



South Coast Air Quality Management District

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Twelve-Month Rolling Average Price of Compliance Year 2008 NOx RTCs

October 2008 Quarterly Report to Stationary Source Committee

Summary

The twelve-month rolling average prices of Compliance Year 2008 NOx RTCs since January 2008 have been on a declining trend and have not exceeded the \$15,000 per ton threshold. The current twelve-month rolling average price for October 2007 through September 2008 is \$ 4,953 per ton, which is below the \$15,000 per ton threshold for reporting the rolling average price to 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 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 12-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 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 12-month rolling average price data to the Stationary Source Committee at least quarterly.

Analysis and Conclusions

Figure I presents the monthly average cost of Compliance Year 2008 NOx RTCs for each month from January 2007 through September 2008, as well as the total volume of Compliance Year 2008 NOx RTCs traded in each of those months. The rolling average price can be calculated from this data by multiplying the average price for each month by the trade volume for that month, summing the results to obtain the total traded value, and dividing the total traded value by the total trade volume for each twelve-month period. Table I (attached) summarizes the monthly rolling average price data for

Compliance Year 2008 NOx RTCs generated to date; this data will be updated on a monthly basis and reported to the Stationary Source Committee on a quarterly basis.

As shown in Table I, the monthly rolling average prices since January 2008 have been on a declining trend and have not exceeded the \$15,000 per ton threshold specified in Rule 2002(f). The rolling average price of Compliance Year 2008 NOx RTC transactions reported in October 2007 through September 2008 is \$ 4,953 per ton, which is below the \$15,000 per ton threshold. Therefore, 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 Year 2008.

Figure I
 Monthly Average Cost Data for Compliance Year 2008 NOx RTCs Traded January 2007 through September 2008

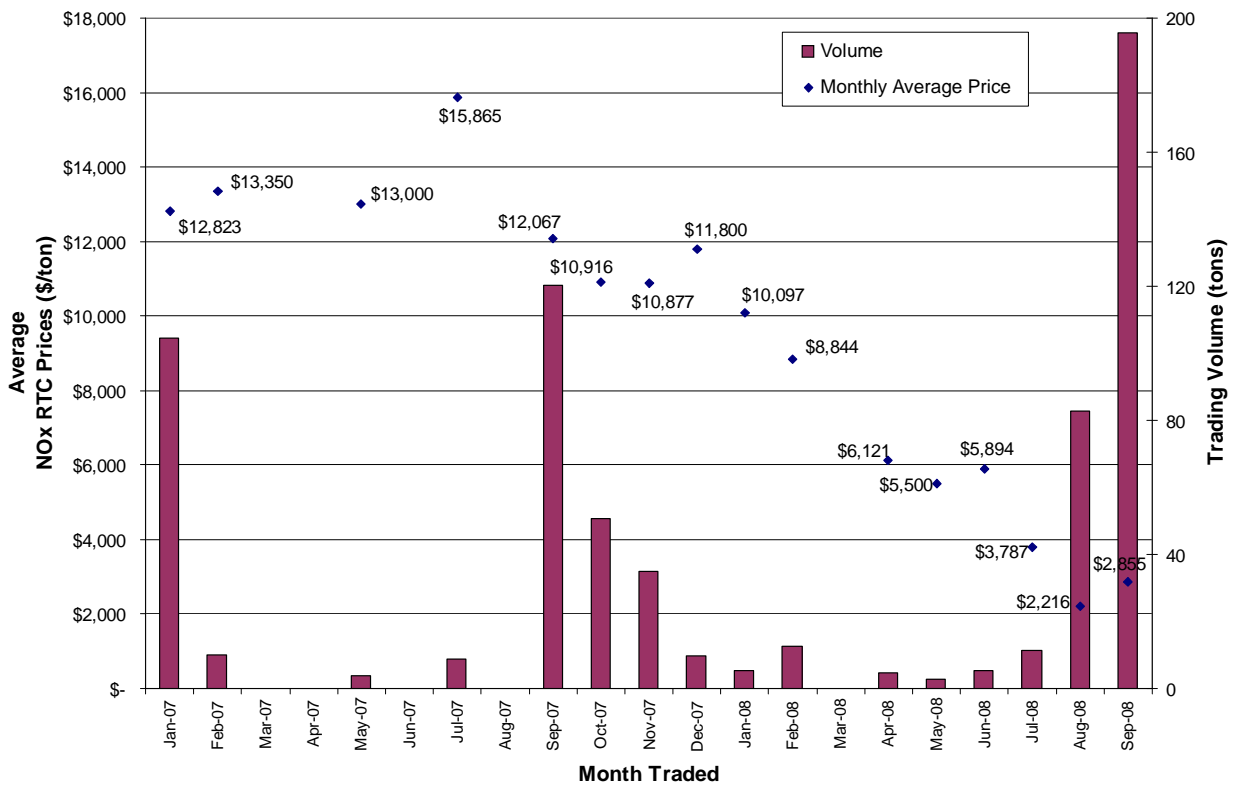


Table I
 Twelve-Month Rolling Average Price Data for Compliance Year 2008 NOx RTCs

Reporting Month	12-Month Period	Average Price
January 2008	January through December 2007	\$12,144 per ton
February 2008	February 2007 through January 2008	\$11,806 per ton
March 2008	March 2007 through February 2008	\$11,593 per ton
April 2008	April 2007 through March 2008	\$11,593 per ton
May 2008	May 2007 through April 2008	\$11,493 per ton
June 2008	June 2007 through May 2008	\$11,404 per ton
July 2008	July 2007 through June 2008	\$11,287 per ton
August 2008	August 2007 through July 2008	\$10,800 per ton
September 2008	September 2007 through August 2008	\$ 8,175 per ton
October 2008	October 2007 through September 2008	\$ 4,953 per ton