase 1 NAPs](#). ECOFYS, August 2004.
- [National Allocation Plans 2005-7: Do they deliver?](#) Executive summary of report by Climate Action Network.
- [WWF website "The environmental effectiveness and economic efficiency of the EU ETS: Structural aspects of the allocation"](#). by WWF and Öko-Institut, 09 Nov 2005.
- [Climate Action Network Europe " CO₂ emissions: EU member states abuse Emissions Trading System"](#) Press release, 15 May 2006
- [Carbon Trade Watch](#)

Retrieved from "http://en.wikipedia.org/wiki/European_Union_Emission_Trading_Scheme"

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The UK Emissions Trading Registry

The In Delivery Month European Union Allowance (EUA) Futures contract references only the UK Emissions Trading Registry for standard delivery. The proposed delivery rules require the seller to deliver to the buyer at the UK Emissions Trading Registry. The national emissions registry was established as part of the development of Kyoto Protocol compliance which requires that all member states have national registries. The descriptive information is provided on the website of the UK Department of Rural, Food, and Environmental Affairs (DEFRA) which operates the UK Emissions Trading Registry.

<http://www.defra.gov.uk/environment/climatechange/trading/eu/operators/registry.htm>

Emissions Trading Registry

Who can use the EU ETS Registry?

In the UK, the EU/UN Registry is operated by the Environment Agency (EA) meaning they carry out the role of Registry Administrator. The Registry Administrator is able to monitor and approve all accounts. Any individual can open an account on the UK Registry providing they are able to supply the necessary legal documentation and satisfy all the security checks. New account applications will incur an administrative charge payable to the Environment Agency.

What is a Registry?

Computerized registries are key components of the EU Emissions Trading Scheme (EU ETS) and wider international emissions trading under the UNFCCC's (United Nations Framework Convention on Climate Change) Kyoto Protocol. The EU ETS legislation Directive 2003/87/EC sets out that Member States must put in place a standardized, electronic National Registry. Similarly, Parties to the UNFCCC who have ratified the Kyoto Protocol must put in place a National Registry to facilitate wider international emissions trading from 2008.

A Registry allows account holders to hold, transfer, or acquire EU allowances and Kyoto units. They also enable regulators and nominated competent authorities to manage regulated industries (those with legal emissions reduction targets), and monitor national compliance and performance against international emissions reductions obligations.

An Emissions Trading Registry is a web-based application that records:

- CO₂ allowances and units that are allocated to and held in installation accounts;
- Annual verified emissions for installations;
- The movement of allowances to and from accounts; and
- Annual compliance status of installations.

The EU Commission and the UNFCCC (United Nations Framework Convention on Climate Change) secretariat determined the functional requirements of the Registry.

Key functions of the EU ETS Registry

- Account management - allows operators and Registry administrators to create, update, and close holding accounts as well as record emissions.
- Surrender and Retirement - allows regulated companies (surrender) and national competent authorities (retirement) to demonstrate compliance with national emissions reduction targets.
- Internal and External transfers - allows accounts holders within the same Registry and those in other national Registries to transfer units and allowances between their accounts.
- Cancellation and replacement, and carry over - of units and allowances in accordance with the emissions trading rules. This allows the Registry to comply with both the EU and UN regulations as EU units can be replaced with Kyoto units.
- Reconciliation - with the Community Independent Transaction Log and the UNFCCC Independent Transaction Log on a periodic basis to ensure Registry records are consistent.
- A range of administration functions.
- Generation of reports and compliance status tables.

EUA Market Activity

The International Emissions Trading Association (IETA) is considered to be the best source of information regarding international carbon market trading activity. According to the IETA, 1.3 billion EUAs were traded as part of the EU ETS in the first half of 2008. This total equals 1,300,000 NYMEX Equivalent contracts (or 216,667 per month) during this time period. The financial value of this market during H1 2008 was 30 billion Euros, The EU ETS accounted for 71% of the world carbon market reported by IETA. In H1 2007, IETA reported that 775 million tons traded in the EU ETS program which equaled 775,000 NYMEX Equivalent contracts (or 129,167 per month). EUA ETS activity increased 40% in H1 2008 compared to H1 2007. The IETA does not segment this information by EU ETS member nation to determine the activity off UK market participants. The National Allocation Plan information obtained from DEFRA, operator of the UK Registry, indicates that the UK has an annual Phase 2 CO₂ compliance cap of 246 MT, which is the 15% of total EU ETS cap of 1,624 MT. The UK has the largest single national cap in the EU ETS.

<http://www.defra.gov.uk/environment/climatechange/trading/eu/phase2/pdf/nap-phase2.pdf>

<http://www.ieta.org/ieta/www/pages/index.php>

Top Five Market Participants

The sector EUA participants below were identified by commercial sources.

OTC Brokers	Financial	Commercial
Evolutions Markets	Barclays Capital	EON
ICAP	Fortis Bank	Shell
Spectron	Morgan Stanley	EDF
Traditional Financial Services	JP Morgan	BP
GFI	RNK Capital	Endesa

Spot Month Position Limit

The spot month position limit of the NYMEX In Delivery Month European Union Allowance (EUA) Futures and Options contracts is 10,000 contracts, each. The spot limit is 11% of the monthly EU member state annual CO₂ Phase 2 compliance caps of the nine EU member nations that had registries linked to the CITL in Phase 1 of the EU ETS. The nine registries have been linked to the CITL since 2005. The CITL provides transfer functionality among the EU ETS emission registries. The following EU members are included in this total: Austria, Denmark, Finland, France, Germany, Netherlands, Spain, Sweden, and the United Kingdom. This CO₂ annual compliance total of these EU states is 1,117,000 NYMEX equivalent contracts.

CERTIFIED EMISSION REDUCTION (CER) UNITS

The In Delivery Month Certified Emission Reduction (CER) Futures contract relates to CER credits issued by the Clean Development Mechanism (CDM) established under the Kyoto Protocol (web link below) of the United Nations Framework Convention on Climate Change (UNFCCC). The UNFCCC is an international treaty that established a goal of maintaining greenhouse gases at "safe" levels. The CDM is a program that enables industrialized countries to purchase or claim CER units generated by clean energy and sustainable development projects in developing countries that can be used for satisfying compliance requirements related to reduced carbon dioxide emissions. The CDM is governed by the CDM Executive Board which validates projects that generate CERs. As such CDM projects provide the deliverable supply for the CER market. There are many CDM projects that are underway in various stages of development which will add to the deliverable supply for CERs between now and 2012. The CDM Executive Board also operates a CDM Registry which maintains CDM accounts that hold issued CERs. CER units are frequently referred to as the global carbon credit currency due to the broad applicability of CERs to the nations that are Kyoto signatories. The CERs deliverable against the NYMEX contract is fungible, equal in value, and all expire at the close of the Phase 2 (Kyoto Protocol) program December 31, 2012.

<http://unfccc.int/resource/docs/convkp/kpeng.html>

The Linking Directive

The Linking Directive (LD) was issued by the European Community and amends the Emissions Trading Directive that established the European Union Emissions Trading Scheme (EU ETS). The purpose of the LD was to provide for the use of CER units from CDM projects for greenhouse gas compliance under the EU ETS. The overall importance of the LD is its function as a bridge between Kyoto Protocol and the operation of the EU ETS which is the most liquid carbon reduction trading program in the world.

CER Market Activity

The IETA was formed in 1999 and includes 150 business organizations involved in emissions trading. The CER annual volume information is provided for primary and secondary CERs. A primary CER is the first transaction of a specific CDM project that is generating CERs. A secondary CER is obtained from a third party following the primary purchase from a project operator. Commercial participants have stated a view that the bulk of primary CERs will migrate to the secondary market following the first sale. In the first half of 2008 (H108), total primary CERs represented 221 million tons (MT). This total represents 221,000 NYMEX equivalent contracts (or 36,833 per month). In H108, secondary CERs accounted for 281 MT of which is 281,000 NYMEX equivalent contracts (46,833 per month). The increased volume accounted for in the secondary CER market supports the view of the commercial participants stated above regarding the shift from primary to secondary CER market volume.

Top Five Market Participants

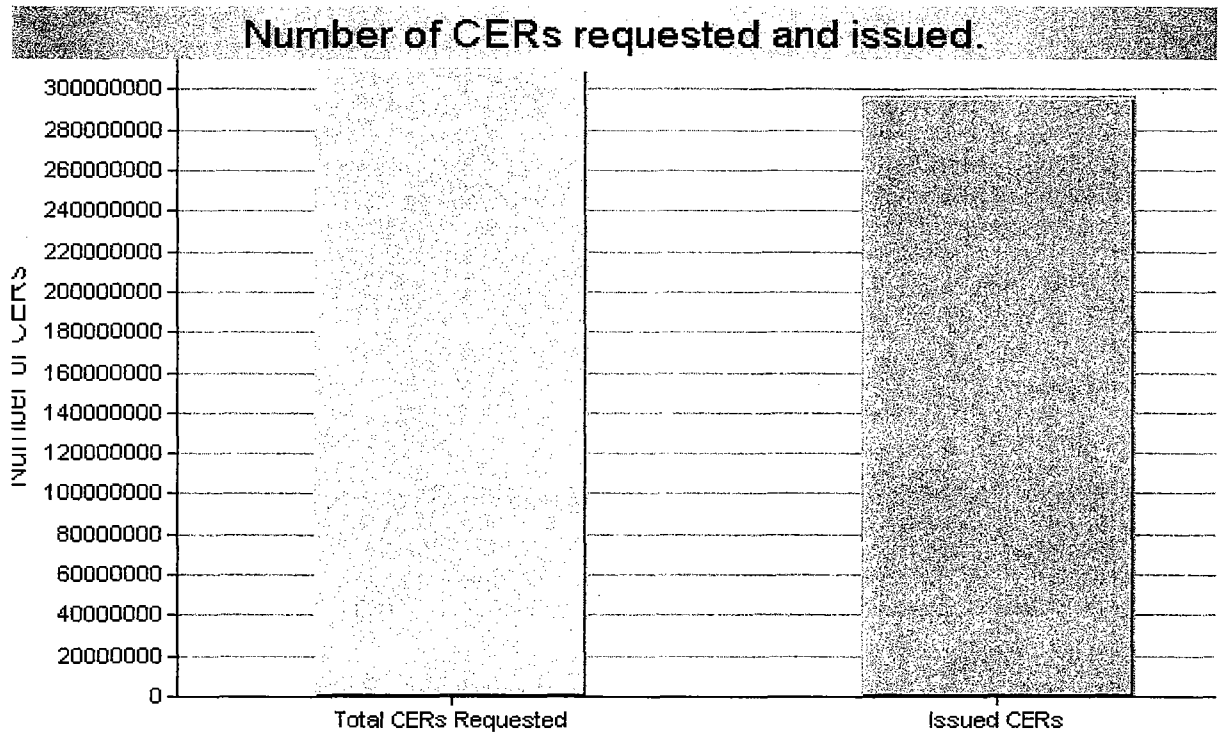
The sector CER participants below were identified by commercial sources.

OTC Brokers	Financial	Commercial
Evolutions Markets	Vitol	EON
ICAP	Fortis Bank	Shell
Spectron	Morgan Stanley	EDF
Traditional Financial Services	JP Morgan	BP
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Available Supply

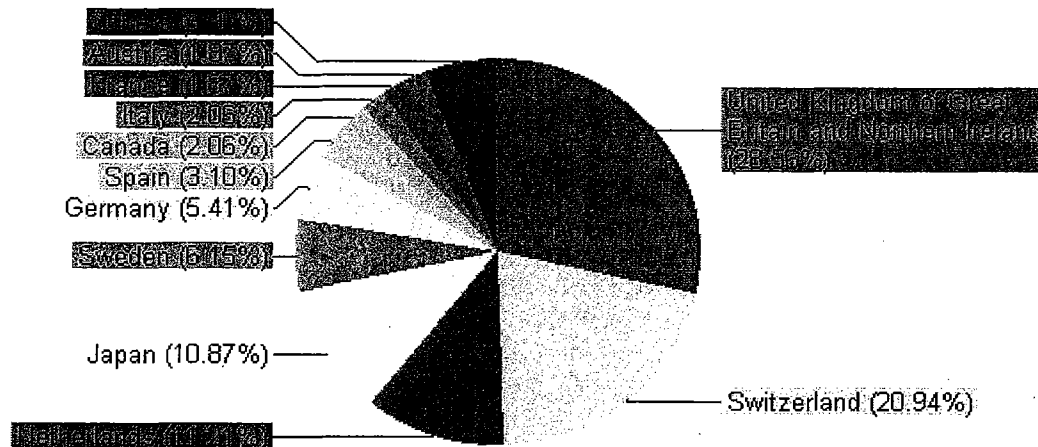
The supply information included in this section is available from the United Nations Framework Convention on Climate Change (UNFCCC). As previously stated, CERs are issued by the Clean Development Mechanism of the United Nations. As of June 12, 2009, 309,990,542 CERs have been requested with 296,496,153 issued by the CDM Executive Board. The total CERs issued equal 296,496 NYMEX equivalent contracts. The NYMEX CER contract includes both the UK Emissions Trading

Registry and the Dutch CO₂ Emissions Trading Registry as buyer's choice delivery locations. These two locations account for 40% of registered CDM projects as indicated in the chart below.



<http://cdm.unfccc.int> (c) 15.06.2009 16:58

Registered projects by AI and NAI investor parties



<http://cdm.unfccc.int> (c) 15.06.2009 14:53

Spot Month Position Limit

The spot month position limit of the NYMEX In Delivery Month Certified Emission Reduction (CER) Futures and Options contracts is 4,000 contracts, each. As previously stated, 296,496,153 CERs have been issued by the Clean Development Mechanism. This represents 296,496 NYMEX equivalent contracts. The spot month position limit is 16% of this NYMEX equivalent contract divided by 12 months.

The NYMEX Certified Emission Reduction (CER) Futures Contract Delivery Mechanism

The NYMEX CER Futures Contract Delivery Mechanism allows the buyer to select either the UK Emissions Trading Registry for standard delivery or the Dutch CO₂ Emissions Trading Registry. The national emissions registries were established as part of the development of Kyoto Protocol compliance. The descriptive information below is provided on the website of the UK Department of Rural, Food, and Environmental Affairs (DEFRA) which operates the UK Emissions Trading Registry. The web link to the Dutch CO₂ Emissions Trading Registry is also included below.

<http://www.defra.gov.uk/environment/climatechange/trading/eu/phase2/pdf/nap-phase2.pdf>

<http://www.emissieautoriteit.nl/english/co2-emissions-trading-registry>

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