



# 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

April 2009 Quarterly Report to Stationary Source Committee

### Summary

The twelve-month rolling average prices of Compliance Years 2008 and 2009 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 (April 2008 through March 2009) for credits valid for Compliance Year 2008 is \$1,260 per ton. In addition, the twelve-month rolling average price for credits valid for Compliance Year 2009 RTCs during April 2008 through March 2009 is \$7,646. In comparison, the twelve-month rolling average price of Compliance Year 2008 RTCs was \$11,593 per ton for the corresponding period in 2007-2008, which is the appropriate basis for comparison because RTCs prices generally decline as the expiration date approaches. The twelve-month rolling prices are below the \$15,000 per ton threshold specified by Rule 2002(f)(1)(C) and, therefore, do not trigger the requirement of reporting 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 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 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.

### **Analysis and Conclusions**

Figure I presents the monthly average cost of Compliance Year 2008 NOx RTCs for each month from January 2007 through March 2009, as well as the total volume of Compliance Year 2008 NOx RTCs traded in each of those months. Similarly, Figure II shows the monthly average cost and volume of Compliance Year 2009 NOx RTCs traded. 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. Tables I and II summarize the monthly rolling average price data for Compliance Year 2008 and 2009 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.

As shown in Tables I and II, the monthly rolling average prices since January 2008 have not exceeded the \$15,000 per ton threshold specified in Rule 2002(f). The rolling average price of Compliance Year 2008 NOx RTCs have been on a declining trend. The price for such RTCs averaged over April 2008 through March 2009 is \$1,260 per ton. For Compliance Year 2009 NOx RTCs, the average price over the same period is \$7,646. In comparison, the price of Compliance Year 2008 RTCs was \$11,593 per ton for the corresponding period in 2007-2008. RTCs prices generally decline as the expiration date approaches. Therefore, the appropriate comparison of the April 2008 through March 2009 average price of Compliance Year 2009 RTCs is to the April 2007 through March 2008 average price of Compliance Year 2008 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 2008 or 2009.

Figure I

Monthly Average Cost Data for Compliance Year 2008 NOx RTCs Traded -  
January 2007 through December 2008

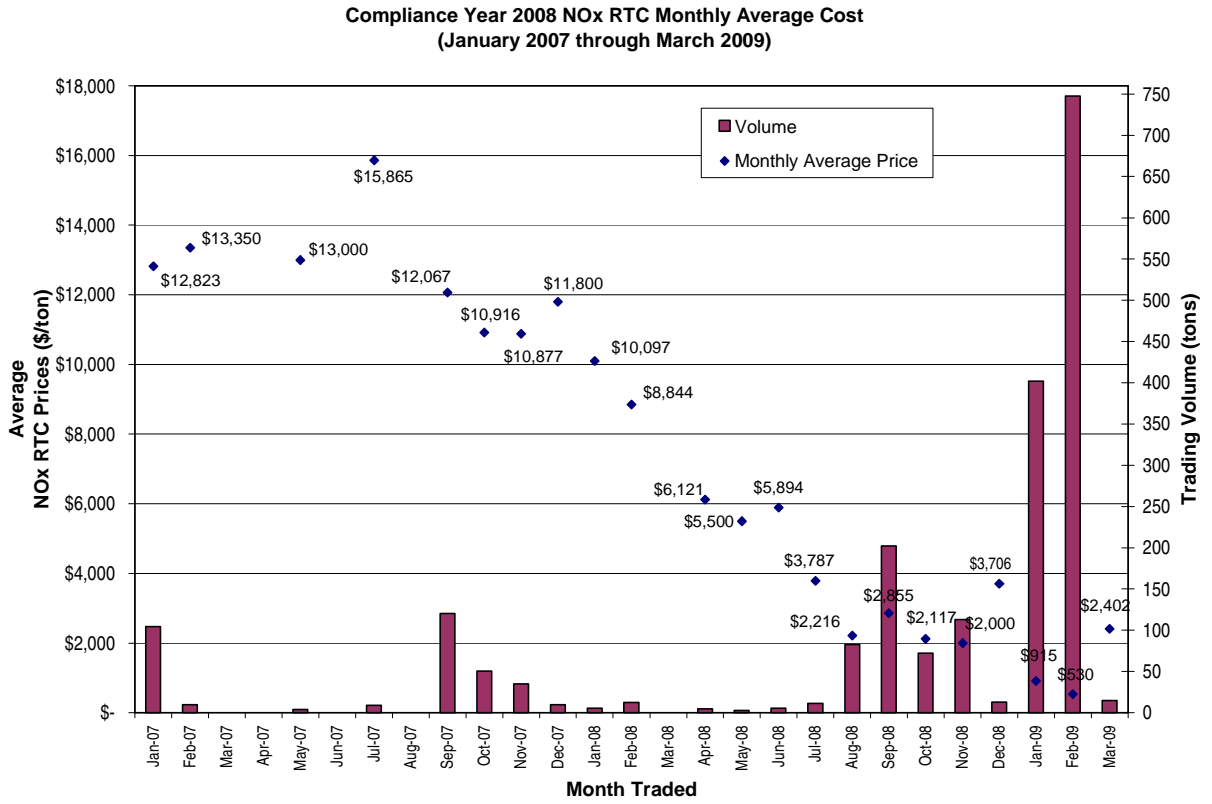


Table I

Twelve-Month Rolling Average Price Data for Compliance Year 2008 NO<sub>x</sub> RTCs

<b>Reporting Month</b>	<b>Twelve-Month Period</b>	<b>Average Price</b>
January 2008	January 2007 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
November 2008	November 2007 through October 2008	\$ 3,811 per ton
December 2008	December 2007 through November 2008	\$ 2,945 per ton
January 2009	January 2008 through December 2008	\$ 2,800 per ton
February 2009	February 2008 through January 2009	\$1,937 per ton
March 2009	March 2008 through February 2009	\$1,250 per ton
April 2009	April 2008 through March 2009	\$1,260 per ton

Figure II

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

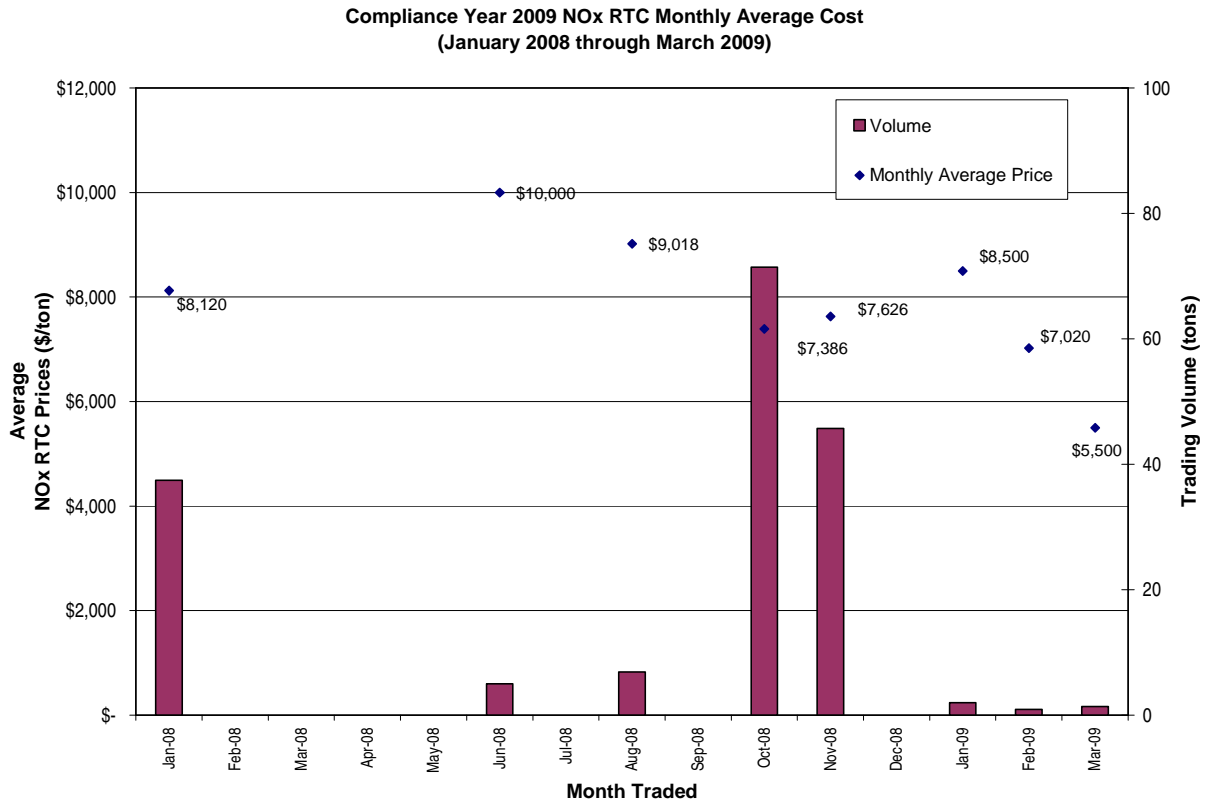


Table II

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

Reporting Month	Twelve-Month Period	Average Price
January 2009	January 2008 through December 2008	\$7,763 per ton
February 2009	February 2008 through January 2009	\$7,672 per ton
March 2009	March 2008 through February 2009	\$7,668 per ton
April 2009	April 2008 through March 2009	\$7,646 per ton