Market Monitor

by the Market Surveillance of EEX

Q3 & Q4/2010

1. Report by the Market Surveillance

The ninth issue of the EEX Market Monitor is published this month. It constitutes the report by the Market Surveillance (HÜSt) of the European Energy Exchange (EEX) for the third and fourth quarter of the year 2010.

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 six months in a neutral and objective manner.

This issue contains the report on our activities during the second half of the year 2010.

The editorial focuses on 5 years of emissions trading on EEX.

After this, we will summarise the events on the market over the past six months on EEX as in the previous issues; moreover, we will once again supplement this information with the French Power Futures in this issue. Because of the switch from a quarterly to a semi-annual presentation the design was adjusted accordingly.

As during the last issues our glossary will be expanded with further terms which come from the field of emissions trading in this case.

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 EEX 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, of course, very grateful for recommendations and suggestions.

Your EEX Market Surveillance Office

2. Report on the Activities of HÜSt for the Second Half of the Year 2010

At this point, the Market Surveillance Office is pleased to provide a report on its activities during the months from July to December 2010.

HÜSt has analysed the trading data for every trading day and examined it with regard to possible violations of the rules and regulations of the exchange. In case of indications of such violations, the respective trading participants were contacted. In this way these suspected cases of violations were fully cleared up.

Furthermore, HÜSt carried out various examinations which supplement the daily supervision. In this context, various markets and the trading participants‘ trading behaviour were analysed and individual indications and suspicious facts and circumstances were examined.

HÜSt continued to fulfil its documentation and reporting tasks in the context of the auctions of emission allowances. As has been the case since the beginning of the year, a document which allows the public to access various parameters of the auction through the EEX web site, is generated on the day following the auction in this case. Moreover, intensive evaluations are, e.g., made in the context of reporting to the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety and to the Federal Environment Office.

In addition to the regular reports to and meetings with the Exchange Supervisory Authority, the Saxon Ministry of Economic Affairs, Labour and Transport, a joint workshop was carried out and the reporting system was adjusted and improved. Furthermore, reports were submitted to the competent foreign authorities.

In the third quarter, a workshop was held with representatives of the German Federal Financial Supervisory Authority; moreover, experience was exchanged and new findings were obtained in the context of a meeting with the Market Surveillance of the Vienna Stock Exchange and the Austrian financial markets authority.

A close co-operation based on trust is maintained with the Market Surveillance of EPEX Spot. This co-operation, for example, comprises the regular and prompt exchange of information and joint reporting. Furthermore, joint evaluations and examinations were carried out.

The Market Surveillance Monitoring System (MSMS), which supports HÜSt in monitoring trading and enables it to carry out special data queries for examinations and analyses, was expanded and improved – for example by integrating new products.

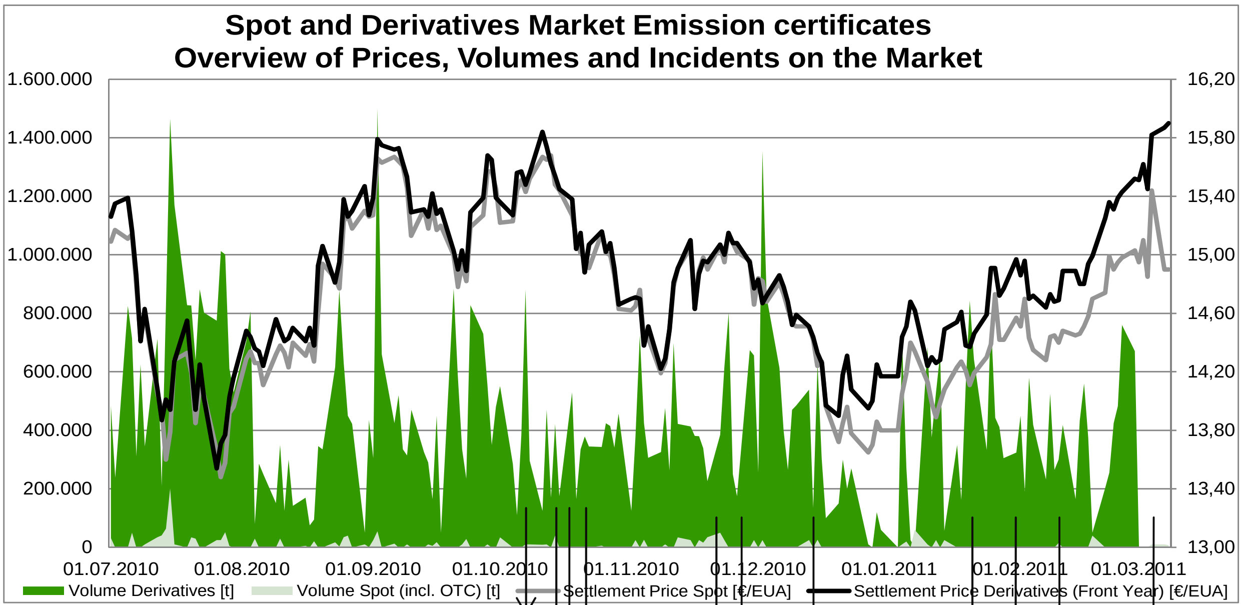
3. 5 Years of Trading in Emission Rights on EEX

Five years of trading in emission rights is a good occasion to look back and ahead. Only rarely has a new market experienced as much as the new EU Emissions Trading Scheme (EU ETS). For example price drops of more than EUR 20 to 3 Cents on account of uncoordinated announcements by authorities, phishing and hacker attacks and, not least, sales tax carousal fraud in 2009 and 2010 have to be mentioned in this context.

After the Market Surveillance Office (HÜSt) had already covered sales tax fraud carousals in trading in emission allowances in depth, warned against risks, outlined the procedure employed in this type of fraud and presented countermeasures in the Market Monitor for the third quarter of 2009, the Market for Emission Allowances formed a special focus of the supervision measures by HÜSt during the second half of 2010.

In addition to the current focus on sales tax fraud, which no longer formed the main aspect following the introduction of the reverse charge procedure in Germany with effect from 01 July 2010, the threats to this comparatively young market expanded into other directions. For example, this was due to phishing attacks on trading participants, hacker attacks on the trading registries or the continuation of the sales tax fraud issue in those countries, like Italy, that have not introduced the reverse charge procedure. So far, the risk of spreading of sales tax fraud transactions from the emissions market to power and gas trading has been prevented for EEX by means of a package of measures in the fields of admission and market surveillance and of a public relations campaign.

The chart below provides a simplified overview of the connection between the events discussed in the public and the developments on the emissions market.



Climex Auction NL has to be repeated

EEX auctions off the remaining certificates for 2010 on the Spot Market

Climex carries out separate auction regarding 2 million EUA

Munich-based Green Market Exchange lowers fees by 25%

Traders suspect EUA fraud at the Italian exchange GME

Hacker attacks on European registries

Climate summit in Cancun assessed positively

Europol arrests more than 100 people in connection with sales tax fraud

Difference between the prices on the Spot and Derivatives Market reduce with the approaching delivery date at the end of the year

The Spot Market comes to a standstill after hacker attacks; Commission closes trading registries

Because of the closed trading registries, the EEX Primary Allocation on the Spot Market cannot take place; it is instead carried out on 22 February 2011

The German Registry is re-opened; trade volumes on the Spot Market remain low

The Chief Public Prosecution Department in Frankfurt is investigating suspected sales tax fraud with emission allowances
Deutsche Bank is allegedly involved; suspected amount of damage: more than EUR 850 million

EEX separates Primary Allocation and Secondary Market and transfers continuous trading into a product of its own

Because of uncertainties regarding the legal approach to possibly stolen certificates, the prices of the Spot and Derivatives Markets move in different directions and diverge

While different risks or events are frequently used as a reason for fundamental criticism in the press, four fields which are accessible for further development – which has already taken place in part – can be identified on the basis of an objective consideration.

3.1. Sales tax

The headquarters of a German bank in Frankfurt were searched by the police and the tax investigation service on 28 April 2010. The bank was suspected of being a centre in the European emission allowance fraud carousel. Initially, a possible total of the fraud of EUR 180 million in evaded tax payments was suspected; this total increased to approx. EUR 850 million in the course of the investigations. Europol assumes that the damage in Europe amounts to EUR 5 billion. Unlike many other European market platforms, EEX was only affected by sales tax carousels to a low degree. The existing security mechanisms - also on ECC - and the intensive co-operation between EEX and, in particular, HÜSt. and the tax and prosecuting authorities have contributed to this. Following the introduction of the reverse charge procedure, the issue of sales tax fraud will cease to be a focus as a threat to the market for emission allowances in Germany. Nonetheless, the events in Italy have shown that European harmonisation in this field still remains desirable.

3.2. Security of the Registries – Affected EUA

3.2.1. Phishing attacks

As early as in January 2010 there were phishing attacks on holders of registry accounts at the German Emissions Trading Authority (DEHSt). In this context, all account holders whose e-mail contact data was publicly available were contacted. They were duped into believing that, for security reasons, their account data would have to be changed. For verification the current access data were to be re-entered. Afterwards, unauthorised transactions were carried out with the help of these data.

After these cases of misuse, DEHSt was forced to stop trading in transactions from the German registry in order to protect its customers; however, transactions could still be received. In addition to the feeling of uncertainty on the part of the trading participants, comprehensive cleanup efforts within the registry have led to delays and costs, which were allocated to the trading participants. As a result, emissions trading as a whole suffered reputational damage.

As an example, we can cite a phishing attack in November 2010 in which the Romanian cement producer Holcim lost 1.6 million certificates, 600,000 of which later re-appeared in various European accounts, including a surprisingly large number of certificates which wound up in Liechtenstein. Following this, a circular sent out by Holcim via e-mail to an unknown number of market participants caused a lot of concern and distrust among the market participants, while the original aim of recovering the certificates was not attained and the Romanian Office for Fighting Terrorism and International Crime is looking for the stolen certificates to this day - albeit without success.

Even if new cases of phishing cannot be excluded, the events at the beginning of the year 2010 contributed to increasing the trading participants' awareness. New protection measures were introduced on the part of DEHSt. and recommendations regarding tightening of the internal control mechanisms in connection with register transactions were issued in the course of the year 2010.

3.2.2. Hacker attacks

The most serious attack on the functionality of the EUA market was caused by hacker attacks on the national registries of the participating countries and the lost confidence in the EU ETS on the part of the trading participants and the political sector associated with this. In mid-January 2011 numerous cases of fraud and theft in said registries became known. This specifically concerned the Austrian registry as well as the Czech and the Hungarian registry; moreover, there was persistent speculation regarding further registries concerned. For example, the Polish-Czech CO2 service provider Blackstone announced that it had lost 475,000 stolen EUA on 19 January 2011.

In this context, cases of negligence in applying the security precautions became obvious – just like the professionalism of the attackers who partly combined their attacks with bomb threats against the server facilities of the registries in order to be able to use the longest possible period of time until detection and to conceal further transactions.

Thereupon, the EU Commission ordered the registries to be closed immediately, which practically brought trading on the CO2 Spot Market to a standstill. Except for the postponement of a Spot Market auction, EEX and ECC were not concerned. Moreover, EEX even managed to maintain spot trading to a certain extent during the period in which the registries were closed. As a result, the trading participants were able to continue to engage in trading with their CO2 certificates which were deposited in the secure account of ECC.

Even after the reopening of the registries the effects of this attack on the market were not overcome. Measures aimed at increasing the security of the registries alone cannot solve the issue of affected EUA; as will be explained below and under section 3, these measures can only reduce the risk of repetition.

The approach to stolen certificates and, in particular, the different legal evaluations regarding bona fide acquisitions have led to a high degree of uncertainty on the part of the trading participants. The interruption of trading or the refusal of the market to trade in EUA is not caused by the fact that so-called "affected EUA", i.e. EUA which might have been stolen, do not fulfil the submission requirements under public law, but the market participants are concerned that EUA acquired by them through trading transactions might be withdrawn from them on the basis of civil-law replevins regarding the EUA lost through hacking or phishing. At the moment, there seems to be a trend to place the burden of the risk of an obligation to return the certificates and, thus, of a complete loss in value on the subsequent acquirer of the certificates that is unrelated to the offences (hacking or phishing). For this reason, the market and, in particular, British market participants refuse to buy EUA which might have been stolen.

In this context, the protection of transactions and the integrity of trading is reversed to the benefit of the individual protection of a trading participant who has been duped or from whom certificates have been stolen. As a result, EUA for which a bona fide acquirer has paid are withdrawn from said acquirer even though, at the time of the acquisition, said party was not aware of the loss and, moreover, was not involved in the loss in any way. On the other hand, the question of why someone who provides details regarding access to his account should enjoy more protection than a bona fide acquirer or the integrity of the market overall cannot be answered satisfactorily here. However, various measures which give rise to the hope that hacking attacks like these cannot take place again have been initiated in this respect.

This attitude brings a functioning Spot Market to a standstill. This becomes obvious if we consider the different development of the prices and the considerable price differences between the Spot and Derivatives Market, in particular, from December 2010. Apart from the consideration of financing costs, there is no other rational reason than uncertainty which can be used to explain this difference in prices between the Spot and the Derivatives Market. However, the confidence of the market that uncertainties can be resolved or that the presence of affected EUA upon maturity of the futures in December is excluded, which is also reflected in the price on the Derivatives Market, definitely constitutes a positive sign.

3.3. Legal qualification of the EU Emission Allowances

At the moment, secondary trading in CO2 certificates is not subject to any uniform European regulations. In some countries, emission allowances are considered financial instruments, whereas in others they are considered rights under public law or commodities. However, the proposal to treat these as legal instruments of a type of their own is an innovation. The different legal classification and the occasional lack of national rules regarding bona fide acquisitions lead to different approaches on how stolen certificates are dealt with. In Germany, the acquirer can attain full ownership of the certificates. In other European countries, however, the legal situation is unclear and, as a result, the market participants are uncertain. For this reason, a uniform regulation throughout Europe is indispensable.

It is regrettable that trading in CO2 certificates has not been included in the scope of application of the Directive on the Integrity and Transparency of the Energy Market (EMIR). Because of the proximity between the energy and the CO2 market this would have constituted a sensible approach. In this respect, we have to wait for the results of the procedures on the EU Council and in the EU Parliament. Moreover, at the same time, there are also efforts to treat CO2 certificates as financial instruments in the future in the course of the current revision of the Financial Instruments Directive. The results of such a consultation in which EEX was also involved are currently being analysed by the Commission. In addition, the so-called Prada report raised the question of a sui generis rule for the CO2 market. Efforts in this direction are currently being undertaken by the Directorate General for Climate. The near future will show which direction the required further development of the regulation system will take.

As regards the current uncertainties regarding the approach to stolen certificates current statements by the EU Commission give rise to the suspicion that the Registry Regulation is to be amended to make sure that, in the future, the threat to trading on account of stolen EUA can be countered (IT security rules, delay in delivery, establishment of different account categories, reinforced market surveillance).

3.4. Conclusions after 5 years

The market for emission allowances is a market which was created by law on the basis of environmental aims. However, in a period of only five years, it was impossible for this market to develop a tradition which other markets that have overcome their “teething troubles” have attained over years or even centuries. The fact that a market is created by law and turns an environmental aim into a tradable commodity is a real innovation. All of a sudden, air pollution has a “price“ in financial terms.

So far, the majority of the emission allowances has been distributed free of charge by the national states. To a certain degree this type of allocation undermined the controlling effect for emitters actually aimed at by giving air pollution a value in terms of money. However, upon the beginning of the third commitment period of the European Emissions Trading System in 2013 a number of emission allowances which will increase more and more will be provided by means of auctioning. On principle, auctioning is carried out by a central European platform; however, Germany, the United Kingdom and Poland have decided to use the opt-out option provided by the EU Auctioning Regulation and to determine a national auction platform.

EEX, which is carrying out the auctions for the primary allocation in the second commitment period on behalf of the Federal Ministry of the Environment, will also participate in the application procedure for the auction platform in the third commitment period.

If the CO2 market succeeds in establishing legal security and reliability in the future, it can become an effective tool for reducing pollutant emissions at economic costs which should be as low as possible – in line with the vision of its inventor, Thomas Crocker. Until that time the Market Surveillance Office will continue to carefully monitor and accompany the further development of the market for emission allowances.

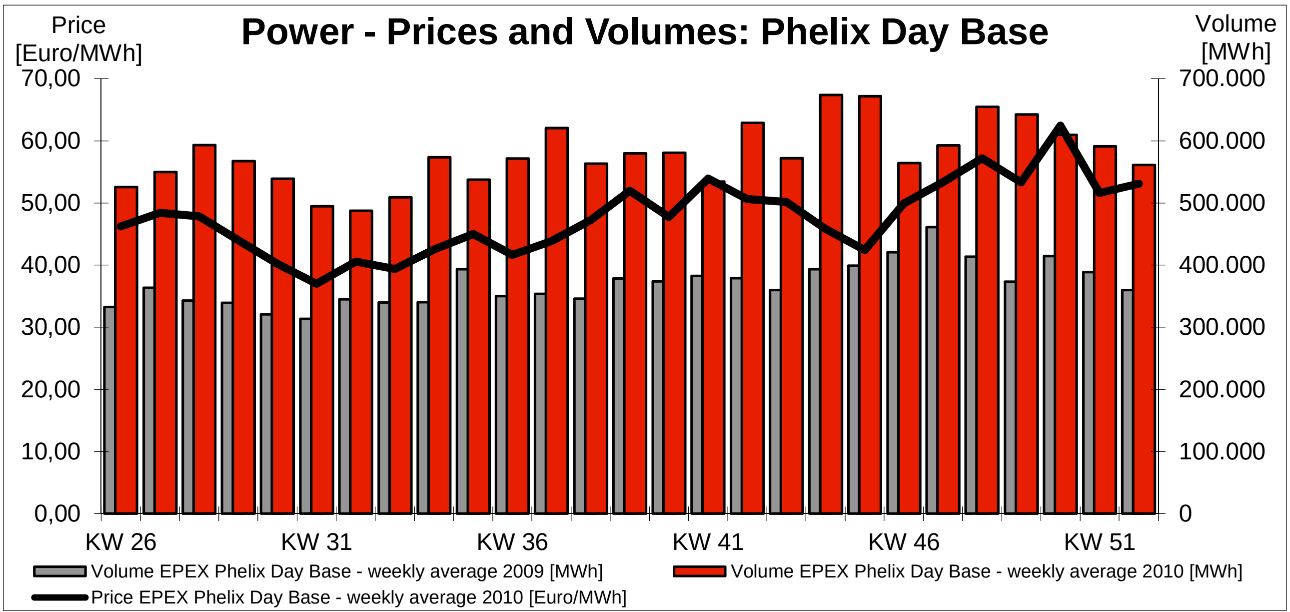
4. Developments on the Market

The overview below contains a summary of the development on the markets during the past period under review. This 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.

4.1. Power

4.1.1. Development of prices and volumes on EEX – Power Spot Market -

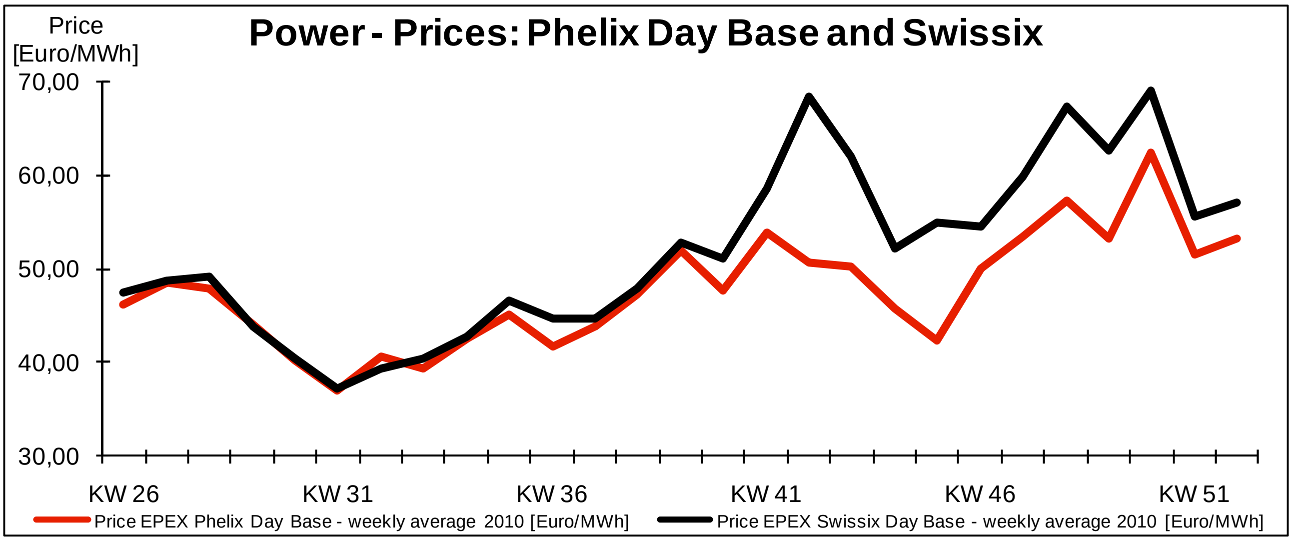
EPEX Spot SE provides a platform for continuous spot market trading in the market areas Germany/Austria and France and for auction trading in the market areas Germany/Austria, France and Switzerland. On the basis of the results of the daily auctions on the Spot Market EPEX establishes the Phelix Day Base, which forms the reference for the development of the power prices in Germany and Austria.



The chart above shows the development of prices during the second half of the year 2010. In this respect, volumes fluctuated between approx. 490 GWh and 675 GWh on a weekly average. During the second half of the year 2010, approx. 580 GWh were traded per week on average. Compared with the previous year this corresponded to a considerable increase by approx. 200 GWh per week.

In the third quarter of 2010, the volumes traded fluctuated around approx. 550 GWh and, in part, increased to considerably above this value during the last quarter. In CW 43 and 44 a value of 670 GWh per week was exceeded in each case. The last calendar week was a short week on account of the turn of the year.

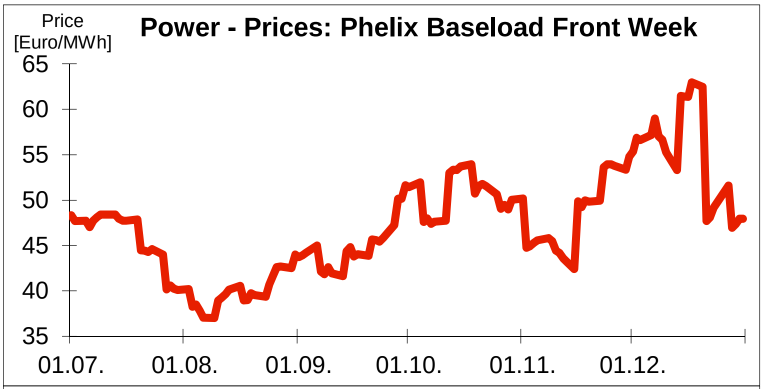
The chart below shows the Phelix Day Base compared with the Swissix index for the Swiss market area.

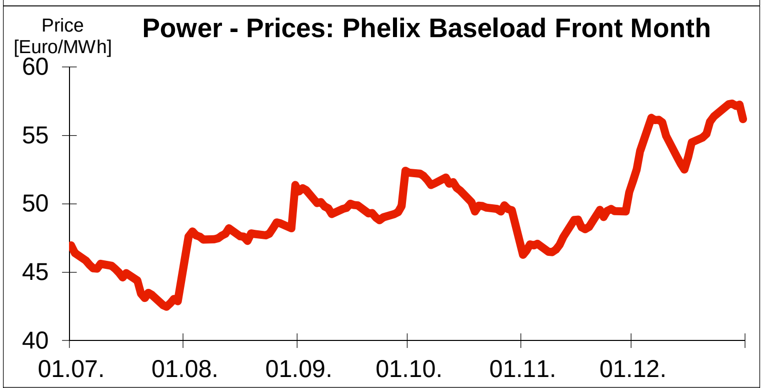


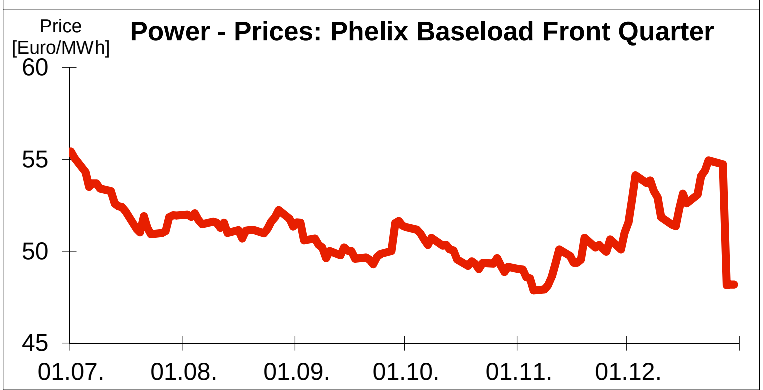
In the third quarter of 2010, the weekly averages of the Phelix and the Swissix displayed only minor deviations. From CW 39/40 onwards, the price difference amounted to more than EUR 3.00 and, on one day, it even amounted to EUR 18.00 with the Swissix being the more expensive of the two. From the second half of the fourth quarter both price curves also displayed a more distinct parellel course towards each other.

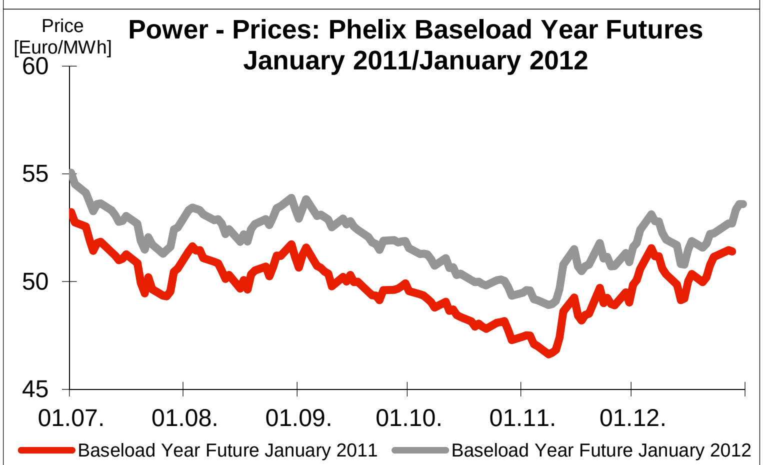
At first, the weekly averages of the Phelix Day Base and of the Swissix decreased by more than EUR 10.00 within a period of approx. three weeks. In the subsequent month both indices increased again and reached the initial values from the beginning of the period shown. The fourth quarter of 2010 turned out to be volatile. Prices ranged around an average of just over EUR 50.00 and close to EUR 60.00 (Phelix Day Base and Swissix). In terms of their dimension, the respective minimum and maximum values are approx. EUR 10.00 away from these averages.

4.1.2. Development of prices on EEX – Power Derivatives Market –









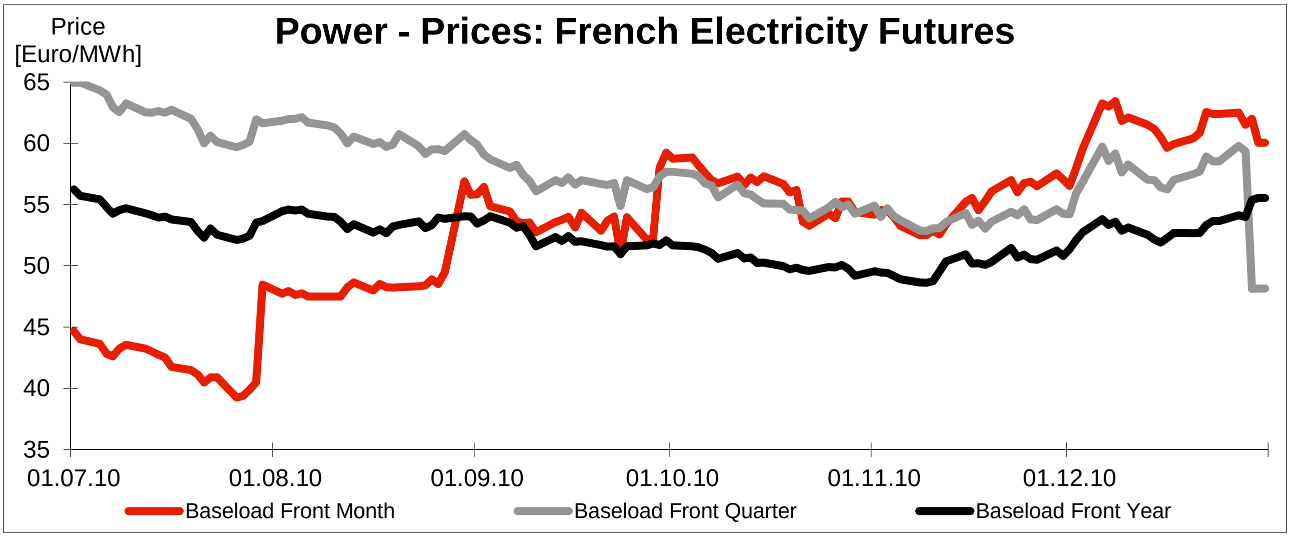
On the Derivatives Market futures on power are traded in addition to options. Futures comprise the right and the obligation to buy a certain quantity of power at a price established upon the conclusion of the contract at a certain point of time and/or during a certain period of time in the future.

The development of the prices of the front contracts of the Phelix Baseload Week Futures, i.e. of the respective next contracts to expire, is now also included in the presentation. Moreover, the front contract is now also used to represent the month and quarter futures in each case instead of the development of individual contracts. This leads to jumps in the price level which are exclusively due to the change of the respective contract shortly before the end of the week, the month or the quarter.

If these jumps on account of the change of the contract are not considered, there are comparable price developments in all contracts shown. The week futures are partly exempt from this trend, in particular, on account of their proximity to the Spot Market. In this respect, the curves are the more volatile the shorter the delivery period of the contract is.

In July, prices fell initially and subsequently ranged sidewards until the beginning of September. This was followed by prices which declined again over approx. two months until a low was reached in the first days of November. After this, prices increased again until the end of the year.

On EEX Power Derivatives GmbH (EPD) French Power Futures with various maturities can, e.g., also be traded in addition to Phelix Futures. Physical settlement of the Base Load and Peak Load Futures is provided by means of the delivery of power into the RTE balancing zone.



The chart above shows the development of prices for selected French Power Baseload Futures with maturities in the field of month, quarter and year contracts.

In this case, the prices of the different contracts once again largely show a parallel development with the exception of the jumps on account of a change in the front contracts.

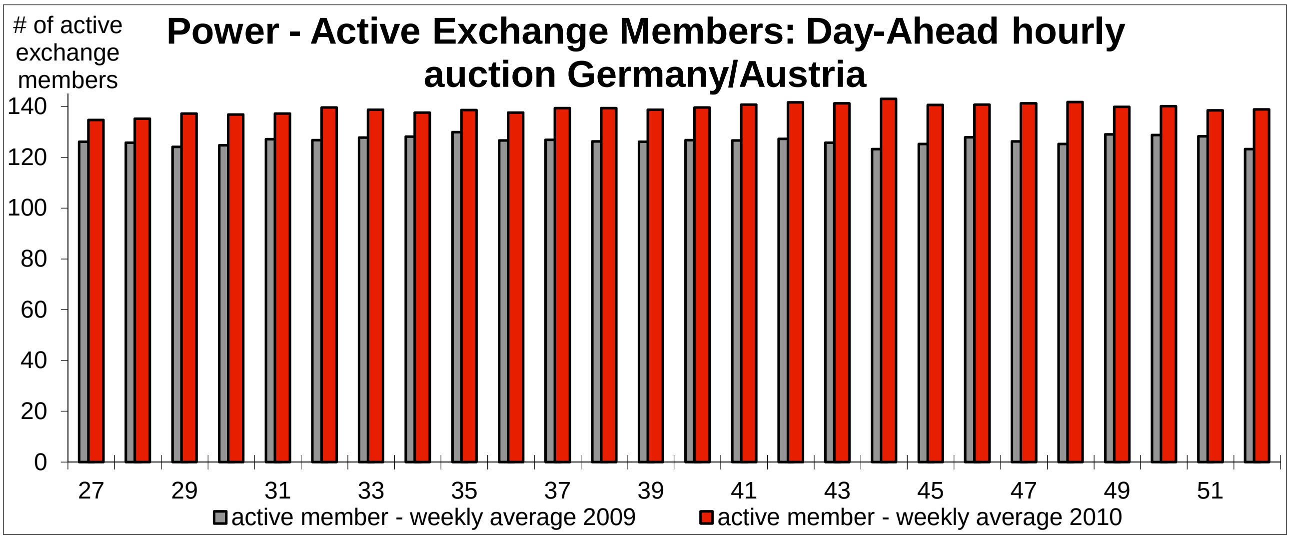
Overall, the price curves displayed a downward trend between July and mid-November, which was interrupted by a sideward movement in August and September. Both the front year and the front quarter lost approx. EUR 10.00 in the period from July to November. Afterwards, prices increased again.

Until the beginning of October the price of the front month increased upon the beginning of each now month so that this price curve, which was still approx. EUR 10.00 to EUR 20.00 lower than the price curves for the year and quarter contract in July, rose above these two curves.

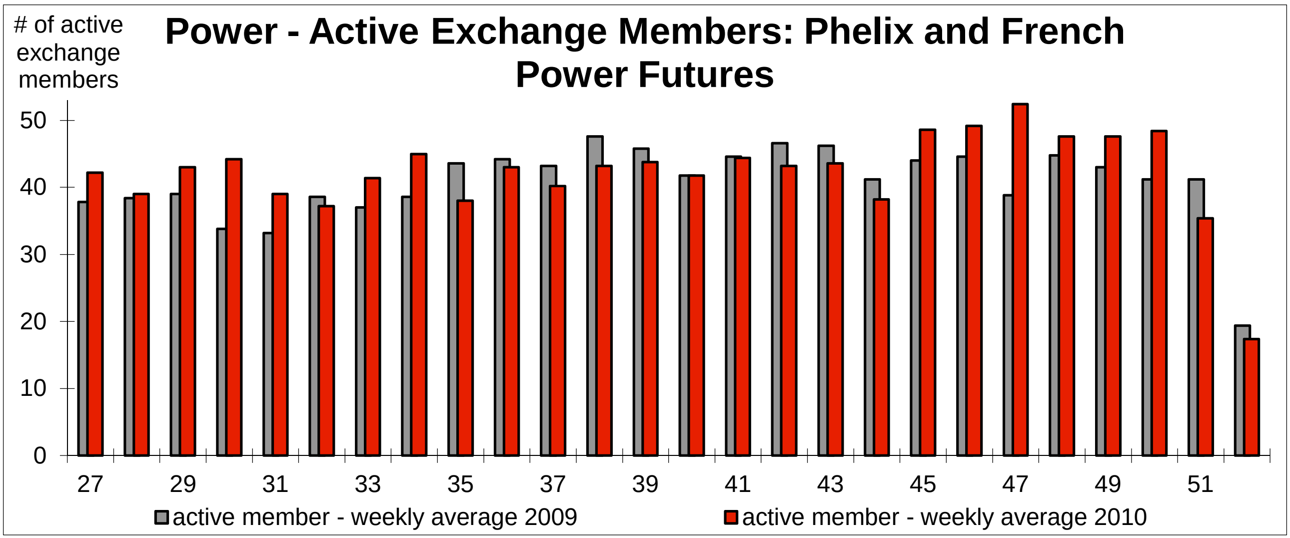
The development of the prices of the French Power Futures can be compared with those of the corresponding Phelix Baseload Contracts with the price level of the French futures being generally slightly higher than those of the corresponding Phelix Futures.

4.1.3. Number of active trading participants on the Power Market

The chart below shows the number of the active trading participants in the daily Power Spot Market auction for the market area Germany/Austria.



In the second half of the year 2010 the number of the active trading participants fluctuated slightly between 135 and 143 trading participants. Compared with the previous year, a significant increase is visible throughout the entire period. The maximum value was reached in the 44th calendar week. On average, 139 trading participants were active per day between July and December 2010, while in 2009 roughly 127 trading participants had been active per day on average.



In the second half of the year 2010, the number of the active trading participants on the Power Derivatives Market fluctuated between 35 and 52 trading participants (if CW 52 is not considered in this respect). The maximum number was reached in calendar week 47. Compared with the previous year, on average approx. 42 trading participants traded per week as against 41 trading participants in the previous year.

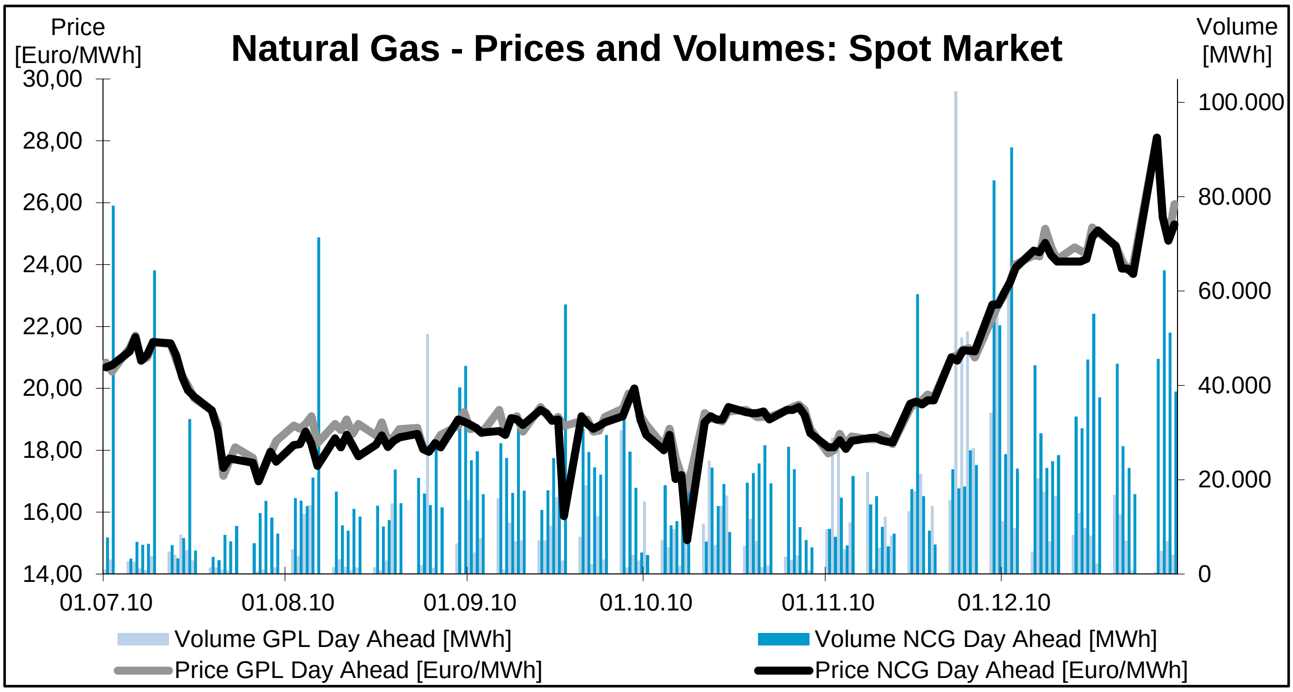
4.2. Natural Gas

On EEX natural gas is traded on the Spot and on the Derivatives Market. On the Spot Market natural gas is traded for the next and next-but-one day as well as for the weekend. The Spot Market for natural gas is used for the short-term optimisation of gas procurement and sales, for trading external balancing energy as well as for arbitrage transactions between market areas.

On the Derivatives Market, natural gas is traded for the current month, the next six months, seven quarters and six calendar years and, in addition, for the next four seasons (summer and winter season) in the NCG market area. The Derivatives Market is used for the medium- to long-term optimisation of gas procurement and sales.

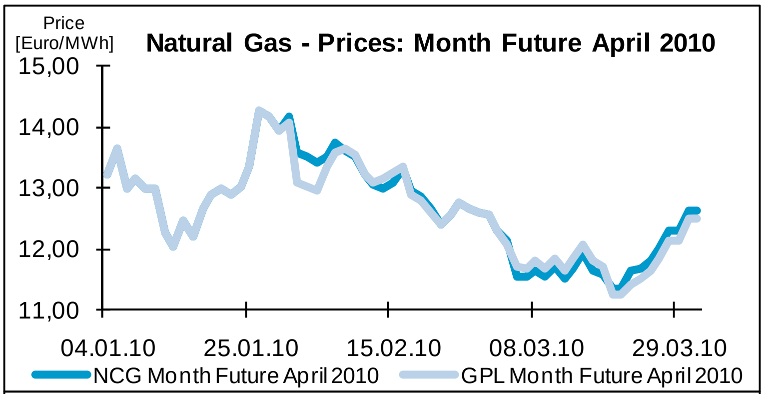
4.2.1. Development of prices and volumes on EEX – Gas Spot Market –

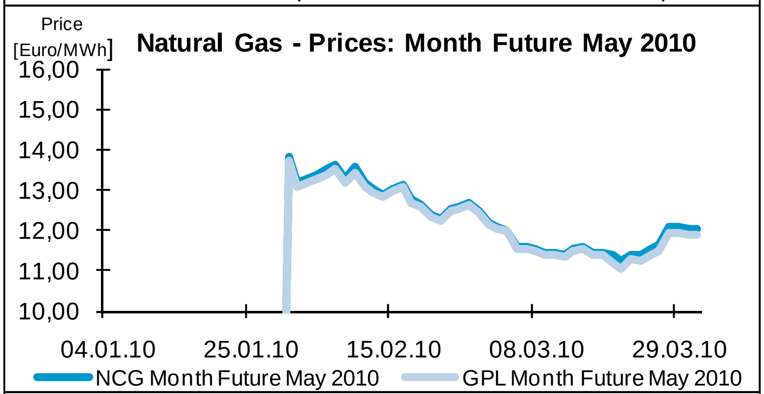
At in total 7,959,771 MWh the volume traded within the NCG market area is approx. four times higher than the total trading volume in the GASPOOL market area (which amounted to 1,889,588 MWh) in the second half of the year 2010. The highest day-ahead volume of any trading day was reached on 23 November within the GPL area, however, and amounted to 102,408 MWh. Overall, the volumes traded every day fluctuated strongly.

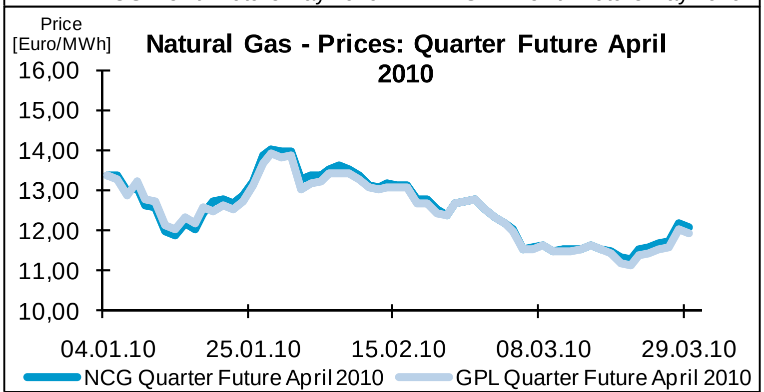


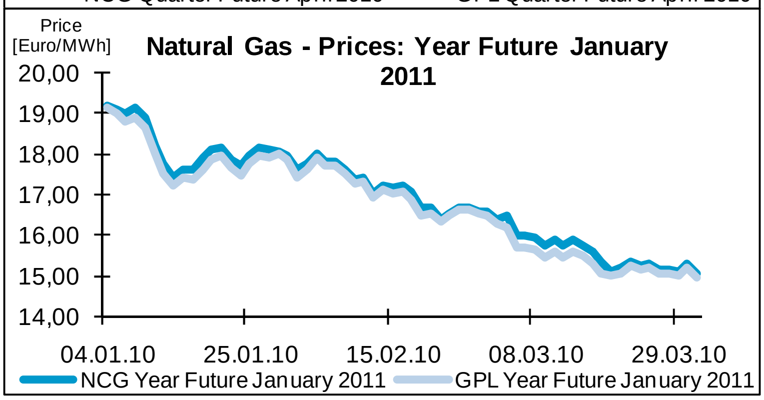
Except for minor deviations, the developments in the prices of both market areas were comparable during the second half of the year 2010. Prices ranged in a corridor of between approx. EUR 15 and EUR 28 per MWh. Initially, prices fell by approx. EUR 5.00 to circa EUR 17.00. They then stayed at this level until mid-November with temporary deviations being observed, for example, on 17 September (NCG) and on 8 October (NCG and GPL). During the last one and a half months of the year 2010 day-ahead prices in both market areas increased considerably.

4.2.2. Development of prices on EEX - Gas Derivatives Market –









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 06:00am on any given delivery day of the delivery month until 06:00am of the following calendar day at the virtual trading point within the market areas of NetConnect Germany GmbH & Co KG 3 (NCG Natural Gas Futures) or GASPOOL (Gpl Natural Gas Futures) constitutes the subject of the contract of the physical gas futures on the EEX Derivatives Market. All calendar days of the delivery month are delivery days.

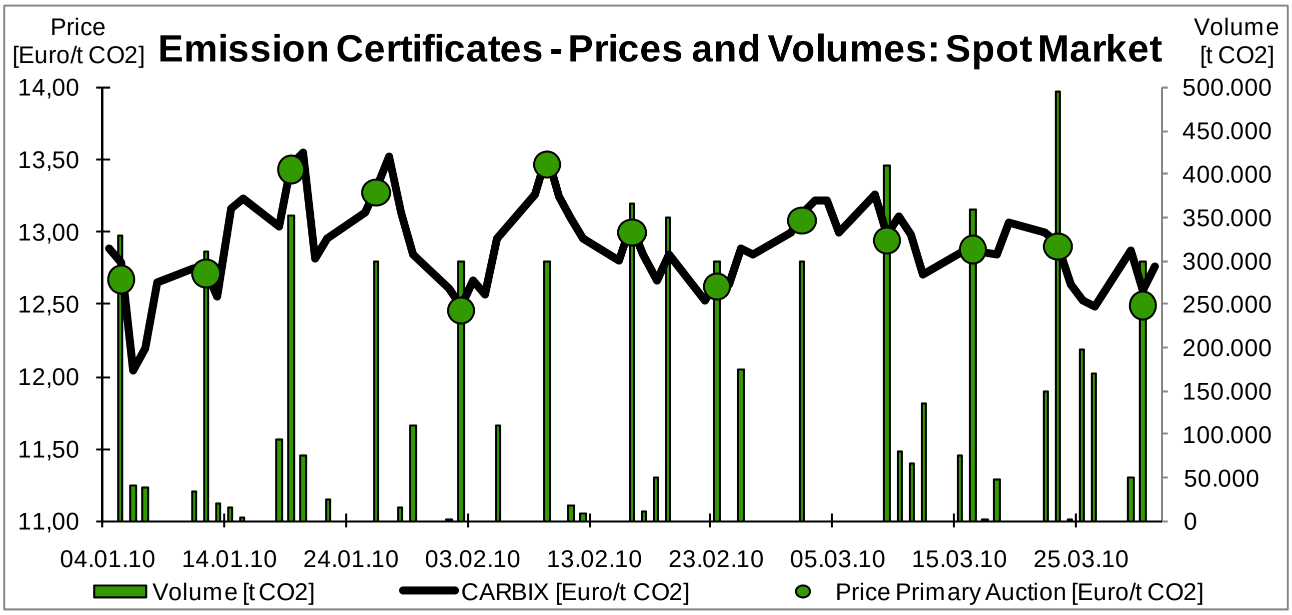
The prices of all gas futures shown here displayed very comparable developments: In July, prices fell by approx. EUR 2.00. This was followed by a sideward trend which continued until November. This, in turn, was followed by four weeks of increasing prices at the end of which period the price levels from the beginning of July were reached again and even exceeded. During the remaining weeks of December prices remained on this level.

The prices for the two market areas developed very uniformly on the Derivatives Market; there were hardly any deviations. In a direct comparison the prices for the NCG market area were mostly higher than those for the GPL market area.

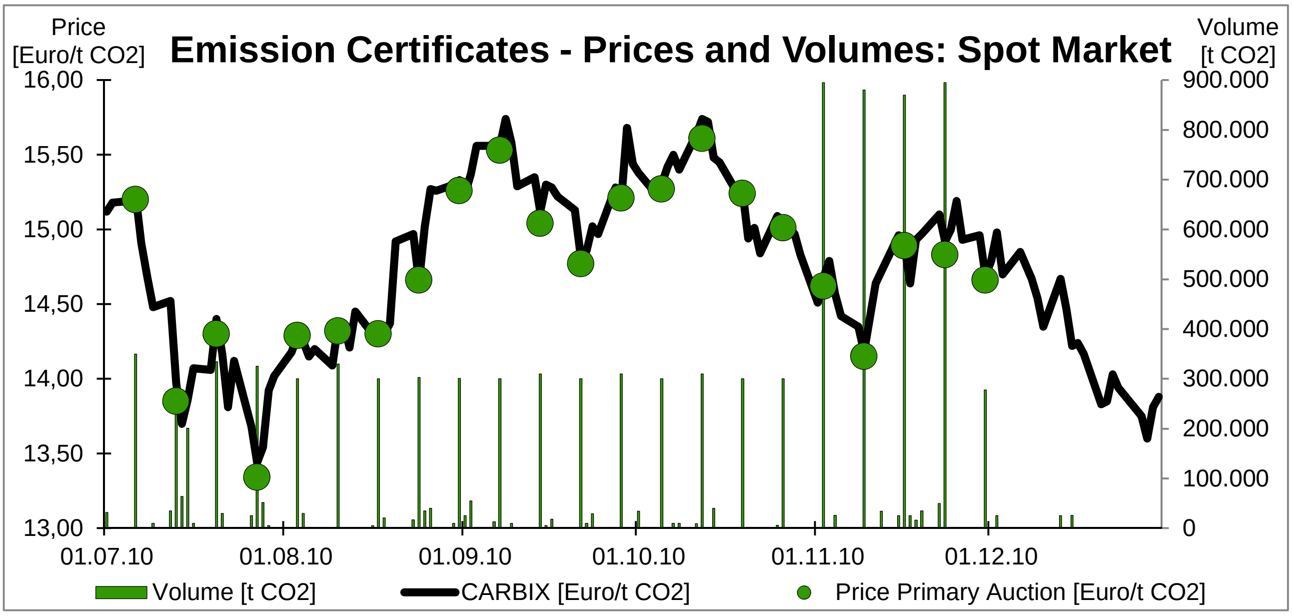
4.3. Emission Rights

4.3.1. EEX Carbix and Trade Volumes

The EEX Carbix is a price index for EU emission allowances (EUA), which is established in an intraday auction on the EEX Spot Market on every exchange trading day. One EUA confers the right to emit one tonne of CO_2 equivalent (t CO_2).



Since 5/6 January 2010 auctions regarding emission allowances have been held on EEX on behalf of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. This means one Spot and one Derivatives Market Auction each take place every week. In the Spot Market Auctions 300,000 EUAs each were auctioned off on Tuesdays between 5 January and 26 October 2010; this was followed by four auctions regarding 870,000 certificates each and one auction regarding the remaining volume of 252,500 EUA. The last auction took place on 30 November 2010.

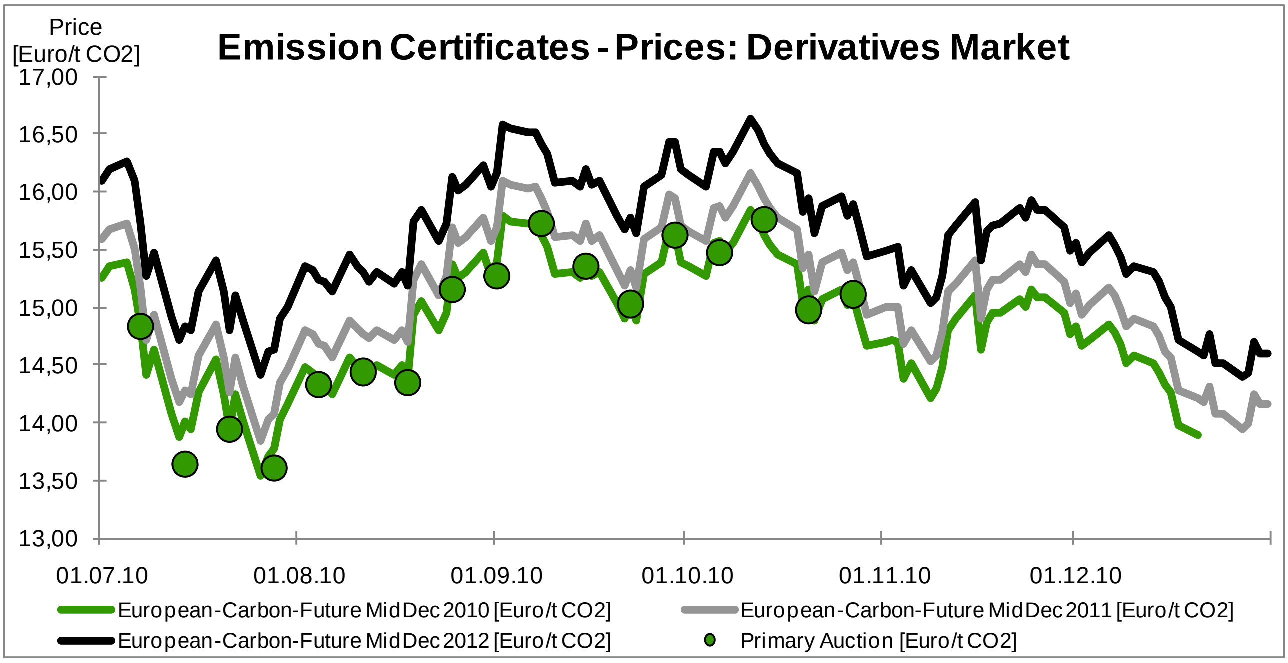


The daily sales volumes fluctuated between July and December 2010 – and the sales in the Primary Market Auction, in particular, can be discerned clearly.

During the first quarter of 2010 the Carbix fluctuated between roughly EUR 13.50 and EUR 15.74 per t CO_2. Starting at more than EUR 15.00 per t CO_2 the Carbix initially fell to the lowest value of the quarter at EUR 13.44 per t CO_2. This was followed by a volatile phase, during which the price followed an upward trend three times over a period of several weeks and, afterwards, it fell again. At the end of December the price was below EUR 14.00 per t CO_2. The sales prices established in the Primary Market Auction reflected the development of the Carbix for the Secondary Market.

4.3.2. Development of prices on EEX – Derivatives Market for EUA -

The second commitment period for EUA began on 01 January 2008. At the moment, futures contracts with maturity from December 2010 to December 2012 can be traded in the second commitment period and futures contracts with maturity from December 2013 to December 2014 can be traded in the third commitment period.

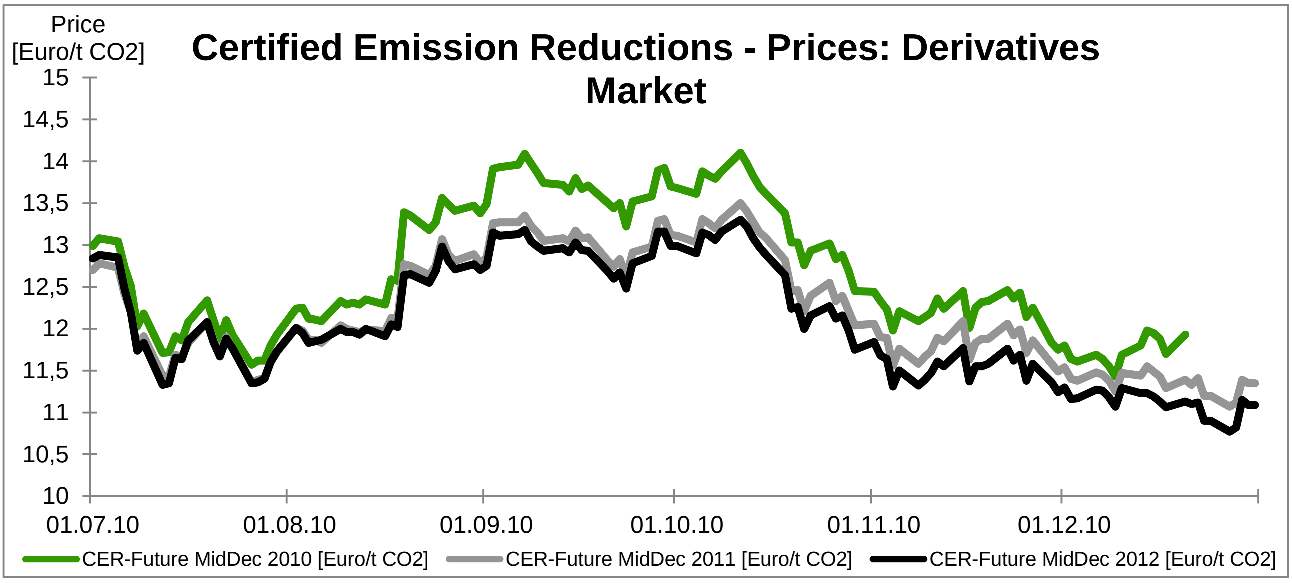


The prices of the EUA Futures for the maturities December 2010 to December 2012 displayed a development which was almost identical; however, price levels increased with the time of the maturity of the respective contract. In this case, too, a development of the futures price which is comparable with the Spot Market can be observed. However, the range of variation of the different maturities is somewhat lower than that of the Carbix and absolute prices on the Derivatives Market are higher than on the Spot Market.

The sales prices established in the Primary Market Auctions on the Derivatives Market, which were carried out in line with the Spot Market auctions on behalf of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety on a weekly basis every Wednesday up until 27 October 2010 and comprised 570,000 EUA every week, are also shown in the chart above. On the Derivatives Market the prices established in the Primary Market Auction are also in line with those of the corresponding secondary market contract.

4.3.3. Development of prices on EEX – Derivatives Market for CER Futures -

Certified Emission Reductions Futures (CER Futures) are emission credits which are generated through emission reduction projects in developing countries and can be used towards the fulfilment of obligations under the Kyoto Protocol. On EEX, they can be traded for the maturities from 2010 until 2012.



The prices of the CER futures developed similarly to the EUA Futures and are characterised by a high volatility in a price range between just under EUR 11.00 and 14.15 per t CO_2. In this case, the contracts with maturity in 2011 and 2012 are on the same level in terms of prices initially, whereas a higher price was quoted for the 2010 contract. In the course of the third quarter and, in particular, during August this difference increased to closed to EUR 1.00; however, it declined again in the fourth quarter. In parallel with this, the difference between the prices of the contracts which fall due in 2011 and 2012 increased somewhat since the contract which falls due in 2011 has become more expensive relative to the 2012 contract.

5. Glossary of Exchange Terms

At this point, we would like to present a short glossary of terms for exchange trading and the energy and energy-related markets, which we will continuously develop further, to you. In this issue, we will expand the glossary with several terms from the field of emissions trading.

National Emissions Trading Registries provide information on the property situation regarding emission allowances. Every transaction which is to be carried out at a national registry is reviewed and confirmed by the central European registry - the Community Independent Transaction Log (CITL) - and by the International Transaction Log of the United Nations (ITL). The national registry for Germany is kept by the German Emissions Trading Authority (DEHSt).

The **primary allocation** of emission allowances is a form of the first issue of, for example, pollution rights in accordance with the more detailed provisions of the Allocation Act. To this end, the Federal Republic of Germany has commissioned EEX to auction off 300,000 certificates on the Spot Market and 570,000 certificates on the Derivatives Market every week.

The **auction procedure** comprises the determination of the auction calendar, the procedure for admission as a bidder, the procedure for the submission of bids, the execution of the auction, the calculation and the publication of the auction results, the provisions regarding the actual payment of the price determined in the auction, clearing and monitoring of the proper execution of the auction.

Opt-out (short form of “opting-out”) refers to “exiting” or “not participating in something”. In the current discussion, the term “opt-out” is primarily used with regard to the decision by some national states within the European Union not to submit the emission allowances allocated to a joint European primary allocation but to introduce these into the market on their own free of charge or in the context of auctioning. So far, Poland, the United Kingdom and Germany have used the opt-out.

The **third commitment period** is one of the instruments of the Kyoto Protocol aiming to reduce emissions worldwide. It will begin in 2013 and end in 2020. As in the case of the first commitment period from 2005 to 2007 and the second commitment period from 2008 to 2012, the quantity of emissions permitted overall is reduced once again and further sectors are included. The biggest innovation is that, from 2013, the energy sector will have to buy all of its emission rights on principle and the airline industry will also be integrated.

REMIT: “Regulation on Energy Market Integrity and Transparency” by the European Commission in co-operation with the Committee of European Securities Regulators (CESR) and the European Regulators’ Group for Electricity and Gas (ERGEG). It is a coordinated framework document against market manipulation on the energy wholesaling markets for all energy and gas products with the aim of optimising the current regulatory system.

6. EEX in the Press

19 August 2010 Federal Chancellor Angela Merkel visits EEX

Federal Chancellor Angela Merkel visited the European Energy Exchange AG (EEX) today. Together with a delegation comprising Federal Environment Minister Norbert Röttgen, Prime Minister of the Free State of Saxony Stanislaw Tillich and Mayor of the City of Leipzig Burkhard Jung she acquainted herself with the exchange on site.

In addition to a visit to the Market Supervision of EEX, the programme included an expert meeting with the management of the exchange. At the Market Supervision the Federal Chancellor was provided information on the pricing mechanism on the exchange and she watched the current developments for power, natural gas and emission rights (www.eex.com) and electronic trading live on screen. Moreover, data regarding power generation in Germany which is important for trading in power was displayed via the website of the EEX transparency platform (www.transparency.eex.com). The Federal Chancellor also talked to Jean-François Conil-Lacoste, Chief Executive Officer of the Franco-German subsidiary EPEX Spot SE, in Paris via a permanent video-conference with the EPEX Market Supervision. EPEX Spot operates the Power Spot Markets for Germany, France, Austria and Switzerland.

“We are extremely pleased that Federal Chancellor Angela Merkel has chosen the EEX as a stop during her tour focusing on energy“, Hans-Bernd Menzel, Chief Executive Officer of EEX commented. “To us the visit by the Federal Chancellor is both confirmation and recognition as an exchange under public law and an independent institution which has the task of transparently and safely matching supply and demand in the energy markets.“

15 September 2010 Exchange Council: Further Tightening of Conditions for Admission to EEX and EPEX Spot to Prevent Sales Tax Fraud

Following on from the meeting of the EPEX Spot Exchange Council, which took place on 7 September, the participants in the meeting were informed of changes in the admission procedure on EEX and EPEX Spot. As the head of the EEX Market Surveillance Dr Wolfgang von Rintelen explained EEX and EPEX Spot will introduce a joint “scoring model”. This model is based on objective criteria for the admission of trading participants registering for trading on the exchange. With the help of this model the question of whether there are characteristics suggesting that a participant might abuse exchange trading and the settlement of such for the purpose of sales tax fraud is investigated in the course of the admission procedure. Through this stricter admission procedure the exchange makes a further contribution to the fight against sales tax fraud and money laundering.

07 October 2010 ELIX –New European Electricity Index launched by EPEX Spot and EEX

07 October 2010 EPEX Spot and the European Energy Exchange (EEX) will launch a new European Electricity Index. The new index, which is referred to as the ELIX, will be based on the actual

market orders in the EPEX Spot auction for the market areas France, Germany/Austria and Switzerland.

The ELIX will be calculated in an auction based on the aggregated bid/offer curves of the existing market areas and the rules of EPEX Spot. The ELIX is equal to the uncongested price, which corresponds to a price established subject to the hypothesis of unlimited cross-border capacity between these market areas. As in the case of the existing day-ahead market results, it will be calculated for every hour of the delivery day. In addition, the average value for base (ELIX Day Base) and peak hours (ELIX Day Peak) will be calculated and published.

Starting from 18 October 2010, EPEX Spot and EEX will publish the ELIX on a daily basis shortly after the publication of the national auction results. The index will be available to the public at www.epexspot.com and www.eex.com.

The ELIX is based on the objective of a truly integrated, single European market. Hence, it will show the remaining additional benefit which could be achieved through further market integration. The market areas France, Germany/Austria and Switzerland account for 36 percent of the Pan-European electricity consumption. National prices determined in those market areas are already used as reference prices across Europe. The ELIX displays how close those prices already are to a market price in a fully integrated European market. Therefore, the index addresses the energy trading community and market stakeholders as well as political decision makers and the general public. They all are invited by EPEX Spot and EEX to use ELIX as the reference price for the European energy market.

19 October 2010 EEX: Scheduled Changes in the EUA Primary Market Auction – Last Auction on the Derivatives Market – Remaining quantities auctioned off on the Spot Market – Auctions executed without any problems

In the framework of the Primary Market Auction for European Emission Allowances, which European Energy Exchange AG (EEX) is carrying out on behalf of the Federal Environment Ministry, the last Derivatives Market auction for the current year will take place on 27 October 2010 as scheduled. From 2 November 2010, the remaining weekly quantity of 870,000 EUA will be auctioned off on the Spot Market of the exchange each Tuesday.

Since January 2010, EEX has run auctioning for 10 percent of the emission allowances issued by Germany on the basis of a weekly cycle. So far, a volume of in total 35,670,000 EUA has been auctioned in 82 auctions on the Spot Market and the Derivatives Market with the auction process and the settlement of the emission allowances auctioned off proceeding smoothly and securely at all times.

“Trust is based on security and reliability. On the basis of secure and established systems and processes we have gained the confidence of the market participants. The auctioning demonstrates the quality of our trading and settlement processes” says Dr. Hans-Bernd Menzel, CEO of EEX, and emphasises “This constitutes a good recommendation for the time after 2012.”

EEX is very pleased with the auction results: For example, the average oversubscription rate of the auction, which indicates the ratio of the quantity to be auctioned and the total of the buy bids, amounted to 5.4 (Spot and Derivatives Market). A total of 15 trading participants took part in the auctions on the Spot Market; while in total 22 trading participants took part in the auctions on the Derivatives Market. The Spot Market price ranged between EUR 12.46 per EUA and EUR 15.91 per EUA and the results on the Derivatives Market ranged between EUR 12.37 per EUA and EUR 16.04 per EUA. All auction results are documented in reports and publicly available on the EEX website:

http://www.eex.com/de/Downloads/Market data/Emission allowances%20-%20EEX

Furthermore, auctions regarding 10 percent of the German emission allowances will also be held by EEX for the year 2011 in accordance with the tried and tested principle. The first auction on the Spot Market will take place on 4 January 2011 and the first auction on the Derivatives Market will follow on 5 January 2011.

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