

SO₂ Markets – December 2009

Monthly Market Update

evomark	END OF MONTH SETTLE	MONTHLY AVERAGE
11/30/09	\$66.00	\$75.00
12/31/09	\$56.00	\$59.00

Market Activity » Allowances

SO₂ continued to drift lower in December on a continued lack of regulatory clarity.

The SO₂ market traded 200,000 tons in the OTC market, largely on natural end user selling. It started the month trading \$63.00, but traded steadily down to the \$55.00 and \$56.00 range.

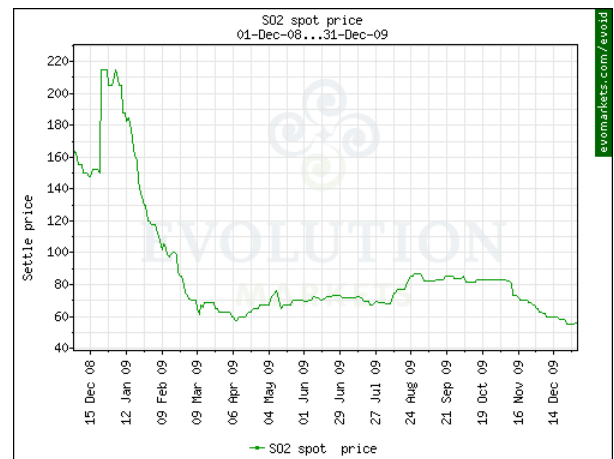
Speculative buyers and end users appear to be waiting to see how low SO₂ can actually trade before they step in to buy. Many participants are analyzing the market in a “binary” fashion. Depending on the solution to the CAIR issue, SO₂ could be zero or could be \$100+. At this point, the odds are something like 50/50.

There has not been much options activity, but participants are beginning to look to later months in 2010 to hedge exposure to a large upside move.

▼ TERM	▼ BID	▼ OFFER
2009	\$54.00	\$58.00
2010	\$28.00	\$32.00
2011	\$24.00	\$30.00

Market Activity » Options

▼ TYPE	▼ TERM	▼ STRIKE	▼ EXPIRY	▼ BID	▼ OFFER
call	2009	\$100.00	12/15/09	\$7.50	\$9.00
call	2009	\$100.00	12/15/09	\$5.50	\$7.00



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