




EEX-Eurex Cooperation on Emissions Trading

Certified Emission Reductions Futures (FCER)

March 2008

Contents

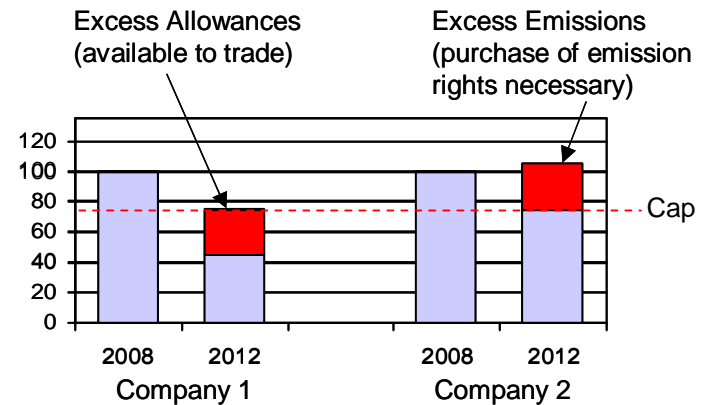
	I.	Overview CER Market
	II.	EEX CER-Futures
	III.	Delivery Mechanism
	IV.	Trading Details

Carbon Offset Instruments

Allowance-based transactions:

- n The buyer purchases emission allowances credited and allocated by regulators under cap-and-trade regimes, such as the EU ETS.
- n These cap-and-trade regimes establish a flexible structure to achieve the desired environmental performance targets.
- n Excess Allowances (EUA) of one company can be sold to other companies that do not meet their reduction targets. Emission reductions take place where economically most efficient.

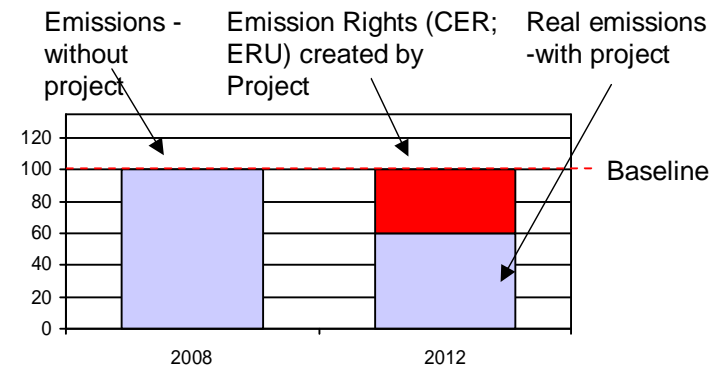
Cap and Trade (EUA)



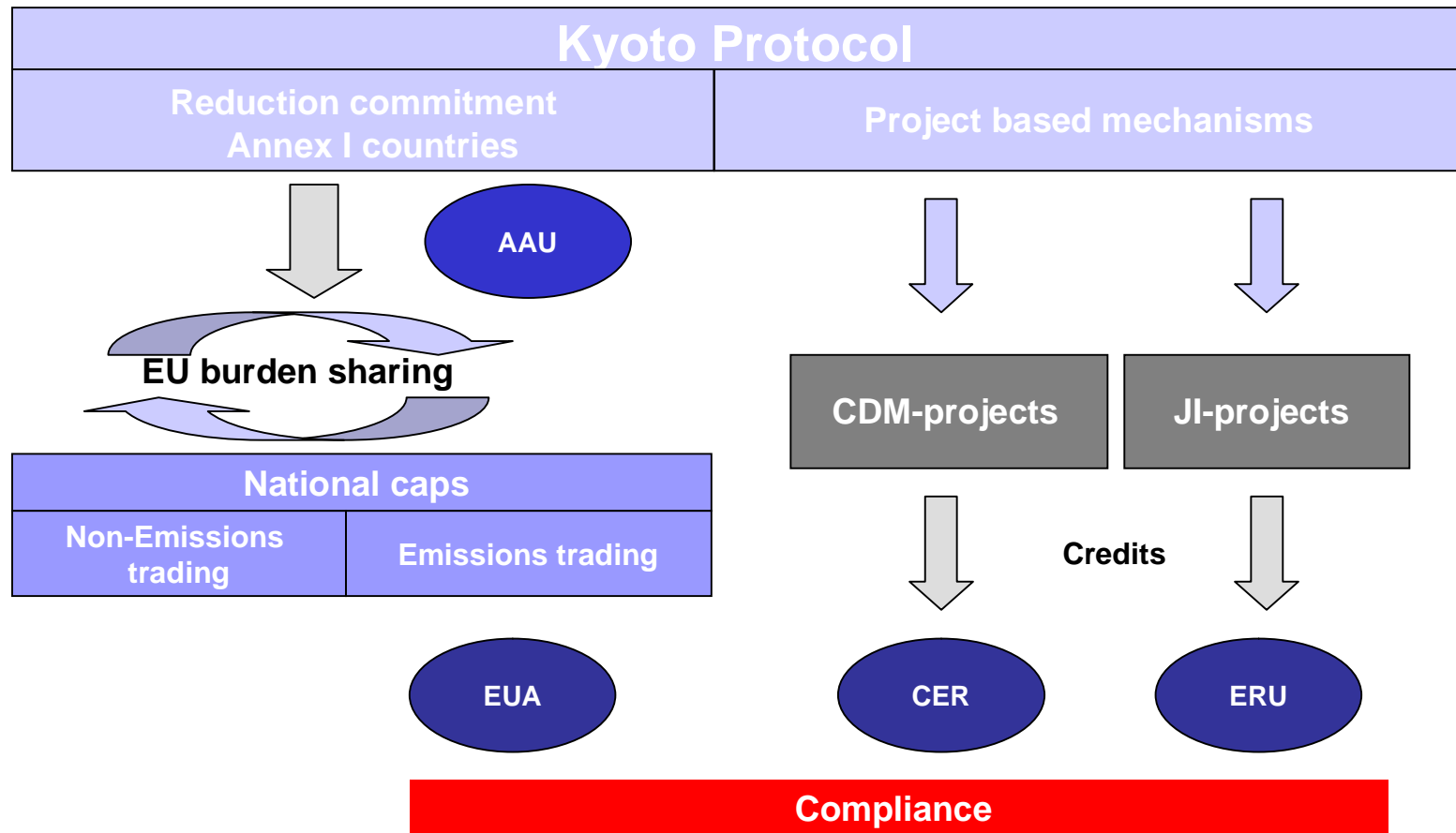
Project-based transactions:

- n The buyer purchases emission credits from a project that can verifiably demonstrate a reduction in greenhouse gas emissions.
- n If the investment takes place in a developing country, it is certified by the Clean Development Mechanism (CDM) of Kyoto and generates Certified Emission Reductions (CERs).
- n Joint Implementation (JI) projects on the other hand, take place in an industrialized country and generate Emission Reduction Units (ERUs).

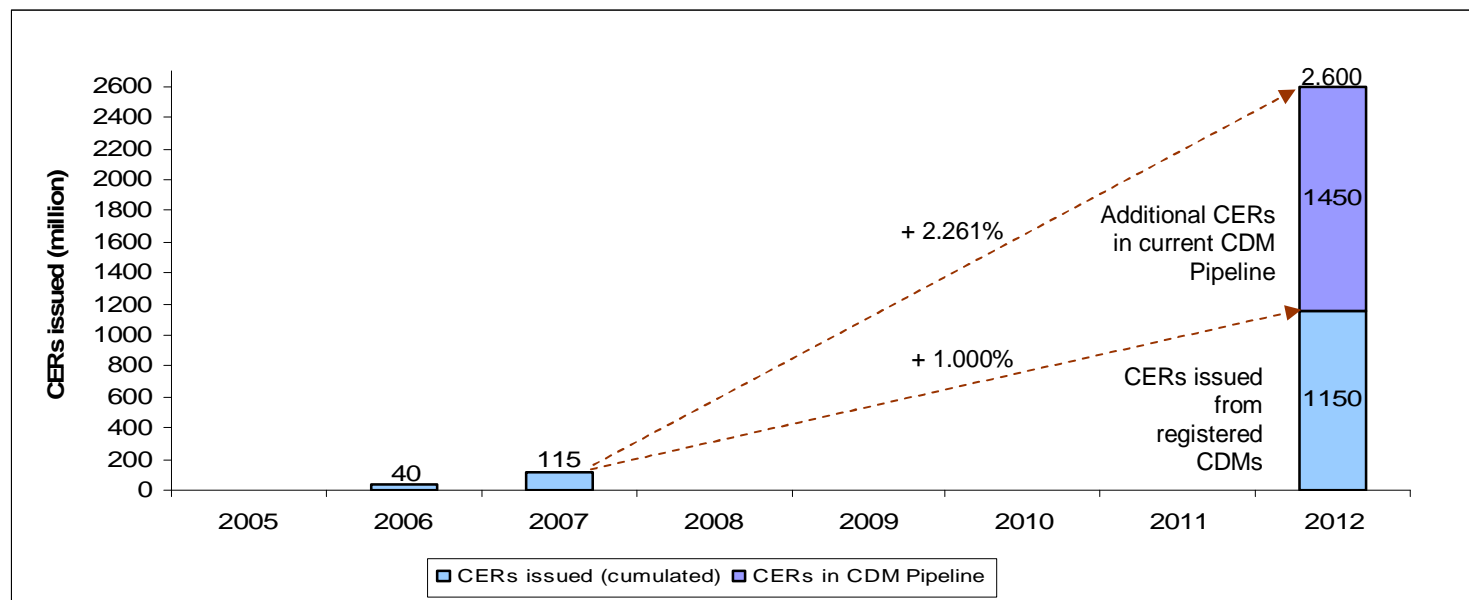
Baseline and Credit (JI- or CDM-Projects)



Emissions Trading - Compliance



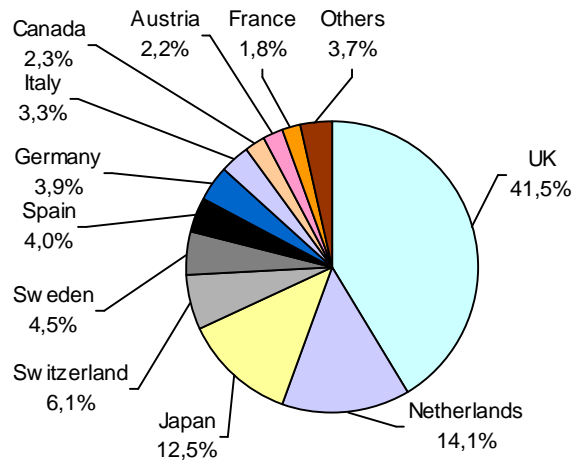
Certified Emission Reductions Market Growth



- n The CER market has shown a significant growth since 2005 and continues to grow at considerable rates.
- n Based on the current CDM Project Pipeline, the United Nations Framework Convention on Climate Change (UNFCCC) predicts the total number of CERs to reach up to 2.6 billion by 2012.
- n Current CDM Projects will lead to around 190 million additional CERs p.a. and are going to result in 1.15 billion CERs in 2012.

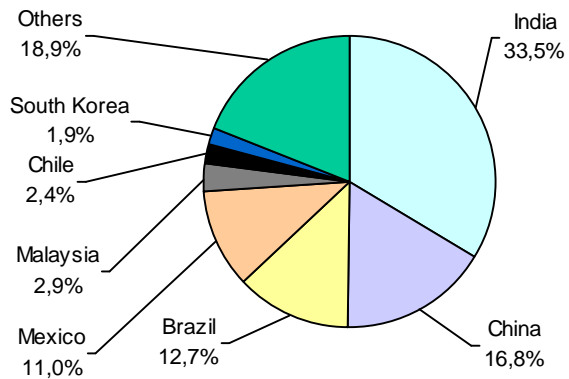
Investors in CDM

Registered projects by investor parties



Source: UNFCCC 2008 ([http://cdm.unfccc.int\(c\)25.01.200813:18](http://cdm.unfccc.int(c)25.01.200813:18))

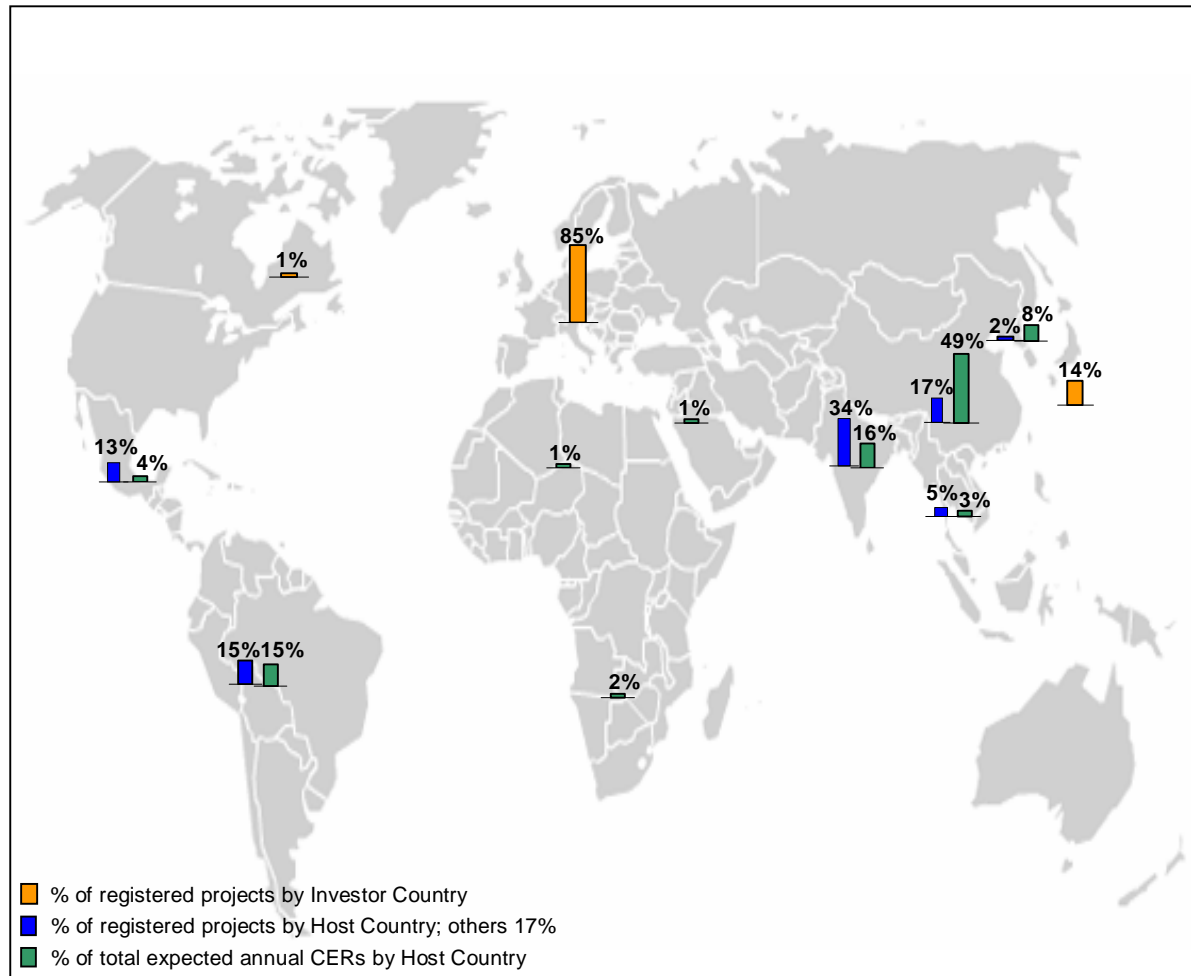
Registered CDM projects by host party (Total 907)



Source: UNFCCC 2008 ([http://cdm.unfccc.int\(c\)25.01.200813:18](http://cdm.unfccc.int(c)25.01.200813:18))

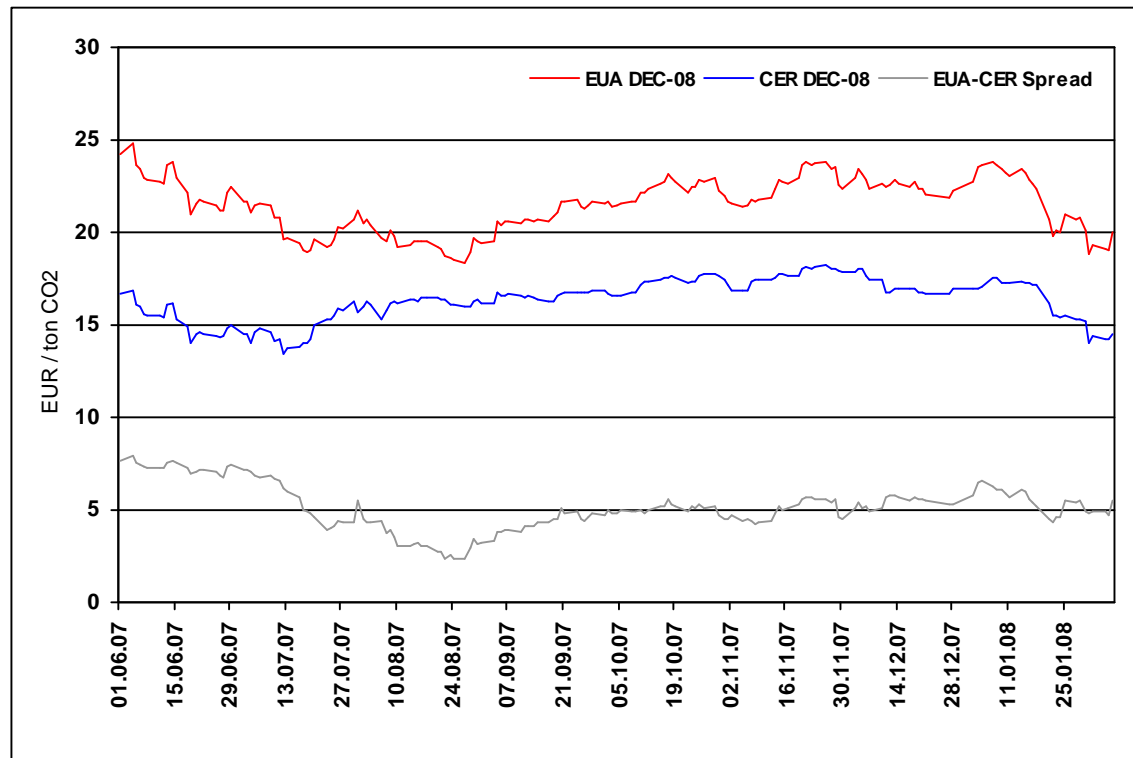
- n Over 90% of project-based primary transactions in 2005 and 2006 were in Clean Development Mechanisms (CDMs) located in developing countries.
- n While Japan was the leading investor in CDM projects in 2005 with 46% of purchases, the UK became the market leader in 2007 with 41.5% up from 15% in 2005.
- n The Netherlands also sharply increased its share to 14.1% in 2007. Overall Europe made up 85% of CDM and JI investments during 2007, with Japan dropped to 12.5%.
- n In January 2008, a total of 907 CDM projects was registered at the UNFCCC, another 1,893 CDM projects are currently in the pipeline.
- n More than 50% of the 907 CDM projects registered, were located in India and China; India accounting for the largest share with 33.5%.
- n South American countries are currently emerging as a host countries for CDM. Brazil currently accounts for 12.7% of the worldwide registered CDM activity.

Location of CDM projects



- With a total share of 49% in 2007, Chinese CDM Projects are currently the major supplier for CERs.
- With a share of 34%, India is the country with the highest number of CDM projects. However, despite a large number of CDM projects, it only contributes about 16% of CERs to the market.
- While the biggest Chinese assets have been sold or are close to finalisation, India has a strong project pipeline implying that its market share may rise in the future. On average, Chinese projects tend to be much larger than projects in other countries.
- Asia overall makes up 76% of annual CERs expected from current CDM projects. Some 15% of investments were located in Latin America and 4% were each in Mexico and in Africa.
- With a share of 85%, Europe is the main Investor in CDM projects

Price Development of EUA and CER Futures



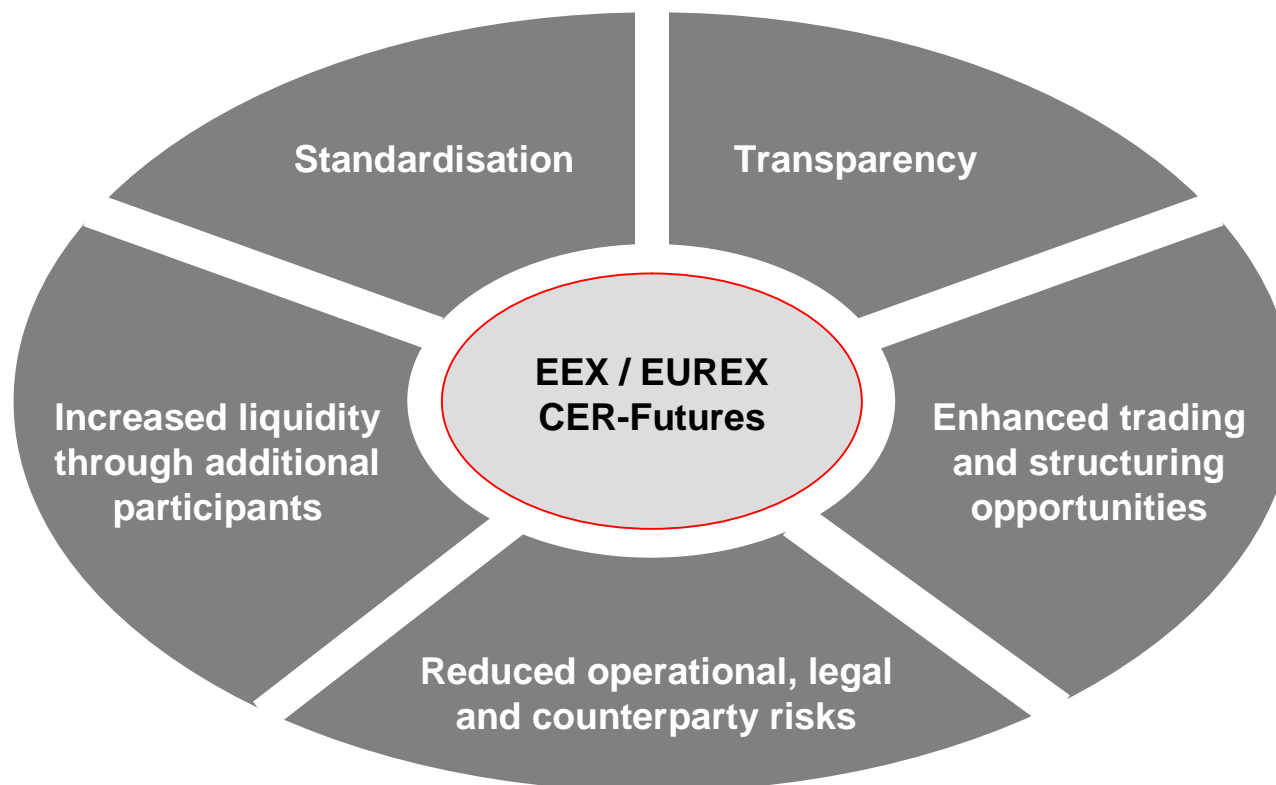
- n Historically, there has been a strong correlation between EUA and CER pricing. CERs traded at around 75% of EUA prices.
- n The secondary CER market in Europe continues to see prices follow the ups and downs of EUAs but with less pronounced movements.
- n Issued CERs for Dec 08 delivery closed at €14.50 on 6 February; 73% of the corresponding EUA contract, or a discount of €5.50.
- n In case prices for CERs continue to stay lower than prices for EUAs during the 2nd EU ETS trading period, installations would have a strong motive to sell EUAs and to buy CERs, which can also be used for compliance. (EUA-CER SWAP).
- n As a result, the use of CERs could approach the overall compliance limit even with the quantity each installation can use being limited.

Contents

I.	Overview CER Market
II.	EEX CER-Futures
III.	Delivery Mechanism
IV.	Trading Details

Exchange listed CER-Futures

CER-Futures traded on an exchange provide a promising opportunity to participate in the carbon market



EEX CER Futures – Product Specification

ISIN-Code/ WKN/ shortage/ name	DE000A0SYUY8 / A0SYUY / FCER / CER-Future
Underlying	Delivery or purchase of Certified Emission Reductions (CER), excluding credits generated from nuclear power projects, Land use, Land use change and Forestry projects (LULUCF) and hydro power projects > 20 MW.
Maturities	Annual futures for the following five years
Contract Volume	1,000 CER (one lot)
Minimum Price Change	€0.01 per CER or €10 per contract
Quotation	In EUR/ CER, with two decimal places
Last Trading Day	The last EEX exchange day in November of the corresponding year
Fulfilment	Payment versus delivery
Delivery Day	First settlement day in December, usually December 1 st

Definition of Underlying

General Definition of CERs

n CERs are permits to emit one tonne of carbon dioxide or one tonne of carbon dioxide equivalent within the meaning of article 12 of the Kyoto Protocol and of the Kyoto Protocol decisions made by the UNFCCC, excluding allowances generated from:

- nuclear power projects
- Land-use, land-use change and forestry (LULUCF)
- hydro power projects with a generating capacity exceeding 20 MW. →

Inclusion in delivery basket still being discussed with DNAs of EU

n All related projects must possess a letter of approval (LoA)* of the project host country as well as a LoA** from a DNA of a EU member state within the project documentation submitted and published by the UN


Objective

n Create standard CER definition which reflects the compliance rules of EU member states to the greatest degree possible

* LoA of the project host country for CER generating projects which have been authorised by the relevant national authority in written form according to article 20 a) of the annex of the UNFCCC decision Nr. 16/CP.7

** LoA of a EU member state for CER generating projects which have been authorised by the relevant national authority of a EU member state in written form according to article 20 a) of the annex of the UNFCCC decision Nr. 16/CP.7

Contents

I.	Overview CER Market
II.	EEX CER-Futures
 III.	Delivery Mechanism
IV.	Trading Details

Delivery Mechanism

Physical settlement of expired futures positions is carried out by European Commodity Clearing AG (ECC) as central counterparty for all deliveries.

As a specialized clearing house experienced in the physical delivery of commodities, ECC offers a fully integrated delivery management for transactions in emission rights. Furthermore, ECC offers the fastest physical delivery process for emissions in today's market environment and contributes to the reduction of settlement risks in the delivery chain of trading participants.

Register Account	ECC AG keeps an account in trust for all trading participants at a named dedicated national register which has the effect that the respective trading participant owns a proportionate part of the total stock of CERs recorded in this account.
Settlement	<p>Fulfilment is carried out by means of transferring CERs within the internal inventory accounts of ECC AG and of the changes in the proportionate part of the total stock of CERs in the account of the dedicated registry kept in trust by ECC AG.</p> <p>Upon the payment of the purchase price, the buyer of a CER Futures Contract purchases on the delivery day the corresponding proportionate part of the total stock of CERs which are booked in the account of ECC AG at the dedicated registry.</p> <p>The seller of a CER Futures Contract transfers its corresponding proportionate part of the total stock, which is booked in the account of ECC AG at the dedicated registry.</p>
Delivery	<p>Every seller is entitled to deliver the respective amount of CERs to the central account of ECC AG at the dedicated registry before the delivery date of a CER contract.</p> <p>Every buyer (or holder of a part of the total stock of CERs in the account of ECC AG at the dedicated registry) is entitled to demand the transfer to an account to be specified by the trading participant at any eligible national register of ECC on the following settlement day after said request at any time.</p>

Force Majeure Provisions

- n The transfer of CERs into the national registries of the EU depends on the connection between the UNFCCC International Transaction log (ITL) and the EU Community Independent Transaction Log (CITL).
- n The link between ITL and CITL is a prerequisite for the physical settlement of transactions in CER Futures and the transfer of CERs into the registry accounts of market participants.



Even if it is very unlikely, it can currently not be assured that the ITL-CITL-Link is established until first delivery in December 2008.

Due to the uncertainty that ITL and CITL might not have been connected by the time of the first delivery on Dec 1 st 2008, ECAG and ECC clearing conditions include the following provisions:	
Roll-over on delivery date:	At the end of the trading day the long (short) position in CER Futures with maturity in Dec 2008 will be transferred to a long (short) position with (any) maturity in 2009 at the settlement price of that day.
Position after roll-over:	The new contract remains tradable, will be settled daily mark-to-market and can be closed out each exchange trading day until delivery.
Delivery:	Actual delivery takes place in 2009 applying the regular delivery mechanism.

Contents

I.	Overview CER Market
II.	EEX CER-Futures
III.	Delivery Mechanism
 IV.	Trading Details

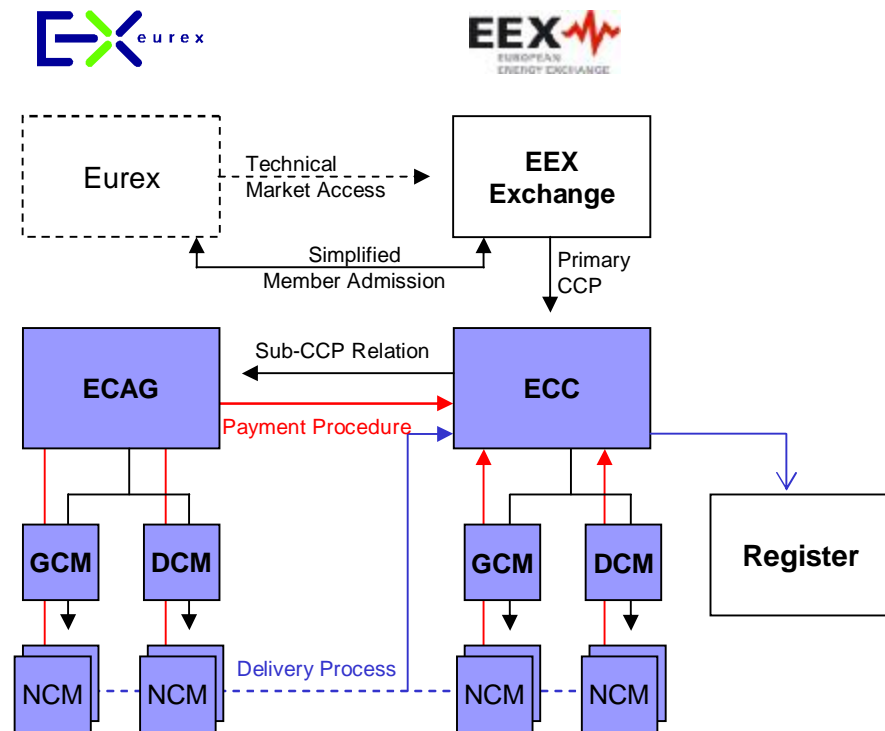
The cooperation at a glance ...

- § Eurex and EEX have entered into a product cooperation for emissions trading and clearing.
- § The shared starting point is the Eurex system architecture already deployed by both partners for their core markets.
- § The cooperation creates a “best practice” venue in bringing together EEX’ European energy and Eurex’ global financial market communities.
- § The cooperation’s goal is to develop into the leading international marketplace for emissions.

- As of December 5, 2007, the cooperation delivers
- § an unmatched international distribution network
 - § for trading and clearing emissions in a regulated environment
 - § on a well established high performance financial market architecture.

Joint Market Model of Product Cooperation

- n Emissions trading liquidity concentrated for spot and derivatives products in a single order book held by EEX.
- n Both trading facilities use the same Eurex technical platform.
- n Seamless access for Eurex members to the trading facility of EEX via their existing technical infrastructure.
- n Simplified EEX admission process for Eurex members wanting to trade emission products.
- n ECC - the European Commodity Clearing AG will remain the primary CCP and perform the physical delivery function.
- n Eurex Clearing AG acts as sub-CCP allowing all Eurex members to clear and settle trades over existing clearing relationships.
- n Operation of both CCP on the same technical platform guarantees transparent and effective risk monitoring.



Trading and clearing EEX CER-Futures

Trading Hours	Exchange Trading: 8:30 – 17:00 CET OTC Registration: 8:30 – 18:00 CET
Settlement Prices	Established procedures as known from EEX and Eurex: <ul style="list-style-type: none"> • Last exchange price if between best bid and offer for at least 5 contracts at the end of trading, or • Chief trader procedure.
Daily Settlement	Settlement of Variation Margin Mark-to-Market between the CCP(s) and the Clearing Members
Clearing	ECC AG and Eurex Clearing AG act as central counterparties (CCP). ECC is primary CCP for all deliveries.
Margin Types	Additional (Initial) Margin for outright positions. Spread margin for spread positions.
Cross Margining	Offsetting of margin requirements between EUA Futures, Options on EUA Futures and CER Futures.
VAT	First ECC settlement day in December. Should this not be a business day of the ECC, then delivery shall occur on the first ECC business day after the final trading day.
Reporting	First ECC settlement day in December. Should this not be a business day of the ECC, then delivery shall occur on the first ECC business day after the final trading day.

Fee & Pricing Scheme for CO2 Derivatives

Fee Reduction

50 percent trading and OTC trade entry fee reduction for EUA Futures until the end of year 2008

Fee Holiday

No trading and OTC trade entry fees for CER Futures until the end of year 2008

Fee Rebate

Full refund of trading fees for Market Makers when performance criteria for respective products are met

No access fees

No additional technical access fees for Eurex and EEX members

No annual fees

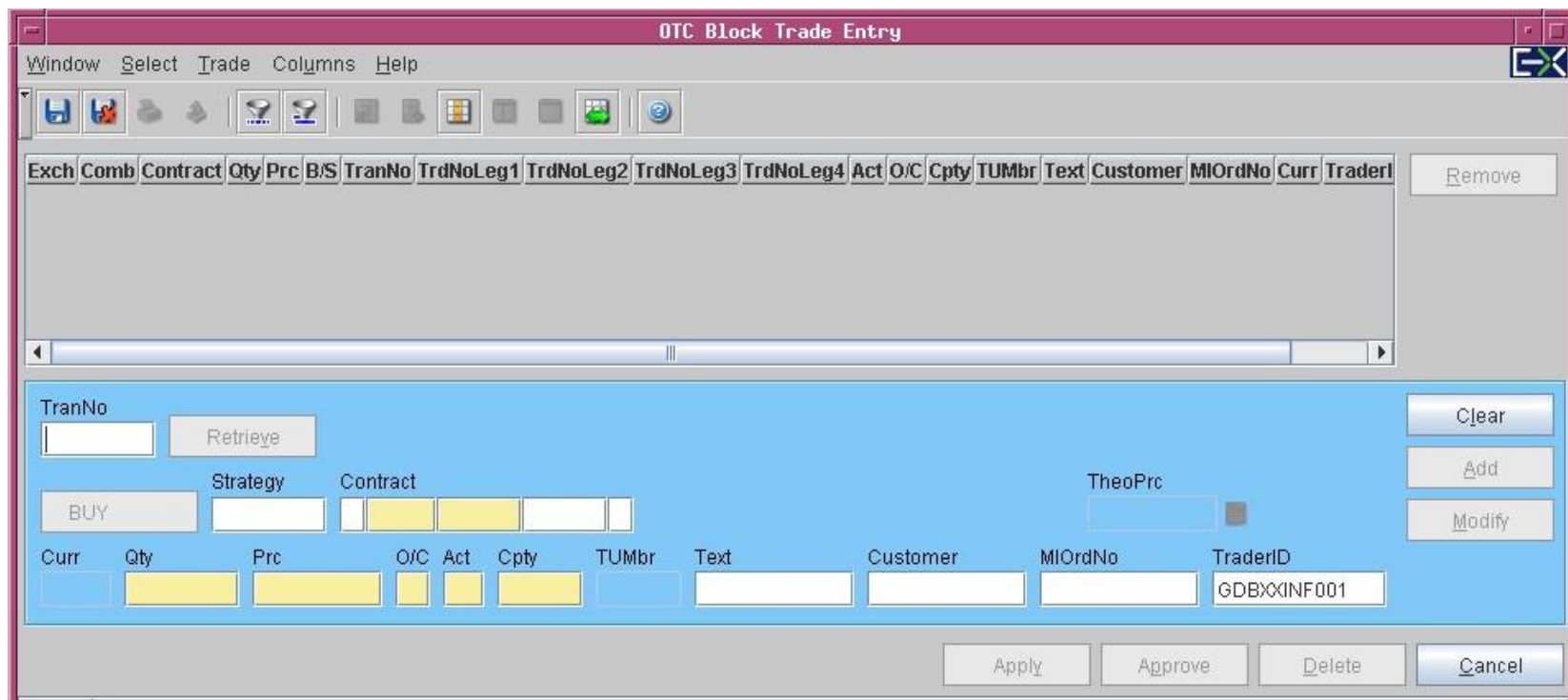
No additional admission or annual fees for Eurex and EEX members

Trading Fee	2 € per lot *
OTC-Trade Registration Fee	2 € per lot
Clearing Fee	1 € per lot
Physical Delivery Fee	no fee

* One lot is 1,000 CER

OTC Trade Entry Facilities

- n The Block Trade Facility will be offered for CER futures
- n Block Trade Minimum Size is 1 contract



The screenshot shows a software window titled "OTC Block Trade Entry". At the top, there is a menu bar with "Window", "Select", "Trade", "Columns", and "Help". Below the menu is a toolbar with various icons. The main area contains a table with the following columns: Exch, Comb, Contract, Qty, Prc, B/S, TranNo, TrdNoLeg1, TrdNoLeg2, TrdNoLeg3, TrdNoLeg4, Act, O/C, Cpty, TUMbr, Text, Customer, MIOrdNo, Curr, TraderID, and a "Remove" button. Below the table is a form with several input fields and buttons. The form includes a "TranNo" field with a "Retrieve" button, a "Strategy" dropdown set to "BUY", a "Contract" field, a "TheoPrc" field, and a "TraderID" field containing "GDBXXINF001". At the bottom of the form are buttons for "Clear", "Add", "Modify", "Apply", "Approve", "Delete", and "Cancel".

Margining

Cross Margining

- § The clearing houses offer cross-margining for CO2 derivatives, such as EUA Futures and CER Futures.
- § The offsetting of opposing risks allows for the significant reduction of margin requirements while retaining the necessary security.
- § Inherent benefits for members are decreased cost of capital, increased liquidity availability, improved collateral management and lower operational costs.

© Eurex 2007

Deutsche Börse AG (DBAG), Clearstream Banking AG (Clearstream), Eurex Bonds GmbH (Eurex Bonds), Eurex Repo GmbH (Eurex Repo), Eurex Clearing AG (Eurex Clearing) and Eurex Frankfurt AG are public companies and are registered under German law. Eurex Zürich AG is a public company and is registered under Swiss law. Clearstream Banking S.A. (Clearstream) is a public company and is registered under Luxembourg law. The administrating and operating institution of the Frankfurt Stock Exchange (FSE) is DBAG. The administrating and operating institution of Eurex Deutschland is Eurex Frankfurt AG (Eurex). Eurex Deutschland and Eurex Zürich AG are in the following referred to as the "Eurex Exchanges".

All intellectual property, proprietary and other rights and interests in this publication and the subject matter hereof (other than certain trademarks and service marks listed below) are owned by DBAG and its affiliates and subsidiaries including, without limitation, all patent, registered design, copyright, trademark and service mark rights. While reasonable care has been taken in the preparation of this publication to provide details that are accurate and not misleading at the time of publication DBAG, Eurex, Eurex Bonds, Eurex Repo, the Eurex Exchanges, Eurex Clearing, Clearstream and FSE and their respective servants and agents (a) do not make any representations or warranties regarding the information contained herein, whether express or implied, including without limitation any implied warranty of merchantability or fitness for a particular purpose or any warranty with respect to the accuracy, correctness, quality, completeness or timeliness of such information, and (b) shall not be responsible or liable for any third party's use of any information contained herein under any circumstances, including, without limitation, in connection with actual trading or otherwise or for any errors or omissions contained in this publication.

This publication is published for information only and shall not constitute investment advice. This brochure is not intended for solicitation purposes but only for use as general information. All descriptions, examples and calculations contained in this publication are for illustrative purposes only.

Eurex offers services directly to members of the Eurex Exchanges. Those who desire to trade any products available on the Eurex market or who desire to offer and sell any such products to others, should consider legal and regulatory requirements of those jurisdictions relevant to them, as well as the risks associated with such products, before doing so.

Eurex derivatives (other than DAX® Futures contracts, Dow Jones STOXX 50® Index Futures contracts, Dow Jones EURO STOXX 50® Index Futures contracts, Dow Jones STOXX® 600 Banking Sector Futures contracts, Dow Jones EURO STOXX® Banking Sector Futures contract, Dow Jones Global Titans 50SM Index Futures contracts, Dow Jones Italy Titans 30SM Index Futures contracts, MDAX® Futures contracts, Eurex interest rate derivatives, and Eurex iTraxx® credit derivatives) are currently not available for offer, sale or trading in the United States or by United States persons.

Trademarks and Service Marks

Buxl®, DAX®, Eurex®, Eurex Bonds®, Eurex Repo®, Euro GC Pooling®, Eurex Strategy WizardSM, FDAX®, iNAV®, MDAX®, ODAX®, SDAX®, StatistiX®,

TecDAX®, VDAX-NEW®, Xetra® and XTF Exchange Traded Funds® are registered trademarks of DBAG.

Xemac® is a registered trademark of Clearstream Banking AG. Vestima® is a registered trademark of Clearstream International S.A.

RDXxt® is a registered trademark of Wiener Börse AG (Vienna Stock Exchange).

iTraxx® is a registered trademark of International Index Company Limited (IIC) and has been licensed for the use by Eurex. IIC does not approve, endorse or recommend Eurex or iTraxx® Europe 5-year Index Futures, Europe iTraxx® Hi Vol 5-year Index Futures and Europe iTraxx® Crossover 5-year Index Futures.

Eurex is solely responsible for the creation of the Eurex iTraxx® Credit Futures Contract, its trading and market surveillance. ISDA® neither sponsors nor endorses the product's use. ISDA® is a registered trademark of the International Swaps and Derivatives Association, Inc.

SMI®, SMIM® and VSMI® are registered trademarks of SWX Swiss Exchange.

STOXX®, Dow Jones STOXX® 600 Index, Dow Jones STOXX® Mid 200 Index, Dow Jones STOXX® TMI Index, VSTOXX® Index and Dow Jones EURO STOXX®/STOXX® 600 Sector Indexes as well as the Dow Jones EURO STOXX 50® Index and the Dow Jones STOXX 50® Index are service marks of STOXX Ltd. and/or Dow Jones & Company, Inc.

Dow Jones, Dow Jones Global Titans 50SM Index, and Dow Jones Italy Titans 30SM Index are service marks of Dow Jones & Company, Inc. The derivatives based on these indexes are not sponsored, endorsed, sold or promoted by STOXX Ltd. or Dow Jones & Company, Inc., and neither party makes any representation regarding the advisability of trading or of investing in such products.

The names of other companies and third party products may be the trademarks or service marks of their respective owners.