



ARGUS EUROPEAN EMISSIONS MARKETS

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The most up-to-date Argus European Emissions Markets methodology is available on www.argusmedia.com

Argus Emissions Market Assessments

Argus assessments of EU emissions trading scheme (ETS) allowances are a survey of market participants' views of prevailing prices, bids and offers for allocations of carbon dioxide equivalent emissions under the EU emissions trading scheme which launched in January 2005.

Argus publishes prices that report and reflect prevailing levels for open-market arm's length transactions (please see the Argus Global Compliance Policy for a detailed definition of arm's length).

Assessments are for spot allowances for delivery up to 2 days after the trade takes place unless otherwise specified in the contract. Then by the December delivery date for the current year and out to 2015. The most prompt assessments will roll when market liquidity dictates, typically in early to mid-December. The products are quoted in Euros per tonne of carbon dioxide equivalent (€/t CO_{2e}).

Certified Emission Reductions (CERs) generated under the Kyoto protocol's Clean Development Mechanism (CDM) are also assessed. The assessments reflect the secondary trading market for spot credits for delivery up to 2 days after the trade takes place unless otherwise specified in the contract. Then by the December delivery date for the current year and out to 2014, with an additional assessment for March 2013 CERs. Assessments will roll in line with allowances. The products are quoted in Euros per tonne of carbon dioxide equivalent (€/t CO_{2e}).

Emission Reduction Units (ERUs) generated under the Kyoto protocol's Joint Implementation (JI) mechanism are also assessed. The assessments reflect the secondary trading market for spot credits for delivery up to 2 days after the trade takes place unless otherwise specified in the contract. Then by the December delivery date for the current year and out to 2014, with an additional assessment for March 2013 ERUs. Assessments will roll in line with allowances and CERs. The products are quoted in Euros per tonne of carbon dioxide equivalent (€/t CO_{2e}).

Argus also publishes prices and trade volumes from the following emissions allowance and CER exchanges: ECX, EEX and Bluenext.

The Generation Economics table calculates the cost of generating electricity using coal or gas and incorporating the full cost of emissions allowances per megawatt/hour (MWh). Power, coal and gas prices are taken from Argus reports and refer to the front month, front quarter and front year in the UK, Germany and the Netherlands. The "coal spread minus gas spread" figure gives an indication of whether it is more profitable to produce base load electricity in each market from coal (a positive number) or gas (a negative number).

The Roc price is the auction price for certificates under the UK Renewable Obligation scheme in £/MWh. The price does not include the cost of the power and is for Rocs derived from renewable plants and the burning of biomass or other organic matter in coal plants (co-firing and non co-firing). Prices quoted are for the first compliance period forward.

Argus EU ETS and CER Index Methodology

Products:

EU ETS allowances, for delivery in December of the current year, as defined in the European commission directive 2003/87/EC of 13 October 2003, establishing a scheme for greenhouse gas emission allowance trading within the EU, priced in €/t CO_{2e}.

Secondary CERs, for delivery in December of the current year, generated under the Kyoto protocol's CDM, establishing a market mechanism for emission reductions in developing countries, priced in €/t CO_{2e}.

Timing:

For bilateral forward trades in the EU ETS and secondary CER market with a surrender/delivery to the relevant national registry in December of each relevant year. The index will roll in line with assessments, when market liquidity dictates, typically in early to mid-December. So from early to mid-December 2012, the index will reflect trades for compliance year 2013.

Frequency:

The Argus Index is calculated using the volume-weighted average of reported trades on a daily basis and also on a cumulative monthly and annual basis. The cumulative indexes are a volume-weighted average of trades reported to Argus. The cumulative average for the previous month shows the cumulative index on the last day of the preceding month. The cumulative average for the year shows the cumulative index of all daily trades to the date of the report.

Basis of calculation:

The Argus Index is calculated on a volume-weighted daily average of transactions in the market. If there is no trade the midpoint of the closing bid-offer spread is taken.

Time Stamp:

Price assessments are concluded at 5pm London time, Mon-Fri.

Contract:

Trades included in the Argus Index assessment will be traded on standard EU ETS and secondary CER contract master agreements, such as the IETA, ISDA or European Federation of Energy Traders (EFET) agreements.

Latest revision: 30 January 2012.