CME Group
A CME/Chicago Board of Trade/NYMEX Company

September 3, 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 # 09-187. Notification Regarding the Listing of In Delivery Month European Union Allowance (EUA) and In Delivery Month Certified Emission Reduction (CER) Serial 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 (EUA) Serial Option contract ("IDM EUA Serial Option") and In Delivery Month Certified Emission Reduction (CER) Serial Option contract ("IDM CER Serial Option") on CME ClearPort and the NYMEX trading floor. The contracts, codes and rule numbers are as follows:

Contract	Code	Chapter
In Delivery Month European Union Allowance (EUA) Serial Option	9G	909
In Delivery Month Certified Emission Reduction (CER) Serial Option	9E	910

The first contract month listed for trading these products will be the March 2010 contract month. These contracts will be listed on a consecutive quarterly basis through the September 2012 contract month except for the December 2010 and December 2011 contract months, which will not be listed for trading.

The IDM EUA Serial Option and IDM CER Serial Option will be listed for clearing and trading on CME ClearPort beginning on Sunday, September 20, 2009 for trade date Monday, September 21, 2009. Submission for clearing on CME ClearPort is available from 6:00 p.m. Sunday until 5:15 p.m. Friday (New York prevailing time). 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.

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 September 21, 2009.

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: Contract Terms and Conditions
Supplemental Market Information

Chapter 909
In Delivery Month European Union Allowance (EUA) Serial Option

909.01 EXPIRATION

An In Delivery Month European Union Allowance (EUA) Serial Option contract listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the closest March, June, September, or December contract month of the In Delivery Month European Union Allowance (EUA) Futures contract.

909.02 TRADING UNIT

An In Delivery Month European Union Allowance (EUA) Serial Option contract is a European-style option. An In Delivery Month European Union Allowance (EUA) Serial put Option contract traded on the Exchange represents an option to assume a short position in the December contract month of the underlying In Delivery Month European Union Allowance (EUA) Futures contract of the relevant year traded on the Exchange. An In Delivery Month European Union Allowance (EUA) Serial call Option contract traded on the Exchange represents an option to assume a long position in the December contract month of the underlying In Delivery Month European Union Allowance (EUA) Futures contract of the relevant year traded on the Exchange.

909.03 TRADING MONTHS

Trading in an In Delivery Month European Union Allowance (EUA) Serial 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.

909.04 HOURS OF TRADING

The In Delivery Month European Union Allowance (EUA) Serial 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 European Union Allowance (EUA) Serial Option contract is available for submission 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 halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

909.05 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 European Union Allowance (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 909.05(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 909.05(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 European Union Allowance (EUA) Serial 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 European Union Allowance (EUA) Serial Option contract in which no new strike prices may be introduced.

909.06 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.

909.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in In Delivery Month European Union Allowance (EUA) Serial Option contracts shall not be subject to price fluctuation limitations.

Chapter 910
In Delivery Month Certified Emission Reduction (CER) Serial Option

910.01 EXPIRATION

An In Delivery Month Certified Emission Reduction (CER) Serial Option contract listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the closest March, June, September, or December contract month of the In Delivery Month Certified Emission Reduction (CER) Futures contract.

910.02 TRADING UNIT

An In Delivery Month Certified Emission Reduction (CER) Serial Option is a European-style option. An In Delivery Month Certified Emission Reduction (CER) Serial put Option contract traded on the Exchange represents an option to assume a short position in the December contract month of the underlying In Delivery Month Certified Emission Reduction (CER) Futures contract of the relevant year traded on the Exchange. An In Delivery Month Certified Emission Reduction (CER) Serial call Option contract traded on the Exchange represents an option to assume a long position in the December contract month of the underlying In Delivery Month Certified Emission Reduction (CER) Futures contract of the relevant year traded on the Exchange.

910.03 TRADING MONTHS

Trading in an In Delivery Month Certified Emission Reduction (CER) Serial 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.

910.04 HOURS OF TRADING

The In Delivery Month Certified Emission Reduction (CER) Serial 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 Certified Emission Reduction (CER) Serial Option contract is available for submission 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 halt in trading each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

910.05 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 Certified Emission Reduction (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 910.05(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 910.05(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 Certified Emission Reduction (CER) Serial 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 Certified Emission Reduction (CER) Serial Option contract in which no new strike prices may be introduced.

910.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in Euros (€) and Euro cents (¢) per 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.

910.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in In Delivery Month Certified Emission Reduction (CER) Serial Option contracts shall not be subject to price fluctuation limitations.

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 CO_2 equivalent traded in the first half of 2007, according to the World Bank. The NYMEX 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 CO_2 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 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 close to half of the EU's emissions of CO_2 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 CO_2 emissions, and they are obliged every year to surrender an amount of emission allowances to the government that is equivalent to their CO_2 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 (i.e., 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 anticipate 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 on 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 United Nations Framework Convention on Climate Change's (UNFCCC) Clean Development Mechanism Executive Board or the Joint Implementation project's host country, respectively, is accepted by the EU as equivalent.

Thus one EU Allowance Unit of one ton of CO_2, or "EUA", was designed to be identical ("fungible") with the equivalent "Assigned Amount Unit" (AAU) of CO_2 defined under Kyoto. Hence, because of the EU's decision to accept Kyoto-CERs as equivalent to EU-EAUs, it will be possible to trade EAUs and UNFCCC-validated CERs on a one-to-one basis within the same system.

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 ensure that real trading emerges (and that CO_2 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.

In the first phase (2005-2007), the EU ETS includes some 12,000 installations, representing approximately 40% of EU CO_2 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 January 1, 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 CO_2 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 CO_2, 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 per 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	**1,784.38**	**1,646.51**	**1,790.84**	**1,623.85**

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 from 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 CO_2 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 CO_2 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. Each Member State was required to prepare and publish a NAP for the 2008-2012 trading period by 30 June 2006.

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.

References

1. The European Union Emissions Trading Scheme Review of Environmental Economics and Policy 2007
2. Questions and Answers on the Commission's proposal to revise the EU Emissions Trading System, MEMO/08/35, Brussels, 23 January 2008
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
6. Öko-Institut report: "The environmental effectiveness and economic efficiency of the EU ETS WWF November 2005

7. NAPs 2005-7: Do they deliver? Climate Action Network Europe 2006
8. Q&A: Europe's carbon trading scheme BBC November 2006
9. Carbon 2006 market survey Point Carbon 28 February 2006
10. Analyse van de CO2-markt Emissierechten November 2007(in Dutch)
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 " CO_2 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"
Categories: Climate change policies | Energy policies and initiatives of the European Union | Carbon emissions trading schemes in the European Union | Carbon Finance

The UK Emissions Trading Registry

The IDM 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:
- CO_2 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
- Annual compliance status of installations.

The EU Commission and the UNFCCC 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. The most recent report, Greenhouse Gas Market 2007, is the source of the volume information provided in the table below. 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 contract equivalents (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 equals 775,000 NYMEX contract equivalents (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 CO_2 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

	2005 MT	NYMEX Eq (1,000 MT)	2006 MT	NYMEX Eq (1,000 MT)	First 6 Months 2007 MT	NYMEX Eq (1,000 MT)	2007 Mo Vol
EU ETS	362,000,000	362,000	1,017,000,000	1,017,000	775,000,000	775,000	129,167
OTC+Exg	262,000,000	262,000	817,000,000	817,000	675,000,000	675,000	112,500
Bilateral	100,000,000	100,000	200,000,000	200,000	100,000,000	100,000	16,667
CER	401,000,000	401,000	563,000,000	563,000	372,000,000	372,000	62,000
Primary	397,000,000	397,000	523,000,000	523,000	292,000,000	292,000	48,667
Secondary	4,000,000	4,000	40,000,000	40,000	80,000,000	80,000	13,333
MT = Metric Tonnes							

Source: International Emissions Trading Association, Greenhouse Gas Market Report 2008
http://www.ieta.org/ieta/www/pages/getfile.php?docID=3118

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 In Delivery Month EUA Serial Option contract is 10,000 contracts. The spot limit is 11% of the monthly EU member state annual CO_2 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 CO_2 annual compliance total of these EU states is 1,017,000 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 mechanism 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 chart below includes annual trading volume from the International Emissions Trading Association (IETA). 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 anticipate that the bulk of primary CERs will migrate to the secondary market following the first sale. In the first half of 2007 (H107) total primary CERs represented 292 million tons (MT). This total represents 292,000 NYMEX contract equivalents (or 62,000 per month). In H107, secondary CERs accounted for 80 MT of which is 80,000 NYMEX contract equivalents (13,333 per month).

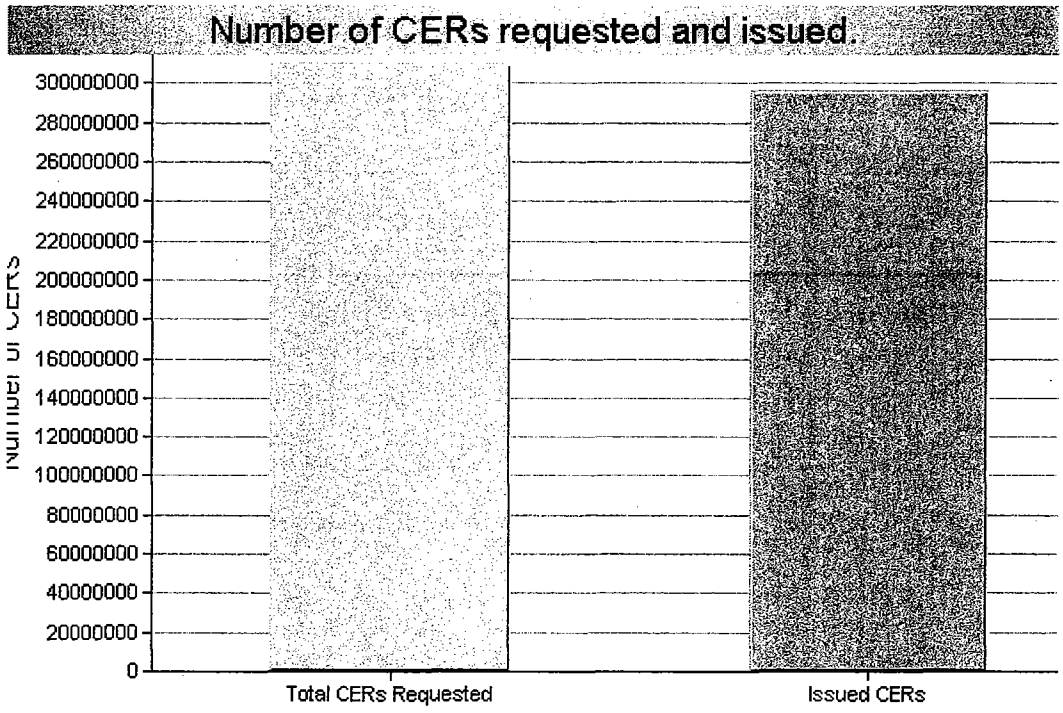
	2005 MT	NYMEX Eq (1,000 MT)	2006 MT	NYMEX Eq (1,000 MT)	First 6 Months 2007 MT	NYMEX Eq (1,000 MT)	2007 Mo Vol
EU ETS	362,000,000	362,000	1,017,000,000	1,017,000	775,000,000	775,000	129,167
OTC &Exg	262,000,000	262,000	817,000,000	817,000	675,000,000	675,000	112,500
Bilateral	100,000,000	100,000	200,000,000	200,000	100,000,000	100,000	16,667
CER	401,000,000	401,000	563,000,000	563,000	372,000,000	372,000	62,000
Primary	397,000,000	397,000	523,000,000	523,000	292,000,000	292,000	48,667
Secondary	4,000,000	4,000	40,000,000	40,000	80,000,000	80,000	13,333
MT = Metric Tonnes							
Source: International Emissions Trading Association, Greenhouse Gas Market Report 2007							

Top Five Market Participants
The sector CER participants below were identified by commercial sources.

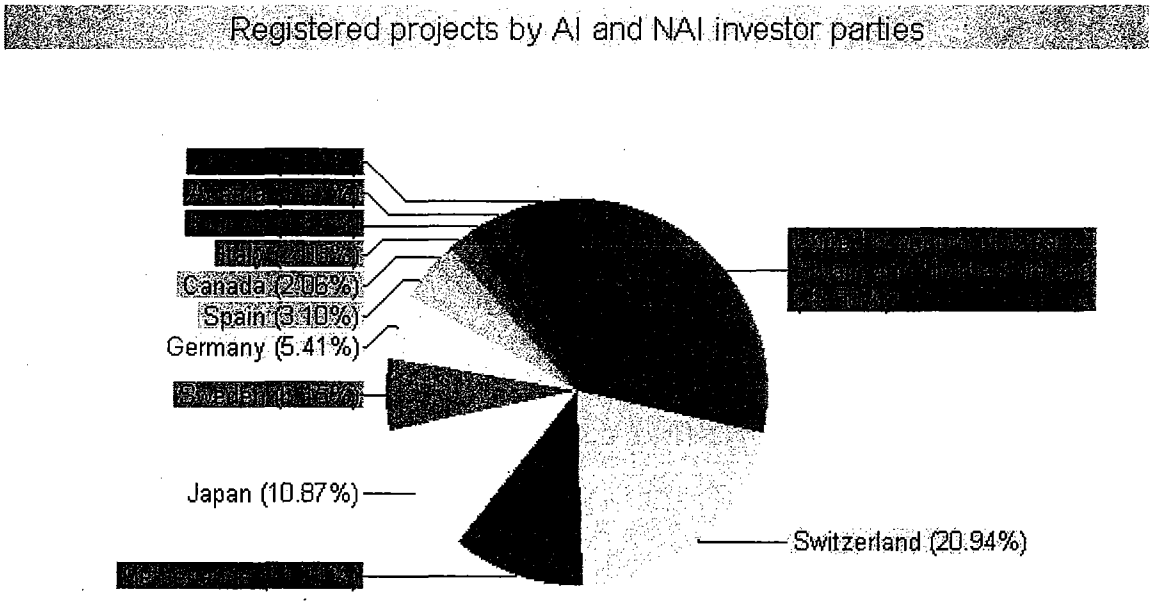
OTC Brokers	Financial	Commercial
Evolutions Markets	Vitol	EON
ICAP	Fortis Bank	Shell
Spectron	Morgan Stanley	EDF
Traditional Financial Services	JP Morgan	BP
GFI	RNK Capital	Endesa

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 issued CERs equal 296,496 NYMEX contract equivalents. The NYMEX CER contract includes both the UK Emissions Trading Registry and the Dutch CO_2 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



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

Spot Month Position Limit

The spot month position limit of the In Delivery Month CER Serial Option contract is 4,000 contracts. 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 CO_2 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 CO Emissions Trading Registry is also included.

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

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

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 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:

- CO_2 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
- 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.