

NOx Markets – May 2009

Monthly Market Update

evomark	END OF MONTH SETTLE	MONTHLY AVERAGE
Seasonal 09	\$285	\$324
Annual 09	\$1,300	\$1,195
Annual 10	\$1,175	\$1025

Market Activity » Annual Allowances

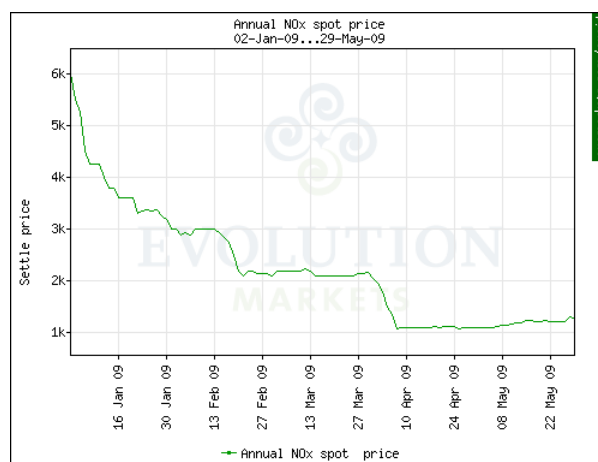
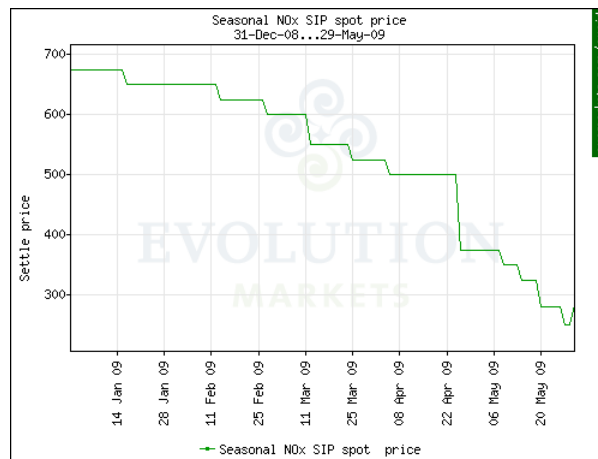
CAIR Annual NOx prices firmed up slightly from the April lows of \$1,100 to end the month around \$1,300 as the strong selling pressure relaxed from the previous month. The EPA released preliminary first quarter emissions data, which showed emissions were down nearly 53% relative to the same period last year. The data is deceiving, however, since many controls were not required to operate last year during the first quarter. The preliminary Q1'09 data showed affected CAIR states emitted approximately 345,000 of NOx emissions. This data seemed to be taken by the market to be neutral- to slightly-bullish at best. This data also affirmed the widely held belief of many participants that coal fired generation had substantially decreased over the year due to decreased demand and low natural gas prices. Therefore, the market had no substantial reaction on market pricing. Vintage 2010 prices also climbed to end the month \$1,175 from \$875, and the spread between the vintage 2009 and 2010 annual NOx continued to contract to \$125 from \$225.

▼ TERM	▼ BID	▼ OFFER
2009	\$1,275	\$1,300
2010	\$1,125	\$1,200

Market Activity » Seasonal Allowances

Seasonal NOx was quiet again for the month of May as the summer NOx season officially got started with only a handful of trades. The price for vintage 2009 dropped below \$300 at the end of May, which is the time of year when prices typically hold or move as participants look to hedge emissions from the first month of data. However, the significant bank of surplus allowances combined with electric generation forecasts well below the last few years actual generation has taken out much of the demand side for seasonal NOx allowances. It appears buyers want to sit on the sideline until they have a better feel on what their actual summer generation numbers will be.

▼ TERM	▼ BID	▼ OFFER
2009	\$200	\$300
2010	\$200	\$300



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