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EEX Market Monitor
by the Market Surveillance of EEX
Q4/2008

1 Quarterly Report by the Market Surveillance

This month, the by now fourth issue of the EEX Market Monitor by the Market Surveillance Office (HÜSt) of EEX for the year 2008 is published.

The Market Monitor focuses on subjects of regulation and monitoring of the energy market in general and on EEX in particular. Furthermore, it is intended to provide a report on the development of the markets during the respective past quarter in a neutral and objective manner.

This issue of the EEX Market Monitor for the fourth quarter 2008 was expanded with further elements. This includes, amongst other aspects, the presentation of the active trading participants on EEX as well as a glossary of terms from the field of exchanges. Since we have already provided a report on the innovations on account of the Code of Conduct in the Market Monitor for the second quarter of 2008, we would now like to follow up on this subject and present the Sanctions Committee established on the basis of a decree by the exchange supervisory authority, the Saxon State Department of Economic Affairs and Labour. Moreover, you will find the usual report on the activities of the Market Surveillance Office in 2008. Subsequent to that, we will provide a summary of the events on the markets of EEX during the past three months.

The EEX Market Monitor is not only intended for the EEX trading participants and their compliance departments but also and in particular for the interested public. We hope to reach associations, authorities as well as all those persons interested in the liberalised energy market and in EEX with this publication. We provide the EEX Market Monitor on the internet site but are also pleased to send it out via e-mail. To that end, we provide the possibility of subscription. After that, you will automatically receive the respective current EEX Market Monitor upon its publication. Please send a short e-mail to surveillance@eex.com to that end.

We hope that you will enjoy reading the EEX Market Monitor.

We are very grateful for recommendations and suggestions.

Your EEX Market Surveillance Office

2 Report on the Activities by the Market Surveillance Office for the year 2008

The exchange landscape and the banking sector experienced a turbulent and exciting year 2008, which, of course, also characterised the activity of the Market Surveillance Office (HÜSt.) of the European Energy Exchange (EEX) to a considerable degree.

After the year 2007 had led to increasing prices, especially on the stock markets, in spite of the subprime crisis, the real estate crisis in the USA, the year 2008 began with peak levels on the stock markets. However, the financial crisis which aggravated subsequently led to a reduction of the DAX 30 by half in two steps. The index lost 20 percent as early as in January 2008 and displayed a sideward movement until September 2008. As a result of the insolvency of Lehman Brothers Holding in September 2008, the climax of the financial crisis so far, the DAX 30 dropped by a further approx. 25 percent.

Such a development was not observed on EEX as an energy exchange, however. Since the beginning of the year the prices for EUA and gas rose continuously on the Derivatives Market until the end of June/ beginning of July and subsequently fell to below the level of the prices at the beginning of the year. In spite of the their relative stability the prices for power on the Derivatives Market also dropped and, at the end of the year, they were slightly below the level achieved at the beginning of the year. During the first eight months of 2008 the Phelix Day Base displayed a sideward movement. On 6 October 2008, the index achieved its annual peak at EUR 131.40 and then fell until the end of the year.

As during the previous year, the European Energy Exchange was very much in the limelight since the prices established here are reference prices for the European energy market. The increased power prices and the accusation of the abuse of a market-dominating position by the four major suppliers, especially through trading on the European Energy Exchange, which is connected with these, and the increase of the gas prices for the final customers were important subjects.

HÜSt. monitored these developments with special interest and paid special attention to these in the course of its daily monitoring activities and the special investigations.

Following the addition to our staff in the course of 2007 HÜSt could use the human resources capacity of four members of staff during a full calendar year for the first time. This has facilitated much more intense monitoring and analyses of the EEX markets. An increased number of ad-hoc and permanent investigations, a closer contact with the trading participants and the exchange supervisory authority, the Saxon State Ministry of Economic Affairs and Labour, can be cited as examples of this. Last year, several workshops for the presentation of special investigations carried out, for information purposes and for an exchange of ideas and experience were held together with the exchange supervisory authority. In addition to commissioning of investigations regarding a specific cause or subject, this has also resulted in an intensification of the monitoring activities.

In addition to the special investigations, HÜSt. also carried out investigations which served the purpose of developing internal expertise.

In the course of its daily monitoring activity, HÜSt. recorded and analysed all trading activities with regard to suspicious facts in the short and long term in order to detect any possible violations of the German Exchange Act and the rules and regulations of the exchange. In case of suspected violations, the trading participants concerned were contacted and given the opportunity to dispel the existing suspicious facts.

On account of the close contact between HÜSt. and the trading participants, the trading participants' awareness of the requirements under the applicable legislation and the rules and regulations of the exchange and for the transparency of the market could be increased further.

All of the suspicious facts which arose in the year 2008 could be dispelled in the framework of the requests for information by HÜSt towards the trading participants.

The quarterly publication of the "EEX Market Monitor" with a current editorial part, presentations of the individual EEX markets as well as a report on the activities for the respective last three months was launched more than one year ago. After its successful start the "EEX Market Monitor" was continuously developed further in 2008 and demonstrates the competence of HÜSt. The improved perception of HÜSt. in the public is shown by the fact that the "EEX Market Monitor" was accessed more than 7300 times. Further extensive improvements of the "EEX Market Monitor", which have partly already been implemented in this issue, are planned for the year 2009.

In the year 2008, the Market Surveillance Office began to develop its new Market Surveillance Monitoring System (MSMS). This aims at improving the monitoring activities to a considerable degree. One member of the team was involved in the development of the concept and the preparation of the fine specifications in accordance with the HÜSt. requirements over several months before a Leipzig-based software company was commissioned to prepare the MSMS in September 2008. Following comprehensive acceptance testing since mid-December 2008 and after training courses for the staff of HÜSt. the tool will now be used as of the first quarter of 2009. The MSMS is based on an even broader pool of data and permits more comprehensive analyses of data; moreover, it simplifies data queries for the purpose of both the daily monitoring activities and the preparation of comprehensive special investigations. Moreover, the system is also capable of facilitating in-depth statistical researches. As a result of this, the evaluation of the data volume, which continuously increases on account of the growth of EEX, is greatly facilitated and an open solution which is fit for the future is used.

As during the previous years, HÜSt has reported to the German Federal Network Agency (BNetzA), the Netherlands Authority for the Financial Markets (AFM), the US-American CTFC and the Swiss Federal Banking Commission (EBK) in the framework of regular reporting. As an additional function, further special messages are now forwarded to EBK as a service for the trading participants.

The year 2009 brings a number of new challenges the implementation of which was already begun in the year 2008. For example, the exchange council of the European

Energy Exchange has adopted the Code of Conduct as a new element of the rules and regulations of the exchange. The impact on the daily monitoring activities was discussed with the exchange supervisory authority and integrated into the daily routines. The exchange supervisory authority is currently preparing a regulation on administrative penalties in order to implement the Code of Conduct, as a result of which further tasks will evolve for HÜSt. It will, in particular, assume functions in the field of investigations in order to prepare and support the Sanctions Committee. Moreover, the changes on account of the co-operation between EEX and Powernext will also leave their mark on the activities of HÜSt. and entail new challenges. In future, a closer contact with the French exchange supervisory authority is planned and an exchange of information between the Market Surveillance Offices of EPEX Spot SE, which also comprises the former EEX Power Spot Market, and EEX is intended. Further tasks will arise on account of the envisaged change of art. 7 of the German Exchange Act, as has already been explained in the issue for the third quarter 2008. The federal legislature intends to establish a provision authorising HÜSt. to inquire after the data on which an OTC trade registered on the exchange is based and, especially, about the commercial background of such trades and to carry out further investigative activities on the basis of such data.

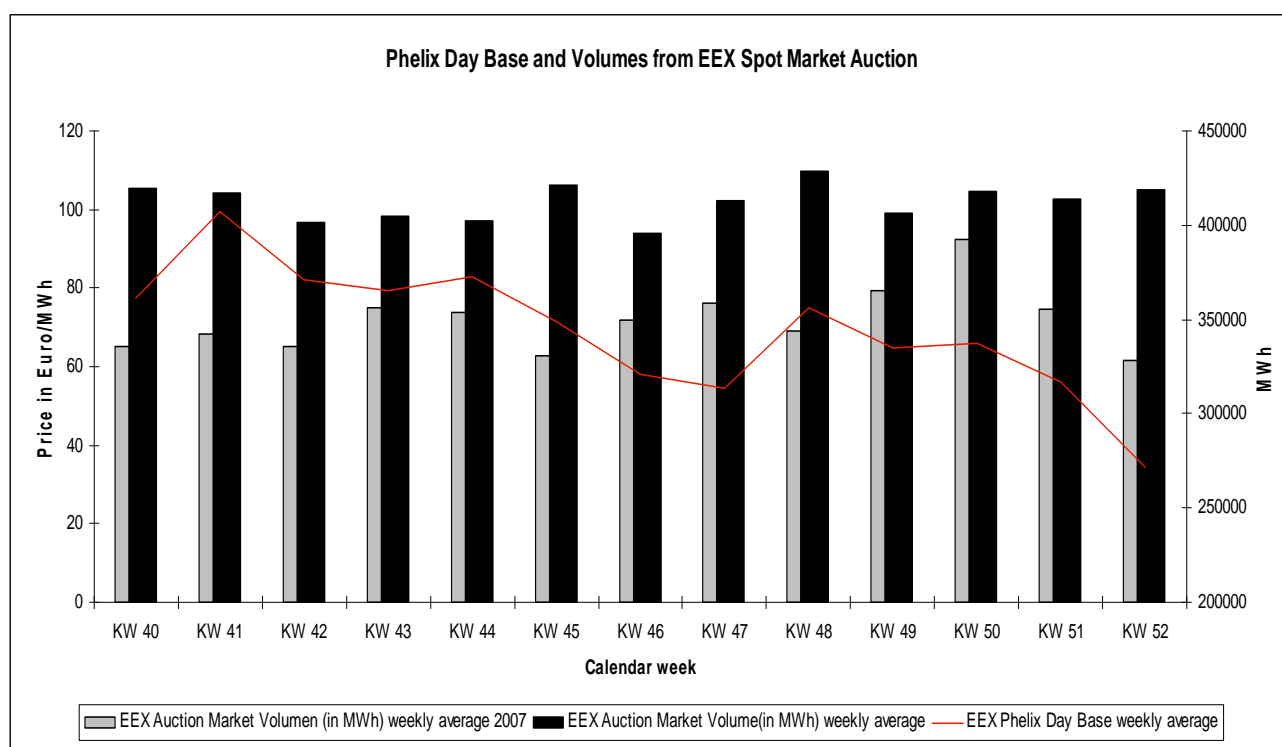
HÜSt. can look back on an eventful and yet successful year 2008. The consistent monitoring activities and co-operation with the state supervisory authorities have shown yet again that the European Energy Exchange is a well-established and successful market place for trading in power, gas, emission allowances and coal free from manipulation. We will consistently continue the path chosen and the new challenges arising, such as the support for the Sanctions Committee, will be tackled with reinforced momentum in the year 2009.

3 Market Developments

The overview provided below only constitutes a summary of the developments on the markets during the past period under review. The report is only intended as general information regarding the events on the markets of EEX for the trading participants and the interested public. The Market Surveillance Office does not engage in analysts' activities. Neither it nor EEX itself comment or evaluate the development of prices on the different markets. Market Surveillance does not prepare any forecast under any circumstances since this is diametrically opposed to its task.

Power

Development of Prices and Volumes on EEX – Power Spot Market –

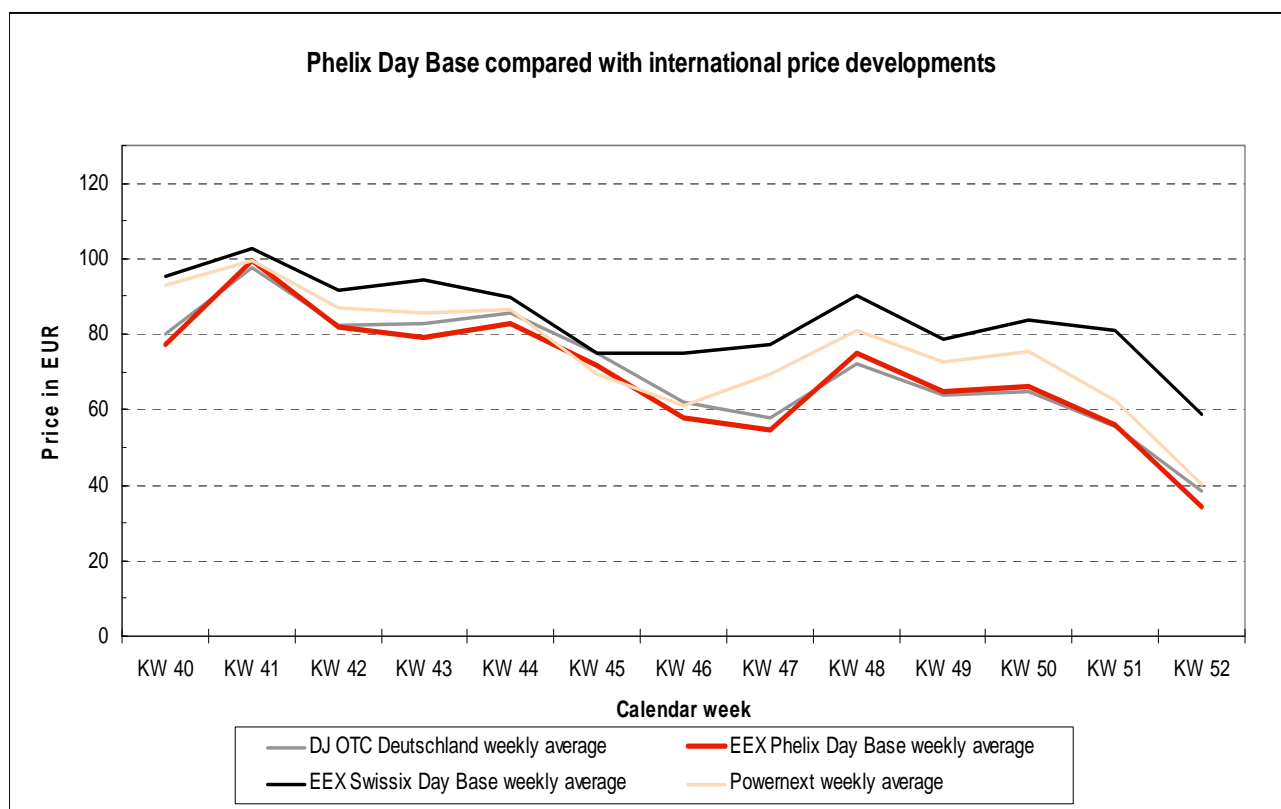


The power prices for the physical delivery of power within the German/Austrian market area as well as within the Swiss market area are established on EEX in the course of daily auctions. On the basis of the auction results, EEX then establishes the Phelix Day Base, which constitutes a reference for the development of the power prices in Germany and Austria.

The chart above shows the development of prices and volumes during the period under review for the German/Austrian market area. During the fourth quarter of 2008, the volumes ranged between 396 GWh and 428 GWh on a weekly average. On average, approx. 412 GWh were traded per day. The average for the fourth quarter of the previous year amounted to approx. 350 GWh per day. A comparison between the fourth quarter of 2008 and the same period during the preceding year showed that the volumes have

increased considerably. During the fourth quarter of 2008, on average 62 GWh more were traded per day than during the fourth quarter of 2007. Furthermore, we can see that the volume declined during the 51st and 52nd calendar week – in line with the development during the same period in the preceding year.

The development of prices displayed a different course than the development of volumes. The average prices dropped considerably during the fourth quarter of 2008. At the beginning of the period under review the weekly average of the EEX Phelix Day Base amounted to approx. EUR 80.00 per MWh. During CW 42 all indexes climbed to a level of approx. EUR 100.00 per MWh. After that, prices dropped and were quoted at the lowest level so far in CW 47. Following a short recovery during CW 48, prices continued to drop significantly. During the last two weeks of the fourth quarter prices fell to EUR 40 per MWh.



The chart shows the Phelix Day Base compared to the OTC prices as well as the prices for Switzerland and France. In summary, we can notice that prices fell with short phases of price increases during the fourth quarter of 2008. The downward trend was briefly interrupted during CW 47 and 48; however, it continued after that. The indexes resemble each other very much in their overall course. If we compare the EEX Phelix Day Base weekly with the other indexes we can see that it is quoted at the lower end of all indexes. At the end of the period under review, all indexes dropped considerably. With the exception of the Swissix with an average price of approx. EUR 60.00 per MWh, all other indexes amounted to approx. EUR 40 per MWh.

Development of Prices on EEX – Power Derivatives Market –

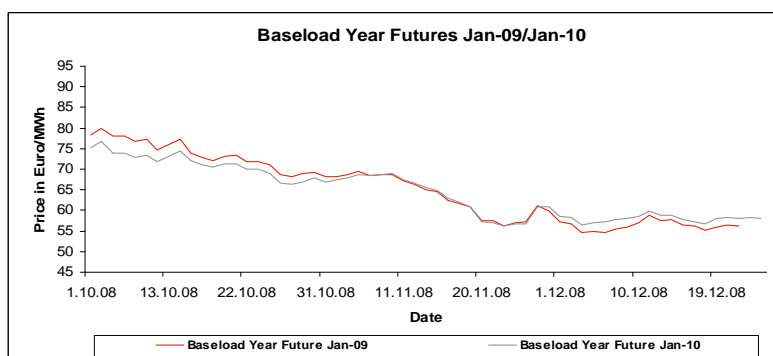
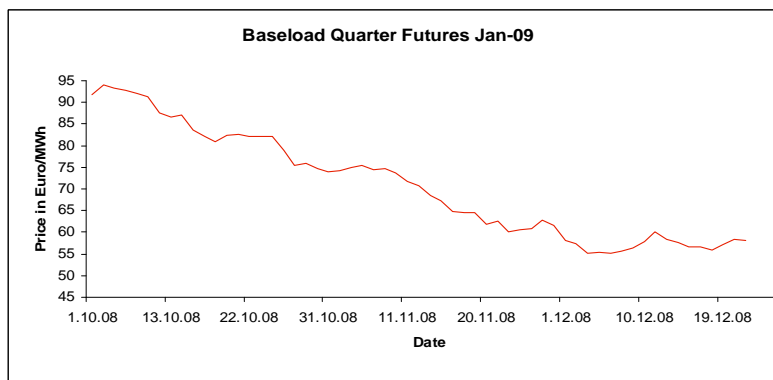
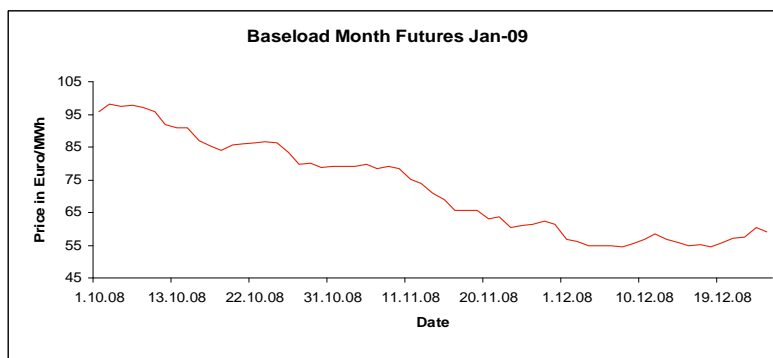
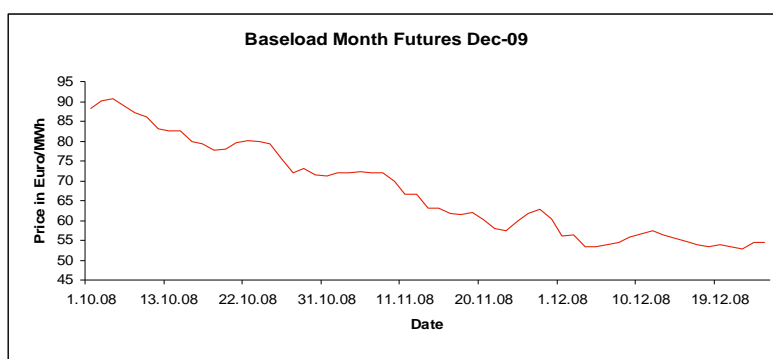
On the Derivatives Market futures on power are traded in addition to options. Futures comprise the right and the obligation to buy a certain quantity of power at a price established upon the conclusion of the contract at a certain point of time/ during a certain period of time in the future.

The development of the prices of the power futures is similar as long as all are based on the same expectations regarding the development of the market until the time of the fulfilment of the contracts. The development of the prices of the month futures, in particular, display a high degree of parallelism; however, the course of the front year future differs from this.

During the period under review, all charts show falling prices in the months of October and November. Prices in the month and quarter futures moved sideways as of the beginning of December. This sideward movement had already begun in mid-November with regard to the year futures. Moreover, the drop in prices was lowest for the year futures.

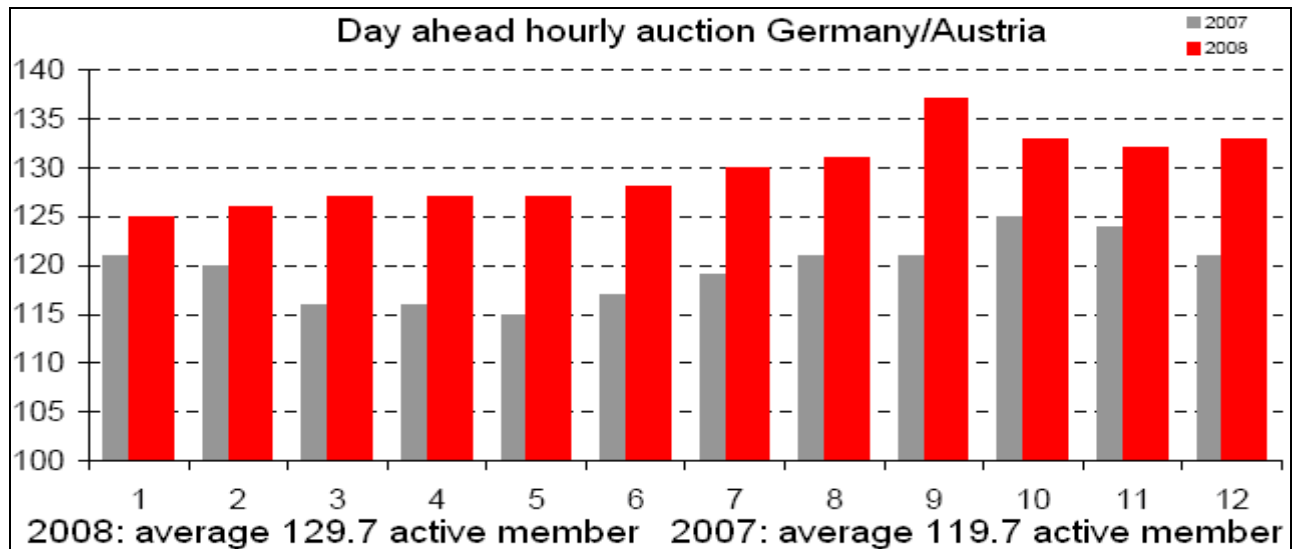
The month and quarter futures, hence, display a higher degree of similarity. The highest price difference between the highest and the lowest price was found in the F1BY Jan 2009 at EUR 43.83 per MWh. The lowest drop in prices amounted to EUR 20.59 per MWh in F1BY Jan 09.

In December, the prices for all futures fluctuated between EUR 50 per MWh and EUR 60 per MWh.

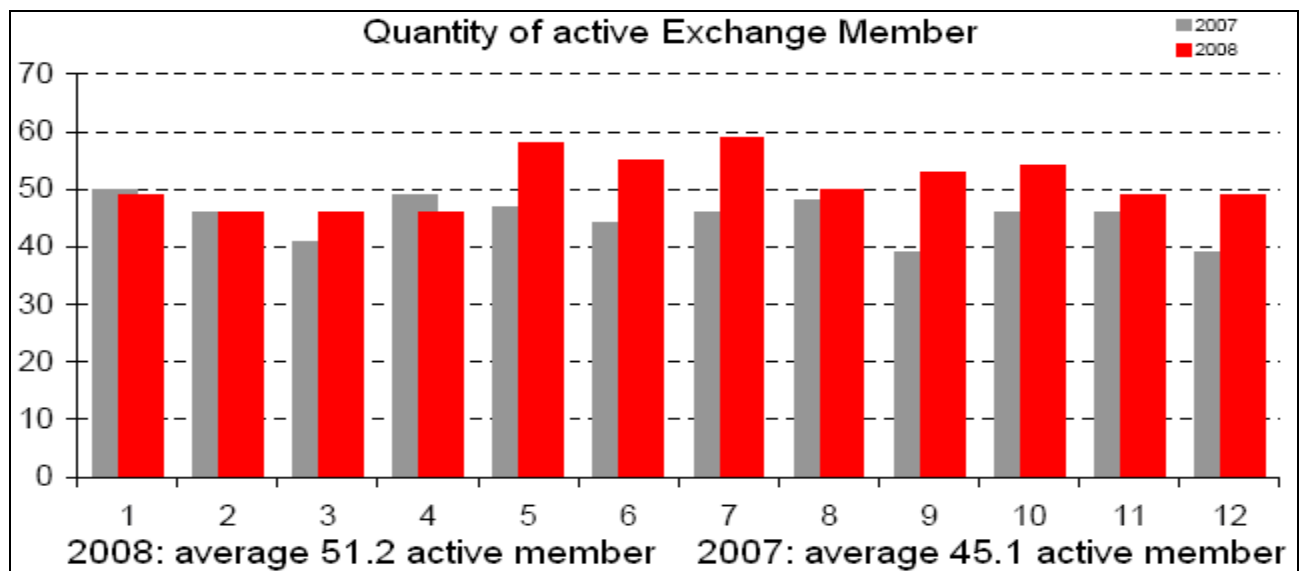


Number of Active Trading Participants on the Power Market

As in the case of the trade volumes, the number of the active trading participants in the Power Spot Market for the German/Austrian market area has increased.



The number of active trading participants continued to increase steadily during the year 2008. At a total of 137 trading participants, the highest number of trading participants was active in the hourly auction for Germany/Austria in September 2008. During the months from October to December the monthly average amounted to more than 130 active trading participants. In 2008, an average of 10 trading participants more were active in the hourly auction than in 2007.



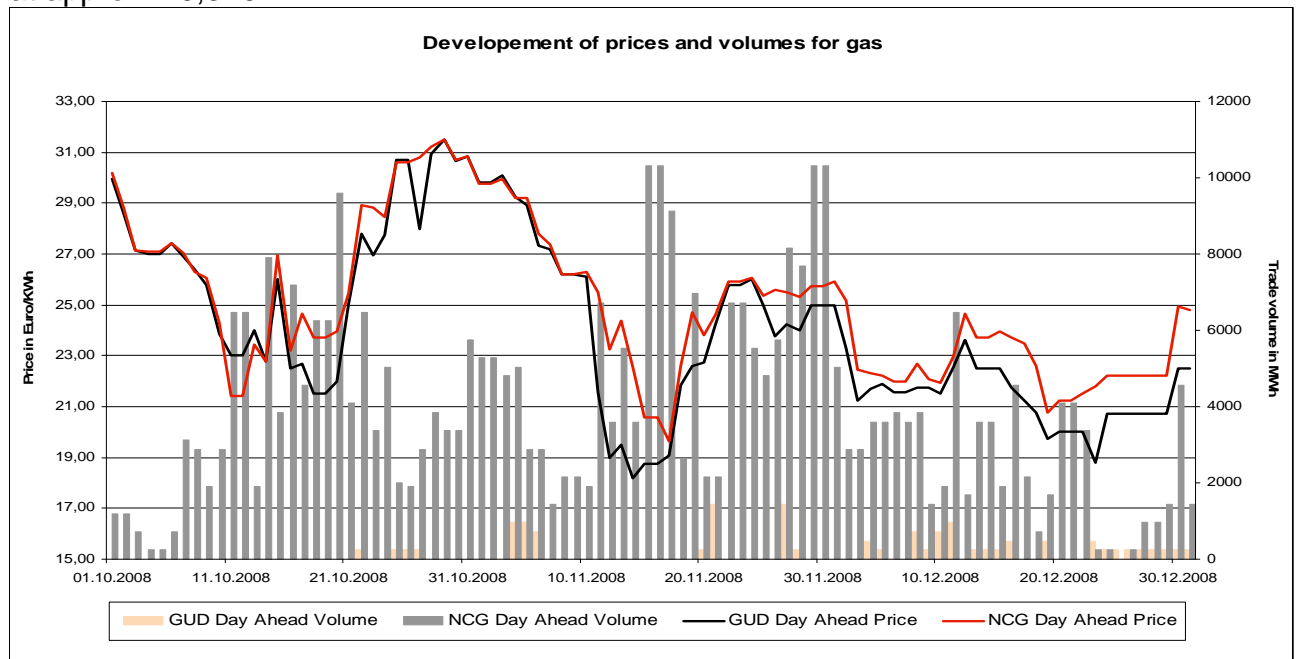
Moreover, EEX also managed to increase the number of active trading participants on the Power Derivatives Market in 2008. The maximum number was reached at 59 trading participants in July 2008. On an annual average, 51 trading participants were active on the Power Derivatives Market as against an average of only 45 trading participants during the preceding year.

Natural Gas

So far, natural gas was traded for the two market areas of EGT and GUD (formerly BEB) on EEX. The EGT market area was merged with Bayernetz and now operates under the name of Netconnect Germany (NCG). The contract specifications for the spot and derivatives contracts on natural gas for the EGT market area were amended to NCG by the resolution by the exchange council of 06 December 2008. The designation ERGT, which had been used so far, was replaced by NCG without any change of the content of the contract specifications.

Development of Prices and Volumes on EEX– Spot Market on Gas -

In the fourth quarter of 2008, the volume was highest in the NCG market area at 351,520 MWh, while the total trade volume in the GUD market area amounted to 14,410 MWh. The highest day-ahead volume on any given trading day was achieved in the NCG market area at approx. 10,320 MWh.



The gas prices in both market areas displayed a similar development during the fourth quarter of 2008 and were quoted between EUR 18.20 per MWh and EUR 31.50 per MWh with a high volatility.

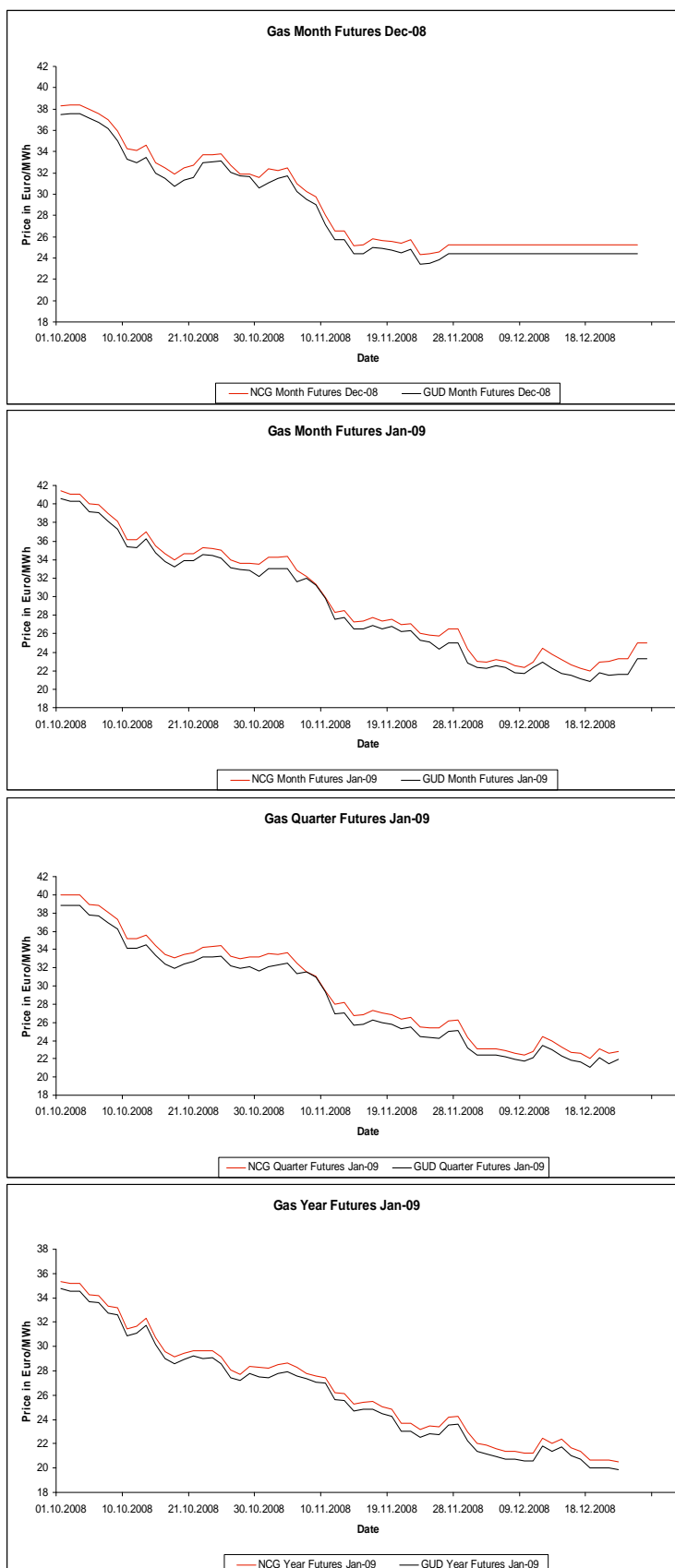
After the prices had fallen from approx. EUR 30 per MWh at the beginning of the fourth quarter to EUR 21.42 per MWh (NCG) by mid-October, prices regained momentum and increased to EUR 31.50 per MWh at the end of October. November was characterised by a similar development of prices. Initially, prices fell back to the minimum for the quarter and then increased again slightly in the further course of the month. The prices in December did not fluctuate as strongly as those achieved in October and November and ranged between EUR 19.00 per MWh and EUR 25.00 per MWh.

Development of Prices on EEX – Derivatives Market for Gas –

The delivery or purchase of natural gas in H-gas quality in accordance with DVGW [German Technical and Scientific Association for Gas and Water] guideline 260 with a constant output of 1 MW during the time from 06:00 am on any given delivery day of the delivery month until 06:00 am of the following calendar day at the virtual trading point within the market areas of NetConnect Germany GmbH & Co KG3 (NCG Natural Gas Futures) or Gasunie Deutschland GmbH & Co. KG 4 (GUD Natural Gas Futures) constitutes the subject of the contract of the physical gas futures on the EEX Derivatives Market. All calendar days during the delivery month are delivery days.

Unlike the volatile development of prices on the Spot Market, the prices on the Derivatives Market displayed a considerable decline. In this process, the futures prices fell to below EUR 18.00 per MWh by the end of the period under review. Furthermore, the graph shows that the futures of both market areas display a similar development of prices and that the GUD futures prices are lower than those for the NCG market area at all times.

The sideward movement in the development of the prices for the month future Dec-08 both in the GUD and in the NCG market area from December 2008 is due to the commencement of physical delivery, i.e. the delivery of the gas, for the future.



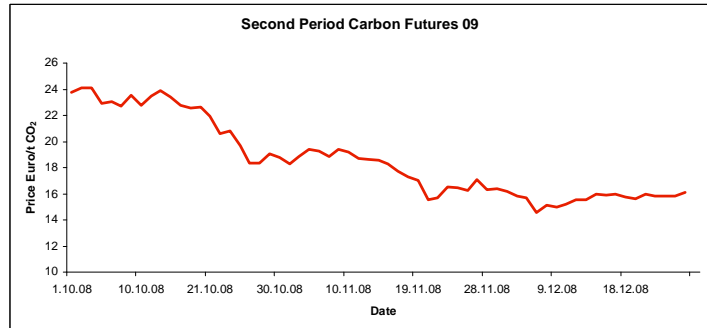
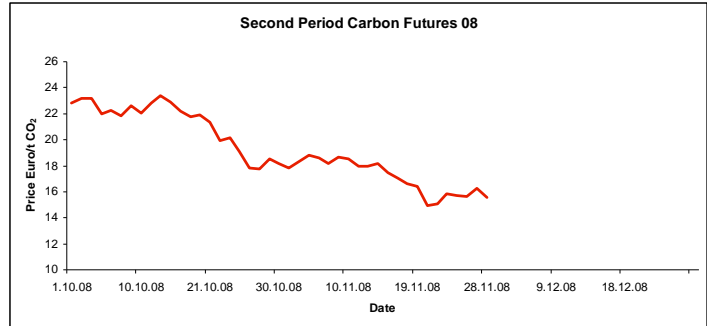
Emission Rights

Development of Prices on EEX – Derivatives Market for EU Emission Allowances (EUA) -

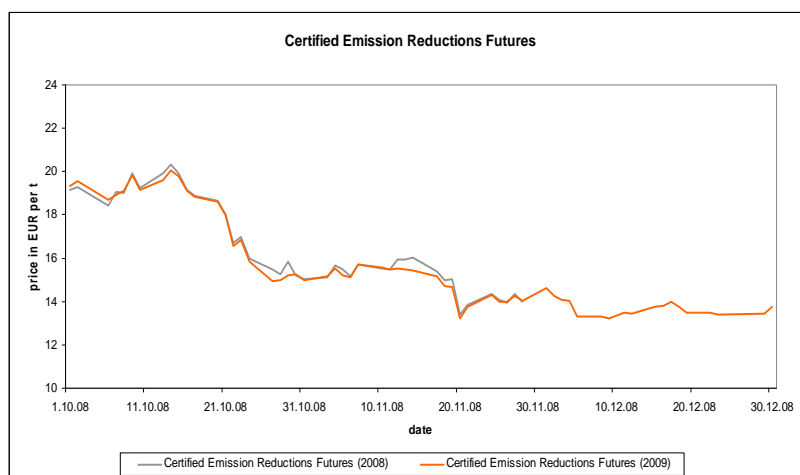
The second commitment period for EU emission allowances (EUA) began on 1 January 2008. Until 31 December 2012, futures contracts for the second commitment period with the following maturities can be traded: December 2008, December 2009, December 2010, December 2011 and December 2012.

As in the case of the products described previously, a decline in prices was observed on this market too. During the period under review, the prices of the futures fell by EUR 7,24 per t CO₂ (F2PE DEC 08) and EUR 7.64 per t CO₂ (F2PE DEC 09).

During the period under review, the price of the F2PE DEC 09 was quoted at a higher price than that of the F2PE DEC 08 at all times. Until the last trading day of the F2PE Dec 2008, 28 November 2008, the price difference between these two maturities fluctuated between EUR 0.40 per t CO₂ and EUR 0.94 per t CO₂. In December, the EUA market stabilised. During this period, the prices for the F2PE DEC 2009 ranged between EUR 14.53 per t CO₂ and EUR 16.41 per t CO₂.



Development of Prices on EEX – Derivatives Market for Certified Emission Reductions (CER)



On EEX Certified Emission Reductions (CER) Futures for the maturities 2008 to 2012 can be traded.

The development of the CER futures with the maturities 2008 and 2009 is comparable to the development of the prices of the EUA futures. During the fourth quarter, the prices for the CER futures fell by EUR 5.15 per t CO₂ (FCER DEC 08) and EUR

5.57 per t CO₂ (FCER DEC 09). On the last trading day for the FCER DEC 2008 the price was quoted at EUR 14.00 per t CO₂. In December, prices for the FCER DEC 2009 moved sideways ranging between EUR 13.40 per t CO₂ and EUR 14.61 per t CO₂.

4 Glossary of Exchange Terms

In the future, we would like to present a short glossary of exchange trading as well as the energy markets and related markets at this point of the publication. In this issue we would like start this glossary with several terms from the field of emission rights.

CAP

Total number of the emission certificates to be allocated by the member state

CER

Certified Emission Reductions are emission credits generated by means of CDM projects.

CDM - Clean Development Mechanism

Permits the execution of emission reduction projects in developing countries and the use of emission credits from these projects (CER) to ensure compliance with Kyoto commitments. Emission credits from CDM projects increase the total global quantity.

DEHSt

German Emissions Trading Authority, competent national authority of the German Federal Environment Agency for the implementation of the market-based climate protection tools under the Kyoto Protocol.

ERU

Emission Reduction Units are emission credits generated by JI projects.

EUA

European Union Allowances are emission allowances which are issued to the companies concerned in EU emissions trading by the governments of the member states upon request or auctioned off.

JI - Joint Implementation

Enables industrialised countries to generate emission credits by means of investments (ERU) in reduction projects in other industrialised nations. Emission credits do not have any impact on the total global quantity since emission credits transferred to the investing country are deducted from the budget of the host country.

NAP – National allocation plan

Under the emissions trading directive 2003/87/EC EU member states are obliged to prepare national allocation plans for emission allowances at the beginning of a given trading period. These contain specifications on how many emission certificates the member state intends to allocate for the trading period and which rules apply. The European Commission checks the NAP (NAP I 2005-2007, NAP II 2008-2012).

5 EEX in the Press

Christoph Mura appointed a new member of the executive board of EEX – Oliver Maibaum, Managing Director Exchange, appointed managing director of the new derivatives subsidiary in addition

16/12/2008

In the meeting of the supervisory board of European Energy Exchange AG (EEX) on Thursday, Dr. Christoph Mura, former sole director of boerse-stuttgart AG, was appointed a member of the executive board and new Chief Operating Officer (COO) with effect as of 1st January 2009. Furthermore, Oliver Maibaum, Managing Director Exchange, was also appointed chief executive of the new derivatives subsidiary EEX Power Derivatives GmbH in addition.

EEX Exchange council endorses management board – EEX launches spot trading in EUA for the second commitment period – Introduction of seasons in the natural gas market – Market model for the joint spot company of EEX and Powernext

10/12/2008

In its last meeting of the year in Vienna on December 5, 2008 the exchange council of the European Energy Exchange (EEX) chaired by Dr. Günther Rabensteiner adopted a resolution regarding the reappointment of the managing directors of the exchange of EEX, Dr. Hans-Bernd Menzel and Oliver Maibaum, for a further term of five years.

EEX launches spot trading in EUA

The exchange council agreed to the launch of spot trading in EUA on Xetra on January 16, 2009. The trading model corresponds to the one for the first commitment period: The EEX Spot Market for EU emission allowances comprises continuous trading with one intraday auction. After the end of the Spot Market auction EEX publishes the Carbon Index (Carbix) established on its internet site. Moreover, EEX also offers the registration of OTC transactions for clearing on European Commodity Clearing AG (ECC).

Further development of the natural gas market

The exchange council also approved the introduction of further maturities on the natural gas market and, hence, paved the way for the introduction of season contracts. Season contracts are half-year contracts for the winter and summer season. With the help of these contracts the gas business year can be represented by combinations of two products instead of four quarters and/ or random combinations of quarters and months. The additional maturities will be implemented for the natural gas futures in the NCG (formerly EGT) market area during the first half of the year 2009.

In addition, EEX presented the possibility of the introduction of an “intraday pricing window” to the exchange council with the aim of establishing a reference price in day-ahead trading in natural gas.

Market model of EPEX Spot SE presented

The report on the status of the cooperation between EEX and Powernext constituted another important item on the agenda. The EEX Compliance Committee presented the market model for EPEX Spot SE, which was prepared jointly, to the exchange council. The market model specifically also provides for an exchange council and for an independent market surveillance office for EPEX Spot SE. In the future, all Spot Market activities on power on both exchanges will be transferred to EPEX Spot SE, which is based in Paris.

Modification of the settlement price procedure

EEX will expand the procedure for the establishment of settlement prices which has been used so far. Up to now, the market values (so-called fair values) for the respective contracts are inquired directly from the trading participants in the event that the last price traded and contained in the order book of the exchange cannot be used. The settlement prices are then established on the basis of the average of the fair market values (chief trader procedure). In the future, EEX will employ a procedure using the prices traded and the mean value from the average of the best buy and sell offers during a given time window.

Presentation of the Market Surveillance Monitoring System

Furthermore, the new monitoring system of the Market Surveillance was presented during the meeting of the exchange council. This system is based on a specific database with the help of which trading data and further data (OTC data) can be processed with a high degree of complexity. It permits faster individual access to current and historical data, considerably more complex inquiries and automated reports to national supervisory authorities, such as the exchange supervisory authority, as well as international supervisory authorities. The "Market Surveillance Monitoring System" is currently in the implementation stage and will be used as of January 2009.

New monthly record on the EUA derivatives market

06/11/2008

European Energy Exchange AG (EEX) and Eurex achieved the highest monthly volume to date in October 2008 in their jointly operated market for CO₂ emission rights. EUA futures traded 16,666,000 t CO₂, 17 times higher compared with October 2007 (977,000 t CO₂). October volumes grew by 90 percent compared with the previous record month August 2008.

6,134,000 EUAs of this was attributable to OTC clearing, offered by both partners, which made a considerable contribution to the increase in turnover. The market participants' more active participation in trading on EEX is becoming more obvious also due to the constant increase in open interest: As of 31 October 2008, the open interest in the CO₂ futures market had risen to 33,775,000 EUA – more than three times the figure from the beginning of the year.

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