



# South Coast Air Quality Management District

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## Twelve-Month Rolling Average Price of Compliance Years 2010 and 2011 NOx RTCs

October 2011 Quarterly Report to Stationary Source Committee

### Summary

Since January 2010, the twelve-month rolling average prices of Compliance Year 2010 and 2011 NOx RTCs have been on a general declining trend as shown in Tables I and II of this report and have not exceeded the \$15,000 per ton threshold. The twelve-month rolling average price (September 2010 through August 2011) for credits valid for Compliance Year 2010 is \$922<sup>1</sup> per ton. In comparison, the average price of Compliance Year 2009 RTCs was \$861 per ton for the corresponding period, as reported in October 2010. For Compliance Year 2011 NOx RTCs, the twelve-month rolling average price for October 2010 through September 2011 is \$3,372. In comparison, the twelve-month rolling average of Compliance Year 2010 RTCs was \$3,596 per ton for the corresponding period, ending September 2010. This is the appropriate basis for comparison because RTC prices generally decline as the expiration date approaches. 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 the NOx RTC holdings for Compliance Year 2007 and beyond 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 also 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

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<sup>1</sup> The rolling average price for Compliance Year 2010 RTCs is reported for September 2010 through August 2011 rather than October 2010 through September 2011 because the last day Compliance Year 2010 RTCs were eligible to be traded was August 30, 2011.

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 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. The October 2011 Quarterly Report includes the twelve-month rolling average prices for both Compliance Years 2010 and 2011 NOx RTCs, which are the RTCs in current use.

## **Analysis**

Figure I presents the monthly average price of Compliance Year 2010 NOx RTCs for each month from January 2009 through September 2011, as well as the total volume of Compliance Year 2010 NOx RTCs traded in each of those months. Figure II shows the monthly average price and volume of Compliance Year 2011 NOx RTCs traded for each month from January 2010 through September 2011. 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 2010 and 2011 NOx RTCs, respectively. The rolling average price data will continue to be updated on a monthly basis and reported to the Stationary Source Committee on a quarterly basis.

Historically, trading of a particular RTC has been 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 2010 NOx RTC during January and February 2011, 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 normally higher, and prices also drop when compared to the other preceding months as the end of the annual reconciliation period approaches because these credits can no longer be traded beyond this period.

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 2010 and 2011 NOx RTCs have been on a declining trend. The average price for Compliance Year 2010 NOx RTCs for September 2010 through August 2011 is \$922 per ton. In comparison, the average price of Compliance Year 2009 RTCs was \$861 per ton for the corresponding period, as reported in October of 2010. For Compliance Year

2011 NOx RTCs, the average price for October 2010 through September 2011 is \$3,372. In comparison, the twelve-month rolling average of Compliance Year 2010 RTCs was \$3,596 per ton for the corresponding period ending September 2010. RTC prices generally decline as the expiration date approaches. Therefore, the appropriate comparison of the September 2010 through August 2011 average price of Compliance Year 2010 RTCs is to the September 2009 through August 2010 average price of Compliance Year 2009 RTCs. Similarly, the appropriate comparison of the October 2010 through September 2011 average price of Compliance Year 2011 RTCs is to the October 2009 through September 2010 average price of Compliance Year 2010 RTCs. These two comparisons show that the changes in average prices are minimal and insignificant.

### Conclusions

Based on the average prices being well below the \$15,000 per ton threshold specified in Rule 2002(f)(1)(C), 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 2010 or 2011.

Figure I

Monthly Average Price Data for Compliance Year 2010 NOx RTCs Traded – January 2009 through September 2011.

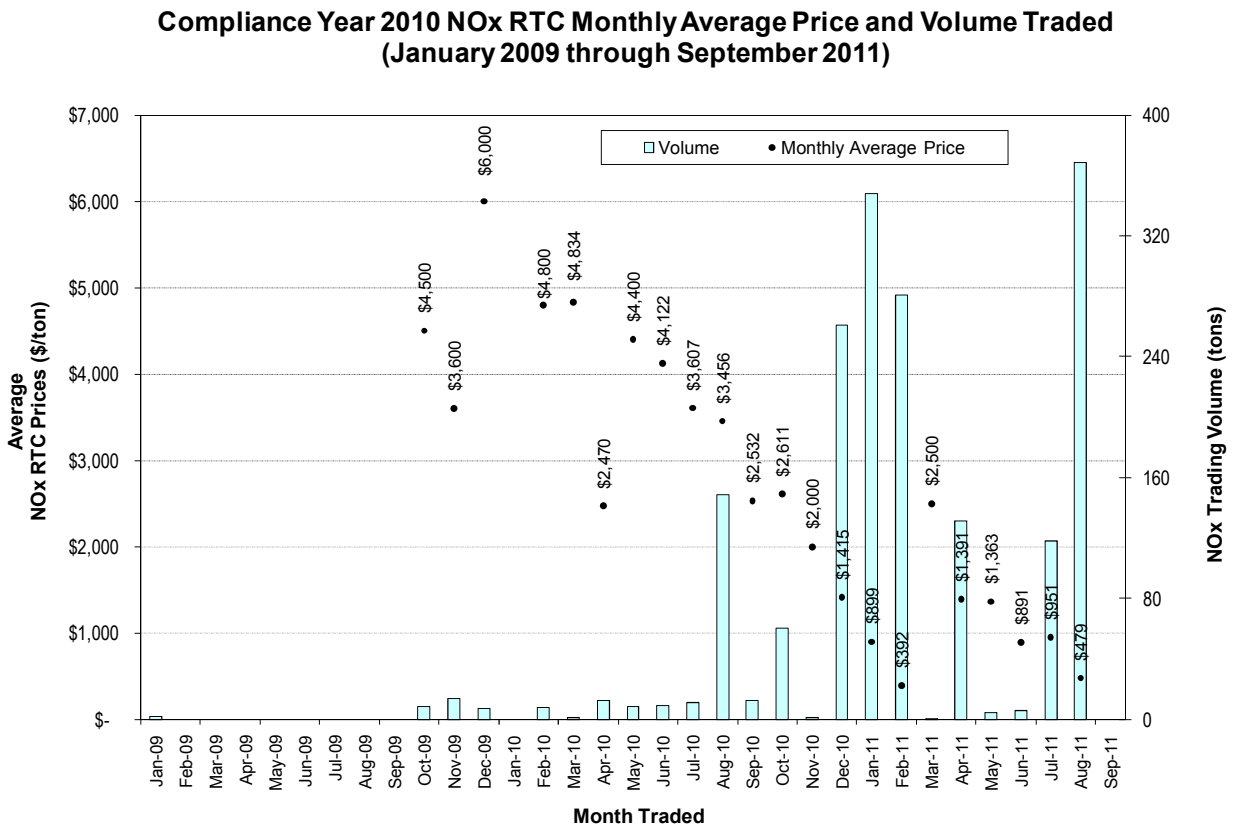


Table I

## 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 - September 2011)				
Reporting Month	12-Month Period	Total Volume Traded with Price During Past 12-month (tons)	Total Price of Volume Traded During Past 12-month (\$)	Rolling Average Price (\$/ton)
Jan-10	Jan 09 - Dec 09	31.7	\$ 151,390	\$ 4,780
Feb-10	Feb 09 - Jan 10	29.7	\$ 132,390	\$ 4,462
Mar-10	Mar 09 - Feb 10	37.7	\$ 170,790	\$ 4,534
Apr-10	Apr 09 - Mar 10	38.7	\$ 175,733	\$ 4,542
May-10	May 09 - Apr 10	51.1	\$ 206,427	\$ 4,038
Jun-10	Jun 09 - May 10	59.7	\$ 244,047	\$ 4,090
Jul-10	Jul 09 - Jun 10	68.6	\$ 280,935	\$ 4,094
Aug-10	Aug 09 - Jul 10	79.9	\$ 321,502	\$ 4,025
Sep-10	Sep 09 - Aug 10	228.5	\$ 835,056	\$ 3,655
Oct-10	Oct 09 - Sep10	241.0	\$ 866,819	\$ 3,596
Nov-10	Nov 09 - Oct 10	293.0	\$ 986,731	\$ 3,367
Dec-10	Dec 09 - Nov 10	280.3	\$ 939,231	\$ 3,351
Jan-11	Jan 10 - Dec 10	533.6	\$ 1,263,221	\$ 2,367
Feb-11	Feb 10 - Jan 11	881.3	\$ 1,575,854	\$ 1,788
Mar-11	Mar 10 - Feb 11	1,154.2	\$ 1,647,514	\$ 1,427
Apr-11	Apr 10 - Mar 11	1,153.7	\$ 1,643,821	\$ 1,425
May-11	May 10 - Apr 11	1,272.9	\$ 1,796,290	\$ 1,411
Jun-11	Jun 10 - May 11	1,269.2	\$ 1,765,210	\$ 1,391
Jul-11	Jul 10 - Jun 11	1,266.0	\$ 1,733,447	\$ 1,369
Aug-11	Aug10 - Jul 11	1,372.7	\$ 1,805,116	\$ 1,315
Sep-11	Sep 10 - Aug 11	1,592.9	\$ 1,468,207	\$ 922
Oct-11	Compliance Year 2010 RTC can no longer be traded after August 2011			

Figure II

Monthly Average Price Data for Compliance Year 2011 NOx RTCs Traded – January 2010 through September 2011

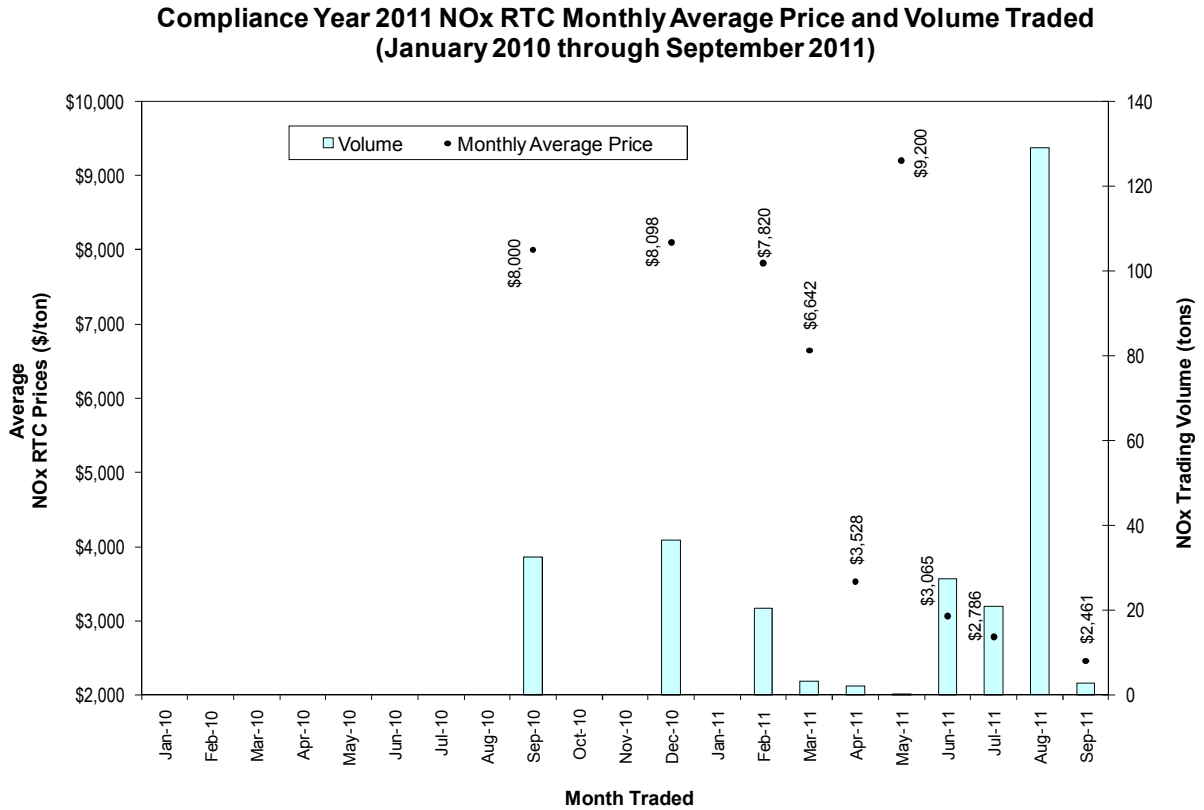


Table II

Twelve-Month Rolling Average Price Data for Compliance Year 2011 NOx RTCs

<b>Twelve-Month Rolling Average Price Data for Compliance Year 2011 NOx RTC (January 2010 - September 2011)</b>				
Reporting Month	12-Month Period	Total Volume Traded with Price During Past 12-month (tons)	Total Price of Volume Traded During Past 12-month (\$)	Rolling Average Price (\$/ton)
Jan-11	Jan 10 - Dec 10	69.0	\$ 555,180	\$ 8,052
Feb-11	Feb 10 - Jan 11	69.0	\$ 555,180	\$ 8,052
Mar-11	Mar 10 - Feb 11	89.5	\$ 715,950	\$ 7,999
Apr-11	Apr 10 - Mar 11	92.9	\$ 738,200	\$ 7,950
May-11	May 10 - Apr 11	95.0	\$ 745,782	\$ 7,850
Jun-11	Jun 10 - May 11	95.2	\$ 747,162	\$ 7,852
Jul-11	July 10 - Jun 11	122.5	\$ 831,002	\$ 6,783
Aug-11	Aug10 - Jul 11	143.4	\$ 889,232	\$ 6,201
Sep-11	Sep 10 - Aug 11	272.5	\$ 1,071,857	\$ 3,933
Oct-11	Oct 10 - Sep 11	242.9	\$ 818,952	\$ 3,372