



South Coast Air Quality Management District

21865 East Copley Drive, Diamond Bar, California, 91765-4182
(909) 396-2000 <http://www.aqmd.gov>

Twelve-Month Rolling Average Price of Compliance Years 2008 and 2009 NOx RTCs

January 2010 Quarterly Report to Stationary Source Committee

Summary

The twelve-month rolling average prices of Compliance Years 2009 NOx RTCs since January 2009 have been on a declining trend and have not exceeded the \$15,000 per ton threshold. The current twelve-month rolling average price for credits valid for Compliance Year 2009 (January through December 2009) is \$1,986 per ton. This twelve-month rolling average price reflects a significant reduction in the price of Compliance Year 2009 RTCs over time, from a high of \$7,763 per ton during calendar year 2009. In addition, the twelve-month rolling average price for credits valid for Compliance Year 2010 RTCs is reported for the first time with the start of the new year. The twelve-month rolling average price for these RTCs during January through December 2009 is \$4,780. In comparison, the twelve-month rolling average price of Compliance Year 2009 RTCs was \$7,763 per ton for the corresponding period in 2008. This is the appropriate basis for comparison because RTCs prices generally decline as the expiration date approaches. Updates to previously reported twelve-month rolling average prices for Compliance Year 2008 RTCs are included in this report due to a trade which was submitted in January 2008 but inadvertently not recorded. The twelve-month rolling average prices are well below the \$15,000 per ton threshold specified by Rule 2002(f)(1)(C) and, therefore, do not trigger the requirement of reporting to and potential further actions by the Governing Board.

Background

The Governing Board amended Rule 2002(f) in January 2005 to reduce Compliance Year 2007 and beyond NOx RTC holdings by 22.5 % over five years (11.7 % in 2007 and an additional 2.7 % in each of the years 2008 through 2011), to convert the 10.8 % adjustment applied over the years 2008 through 2011 to Non-Tradable/Non-Usable RTCs, and to issue them to the parties that held the RTCs prior to conversion. These amendments further direct the Executive Officer to calculate the twelve-month rolling average price of NOx RTCs (“rolling average price”) “for all trades for the current compliance year” excluding “RTC transactions reported at no price.” Furthermore, pursuant to the RTC price reporting and averaging methodology approved by the Governing Board in September 2007, “swap” transactions (the exchange of RTCs for other RTCs or for other emissions credits) are also excluded from the calculation of rolling average prices.

In the event that this rolling average price exceeds \$15,000 per ton, the Executive Officer will report the rolling average price to the Governing Board. If the Governing Board concurs with the Executive Officer and determines that the rolling average price exceeds \$15,000 per ton it may direct the Executive Officer to convert the annual incremental Non-Tradable/Non-Usable RTCs (2.7 %) back to active, tradable RTCs valid for the compliance year in which Cycle 1 facilities are operating at the time the finding is made. In its resolution amending Rule 2002(f), the Governing Board directed the Executive Officer to report the NOx RTC twelve-month rolling average price data to the Stationary Source Committee at least quarterly. Therefore, staff began reporting twelve-month rolling average prices of Compliance Year 2008 NOx RTCs to the Stationary Source Committee in January 2008. Starting with the January 2009 report, the twelve-month rolling average price of 2009 NOx RTCs is also included. Cycle 2 of Compliance Year 2008 ended June 30, 2009. RECLAIM allows continued trade of RTCs during the 60-day annual reconciliation period following the end of a compliance year. This reconciliation period ended on August 29, 2009. Therefore, this report, under normal circumstances would not include Compliance Year 2008 RTC prices. However, a trade received in January 2008 was recently processed and it is incorporated into the twelve-month rolling average calculations. As a result, the previously reported 2008 RTCs cost data are revised and included in this report. Starting with this first report of 2010, the twelve-month rolling average price of 2010 NOx RTCs is included along with the twelve-month rolling average price of 2009 NOx RTCs.

Analysis and Conclusions

Figure I presents the monthly average cost of Compliance Year 2009 NOx RTCs for each month from January 2008 through December 2009, as well as the total volume of Compliance Year 2009 NOx RTCs traded in each of those months. Similarly, Figure II shows the monthly average cost and volume of Compliance Year 2010 NOx RTCs traded. The rolling average price can be calculated by dividing the total value traded during the twelve-month period by the total volume traded for the same period. Tables I and II list the monthly total volume, total value traded and the rolling average price data for Compliance Year 2009 and 2010 NOx RTCs, respectively. The rolling average price data will be updated on a monthly basis and reported to the Stationary Source Committee on a quarterly basis.

Historically, trading of a particular RTC is most active during the reconciliation period following its expiration date when facilities perform their final emission reconciliation. As shown in Figure I, this trend is repeated for Cycle 1 2009 NOx RTC during January and February 2009, the annual reconciliation period for Cycle 1 facilities. For Cycle 2 facilities, the annual reconciliation period is July and August. During these sixty-day periods, the trading volumes are higher when compared to the other months. Prices for these credits also dropped as the end of the reconciliation period approached because these credits can no longer be traded beyond this period.

Figure III presents the revised monthly average cost of Compliance Year 2008 NOx RTCs for January 2007 through August 2009. Table III shows the revised twelve-month rolling average prices since January 2008. This revision resulted from a RECLAIM facility discovering on December 2, 2009 that its RTC balance is incorrect. The facility provided on December 4, 2009 a receipt showing a trade registration that was submitted in January 2008. Upon researching, AQMD verified that the trade was submitted but it was inadvertently not recorded. Trade processing was completed on December 10, 2009. Incorporating this trade, the total volume and the total value traded during the 12-month, and the twelve-month rolling average price reported for January 2008 through January 2009 have to be revised. Table III shows the changes to the data as strike-out for the data previously reported and underlined for the updated data. As shown in Table III, the monthly rolling average prices with the revisions decreased for the period between February 2008 through August 2008 and increased for the reporting period between September 2008 and January 2009. Despite these changes, the monthly rolling average prices remain well below the \$15,000 threshold for the Compliance Year 2008 RTCs.

As shown in Tables I and II, the monthly rolling average prices have not exceeded the \$15,000 per ton threshold specified in Rule 2002(f). The rolling average price of Compliance Year 2009 NOx RTCs have been on a declining trend. The price for such RTCs averaged over January 2009 through December 2009 is \$1,986 per ton. In comparison, the average price of Compliance Year 2009 RTCs was \$7,763 per ton for the corresponding period in 2008 (reporting month of January 2009). For Compliance Year 2010 NOx RTCs, the average price over January through December 2009 is \$4,780. In comparison, the twelve-month rolling average of Compliance Year 2009 RTCs was \$7,763 per ton for the corresponding period in 2008. RTC prices generally decline as the expiration date approaches. Therefore, the appropriate comparison of the January through December 2009 average price of Compliance Year 2010 RTCs is to the January through December 2008 average price of Compliance Year 2009 RTCs. Based on these average prices, it is not necessary for the Executive Officer to report the rolling average price to the Governing Board or for the Governing Board to consider reinstating the incremental NOx RTC adjustment for Compliance Years 2009 or 2010.

Figure I

Monthly Average Cost Data for Compliance Year 2009 NOx RTCs Traded – January 2008 through December 2009

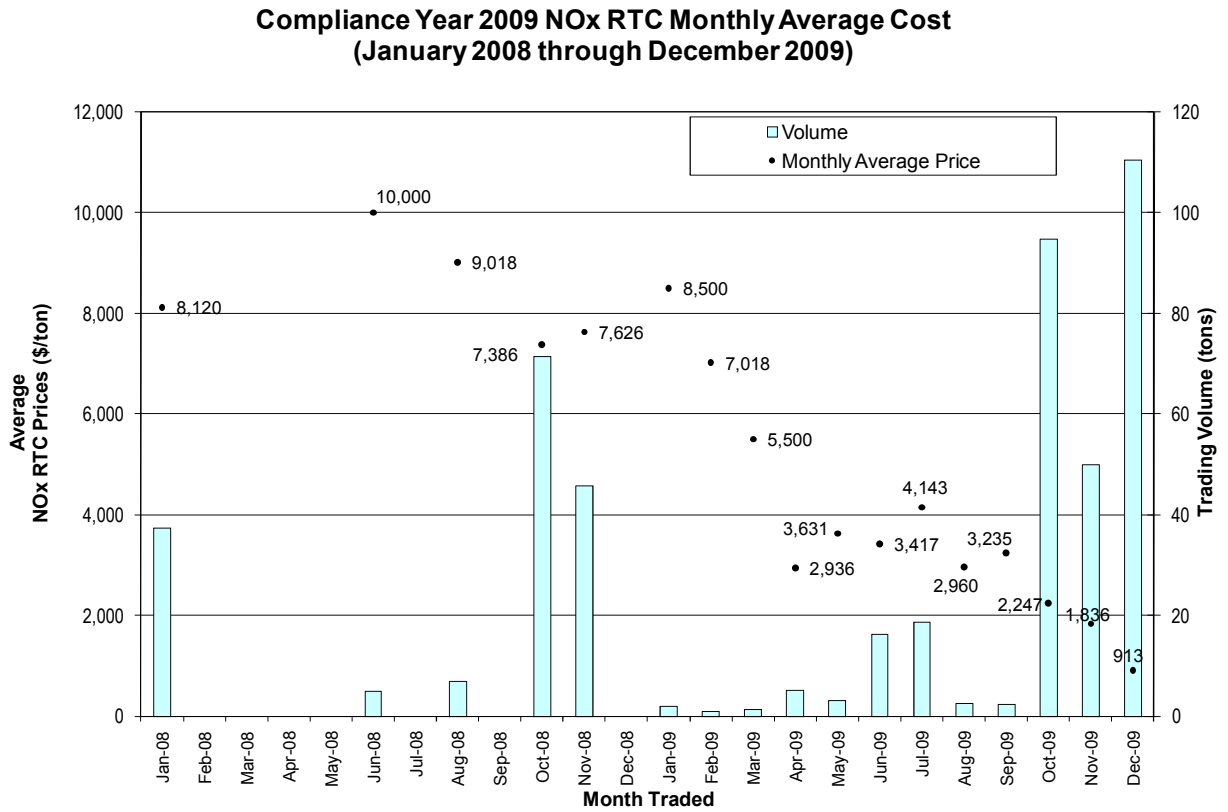


Table I

Twelve-Month Rolling Average Price Data for Compliance Year 2009 NOx RTCs

Twelve-Month Rolling Average Price Data for Compliance Year 2009 NOx RTC (January 2008 - December 2009)				
Reporting Month	12-Month Period	Total Volume Traded with Price During Past 12-month (tons)	Total Value Traded During Past 12-month	Rolling Average Price (\$/ton)
Jan-09	Jan 08 - Dec 08	166.5	\$ 1,292,806	\$7,763
Feb-09	Feb 08 - Jan 09	131.1	\$ 1,005,570	\$7,672
Mar-09	Mar 08 - Feb 09	131.9	\$ 1,011,742	\$7,668
Apr-09	Apr 08 - Mar 09	133.3	\$ 1,019,167	\$7,646
May-09	May 08 - Apr 09	138.4	\$ 1,034,053	\$7,473
Jun-09	June 08 - May 09	141.6	\$ 1,045,853	\$7,385
Jul-09	July 08 - June 09	152.9	\$ 1,051,548	\$6,877
Aug-09	Aug 08 - July 09	171.6	\$ 1,128,813	\$6,580
Sep-09	Sep 08 - Aug 09	167.2	\$ 1,074,304	\$6,424
Oct-09	Oct 08 - Sep 09	169.7	\$ 1,082,149	\$6,378
Nov-09	Nov 08 - Oct 09	193.2	\$ 768,025	\$3,975
Dec-09	Dec 08 - Nov 09	197.5	\$ 510,925	\$2,587
Jan-10	Jan 09 - Dec 09	307.7	\$ 611,188	\$1,986

Figure II

Monthly Average Cost Data for Compliance Year 2010 NOx RTCs Traded – January 2009 through December 2009

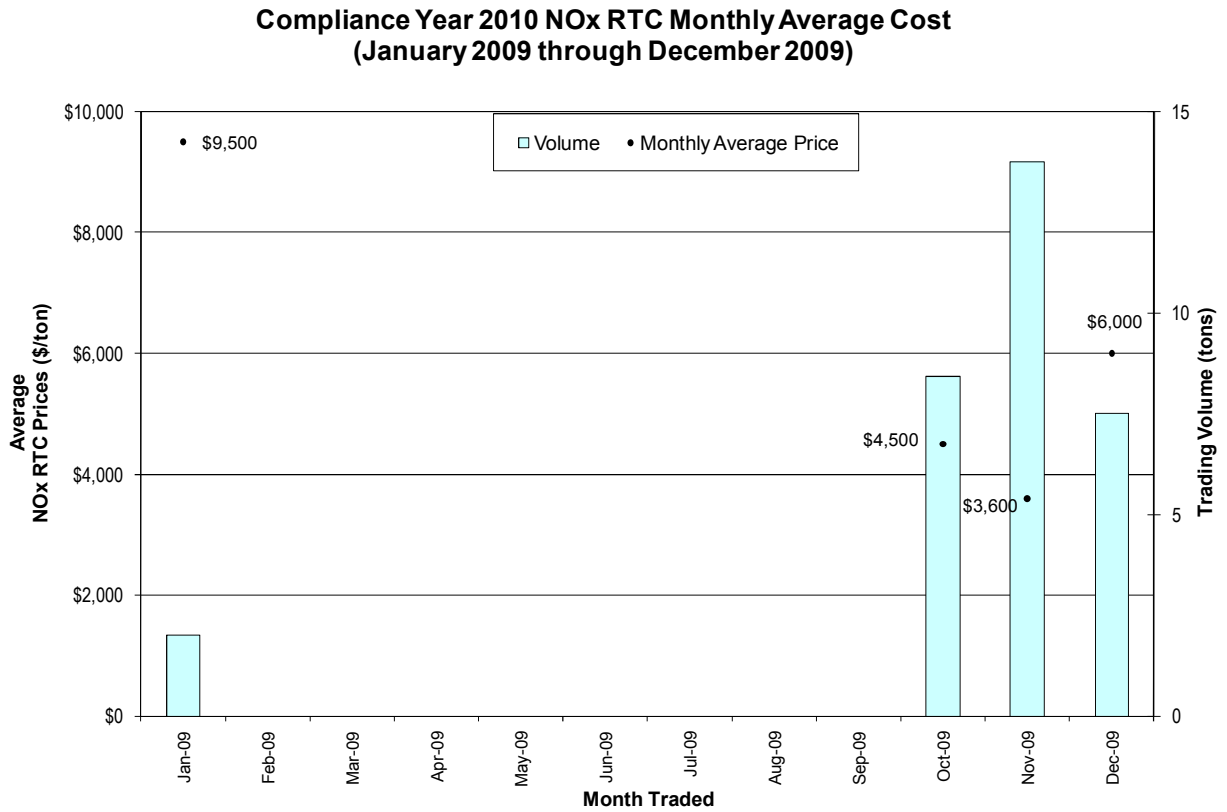


Table II

Twelve-Month Rolling Average Price Data for Compliance Year 2010 NOx RTCs

Twelve-Month Rolling Average Price Data for Compliance Year 2010 NOx RTC (January 2009 - December 2009)				
Reporting Month	12-Month Period	Total Volume Traded with Price During Past 12-month (tons)	Total Value Traded During Past 12-month	Rolling Average Price (\$/ton)
Jan-10	Jan 09 - Dec 09	31.7	\$ 151,390	\$4,775

Figure III

Revised Monthly Average Cost Data for Compliance Year 2008 NOx RTCs Traded – January 2007 through September 2009

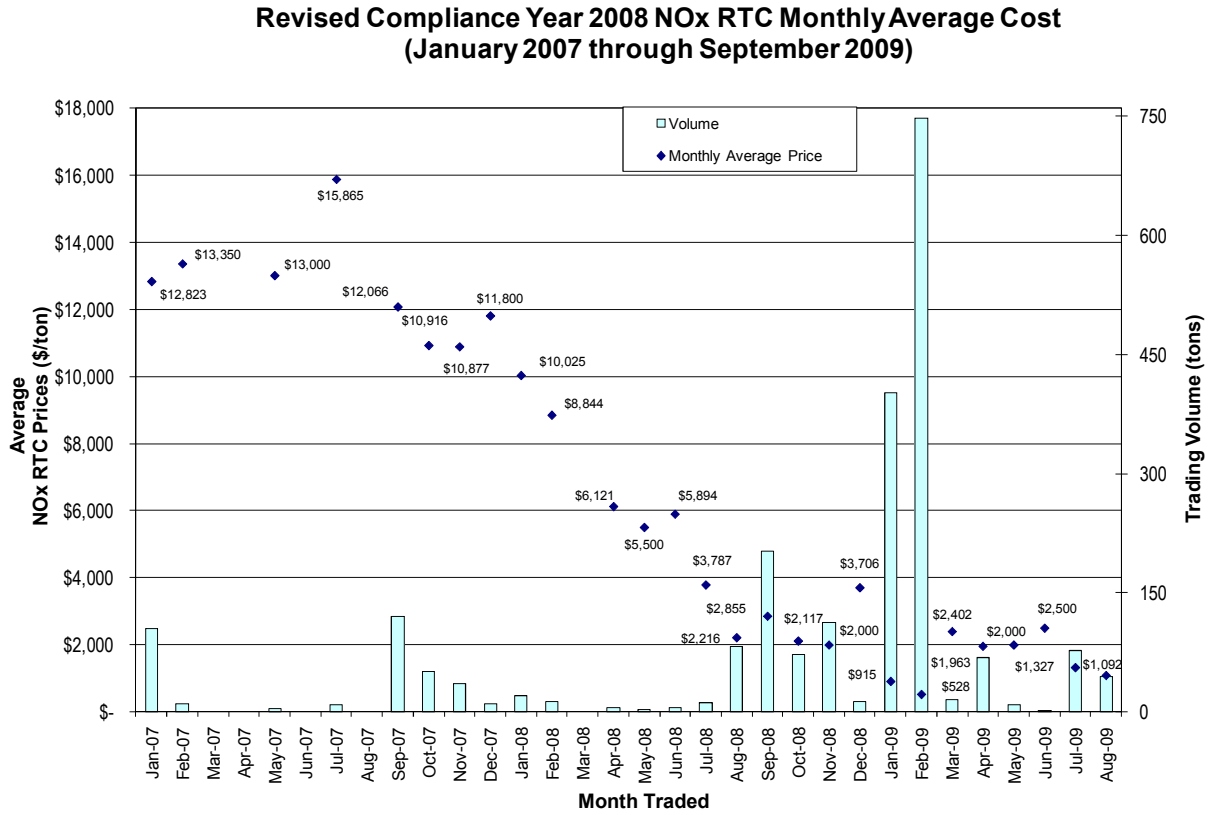


Table III

Revised Twelve-Month Rolling Average Price Data for Compliance Year 2008
NOx RTCs

Twelve-Month Rolling Average Price Data for Compliance Year 2008 NOx RTC (January 2007 - September 2009)				
Reporting Month	12-Month Period	Total Volume Traded with Price During Past 12-month (Tons)	Total Value Traded During Past 12-month	Average Price (\$/ton)
Jan-08	Jan 07 - Dec 07	342.9	\$4,164,364	\$12,144
Feb-08	Feb 07 - Jan 08	243.7 258.7	\$2,877,948 \$3,028,044	\$11,809 \$11,704
Mar-08	Mar 07 - Feb 08	246.2 261.2	\$2,854,855 \$3,004,951	\$11,596 \$11,505
Apr-08	Apr 07 - Mar 08	246.2 261.2	\$2,854,855 \$3,004,951	\$11,596 \$11,505
May-08	May 07 - Apr 08	250.9 265.9	\$2,883,930 \$3,034,026	\$11,492 \$11,409
Jun-08	June 07 - May 08	249.9 264.9	\$2,850,305 \$3,000,401	\$11,404 \$11,325
Jul-08	July 07 - June 08	255.4 270.4	\$2,882,425 \$3,032,521	\$11,286 \$11,215
Aug-08	Aug 07 - July 08	257.8 272.8	\$2,784,042 \$2,934,138	\$10,799 \$10,756
Sep-08	Sep 07 - Aug 08	340.5 355.5	\$2,967,329 \$3,117,420	\$8,715 \$8,769
Oct-08	Oct 07 - Sep 08	422.4 437.4	\$2,092,136 \$2,242,131	\$4,953 \$5,127
Nov-08	Nov 07 - Oct 08	443.9 458.9	\$1,691,885 \$1,841,879	\$3,811 \$4,013
Dec-08	Dec 07 - Nov 08	521.9 536.9	\$1,537,235 \$1,687,229	\$2,945 \$3,142
Jan-09	Jan 08 - Dec 08	525.3 540.3	\$1,470,639 \$1,620,633	\$2,800 \$3,000
Feb-09	Feb 08 - Jan 09	921.8	\$1,785,394	\$1,937
Mar-09	Mar 08 - Feb 09	1657.2	\$2,069,642	\$1,249
Apr-09	Apr 08 - Mar 09	1672.2	\$2,105,667	\$1,259
May-09	May 08 - Apr 09	1736.4	\$2,211,979	\$1,274
Jun-09	June 08 - May 09	1742.7	\$2,214,854	\$1,271
Jul-09	July 08 - June 09	1738.2	\$2,185,234	\$1,257
Aug-09	Aug 08 - July 09	1804.3	\$2,245,124	\$1,244
Sep-09	Sep 08 - Aug 09	1765.6	\$2,109,837	\$1,195
Oct-09	Oct 08 - Sep 09	Compliance Year 2008 RTC can no longer be traded after August 2009		