



“The Virtual Steel Mill” by CME is a new model for spot and forward ferrous products

China concerned with over-investment into real estate launches new indexes

Canadian government tables a bill to end the Wheat Board monopoly

NASDAQ OMX UltraFeed now supplies data from multiple vendors



## Economic conditions influence CO2 markets in Europe. In US, it's mostly expectations...

While the EU is struggling with the fall of consumer confidence and trying to find ways to increase liquidity of the carbon markets, the participants of the US carbon markets have been driven mostly by expectations of a carbon policy to be adopted nation wide.

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**Political Decisions and Economic Conditions Influence Carbon Markets in Europe. In US, it's Mostly About Expectations...**

While the EU is struggling with the fall of consumer confidence and trying to find ways to increase liquidity of the carbon markets, the participants of the US carbon markets have been driven mostly by expectations of a carbon policy to be adopted nation wide.

*Editor's letter*

First of all, we want to have access to as much data as possible. And, we want to learn, in a timely manner, about new products, de-listed products, new data reports, and data providers. Then, we realize that the volume of data available is much more than what we were bargaining for. We are faced with having to deal with an abundance of data and figuring out how to transform it into quality information — information good enough to make decisions and draw conclusions. So, we turn to data management services that, supported by continuing technological improvements, bring sense into a nebulous data cosmos.

Companies either choose third-party services or build in-house solutions for data management. Data aggregation, or efficient access to market data from multiple markets and data sources, is the area that probably draws the most attention. I noticed a relatively new trend that I believe will start gaining more strength. It is data aggregation offered by the data providers themselves. Last month we witnessed just such a service introduced by NASDAQ OMX. UltraFeed provides access to multiple North American commodity and financial markets and data sources. The product is advertised as a tool that allows a data provider to remain vendor agnostic by offering clients a wider choice of products and services from a broader variety of vendors.

Let's get back to the news on data sources. Emerging market economies remain the major source of data news. Last month we observed more new products resulting from continued developments in emerging markets. ICE announced its intent to clear Latin American sovereign credit default swaps, and S&P Indices introduced a new index targeting the largest infrastructure companies in Latin America. Australia is another region of interest for investors. In collaboration with ASX, the Australian Exchange, S&P Indices introduced the S&P/ASX Fixed Income Index Series. It is designed to complement the S&P/ASX Equity Index Series (over 90 equity indexes developed since 2000) thus offering a comprehensive set of equity and fixed income tools to benchmark the performance of investments.

While these regions draw interest mostly to equity markets, other parts of the globe experience an influx of data in commodities. Asia is leading the pack with energy and commodity products constituting the most significant part of its growth.

India's Reliance Spot Exchange launched trading of two gold contracts. Another Indian exchange, the Multi Commodity Exchange, launched cotton futures that provide a benchmark for cotton trades in India. China is not lagging behind. Methanol futures were introduced on Zhengzhou Commodity Exchange. This is not surprising since China produces 25% of the world's supply and consumes about half of the global stock of methanol. The Chinese government, in its undertaking to manage risks for domestic investors, recognized the disproportional amount of investments targeting real estate markets. The fear of an impending burst of a real estate bubble drove Chinese to dilute the concentration of investments in real estate by introducing new stock indexes tracking large companies of energy, resources, and technology industries, traded in the largest national bourses, Shanghai and Shenzhen.

Food, energy and technology are fast-developing markets that are especially important to Asian governments and investors. Global markets react to the Asian expansion by introducing products that follow the same industries and sectors. The most common product is an index. S&P Indices launched various indexes targeting Asia. The most prominent are the S&P Asia Commodity Producers Oil, Gas and Coal Index and the S&P Asia Commodity Producers Agribusiness Index.

The number of foreign exchange products is increasing in parallel with the influence of growing economies. Thus new exchange products were introduced for Chinese and Indian currencies on CME and Dubai exchanges.

However, it's not all about Asia. Europe is drawing more attention, and it has found itself in more than just financial turmoil. Local energy concerns heightened by unrest in the Middle East prompted a focus on energy sources. ICE and CME launched new derivatives for European coal, petroleum and natural gas. However, the real center of attention is Brent. The WTI contracts are definitely losing their appeal as the Northern Sea oil benchmark is gaining more economic significance. Three Brent spreads are now cleared by CME. The Dow Jones UBS Commodity Index, whose crude oil component used to incorporate only the WTI contract, opened one-third of crude oil weight to Brent. At the same time, ICE, the main trading platform of Brent, announced adjustments to be made to the expiry calendar of the Brent derivatives from a 21-day to a 25-day basis. This came as a reaction to the Platts' statement about changing the date basis for Brent assessments last month.

On this side of the pond, a collision occurred between the Canadian government and the Canadian Wheat Board triggered by the release of a bill banning monopoly of the Board in handling western trade. Supporters of the Board fear that farmers will start competing with each other and foreign interests will take control of Canada's wheat production. This will lead, supporters believe, to the demise of many family farming operations. For the last several decades, closure of the Board has been the principal trade demand that the US has had for Canada. Established by the government, governed by federal law, the Wheat Board is now considering a court challenge of the Federal Government's bill. When all these government attributes are removed (and this is inevitable), market forces will take over very quickly. ICE appeared first on the horizon, developing derivatives for Western Canadian wheat and barley, coming into effect only if the bill is enacted, of course.

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## ICE Launches More Power Contracts for PJM



ICE announced introduction of OTC contracts for PJM Western Hub effective November 7, 2011:

ICE Code	Description
PMX	PJM Western Hub Real-Time Cal 1x Fixed Price Swap
PMX	PJM Western Hub Real-Time Cal 1x Option
OPJ	PJM Western Hub Real-Time WH Real Time Off-Peak Monthly Options
PWC	PJM Western Hub Real-Time Off Peak Cal 1x Swap
PWC	PJM Western Hub Real-Time Off Peak Cal 1x Option
PWP	PJM Western Hub Real-Time Planning Year 1x Swap
PWP	PJM Western Hub Real-Time Planning Year 1x Option

For PMX swap contract specifications click [here](#)

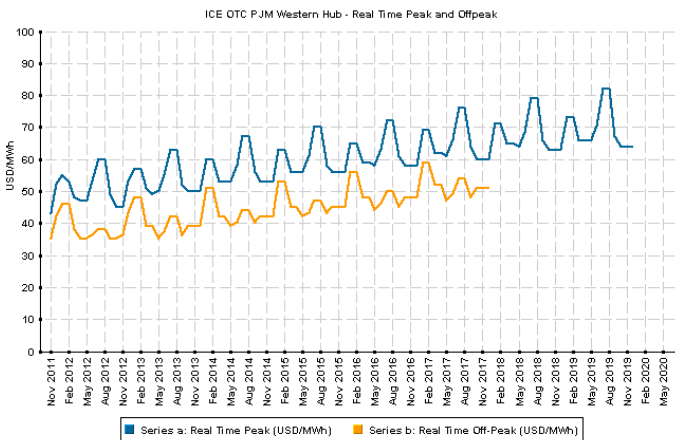
For PMX swap contract specifications click [here](#)

For OPJ swap contract specifications click [here](#)

For PWC swap contract specifications click [here](#)

For PWC swap contract specifications click [here](#)

These new products will help firms and customers in the global energy and power markets further manage risk using PJM Western Hub, a major power trading point. The new ICE OTC contracts will add to the expanding portfolio of ICE OTC products. An example of PJM Western Hub futures already traded on ICE is shown below:



Data Source - ICE \*

The graph illustrates two forward curves built on the ICE OTC Monthly Futures for PJM Western Hub traded on October 21, 2011: the Real Time Peak forward curve (Blue) and Real Time Off-Peak forward curve (Orange).

## NASDAQ OMX to Launch Mid-C and ERCOT Power Products



NASDAQ OMX announced its intent to introduce indexes for ERCOT and Mid-C power markets. Day-Ahead and Real-Time OTC physical power indexes are introduced in response to customer needs and concerns including:

- High collateral requirements to post bids or offers through ERCOT, especially during the hyper markets
- Inability to receive or put energy to market if posted number does not clear auction
- Inability to receive or put an average auction settlement price in the OTC market

Mid-C Day-Ahead physical index products will provide a physical offset to legacy financial positions.

Additionally, NASDAQ OMX launches mini-contracts for sizes less than the standard 25MW block. Mini-sized contracts will accompany every standard NASDAQ OMX Commodities Clearing Mid-C product with the minimum volume increment of 1MW.

## EEX to Introduce New Products in 2012



After a comprehensive analysis and consultation with market participants, EEX announced that effective January 1, 2012, it will introduce new products and add transparency to market information delivery. The data access will be fast and direct without detour to FTP-Server or webpages. The new products are the following:

- Historical and Current Market Data
- Monthly Carbon Report (monthly CO2 actual consumption levels and amended yearly publication of CO2 emission data)
- Delayed Data updated every 15-20 minutes
- Generation Outage RSS-Feed including planned and unplanned generation outages for Germany and Austria
- Daily files for ExPost-Transparency Data on actual production of conventional units, wind and solar power (this complements the current practice to provide data for each quarter of an hour)

Additionally, EEX will discontinue Market Data Report.

## Genscape Expands New York PowerIQ Services



Genscape expands New York PowerIQ™, the New York power market intelligence service.

Since 2004, Genscape has been providing forecasts of day-ahead prices, demand and risks for the NYISO's most liquid hubs — Zones A and G. Now the New York PowerIQ service also reports daily forecasts for Zones J (NYC) and K (Long Island), daily forecasted real-time prices and DA-RT spreads.

Genscape provides a daily recap, demand forecasts, thunderstorm alert probabilities, congestion and losses assessment, virtual bidding assumptions.

The new service is expected to attract not only OTC traders, but also physical market participants and virtual traders.



## The European Energy Exchange (EEX) Launches More Power French Futures NEW

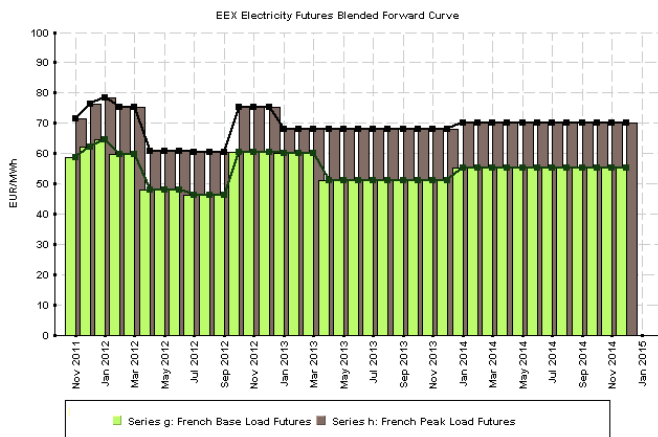
On November 24, 2011, EEX Power Derivatives launch power French Financial Month, Quarter and Year Futures in addition to the already traded Week Futures:

EEX Code	Description
F7BM	French Base Month Future
F7BQ	French Base Quarter Future
F7BY	French Base Year Future
F7PM	French Peak Month Future
F7PQ	French Peak Quarter Future
F7PY	French Peak Year Future

For contract specifications click [here](#)

The final settlement prices of cash settled French Financial Futures refer to the average EPEX Spot auction prices of the French market area.

EEX has been trading physical futures for the French power market (delivery of power in the area of the French TSO zone) for the current month, the next six months, seven quarters and six years. Baseload and peakload futures are available. The contract volume ranges from 240 MWh to 8,784 MWh. The graph below shows a blended forward curve built utilizing the Arbitrage Free Blend formula, which allows different contract granularities (in this case monthly, quarterly, and annual French Power contracts) to be correctly weighted in.



Data Source - EEX \*

The graph represents blended forward curves for the Base Load (Green) and Peak Load (Grey) futures contracts for EEX French Power Futures.

## Online Real-time Wind Asset Valuation Tool (WVAL) by Bloomberg and 3TIER NEW

Bloomberg New Energy Finance and 3TIER announced release of an online tool that allows running wind asset valuation analysis. WVAL enables investors to value more than 3,400 wind projects around the world.

The tool generates scenario analysis on the basis of financial, economic and market data together with long term wind production data from wind projects.

WVAL brings together the following datasets:

- 3TIER wind resource data
- Bloomberg New Energy Finance wind project & wind turbine databases
- Bloomberg New Energy Finance Wind Turbine Price Index
- Bloomberg New Energy Finance Low Carbon Policy database
- Bloomberg electricity market price and inflation data

The model can be accessed [here](#)

## The Federal Energy Regulatory Commission (FERC) Proposes to Enhance Electric Market Oversight WATCH

On October 20, 2011, FERC released a Notice of Proposed Rulemaking aimed at ensuring just and reasonable rates by requiring regional organized markets to electronically submit data related to the markets they administer.

Regional organized markets would only be required to provide data to FERC that is already collected and being reported to FERC on an as needed basis. The proposal does not require regional organized markets to provide data to FERC in real time; however, the data has to be delivered on an automated basis using a common transfer method and format.

The data include physical and virtual offers and bids, market awards, resource outputs, marginal cost estimates, shift factors, financial transmission rights, internal bilateral contracts and interchange pricing.

FERC is seeking comments on efficient and secure ways for delivering the data.

## CME Launches Platts Trade at Marker Futures

NEW

Effective November 7, 2011, CME Group will start Trade at Marker (TAM) based on the Platts 3:15 p.m. ET futures assessment, for NYMEX New York Harbor No. 2 Heating Oil and RBOB Gasoline futures, pending regulatory approvals.

For TAM trading, the marker price will be the price established and published by Platts.

CME Code	Description
HOP	New York Harbor No. 2 Heating Oil spot, 2nd and 3rd months and nearby/second month, second/third month and nearby/third month calendar spreads
RBP	RBOB Gasoline spot, 2nd and 3rd months and nearby/second month, second/third month and nearby/third month calendar spreads

For product details please click [here](#)

## Platts Launches New US Benzene Assessments

NEW

On October 17, 2011, Platts commenced assessments for US benzene on DDP US Gulf Coast.

The assessments are built on a 10,000-barrel DDP USG basis for the current month (M1) and forward month (M2). Two assessments will run concurrently to the existing FOB USG benzene assessments.

The assessment will be published on Platts real-time Petrochemical Alert as well as the Platts Europe and US Petrochemical scan.

## S&P Indices Launches S&P GSCI® Inverse Crude Oil Index and Asia Commodity Producers Oil, Gas and Coal Index

NEW

In October, S&P Indices launched two indexes for fossil fuels sectors.

On October 3, 2011, S&P Indices introduced the S&P GSCI Inverse Crude Oil Index, which provides the inverse return of the S&P GSCI Crude Oil Index, measured on a daily basis.

The S&P GSCI is the most closely followed benchmark for investment performance in the commodity markets.

On October 20, 2011, S&P Indices launched the S&P Asia Commodity Producers Oil, Gas and Coal Index. The index constituents are drawn from the S&P Pan Asia BMI with Global Industry Classification Standard classifications. Those include Oil & Gas Exploration & Production or Coal & Consumable Fuels, for the Oil, Gas and Coal Index. The index limits exposure to China and Hong Kong domiciled stocks to 40%. The top 5 companies by index weight are: INPEX Corp, Woodside Petroleum Ltd., CNOOC Ltd., Bumi Resources Tbk PT and China Shenhua Energy Co Ltd H Shares.

\*Graph created with ZEMA

## CME Lists Two European Diesel Spreads

NEW

On October 17, 2011, CME started clearing two financially settled petroleum swap futures contracts for trading on the NYMEX trading floor:

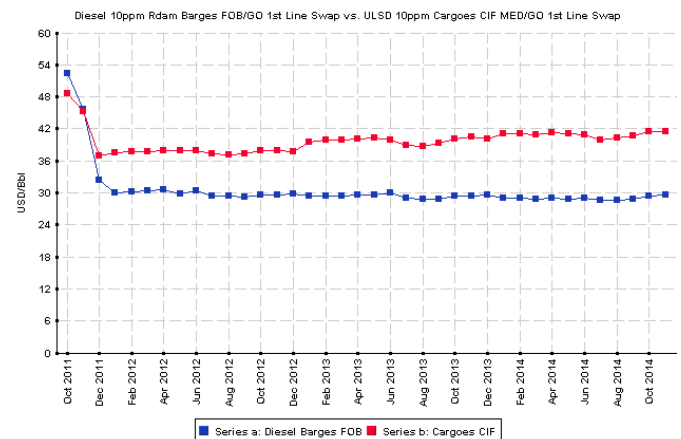
CME Code	Description
UCU	ULSD 10ppm Cargoes CIF MED vs. ULSD 10ppm Cargoes CIF NWE (Platts) Swap Futures
BBU	Diesel 10 ppm Barges FOB Rdam vs. ULSD 10ppm Cargoes CIF NWE (Platts) Swap Futures

For UCU contract specifications click [here](#)

For BBU contract specifications click [here](#)

In a swap contract, the cash settlement is determined by the price of an underlying commodity, or in this case, a commodity price spread. Traders can use spread futures to limit their risk in a particular market by using a forward comparison to another market.

CME is not the only exchange that offers European Diesel products. See the example below of two similar spreads offered by ICE:



Data Source - ICE \*

## Zhengzhou Commodity Exchange (ZCE) Launches Methanol Futures Trading

NEW

The China Securities Regulatory Commission approved ZCE's application to commence trading methanol futures in late October 2011.

China produces about a quarter of the global volumes of methanol and the internal consumption of this product has been rising reaching about 45% of the world share in 2010.

[Back to Summary](#)

## CME Clears New Brent Spreads NEW

Effective October 17, 2011, NYMEX commenced listing three petroleum contracts cleared through CME ClearPort. These futures contracts are financially settled:

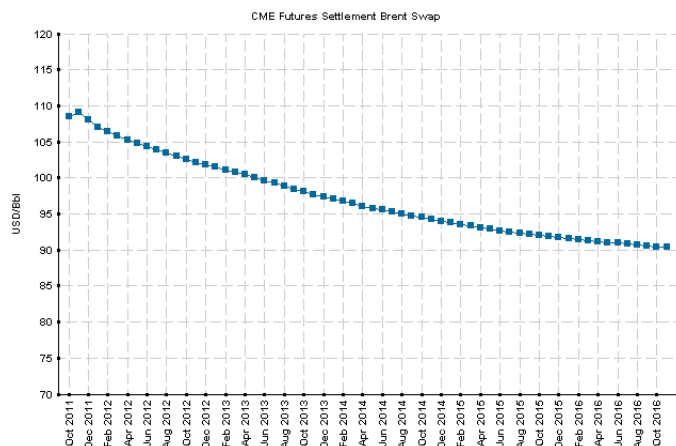
CME Code	Description
1C	Brent CFD (Platts) vs. Brent Front Month (Platts) Weekly Swap Futures
6W	Brent CFD (Platts) vs. Brent Second Month (Platts) Weekly Swap Futures
59	Brent CFD (Platts) vs. Brent Third Month (Platts) Weekly Swap Futures

For 1C contract specifications click [here](#)

For 6W contract specifications click [here](#)

For 59 contract specifications click [here](#)

CME ClearPort is a set of clearing services open to OTC market participants. The new contracts will be financially settled swaps, referencing the price differential between the Platts Dated Brent price assessment and the relevant Platts Month Contract.



Data Source - CME \*

Brent products represent a whole segment of CME offerings. One example, results of the trades of Brent (ICE) Calendar Swap Futures on October 20, 2011, is shown in the graph above. The graph details forward analysis that leaps four years into the future to show the anticipated value of the contract throughout the set timeline.

## ICE Launches Global and Domestic Contracts for Petroleum, Coal and Natural Gas NEW

ICE announced introduction of OTC contracts for fossil fuel products, effective November 7, 2011.

Global oil and refined petroleum products:

ICE Code	Description
ULP	0.5% Singapore Gasoil vs. Low Sulphur Gasoil 1st Line Swap referencing Platts Asia Pacific/Arab Gulf Marketscan
ULQ	0.1% Gasoil CIF MED Cargoes vs. Low Sulphur Gasoil 1st Line Swap referencing Platts European Marketscan
ULR	0.1% Gasoil FOB RDAM Barges vs. Low Sulphur Gasoil 1st Line Swap referencing Platts European Marketscan
ULT	0.1% Gasoil CIF NWE Cargoes vs. Low Sulphur Gasoil 1st Line Swap referencing Platts European Marketscan
ULU	Diesel 10 ppm (UK) CIF NWE Cargoes vs. Low Sulphur Gasoil 1st Line Swap referencing Platts European Marketscan
FOP	Fuel Oil 1% FOB RDAM Barges vs. Fuel Oil 1% FOB MED Cargoes Swap referencing Platts European Marketscan
CFU	Urals North vs. Dated Brent CFD referencing Platts Crude Oil Marketwire
UCB	Premium Unleaded Gasoline 10ppm FOB MED Cargoes Swap referencing Platts European Marketscan
ULA	Low Sulphur Gasoil Average Price Option
UUB	Low Sulphur Gasoil Bullet Swap
UUL	European-Style Low Sulphur Gasoil Option
HOK	NYH Heating Oil 2:30 PM ET Settlement vs. Platts 3:15 PM ET Futures Assessment
RBK	NYH RBOB 2:30 PM ET Settlement vs. Platts 3:15 PM ET Futures Assessment

North America natural gas products:

ICE Code	Description
HHC	Henry Hub Cal 1x Fixed Price Swap
HHC	Henry Hub Cal 1x Option

Europe coal and natural gas options:

ICE Code	Description
AFC	Richard's Bay Coal Single Expiry Calendar Year Options
ATC	Rotterdam Coal Single Expiry Calendar Year Options
NCC	gC Newcastle Coal Single Expiry Calendar Year Options
ATQ	Rotterdam Coal Single Expiry Quarterly Options
AFQ	Richard's Bay Coal Single Expiry Quarterly Options
NCQ	gC Newcastle Coal Single Expiry Quarterly Options
TTF	Dutch TTF Gas Options

## ICE Futures Europe Considers Launching ICE Brent New Expiry (NX) Crude Futures and Options



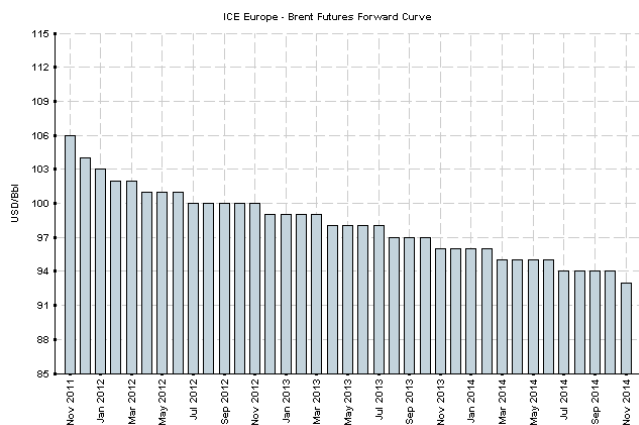
Between September 28 and October 21, ICE Futures Europe ran a formal consultation period on design and introduction of ICE Brent NX Crude Futures and Options contracts.

The proposal emerged as a result of the change in the Dated Brent market from a 21-day to a 25-day basis and the change to the assessment of the cash 'BFOE' (Brent-Forties-Oseberg-Ekofisk) forward, which impacted the whole Brent derivatives market.

The proposed ICE Brent NX Futures and Options will have an expiry calendar that will align the futures market with the revised 25-day assessment period in the cash and Dated Brent crude markets. The trading will commence in the fourth quarter of 2011 with the first contract expiry month to be February 2013.

The new financial instrument will exist in parallel with the existing ICE Brent Futures and Options contracts throughout 2012 to ensure an orderly transition of open positions for February 2013 contract months onward.

The Brent contract was introduced in 1988. It reflects the market fundamentals in the North Sea crude oil and has evolved into the leading futures benchmark.



Data Source - ICE \*

ZEMA graph shows recent future settlement prices for ICE Brent. Series A (Blue) represents the monthly contract settlement price, and Series C (Green Area) represents the trade volume. The proposed changes may increase the volume of long term Brent futures trades, relative to the current situation shown above, with traders looking to align markets in future periods.

## Dow Jones UBS Commodity Index Adds Brent Crude



Dow Jones Indexes announced that UBS Commodity Index, its main commodity index, will incorporate Brent crude starting next year. The change emphasizes the growing significance of the European oil benchmark.



## India's Reliance Spot Exchange Launches Two Gold Contracts



India's Reliance Spot Exchange launched trading of two gold contracts, 100-gram and 1.0-kilogram bars. The contracts started in Mumbai and will later expand to Ahmedabad and five other cities in India.

The exchange, while focusing on agriculture commodities, is already trading copper and steel contracts and looking at launching other metal contracts.

## The Multi Commodity Exchange (MCX) Launches Cotton Futures



On October 3, 2011, MCX launched trades of cotton futures. The delivery points include several different locations with the basis delivery center at Rajkot. The futures are to provide a benchmark for cotton trades in India.

## S&P Indices Announces Agribusiness Indexes for Asia



On October 20, 2011, S&P Indices announced the launch of the S&P Asia Commodity Producers Agribusiness Index. The new index tracks the largest qualifying publicly traded companies in their respective commodities sectors in Pan-Asia for Agricultural Products, Construction & Farm Machinery & Heavy Trucks, Fertilizers & Agricultural Chemicals, or Packaged Foods & Meats for the Agribusiness Index.

The index limits maximum exposure to China and Hong Kong domiciled stocks to 40%. The top 5 companies by index weight in the S&P Asia Commodity Producers Agribusiness Index are: IOI Corp Bhd, Wilmar International, Golden Agri Resources Ltd, Ajinomoto Co and Incitec Pivot.

## APX-Endex Launches Biomass Exchange



APX-Endex announced launch of a physical biomass exchange on November 3, 2011, with clearing services available only next year.

The first contracts offered are non-cleared wood pellet contracts with the physical settlement arranged bilaterally by the counterparties. Contracts offered for trading will include three months, three quarters and three calendar years ahead.

Wood pellets contracts will be listed on Trayport's Global Vision Trading Gateway. APX-Endex has published a reference price index for industrial wood pellets since 2008, and the exchange will use their own pricing panel to fill contracts devoid of deals.

## CME Initiates "The Virtual Steel Mill"



CME recognized the limitations of the market offerings in the area of ferrous financial products and announced an introduction of a new approach to this sector. The exchange refers to this concept as a virtual steel mill where raw materials, semi finished and finished steel products can all be bought or sold, either on a spot or a fixed forward basis. The CME ferrous product suite will offer miners a chance to sell iron ore on either a contract or spot price basis to steel mills to maximize their revenue and steel mills to purchase derivatives to hedge against any rise in this input cost.

Read the CME paper on the subject [here](#)

## Canadian Government Releases the Bill to End Wheat Board Monopoly, ICE to Launch the Futures



On October 18, 2011, the federal government in Canada released its long-awaited Bill C-18, the Marketing Freedom for Grain Farmers Act, targeting the restructure of the western wheat and barley trading system.

The legislature will strip the Canadian Wheat Board of the 60-year-old monopoly on western wheat and barley sales. The Conservative federal government has fought for several years to eliminate the Board that exists only for Western farmers in Canada.

The farmers are divided on the issue and the results of a plebiscite show that votes against dismantling the Board, while prevailing, were very close to the number that support an open market.

The bill becomes law in January 2012 and opens up wheat and barley sales to the free market on August 1, 2012.

ICE announced the launch of wheat and barley contracts priced in Canadian Dollars, for delivery in October 2012, pending regulatory approval from the Manitoba Securities Commission and enactment of Bill C-18.

## ICE and EEX to Sell NER 300 Allowances

NEW

The European Investment Bank (EIB) awarded a contract to sell allowances from the new entrants reserve (NER) to ICE Futures Europe and to EEX.

300mn tCO<sub>2</sub>e of allowances will begin with OTC transactions and then to be expanded to exchange-based deals and auctions.

The International Emissions Trading Association (IETA) expressed concern over the current lack of information from the EIB on the timing of NER300 allowance sales, which the association fears could disrupt the proper functioning of the market. Market participants are worried that the NER300 supply will weaken the carbon price further and that sales of allowances may further damage to its ability to provide a long-term price signal to incentive less carbon-intensive investments.

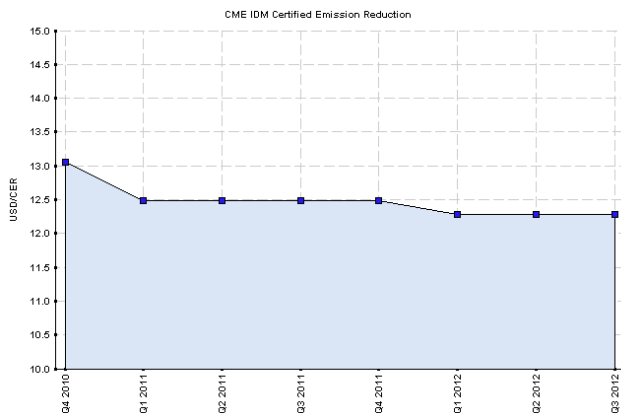
IEAT called on the EIB to regularly report on sales of allowances, and also requested that the EIB be transparent and announce intended monthly volumes.

## GreenX Lists Additional Emission Reduction Products on CME

NEW

Green Exchange announced additional listing of emission reduction financial instruments on CME. On October 24, 2011, it launched the December 2015 expiration for In Delivery Month European Union Allowance (EUA) futures and Certified Emission Reduction Plus (CERplus).

CME Code	Description
6T	In Delivery Month European Union Allowance (EUA) Futures
CPL	Certified Emission Reduction Plus (CERplus) Futures



Data Source - CME \*

## GreenX Lists Nitrogen Oxides (NOx) and Sulfur Dioxide (SO<sub>2</sub>) Futures

NEW

Effective November 7, 2011, the Green Exchange starts listing NOx and SO<sub>2</sub> futures to be cleared by CME Clearing. The futures are designed for compliance with the EPA Cross State Air Pollution Rule (CSAPR) Transport Rule.

CME Code	Description
NXA	CSAPR TR NOx Annual Vintage 2012 Allowance
NXS	CSAPR TR NOx Ozone Season Vintage 2012 Allowance
SG2	CSAPR TR SO <sub>2</sub> Group 2 Vintage 2012 Allowance
SG1	CSAPR TR SO <sub>2</sub> Group 1 Vintage 2012 Allowance

For contracts specifications click [here](#)

## Argus Launches California Carbon Allowance Index

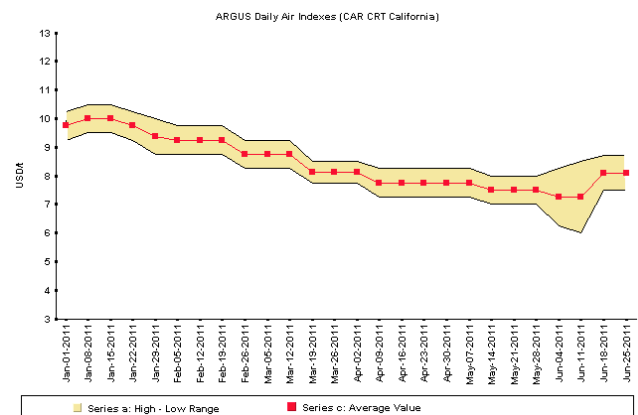
NEW

Argus launched a monthly index for emissions allowances created by the California Air Resources Board's greenhouse gas trading program.

Argus began daily pricing for the California Carbon Allowance market on August 26, 2011, and published the first monthly index on September 30, 2011.

The new monthly index is calculated by averaging the daily price assessments published for every business day in the month. The new indexes are published in Argus Air Daily, additional to the already existing air daily indexes for California.

Another index example is the following graph that shows CAR CRT California average weekly indexes published by Argus Air Daily and range between minimum and maximum values.



Data Source - Argus \*

## The U.S. Environmental Protection Agency (EPA) Releases Air Quality Model to Study Harmful Air Pollution

NEW

On October 19, 2011, EPA announced release of a new version of its Community Multi-scale Air Quality (CMAQ) model to determine how weather conditions affect pollution, and how pollution can affect and change weather. The model uses up-to-the-minute meteorology and air chemistry data.

Currently, scientists use CMAQ to estimate air quality levels at the regional and national scales. The new Version 5.0 of the model allows analyzing air quality at finer resolution settings for individual towns and cities, and model air quality for the entire northern hemisphere. Version 5.0 has the capability to use data from other air quality models. This gives the system more flexibility to address new and increasingly complex air pollution issues, and incorporate input from a worldwide community of CMAQ users.

CMAQ uses meteorology and emissions data to evaluate air pollution trends and distribution. The system models multiple air pollutants that include ozone, particulate matter, and air toxins to help air quality regulators determine the best air quality management scenarios. Also, the National Weather Service uses CMAQ to produce daily U.S. forecasts for ozone air quality.

## Canadian Province of Ontario to Back-Up the GHG Trading Program

WATCH

Ontario's Liberal party won the province's election on October 6, 2011. This victory makes it likely for the Canadian province to implement a greenhouse gas cap-and-trade program in the next year.

The Liberals' majority increases the chance of the province joining the Western Climate Initiative (WCI) next year, together with Quebec and British Columbia.

Currently, California is the only US state in WCI to have set its caps through 2020.

## Dubai Gold and Commodities Exchange (DGCX) Launches Indian Rupee Options Contract



Effective September 26, 2011, DGCX commenced trading an Indian Rupee Options Contract. The Contract was launched as a result of the successful introduction of the DGCX Indian Rupee Futures Contract, which has experienced significant growth in demand over the past year.

DGCX is the only exchange outside India to offer trading in both futures and options in the Indian Rupee.

## CME Launches Standard-Size USD/RMB Futures and E-micro USD/RMB Futures



Effective October 17, 2011, Standard-Size USD/RMB futures and E-Micro USD/RMB futures are listed for trading on CME Globex.

CME Code	Description
CNY	Standard USD/RMB Futures with USD Banking
MNY	E-Micro USD/RMB Futures with USD Banking

For CNY contract specifications [here](#)

For MNY contract specifications [here](#)

These contracts will be quoted in interbank (European) terms, reflecting the number of Chinese renminbi per US dollar. Both futures are aligned with the OTC market convention for non-deliverable forwards while providing the benefits of counterparty risk mitigation from exchange-traded derivatives.

## ICE Clear Credit to Launch Sovereign CDS Clearing for Latin American Countries



On October 20, 2011 ICE announced its intent to launch clearing of Latin American sovereign credit default swaps (CDS). ICE Clear Credit is the first central counterparty to clear sovereign CDS.

The SEC has granted regulatory approval for clearing of sovereign CDS of Argentina, Brazil, Mexico and Venezuela. Clearing will launch for Brazil and Mexico on October 31, 2011.

ICE Clear Credit, the world's first CDS clearing house, was established in March 2009. Together with ICE Clear Europe, ICE Clear Credit brings a common infrastructure to global CDS market participants within their respective regulatory jurisdictions. ICE's CDS clearing operations address the operational and risk management needs of the credit market, as well as calls by regulators and policy makers for transparency, standardization and systemic risk reduction.

## CBOE Futures Exchange Launches Futures on Radar Logic Real Estate Index



On October 27, 2011, CBOE Futures Exchange, LLC (CFE) launched trading futures on Radar Logic 28-Day Real Estate Index, which measure asset values in the U.S. residential housing market on a daily basis.

CBOE Code	Description
RPX	Radar Logic 28-Day Real Estate Index Futures

For contract specifications click [here](#)

Radar Logic is a real estate data and analytics company that calculates residential property indexes on the U.S. housing market as a whole, on U.S. geographical regions and on 25 individual U.S. metropolitan areas.

The first futures contract CFE intends to list will be on Radar Logic's 25-Metropolitan Statistical Area Composite Index (ticker symbol: RPXCP), which tracks values of the U.S. residential housing market as a whole. Metropolitan areas included in the 25-MSA Composite Index are Atlanta, Boston, Charlotte, Chicago, Cleveland, Columbus, Denver, Detroit, Jacksonville, Las Vegas, Los Angeles, Miami, Minneapolis, Milwaukee, New York, Philadelphia, Phoenix, Sacramento, San Diego, San Francisco, San Jose, Seattle, St. Louis, Tampa and Washington, D.C.

CFE's listing of RPX futures remains subject to regulatory approval.

## S&P Indices & TMX Group Launch S&P/TSX Composite Equal Weight Index for the Canadian Market



On October 28, 2011, S&P Indices and TMX launched an Equal Weight version of the S&P/TSX Composite Index. It will provide Canadian investors with a new approach to tracking the performance of the principal broad-based index for the Canadian market. An equally weighted index provides a tool that will enable size, style, and sector comparison.

The S&P/TSX Composite Equal Weight Index tends to have a higher exposure to sectors with small companies than the S&P/TSX Composite Index. Relative performance of the two indexes will also differ due to different sector exposure and risk and return profiles in different market cycles.

## S&P/ASX Australian Fixed Income Index Series Launched



On October 13, 2011, S&P Indices and the Australian Securities Exchange (ASX) launched the S&P/ASX Australian Fixed Income Index Series. It's a comprehensive package of benchmarking tools for fixed interest investments in Australia.

The S&P/ASX Australian Fixed Income Index Series are designed to measure the performance of the Australian short-term money market and the Australian bond market. The S&P/ASX Australian Fixed Income Index Series comprises:

- The S&P/ASX Australian Fixed Interest Index – the flagship bond index measures the performance of the Australian bond market and the sub-sector indexes
- The S&P/ASX Government Bond Index
- The S&P/ASX Commonwealth Government Bond Index
- The S&P/ASX State Government Bond Index
- The S&P/ASX Corporate Bond Index
- The S&P/ASX Supranational and Sovereign Bond Index
- The S&P/ASX Bank Bill Index - measuring the performance of the Australian short-term money market.

The launch of the S&P/ASX Australian Fixed Income Index Series was launched as a response to increased attraction to the fixed income asset class given the ongoing volatility in global markets.

The S&P/ASX Australian Fixed Income Series will complement Australia's official S&P/ASX Equity Index Series and will provide a complete set of key asset classes of cash, fixed income and equities.

## Three New Stock Indexes for China



China Securities Ltd. (CSI) announced the launch of three stock indexes on November 8, 2011.

- CSI TMT Industries Index tracks 100 large-scale companies in the technology, media and telecommunications industries. Stocks listed under the CSI TMT Industries Index are valued at 904.4 billion yuan (\$141.78 billion U.S. dollars), accounting for 3.79% of the total market value on the Shanghai and Shenzhen bourses.
- CSI Resource 80 Index reflects the performance of companies from the oil, coal, metal (excluding iron and steel), chemical, farming, and forestry sectors. Shares under the CSI Resource 80 Index are valued at 4.44 trillion yuan, amounting to 18.59% of the value on the Shanghai and Shenzhen stock exchanges.
- The CSI 500 SSE Stocks Index targets Shanghai listed companies among all the 500 sample shares of the CSI 500 Index. Presently, the Shanghai Stock Exchange is the Chinese mainland's largest bourse.

The reason for the indexes introduction is the government's concern that the currently dominating investments in real estate can have a dramatic impact on the country if this bubble bursts. A property bubble should be averted by persuading the public to diversify their savings into stock market investment accounts. That's why better stock market reporting is necessary to keep the public alerted to all the risks and rewards of buying and selling Chinese stocks.

TMT sectors will play a key role in China's future economic growth with more than a billion people in China representing a large market for selling various mobile devices.

Resources is another area of the country's growing demands. Oil and coal can fulfill these needs, while other metals and chemicals are necessary to manufacture technological products. The agriculture sector is a major part of the CSI Resource Index.

## S&P Indices Launches New Latin America Infrastructure Index



S&P Indices launched the S&P Latin America Infrastructure Index, a benchmark index designed to measure the largest publicly-listed Latin American infrastructure companies. The launch of the S&P Latin America Infrastructure Index follows the introduction of the S&P MILA 40 earlier in September. Both Indexes provide investors in Latin America with a means of measuring the performance of leading companies in the region.

The Index uses a modified market capitalization weighting scheme with weights determined by size. No single constituent with the S&P Latin America Infrastructure Index can have a weight of more than 8%.

The top five companies by weight in this Index representing 37.4% of the Index are: America Movil SAB de CV L ADR (Telecommunications, Mexico), Lan Airlines S.A. ADR (Transportation, Chile), Empresa Nacional de Electricidad SA (Utilities, Chile); CPFL Energia SAADR (Utilities, Brazil), and Enersis SAADR (Utilities, Chile).

## CME Launches New S&P Real-time Indexes



On October 17, 2011, CME Group started reporting the new indexes to be transmitted every 15 seconds.

CME Code	Description
S2P	HSBC Saudi 20 Shariah Index
S2T	HSBC Saudi 20 Shariah Index (TR)
S2N	HSBC Saudi 20 Shariah Index (Net TR)
DAU	Defined Australia Index
DCA	Defined Canada Index
DGM	Defined Germany Index
DIN	Defined India Index
DHK	Defined Hong Kong Index
DSW	Defined Switzerland Index
DTW	Defined Taiwan Index
DUK	Defined United Kingdom Index
DDS	Defined Developed Markets ex-US Small Cap Index
DMS	Defined Emerging Markets Small Cap Index
N40	S&P Next Emerging 40 Index

On October 24, 2011, CME Group began disseminating the following new indexes to be transmitted every 15 seconds:

CME Code	Description
AFE	S&P AFE 40
DCP	S&P GSCI Dynamic Roll Index ER
DCT	S&P GSCI Dynamic Roll Index TR



## CME Discontinues S&P Real-time Indexes



Effective October 14, 2011, CME discontinued the following S&P indexes:

CME Code	Description
WAR	S&P WCI Asia ER JPY
WSX	S&P WCI Asia JPY
WXR	S&P WCI Asia TR JPY
WER	S&P WCI ER
WRE	S&P WCI Europe ER EUR
WES	S&P WCI Europe EUR
WXE	S&P WCI Europe TR EUR
WCT	S&P WCI TR

The following indexes were discontinued on October 21, 2011:

CME Code	Description
BIC	S&P BMI (Capped) Ireland (US Dollar)

On October 28, 2011, the following S&P indexes were discontinued:

CME Code	Description
PSX	PIMCO TRAKRS Index RT
PSI	PIMCO SPTR Master Index RT

## Platts to Launch Asian Expandable Polystyrene Assessments

NEW

Platts announced an introduction of a weekly spot price assessment for Asian expandable polystyrene, general grade and fire retardant grade, basis FOB Northeast Asia effective December 14, 2011.

FOB Northeast Asia will be based on cargoes to be loaded 0-30 days from date of publication, and will be based on the ports of China (Shanghai, Ningbo), South Korea (Ulsan, Yeosu), and Taiwan (Kaohsiung).

The assessment for FOB Northeast Asia will be based on cargoes with a size of 100-500 mt, with L/C at sight. Specifications will include EPS with a bead size of 0.7-1.3 mm and a density of 10-20 grams per liter (g/l).

The assessments will be run on Platts Petrochemical Alert.

## NASDAQ OMX to Launch UltraFeed

NEW

NASDAQ OMX Group, Inc. announced UltraFeed<sup>SM</sup> aggregating North American equity, options, futures and index data feeds.

UltraFeed will be delivered first to QUODD Financial Information Services, a market data provider. QUODD Financial Information Services will provide UltraFeed to its approximately 550 downstream client firms who, in turn, feed thousands of end-users.

NASDAQ OMX expects UltraFeed to be in production in the second quarter of 2012. The initial data elements to be included in UltraFeed are the following:

### Equities

- NASDAQ TotalView / NASDAQ Level 2
- NASDAQ Basic
- CTA Network A
- CTA Network B
- UTP Level 1
- OTC Markets Level 1 and Level 2
- TSX Level 1

### Options

- OPRA Basic Service

### Futures

- CME
- CBOT
- NYMEX
- COMEX

### Indexes

- NASDAQ OMX Index and ETF Data
- NYSE Euronext Index and ETF Data
- Frank Russell Indexes
- Dow Jones Indexes
- BNY Mellon Indexes
- S&P Indexes
- CBOE Indexes
- CME Indexes

### Funds

- Mutual Fund Dissemination Service (MFDS)

## CBOE Stock Exchange to Acquire National Stock Exchange

WATCH

On September 29, 2011, CBOE Stock Exchange (CBSX) announced that it had entered into an agreement to acquire the National Stock Exchange, Inc. (NSX), an all-electronic stock exchange jointly owned by broker dealers.

CBSX will expand in the securities exchange space by wholly owning and operating a second exchange. CBSX will operate NSX as a separate exchange, while consolidating data systems and business operations.

The NSX acquisition is subject to Securities and Exchange Commission (approval and is expected to be finalized in the fall of 2011.

## OTC Global Holdings and CME Group Deliver the Industry's First On-Demand Over-the-Counter Market Data

In October, OTC Global Holdings launched the availability of instant, on-demand over-the-counter market data for natural gas and crude products over CME's DataCloud platform.

The first of its kind, intraday data leverages OTCGH's breadth of brokerages and is sourced from the company's EOXLive broking/trading platform. OTCGH is the first interdealer broker to work with CME Group to disseminate intraday levels on its brokered products, which are designed for front office traders seeking price discovery and by middle and back office risk managers around the globe seeking internal price validation and highly accurate mark-to-market results. CME DataCloud is a recently launched on-demand platform which helps developers build applications in less time and for a lesser cost than traditional technologies. Financial market data is uniquely suited to the cloud and total cost of ownership can be reduced by eliminating infrastructure costs and paying only for the data needed. By lowering the cost and complexity of integrating OTC derivative prices, CME DataCloud is helping firms to increase transparency and reduce risk.

Cleansed by EOXLive and anonymized through the removal of confidential counterparty details and trade size, the data is directly linked to the CME DataCloud platform for on-demand distribution alongside CME Group's listed products. CME DataCloud provides flexible, scalable and affordable options so that both vendors and customers can access OTCGH's market data for natural gas and crude products without any software requirements.



## ZEMA Continues to Expand Its Data Coverage

ZEMA has added over 60 new market data interfaces over the last 30 days, continuing to grow its already deep library of feeds. The newly developed interfaces include data from different global regions and commodities and have been built on the request of its pre-existing and newly acquired clients. Notable providers this month include examples such as APX, BC Hydro, CAISO, EPEX, ERCOT Nodal, Flint Hills Bulletins, Genscape, Great Lakes Gas Transmission Reports, Gestore dei Mercati Energetici S.p.A. (Italy), ICAP, ICE, Info Resources, NCG, NGX, NOAA, OPCOM (Romania), Pepco, PVM, SMX, TEIS (Turkey), Turkdex (Turkey) and USGS. Data types include bid and trade results, capacity levels, environmental summaries, emissions reports, geological discharge values, load demand, market statistics, natural gas future prices, option prices, OTC indexes, OTC oil futures prices, outage data, real-time dispatch data, weather forecasts and a greatly expanded range of European electricity pricing data spanning from the UK to Romania and Turkey.



## ZEMA User Forum and Lunch and Learn Session to Take Place in London, UK

After the success of our recently held second Annual ZEMA User Forum and Enterprise Data and Risk Management Conference in Vancouver, we are excited to announce a complimentary ZEMA User Forum and ZEMA Lunch and Learn session in London, United Kingdom, on Monday, November 21.

Among the topics will be a business update on ZE's plans for expansion into Europe, product development and the company's product roadmap. There will also be a feedback and question and answer opportunity for users. The ZEMA Lunch and Learn session will be held after the Forum, between 1 p.m. and 5 p.m. at the same venue. This session will include a presentation on Data Management and Analysis for European Energy and Commodity Markets.

If you would like more information, please visit our website at [www.zemasuite.com](http://www.zemasuite.com).

## Genscape Introduces Month-Ahead Outlook Report for MISO FTR Market

Genscape's new Month-Ahead Outlook Report provides fundamental analysis of major day-ahead congestion risks, helping participants pinpoint FTR market opportunity in the MISO footprint. The report, issued five days prior to each auction, includes:

- Specific constraint calls & congestion visualization
- Historical top day ahead constraints and spreads
- Scheduled transmission and generation outages
- Proprietary weather and wind forecasts



## Barchart, Inc. Now Integrates Realtime, Delayed and Historical Data from Eurex, Euronext LIFFE and LME

Barchart.com, Inc. recently announced that it has finalized integration of realtime, delayed and historical data from three European futures exchanges, Eurex, Euronext LIFFE and LME. These markets are now available in all of Barchart's market data solutions including: realtime streaming data feeds, on demand data services and custom website content solutions. Visit [www.barchartmarketdata.com](http://www.barchartmarketdata.com) for more on our market data solutions.



## Carbon Market Data Launches New Data Sets on World Emissions Trading Scheme (ETS) Database

Carbon Market Data has two new datasets that have been added to the World Emissions Trading Scheme (ETS) Database:

- California ETS Database (preliminary data): more than 500 power plants and factories with their CO<sub>2</sub>e emissions for the year 2008  
<http://www.carbonmarketdata.com/user/register>

- New Zealand ETS Data summary  
<http://www.carbonmarketdata.com/user/register>

The Californian cap-and-trade scheme will start in 2013, and will include around 600 industrial sites from a total of 350 companies.

To view the new data on the California and New Zealand ETS summaries, please register for free at <http://www.carbonmarketdata.com/user/register> and log on to the online data platform, the World ETS Database.

Web: <http://www.carbonmarketdata.com>

Email: [cedric.bleuez@carbonmarketdata.com](mailto:cedric.bleuez@carbonmarketdata.com)



# Political Decisions and Economic Conditions Influence Carbon Markets in Europe. In US, it's Mostly About Expectations...

Concerns regarding climate change draw attention from different industries, organizations and individuals. Driven by varying agendas and pursuing different interests, these endeavors are definitely bringing something of a direct interest for us — more data. These data points and services include more reporting on emissions, projections and emission allowances emerging as a product of cap-and-trade programs. At the same time, depressed economic conditions have their deflating impact on markets.

The clock is ticking and the annual UN Climate Change Conference is just a few weeks away. Being held in Durban, South Africa, it will take place from November 28 to December 9, 2011. With the Kyoto Protocol's first commitment period (2008–2012) getting closer to expiration, the conference in Durban will focus on securing a global climate agreement. It will also address "co-operation on clean technology", as well as the transfer of funds from rich countries to poor to "green" their economies.

The agenda promises to be very intriguing as three countries came up with proposals to make changes to the UN Framework Convention on Climate Change. One of them, from Papua New Guinea and Mexico<sup>1</sup>, calls for a "last resort" vote to be taken "only when every effort to reach consensus has failed and where there is a matter that carries broad-based support and "political will." The last resort mechanism serves to break any deadlocks in negotiations through a three-quarters majority vote. It is contemplated that this proposal would allow developing countries to use their majority to adopt any kind of world-wide binding obligation.

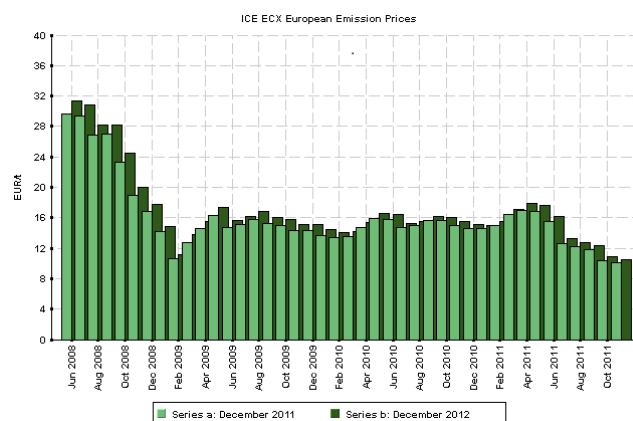
Another proposal was submitted by Russia<sup>2</sup>. It is a request for a periodic review of the list of countries falling under "developed" versus "developing" status "in the light of the most up-to-date scientific information, objectively reflecting the dynamics and reality of the current socioeconomic development of the Parties to the Convention". Periodic review and updating of the lists of countries would be a "fair way to allocate the burden of obligations" among the parties. The proposal will definitely bring a lot of opposition from China and Brazil, potentially the most affected countries by the proposal. Recategorised to the "developed" status, countries will face greater obligations, or financial contributions in the fight against climate change, which, under the current conditions, are loaded towards the developed parties.

Both proposals have to do with the developing countries and, if adopted, will ultimately impact the distribution of power between the two sides: the one that funds and the other that gets funded. Ultimately, if the Russian proposal is accepted, it is quite likely that a few large developing countries will be assigned to the "developed" camp. This carries a larger load of responsibilities and financial burden. As things stand now, only 37 of the richest industrialised nations are required to have their emissions cut. Many developed economies will be happy to see the Kyoto Protocol killed. At the previous conference in Cancun, Japan announced that it would block a second phase for Kyoto. This was backed by Russia and Canada. The US, one of the largest polluters, has never ratified Kyoto. The issue gets more complicated.

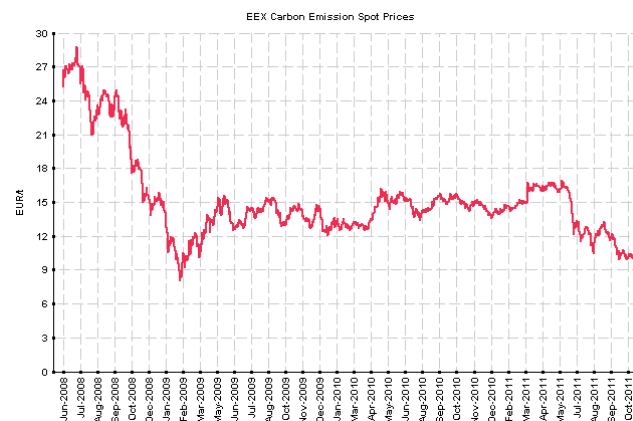
The Durban conference will be the last chance for the Kyoto Protocol to be extended into Phase II. If successful and if the Russian proposal stands, there will be more countries falling under the requirements of the emission reduction. This means more government programs that are likely to include cap-and-trade programs and consequently more products for the primary compliance markets, as well as secondary financial markets.

As the South Africa summit approaches, the EU gets calls for strengthening the carbon emission goals by increasing emission reduction from 1990 levels by 30% by 2020, instead of the currently set 20%. While there is no political consensus on this in the EU, Europe has already been a leader in environmental products traded under the European Union Emissions Trading System (EU ETS), the first emissions trading scheme in the world launched in 2005. A stricter cap was introduced for Phase II (2008–2012) and even more actions are being asked for in Phase III that will run between 2012–2020.

The European Investment Bank last month selected Germany's EEX and UK-based ICE Futures Europe issue approximately 300 million EU Allowances (EUAs) from the New Entrants Reserve (NER) for phase III of the EU ETS. Phase III of the EU ETS will bring fundamental changes to the EU Carbon market, which has been undermined by the excess supply as a result of lower than expected industrial output during the recession. The graphs below illustrate this drop in pricing of carbon products traded on different platforms, ICE and EEX.



Data Source - ICE \*



Data Source - EEX\*

<sup>1</sup><http://unfccc.int/resource/docs/2011/cop17/eng/04.pdf>

<sup>2</sup><http://unfccc.int/resource/docs/2011/cop17/eng/05.pdf>

\*Graph created with ZEMA

## Political Decisions and Economic Conditions Influence Carbon Markets in Europe. In US, it's Mostly About Expectations...

ICE ECX CFI futures contracts for December 2011 and December 2012 expiration dropped in price in winter 2009. EEX spot contracts suffered a similar blow at the same time period. None of them succeeded in recovering and returning to the previous price level.

It is expected that the introduction of an EU-wide cap replacing the current National Allocation Plan system and the shift toward auctioning, with 50% of the allowances to be auctioned compared with just 3% in Phase II, is likely to result in more investor participants and liquidity in the carbon market. The EUA's already accounted for 84% of the total global carbon market in 2010. Related products, such as options and futures, accounting for a further 13% and the increase in market liquidity, are likely to reverse the trend of products being withdrawn from the market. Presently, the majority of these contracts are traded on ICE Futures Europe, with the EEX, GreenX and Nasdaq OMX also trading Certified Emission Reductions (CERs), EUAs and ERUs futures and options contracts.

It is unlikely that the transition from Phase I to Phase II allowances will become transferable between phases allowing for unlimited banking of allowances between Phases II and III. Deutsche Bank estimates that the system is now 400 million EUAs long and expects an equivalent of 1.2 billion allowances going into Phase III. They estimate that with the addition of the Phase III contracts, the system will be short 400 million allowances through to 2020. While the shortfall could be absorbed by fuel switching or by increasing the Renewable Energy Target, larger than expected economic growth over the next decade could put further pressure on the supply of allowances.

The scheme will also be expanded to include the aviation sector from 2012 and the petrochemicals & aluminum industries from 2013. The inclusion of the aviation sector has already prompted new market participants such as Lufthansa to enter the market and is expected to increase demand around 10-12 million tonnes of CO2 allowances per year. The scheme presently covers carbon dioxide emissions from power stations, oil refineries and factories such as steel works and cement, glass and paper plants.

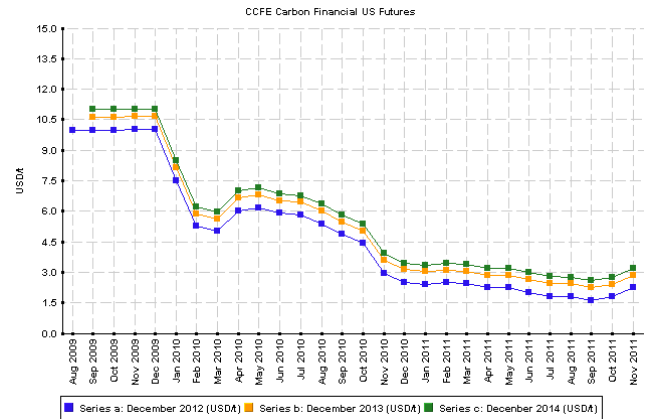
Industry experts have indicated that auctioning will begin late 2012 with delivery dates for December 2012, in line with the present regulations. Regulatory uncertainties surround the issue and convertibility of other products, such as CERs, during the third phase.

In the meantime, low liquidity and loss of confidence in carbon markets is a matter of concern. Some of that resulted from the EU ETS' market crisis following a wave of approximately 3.3 million carbon credit (costing about EUR 30 million) thefts in early 2011. Trades were suspended for some time to resolve security issues. Different mechanisms that reduce the risk of repeated system break-ins have been considered. One of the speculations, which has not been confirmed, is that carbon spot contracts will be reclassified as financial instruments thus becoming subject to the Market Abuse Directive. Additionally, the Markets in Financial Instruments Directive will force the market participants to monitor and be monitored for abuse and fraud.

On September 1, 2011, in another attempt to boost market participants' confidence, EEX and the Eurex Exchange introduced a new incentive model strengthening the Spot Market for EUA and the Derivatives Market for EUA and CERs. As stated in the EEX Press Release, the model provides for two volume thresholds: if the monthly traded volume exceeds a level of 2 million tonnes of CO2 or a level of 4 million tonnes of CO2, the company qualifies for a bonus of EUR 10,000 or EUR 20,000 respectively. This bonus will be paid to a maximum three trading participants that have traded the respective highest volumes above the thresholds specified in each month.

While the EU is struggling with the fall of consumer confidence and trying to find ways to increase liquidity of the markets, the US carbon market represents an even more interesting case.

First of all, after many attempts to pass a federal bill, nothing has ever come to fruition. Currently there is no federal carbon reduction program in place and not much is expected to occur in the nearest future. At the same time, there were still derivative products introduced to the market. Without any underlying component, they were somehow priced and have been successfully traded thus far. The graph below demonstrates results of trading three Carbon US Futures contracts on CCFE platform.

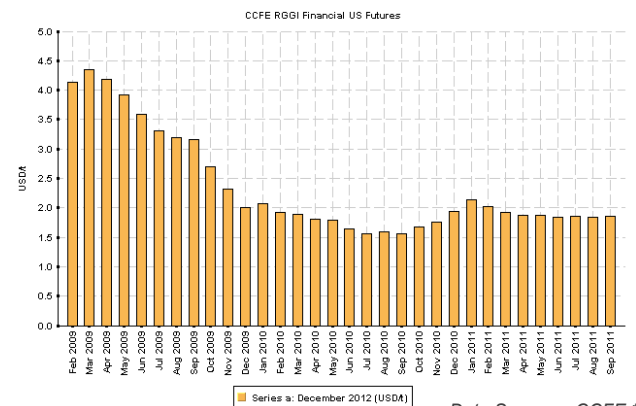


Data Source - CCFE \*

At the end of 2009 it became apparent that the most aggressive attempt to introduce a nation-wide carbon cap-and-trade system as a part of the American Clean Energy and Security Act of 2009 failed. The prices for futures dipped and have continued dropping since then.

Doomed by the drop in the market participants' interest and plagued by the Congress' failure to pass any binding cap-and-trade bill, in 2010 the Chicago Climate Exchange ceased its trading of carbon emissions and ultimately collapsed to its demise.

There is one mandatory carbon reduction program, currently operating in US, Regional Greenhouse Gas Initiative (RGGI), which compliance period started January 1, 2009. Derivatives on its allowances have been traded by different brokers and exchanges, CCFE and GreenX. The prices of RGGI futures contract have been remaining in a very low area, never reaching \$5/t, as shown in the graph below.



Data Source - CCFE \*

The drive to act on expectation of something grander to come along and to be the first entrant played out badly for many. At the same time, this approach contributed to generation of more market data, even though sometimes misleading. We just have to wait and see what the new fashion trend, a.k.a. California cap-and-trade program, will bring to us. With the compliance period starting only in 2013, California carbon allowance products are already traded by ICE, GreenX, and various brokers; whilst Argus launches California CO2 Allowance Index. We will see what is to come.