



EEX – Eurex Product Cooperation Emissions Trading

November 2008



Global Emissions Trading Market

Emission rights: a global product for industrial and financial players

§ Climate change as an economic driver

Climate protection and the related measures aiming to reduce greenhouse gas emissions are turning into a key determinant for growth opportunities and global resource allocation at regional and national levels.

§ Pivotal role for financial players

Commercial and investment banks are essential in providing capital and risk management products to commercial and governmental players. Global and regional investment banks are already heavily involved project financing, risk management and proprietary trading in emissions.

§ Emissions trading as most effective tool

Cap-and-trade schemes for emissions trading are the most effective mechanism to reduce greenhouse gas emissions. The Kyoto protocol provides the framework. It has been signed by 191 states of which 164 are committed to deploy emissions trading schemes.

§ European Emission Trading Scheme (EU ETS)

The EU 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 CO₂ and 40% of its total greenhouse gas emissions.

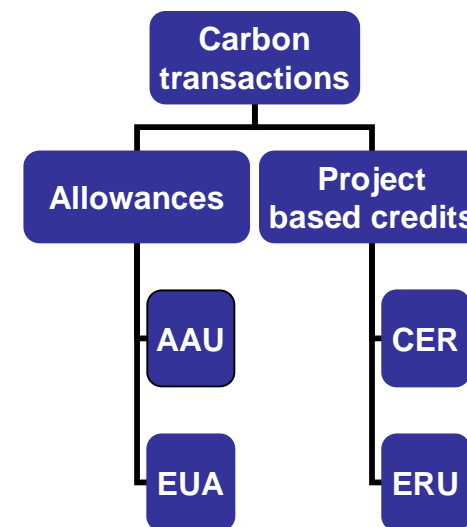
Carbon Transaction Units

Allowance-based transactions

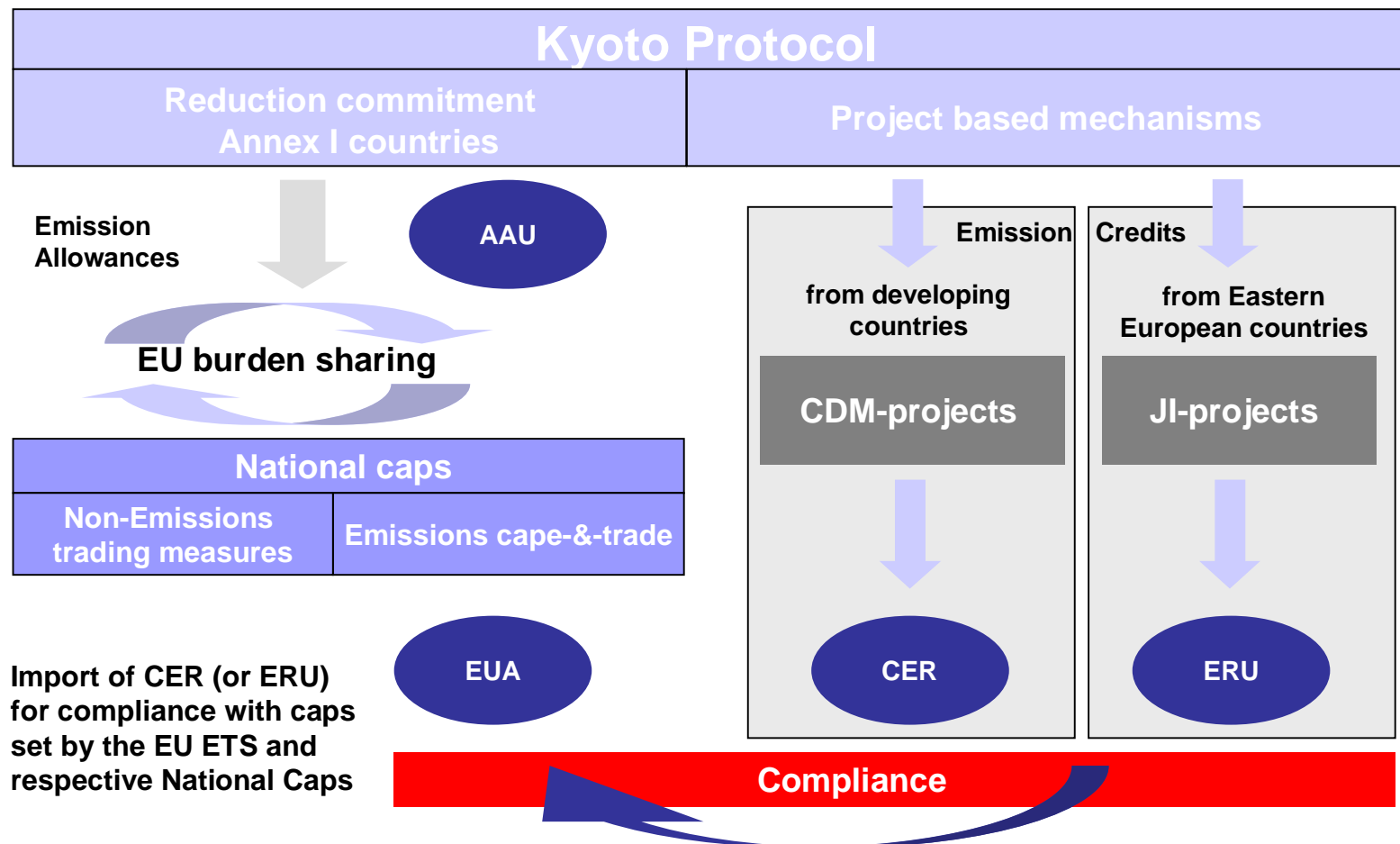
- § AAU - Assigned Amount Units - are the units used to define emission allowances assigned under the Kyoto Protocol
- § EUA - EU Emission Allowances – are the Allowances under the European Emission Trading Scheme (EU ETS)

Project-based transactions

- § If the investment takes place in a developing country it is certified the Clean Development Mechanism (CDM) of Kyoto.
- § If the focus of the project or investment is another industrialized country it is included in the Joint Implementation (JI) Framework of the Kyoto Protocol.
- § CDM projects generate Certified Emission Reductions (CERs) while JI projects generate Emission Reduction Units (ERUs).



How do the different instruments fit together based on the EU ETS: emissions trading - compliance



The EU ETS as the nucleus for global emissions trading

Most important facts¹:

- § Worldwide traded and cleared volumes have grown by 345% in 2006 and 80 % in 2007 to 2.7 billion tons with an equivalent of EUR 40.4 billion.
- § Latest trading figures indicate that trading grew by 80% already during the first ten months of this year.
- § High growth hopes are linked to the introduction of a US federal cap-and-trade scheme by 2014.
- § The EU ETS remains by far the biggest cap and trade market for emissions allowances. It comprises individually coordinated allocation plans of all 27 EU member states. In 2007, volumes have increased 60% to 1.6 billion tons, which corresponds to EUR 28 billion.
- § This year's total volume of 2.2 billion EUAs is already far higher than the 1.22 billion that changed hands over the same period of last year.
- § Conservative estimates expect a yearly growth for the allocation period 2008-2012 of 30-40%.
- § Trading of certified emission rights is 2nd important market reaching a trading volume of 350 million tons CO₂ in 2007 in the secondary market.
- § Experts estimate that the market will reach 2.6 billion tons CO₂ by 2012, and will be worth EUR 41 billion.

¹ Sources: Point Carbon & New Carbon Finance

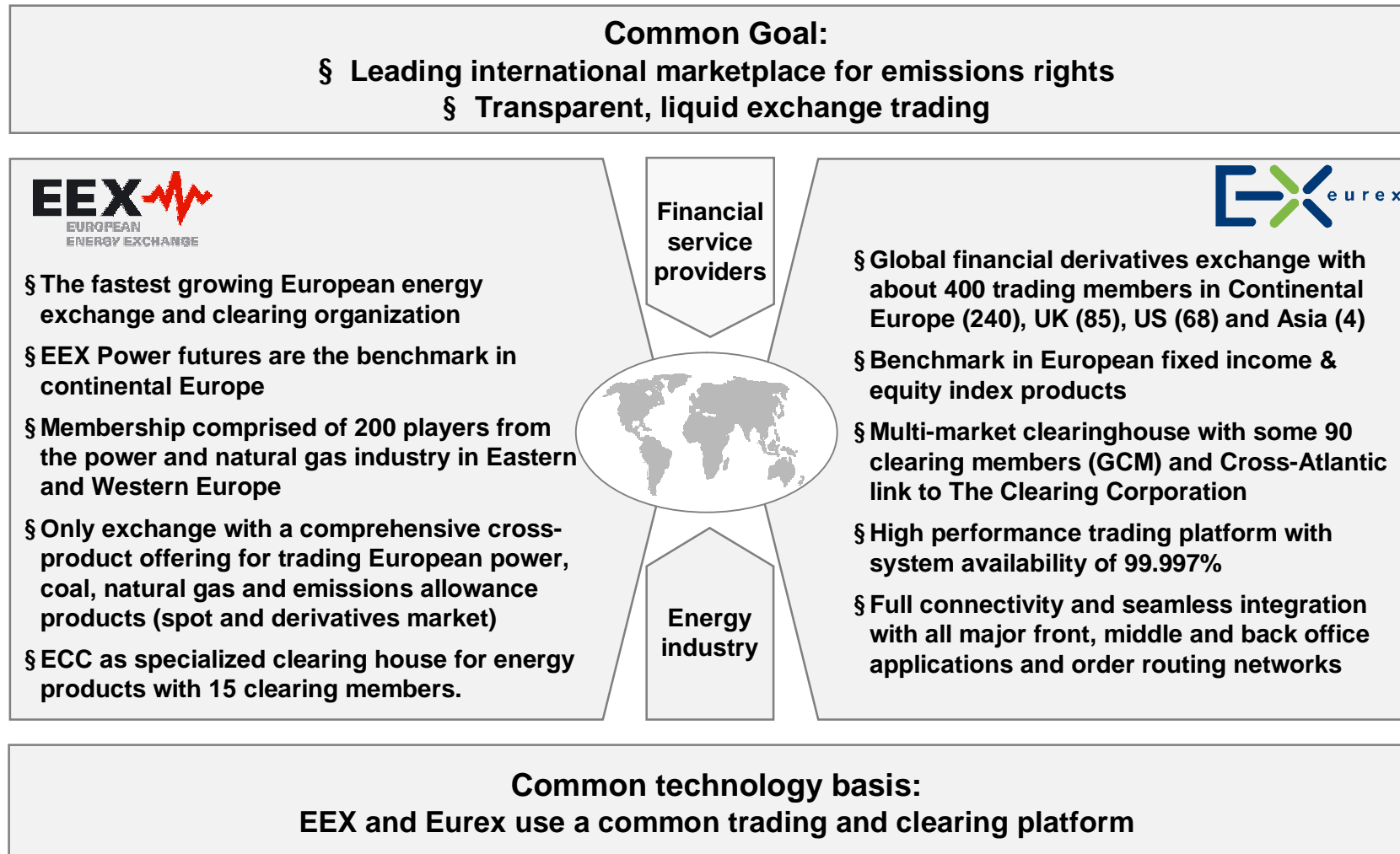
Emissions trading – a maturing market from OTC towards exchange trading

- § Trading volumes, trading frequency and product innovations increased significantly since the beginning of the second trading period in 2008.
- § Liquidity attracts more and more new market participants and financial market style trading strategies.
- § Trading strategies increasingly focus on cross-commodity and cross-asset-class correlations.
- § Market participants will continue to migrate their trading volumes to regulated markets providing process efficiency and improved price transparency.
- § By linking international trading schemes, a global market infrastructure for emission trading will develop over the coming years.



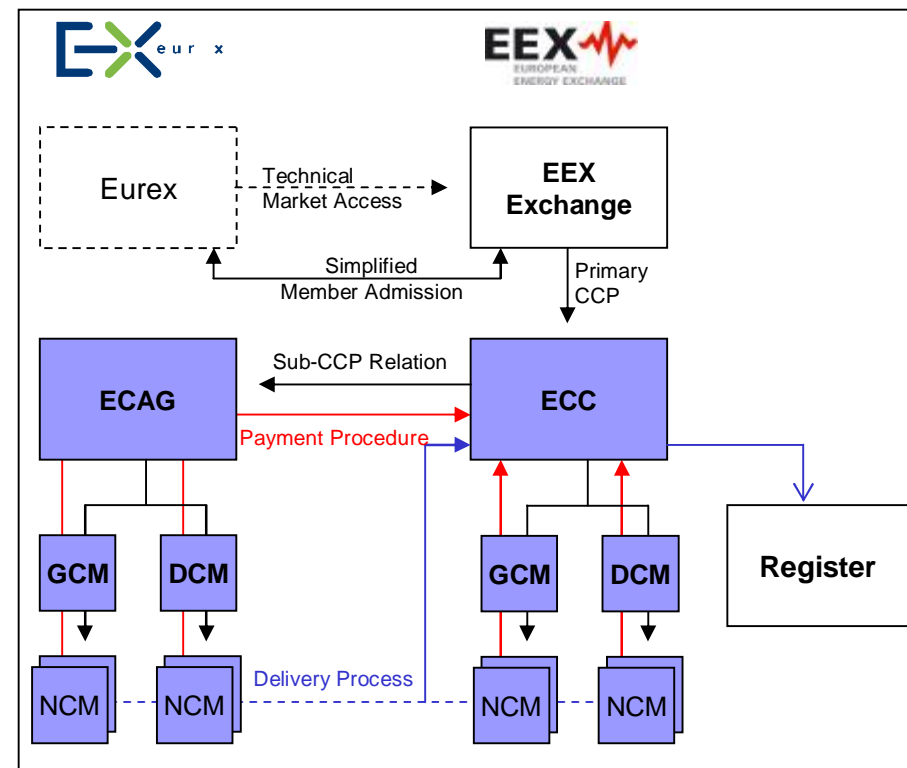
- § There is a growing demand from the trading community for delivering emission trading via a highly efficient, scalable and integrated trading and clearing infrastructure.
- § The scale of emissions trading and the public interest in the market will require a transparent, secure and regulated market place.
- § The global reach of emissions trading requires a global approach to all market participants.

Connecting international financial and energy players



Joint market model of product cooperation

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



Access options for all EEX & Eurex participants

Proprietary Front-end Offering

- § Order entry via regular order entry windows

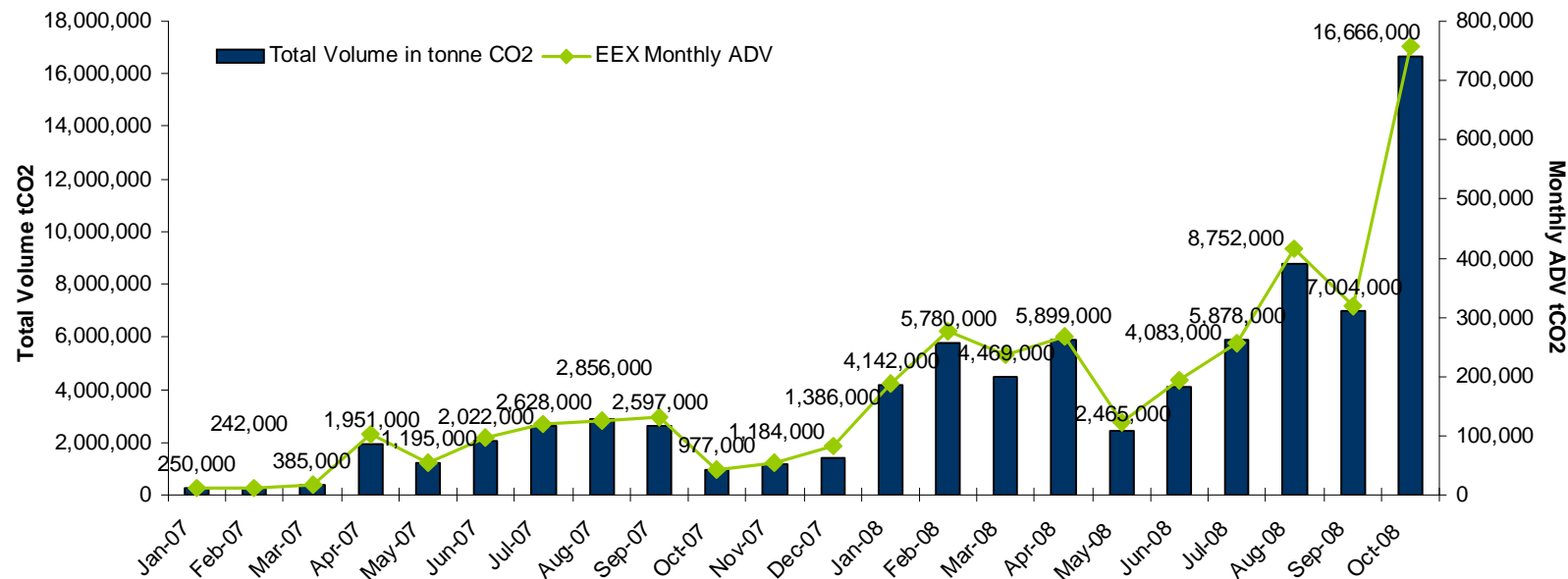
Access via Trayport

- § Full connectivity to Trayport Front-end for EUA Futures and CER Futures contracts via EEX Communicator
- § EEX Communicator links Trayport Global Vision Trading Gateway Server to Eurex MISS (available for free on eex.com)

Access via other ISVs

- § Trading of all EEX emission products on Eurex is possible via existing ISV Front-ends connected via VALUES API
- § All existing EEX and Eurex Order Routing Systems are supported

Development of EUA trading volumes January '07 - October '08



- § October is the new record month with 16.666 million tCO₂ traded on the EEX Eurex platform
- § Record volume was 3,518,000 tCO₂ on August 19, 2008
- § Monthly average daily trading volume at EEX/Eurex amounted to 757,545 t in October with strong order book trading
- § Open interest is constantly growing (October: 33.381 million tCO₂)
- § Significant decrease of price spreads
- § Continuously increasing share of new financial participants

Products: Second Period European Carbon Future & Option

EUA Future	Underlying	Delivery or purchase of EU emission allowances (EUAs) for the second trading period
	Maturities	Annual futures 2008–2012
	Expiry Date	Last exchange day in November
	Delivery Date	First settlement day in December
	Contract Volume	1,000 EUA (one lot)
	Quotation	In EUR/EUA; to two decimal places
	Fulfillment	Payment versus delivery

Trading Hours
 Europe: 08:30 until 17:00 CET
 Block Trade Registration until 18:00 CET
 USA: 1:30 a.m. until 10:00 a.m. (CST)

EUA Option	Underlying	Delivery or purchase of Second Period European Carbon Future
	Contract Months	European-Styled Call and Put Options for the years 2008 to 2012
	Expiry Date	Three exchange days before the final trading day of the underlying future
	Exercise	Manual exercise until 03:00 p.m. on the Last Trading Day. In-the-money options will be exercised automatically.
	Assignment	At the end of the Post-Trading Period of the exercise day.
	Contract Volume	One Second Period European Carbon Future (1,000 EUA)
	Quotation	In EUR/EUA; to three decimal places
	Fulfillment	Booking of the corresponding futures position at the respective exercise price after the option is exercised

Product: CER Future

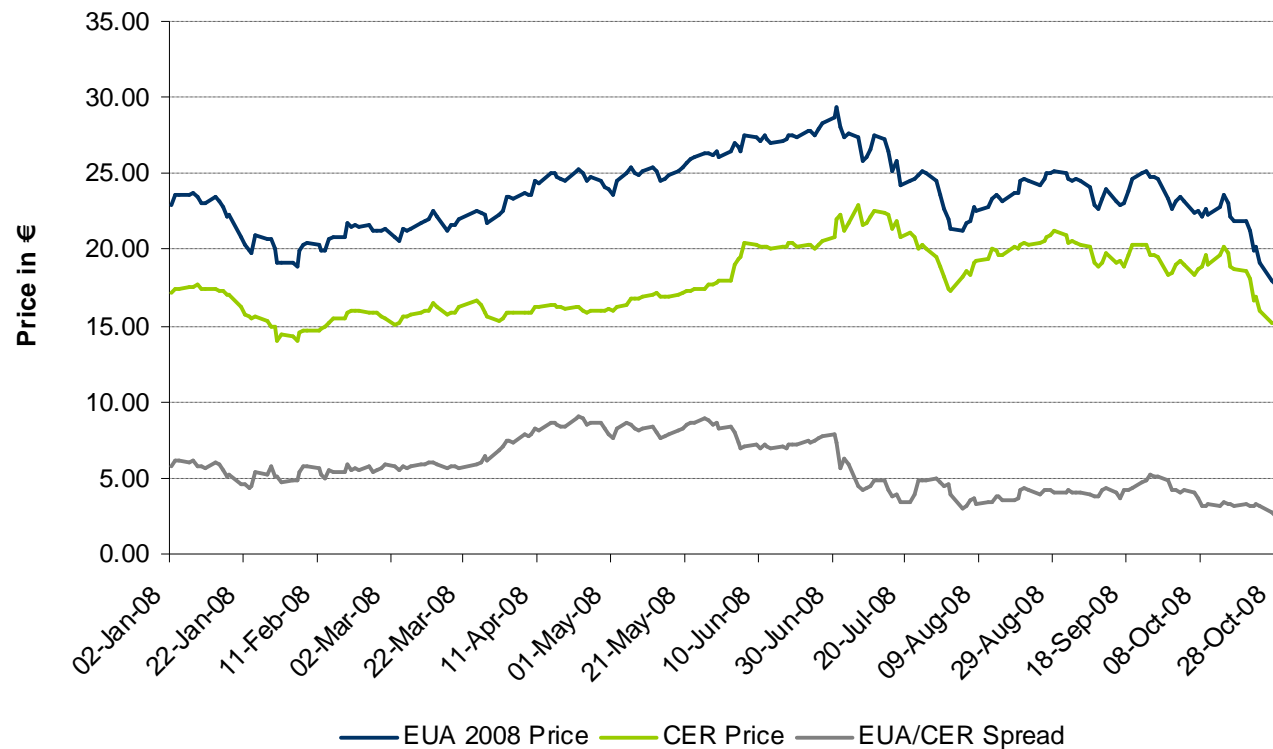
General Definition of CER

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

CER Future	Underlying	Delivery or purchase of Certified Emission Reductions (CERs), excluding credits generated from nuclear power projects, LULUCF and hydro power projects > 20 MW.
	Maturities	Annual futures for the following five years
	Expiry Date	Last exchange day in November
	Delivery Date	First settlement day in December
	Contract Volume	1,000 CER (one lot)
	Quotation	In EUR/CER; to two decimal places
	Fulfillment	Payment versus delivery

EUA/ CER Spread Development

- § The daily EUA/ CER Spread is still constant below €10.0 since January 2008
- § The spread ranged from 2.35 to 4.25 in October 2008
- § The monthly average spread has decreased from 4.33 in September to 3.27 in October 2008



Fee & Pricing Scheme for CO₂ Derivatives

- Fee Reduction

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

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

Full refund of trading fees for Market Makers when performance criteria for respective products are met
- No access fees

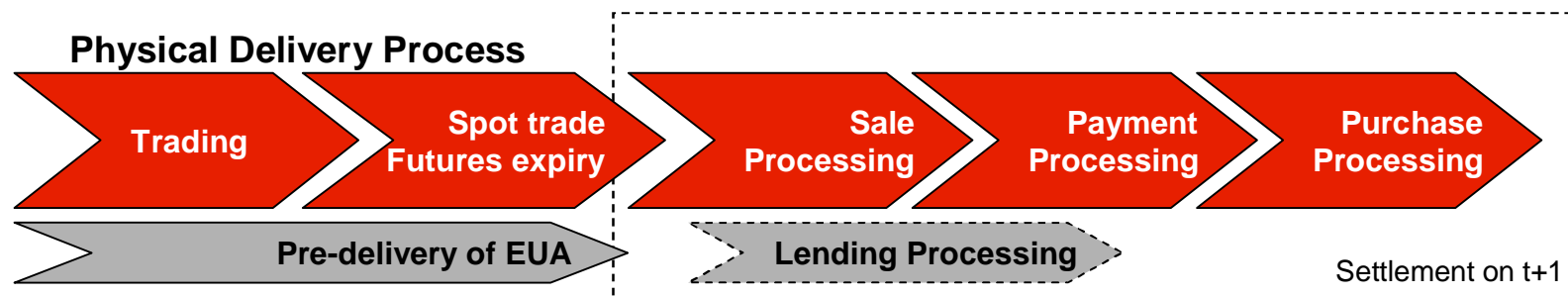
No additional technical access fees for Eurex and EEX members
- No annual fees

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 EUA or CER

With connectivity between the ITL and CITL operational physical deliveries between Europe and the US now possible



§ Fast and efficient settlement process (DvP)

- Shortest settlement period in the market → next morning delivery
- Precondition is pre-delivery of EUAs to ECC

§ Borrowing & Lending concept

- Guarantees a fast and secure delivery of EUAs to the buyer on the same settlement day

Contractual relationship at delivery

§ Direct settlement of EUAs between ECC (CCP) and Buyer/Seller (NCM)

- Sub-CCP and GCM are not involved in physical processing and VAT handling
- Sub-CCP and GCM act as guarantor in money for physical settlement

Value proposition of the common emissions market model

Distribution

▶ Most comprehensive distribution network to trade emissions globally. Seamless integration into variety of front-end- and order-routing-solutions.

Liquidity

▶ Strong liquidity commitments from natural long and short side of the market. Aggressive pricing scheme and commitment to win the market.

Plug-and-play

▶ Minimal cost of market entry for existing Eurex members. No cost for EEX members. No infrastructure and process adaptations, i.e. look-and-feel like Eurex instruments.

Full STP

▶ Instant capture and fully integrated processing of both exchange- and OTC-traded business. Choice of clearing and cross-margining of all emission derivatives.

Product innovation

▶ Offering comprehensive range of emissions trading products – spot and derivatives. Leverage cross-asset and cross-commodity potential with core markets.

Contacts

For Europe

Oliver Maibaum

European Energy Exchange AG

Oliver.maibaum@eex.com

Tel.: +49 (0)341 2156 - 300

Tim Greenwood

European Energy Exchange AG

tim.greenwood@eex.com

Tel.: +49 (0)341 2156 - 212

For USA

Lothar Kloster

Eurex

lothar.kloster@eurexchange.com

Tel.: +1 (312) 544 - 1057

Manuela Arbuckle

Eurex

manuela.arbuckle@eurexchange.com

Tel.: +44 (0)20 7862 - 7226

Vassily Pascalis

Eurex

vassily.pascalis@eurexchange.com

Tel.: +44 (0)20 7862 – 7211

Timothy Levandoski

Eurex

timothy.levandoski@eurexchange.com

Tel.: +1 (312) 544 - 1056

Glossary

AAUs: Assigned Amount Units are the units used to define emission allowances assigned under the Kyoto Protocol. These allowances are for the man-made emissions of greenhouse gases which an industrialised country is permitted to emit over a certain commitment period. One AAU is the equivalent of a metric tonne of Carbon Dioxide.

CDM: The UN administered Clean Development Mechanism. CDM projects are to be hosted by developing countries that have no quantitative targets.

CERs: Certified Emissions Reductions are project credits flowing into the global compliance market and are generated through emission reductions from the CDM projects. A number of countries and companies will make use of project credits from CDM and JI to be in compliance with their Kyoto targets. Reducing emissions outside one's own site or country ("external abatement") can be a cost effective alternative to internal abatement.

CO2e: Carbon dioxide equivalent. Each of the greenhouse gases addressed by the Kyoto Protocol can be identified in terms of its climate change impact relative to that of carbon dioxide. The common unit for emissions reductions is one tonne of carbon dioxide equivalent.

ERUs: Emission Reduction Units are project credits flowing into the global compliance market and are generated through emission reductions from the Joint Implementation (JI) projects .

EU ETS: The EU's Emissions Trading Scheme was launched in January 2005 as part of the Kyoto Protocol on Climate Change. The world's first international emissions trading scheme, it works on a cap - and - trade basis, forcing companies to emit less carbon dioxide than their Kyoto target allows or buy carbon permits from elsewhere (CERs and ERUs). The first phase of the scheme runs until the end of 2007 and the second phase from 2008-12, coinciding with the Kyoto Protocol commitment period.

EUAs: EU emission allowances are issued to installations which have a cap on their emissions under the EU ETS. An installation must hold and surrender EU Allowances and/or project based carbon credits equal to its monitored carbon dioxide emissions by the annual EU ETS reconciliation date. EU allowances are also the main unit which will be traded in the EU ETS. One EU Allowance = 1 t CO2e (CO2 equivalent).

JI: Joint Implementation projects are to be undertaken in countries that have quantitative emissions targets under the Kyoto Protocol, ie industrialised countries. These countries can contribute to their greenhouse gas emission reductions targets by investing in emissions reduction projects in other industrialised (Annex-I) countries and receiving credits called ERUs.

NAP: National Allocation Plan. In the context of the EU ETS, the NAP defines the Government-determined allowance limit for each installation that has a limit. The limits on emissions will apply from 2005.

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