

Argus Air Daily

US Emissions Market Prices, News and Analysis

Volume 14, 104, May 31, 2007

Daily Market Assessments

| SO ₂ Allowances \$/ton | | | | |
|-----------------------------------|--------|--------|--------|--------|
| | Bid | Ask | Price | Change |
| 2007 | 640.00 | 650.00 | 645.00 | +22.50 |
| 2008 | 638.00 | 648.00 | 643.00 | +21.00 |
| 2009 | 635.00 | 645.00 | 640.00 | +20.00 |
| 2010 | 330.00 | 340.00 | 335.00 | +7.50 |
| 2011 | 320.00 | 330.00 | 325.00 | +8.50 |
| 2012 | 305.00 | 325.00 | 315.00 | +5.00 |
| 2013 | 290.00 | 310.00 | 300.00 | +7.50 |
| 2014 | 280.00 | 300.00 | 290.00 | +10.00 |

*From 2010 and beyond, prices reflect \$/allowance.
SO₂ forward assessments will be published at the end of each month.

| NO _x Allowances \$/ton | | | | |
|-----------------------------------|--------|--------|--------|--------|
| | Bid | Ask | Price | Change |
| Bank | 625.00 | 675.00 | 650.00 | — |
| 2007 | 725.00 | 775.00 | 750.00 | — |
| 2008 | 700.00 | 750.00 | 725.00 | — |
| 2009 S* | 600.00 | 675.00 | 637.50 | — |

*2009 Seasonal allowances

Assessment Averages

| SO ₂ Allowances \$/ton | | | | |
|-----------------------------------|--------|--------|--------|--------|
| 2006-2007 | Bid | Ask | Price | Change |
| May-to-date | 591.27 | 598.36 | 594.82 | +2.39 |
| April Average | 450.25 | 456.50 | 453.38 | |
| Q2-to-date average | 524.12 | 530.81 | 527.46 | +2.86 |
| Q1 average | 459.09 | 468.99 | 464.04 | |

| NO _x Allowances \$/ton | | | | |
|-----------------------------------|--------|----------|--------|--------|
| 2006-2007 | Bid | Ask | Price | Change |
| May-to-date | 881.36 | 920.68 | 901.02 | -7.19 |
| April Average | 972.25 | 1,008.75 | 990.50 | |
| Q2-to-date average | 924.64 | 962.62 | 943.63 | -4.72 |
| Q1 average | 957.34 | 1,014.68 | 986.01 | |

Executive Briefing

- President Bush today proposed a new international effort to reduce greenhouse gas emissions that would bypass UN-sponsored talks as he seeks to fend off growing criticism of the US' reluctance to enter into any binding agreements.
- Environmentalists are asking Montana regulators to do a BACT analysis for greenhouse gas emissions as part of the air permit for the Highwood Generating Station, marking one of the first times a permit appeal has sought to include GHGs since the US Supreme Court ruling in April.
- A bill implementing RGGI was passed by the Maine House today after two amendments were adopted during its first reading in front of the full chamber.

Bush calls for new GHG talks

President Bush today proposed a new international effort to reduce greenhouse gas emissions that would bypass UN-sponsored talks as he seeks to fend off growing criticism of the US' reluctance to enter into any binding agreements.

The president proposed convening talks among the top 15 emitters to reach an agreement on a new long-term goal for reducing GHG emissions. The first meeting would take place later this year.

“To help develop this goal, the United States will convene a series of meetings of nations that produce most greenhouse gas emissions, including nations with rapidly growing economies like India and China,” Bush said in a speech in Washington, DC. “In addition to this long-term global goal, each country would establish midterm national targets, and programs that reflect their own mix of energy sources and future energy needs.”

The talks would also involve officials from various industrial sectors to discuss ways to share clean energy technology and best practices. Bush also called for the elimination of tariffs on clean energy technologies.

The proposal is basically an expanded version of the Asia Pa-

Continued on page 3

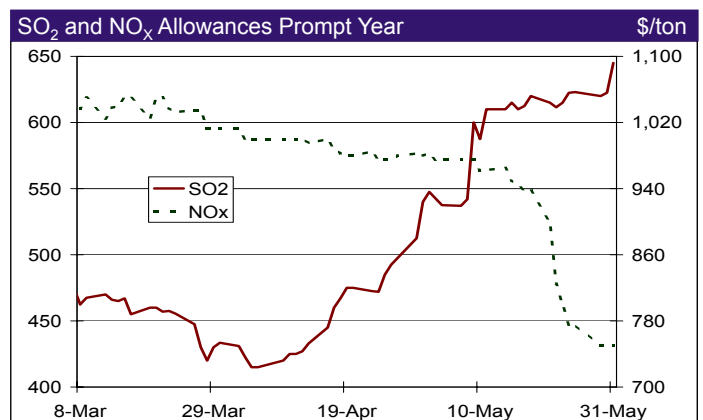
Air Daily Indexes

| SO ₂ Allowances \$/ton | | | | |
|-----------------------------------|--------|--------|--------|---------|
| | Bid | Ask | Price | Change |
| Monthly Index (May) | 591.27 | 598.36 | 594.82 | +141.44 |

Changes are vs prior month's indexes.

| NO _x Allowances \$/ton | | | | |
|-----------------------------------|--------|--------|--------|--------|
| | Bid | Ask | Price | Change |
| Monthly Index (May) | 881.36 | 920.68 | 901.02 | -89.48 |

Changes are vs prior month's indexes.



Market Overview

- Spot SO₂ saw a healthy run up today, gaining \$20 to trade last at \$647.50 today. SO₂ closed at \$645.
- The Chicago Climate Futures Exchange (CCFE) cleared SO₂ futures contracts today, representing 10,625 tons. The CCFE SO₂ futures options platform cleared 5 July \$700 call options, representing 125 tons.
- A July \$700 call option traded OTC at a premium of \$28/ton, for 5,000 tons.
- No NO_x trades were reported today. The current vintage closed at \$750/ton.

NO_x Allowances Assessment Averages (Cont'd) \$/ton

| Year | | Bid | Ask | Price |
|------|--------------------|--------|----------|--------|
| 2006 | May-to-date | 757.27 | 803.18 | 780.23 |
| | April Average | 794.75 | 837.50 | 816.13 |
| | Q2-to-date average | 775.12 | 819.52 | 797.32 |
| | Q1 average | 832.42 | 895.81 | 864.11 |
| 2007 | May-to-date | 881.36 | 920.68 | 901.02 |
| | April Average | 972.25 | 1,008.75 | 990.50 |
| | Q2-to-date average | 924.64 | 962.62 | 943.63 |
| | Q1 average | 957.34 | 1,014.68 | 986.01 |
| 2008 | May-to-date | 857.05 | 909.77 | 883.41 |
| | April Average | 857.05 | 909.77 | 883.41 |
| | Q2-to-date average | 882.86 | 943.81 | 913.33 |
| | Q1 average | 888.31 | 959.44 | 923.87 |
| 2009 | May-to-date | 748.18 | 810.68 | 779.43 |
| | April Average | 775.00 | 834.25 | 804.63 |
| | Q2-to-date average | 760.95 | 821.90 | 791.43 |
| | Q1 average | 803.23 | 895.48 | 849.35 |

NO_x Allowances - Spread To Prompt Year \$/ton

| Year | Price | Change |
|---------|---------|--------|
| Bank | -100.00 | — |
| 2008 | -25.00 | — |
| 2009 S* | -112.50 | — |

Energy Prices \$/mmBtu

| | Spec | Prompt month | Change | Prompt season | Change |
|-------------|----------------------|--------------|--------|---------------|--------|
| Coal | Argus CSX 1% OTC | 1.68 | -1.2% | 1.71 | -1.7% |
| | Argus PRB 8,800 OTC | 0.48 | -2.9% | 0.54 | +3.3% |
| Natural Gas | Nymex Henry Hub | 7.94 | +2.3% | 9.33 | +3.6% |
| Oil | Argus Fuel Oil 1% NY | 8.11 | -0.3% | | |
| | Argus Diesel NY | 14.36 | -1.2% | | |
| Electricity | Argus Cinergy | 70.50 | +7.2% | 61.25 | -1.2% |
| | Argus PJM | 82.25 | +6.8% | 71.50 | -0.7% |

Fuel prices are in \$/mmBtu. Electricity is in \$/MWh. Changes noted are weekly, in %.

Deals Done \$/ton

| Date | Type | Transaction | Vintage | Tons | Price |
|--------|-----------------|---|---------|-------|--------|
| 31-May | SO ₂ | Trade | 2007 | 1,000 | 628.00 |
| 31-May | SO ₂ | Trade | 2007 | n/a | 630.00 |
| 31-May | SO ₂ | Trade | 2007 | 2,000 | 632.00 |
| 31-May | SO ₂ | Trade | 2007 | 500 | 632.00 |
| 31-May | SO ₂ | Trade | 2007 | n/a | 635.00 |
| 31-May | SO ₂ | Trade | 2007 | 1,000 | 637.50 |
| 31-May | SO ₂ | Trade | 2007 | 500 | 637.00 |
| 31-May | SO ₂ | Trade | 2007 | 1,000 | 638.50 |
| 31-May | SO ₂ | Trade | 2007 | 500 | 635.00 |
| 31-May | SO ₂ | Trade | 2007 | 2,500 | 640.00 |
| 31-May | SO ₂ | Trade | 2007 | 1,000 | 640.00 |
| 31-May | SO ₂ | Trade | 2007 | 1,000 | 640.00 |
| 31-May | SO ₂ | Trade | 2007 | 1,000 | 642.00 |
| 31-May | SO ₂ | Trade | 2007 | 1,000 | 645.00 |
| 31-May | SO ₂ | Trade | 2007 | 2,000 | 647.50 |
| 31-May | SO ₂ | Call (July, \$700 strike, \$28 premium) | 2007 | 5,000 | |

SO₂ Allowance Transfers 30-May-07

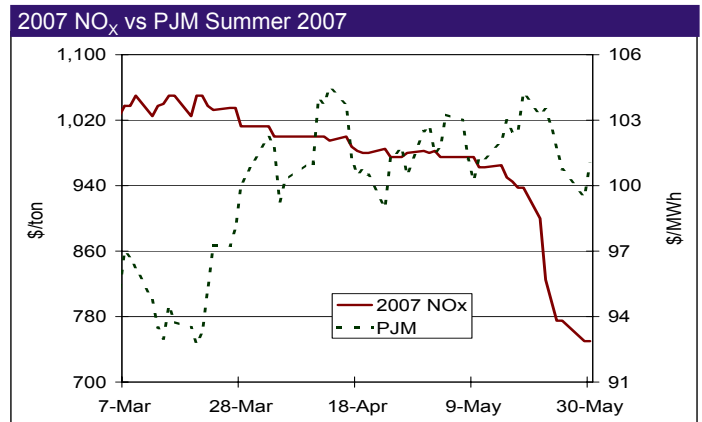
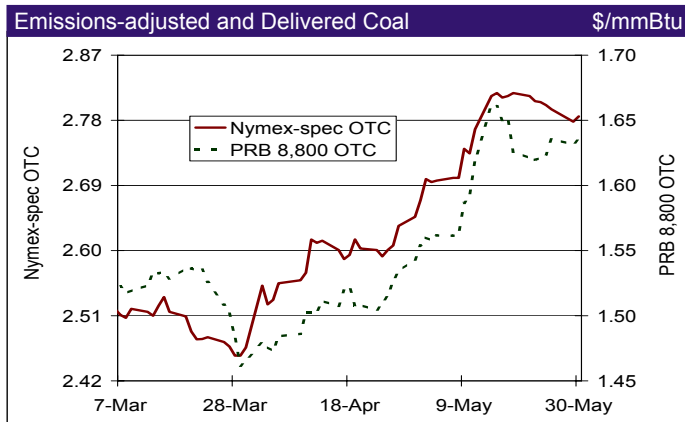
| Transferor | Transferee | Vintage | Tons |
|-----------------------|-----------------------|---------|-------|
| Alpha Energy Master | Koch Supply & Trading | 2005 | 500 |
| Alpha Energy Master | Koch Supply & Trading | 2006 | 1,000 |
| Koch Supply & Trading | Sempra Energy | 2002 | 71 |
| Koch Supply & Trading | Sempra Energy | 2003 | 410 |
| Koch Supply & Trading | Sempra Energy | 2004 | 17 |
| Koch Supply & Trading | Sempra Energy | 2007 | 2 |
| Natsource | Man Financial | 2002 | 914 |
| Natsource | Man Financial | 2003 | 500 |
| Natsource | Man Financial | 2005 | 620 |
| Natsource | Man Financial | 2006 | 343 |
| Natsource | Man Financial | 2007 | 68 |
| NRG | DTE Energy | 2001 | 1,000 |
| NRG | TXU Electric | 2002 | 1,000 |
| Peabody Energy | Bear Stearns | 2003 | 500 |
| Peabody Energy | Merrill Lynch | 2005 | 500 |
| TECO Energy | Edison International | 2004 | 2,500 |

See methodology at end of report.

NO_x Allowance Transfers 30-May-07

| Transferor | Transferee | Vintage | Tons |
|----------------------------|----------------------------|---------|------|
| CE2 Capital | Cantor Fitzgerald | 2004 | 300 |
| Constellation Energy Group | American Electric Power | 2007 | 100 |
| Constellation Energy Group | American Electric Power | 2007 | 50 |
| Constellation Energy Group | Duke Energy | 2007 | 150 |
| Constellation Energy Group | Duke Energy | 2008 | 100 |
| Constellation Energy Group | PSEG | 2007 | 200 |
| Domtar | Constellation Energy Group | 2007 | 193 |
| Duke Energy | CMS Energy | 2007 | 150 |
| International Steel Group | Edison International | 2008 | 271 |
| Koch Supply & Trading | Cantor Fitzgerald | 2004 | 100 |
| Mirant | Man Financial | 2005 | 50 |
| PPL | Edison International | 2007 | 300 |

See methodology at end of report.



Continued from page 1

cific Partnership, which also relies on sectoral agreements and technology transfer but does not include hard emission reduction targets sought by most other nations. The administration remains opposed to any cap-and-trade, instead touting its voluntary program to reduce GHG intensity 18 pct by 2012. Bush cited last year's decline in US emissions as evidence that his approach is working. EIA's initial estimates show emissions from fossil fuel combustion dropped 1.3 pct in 2006 with help from mild weather and higher energy prices (AAD 05/23/07).

While the 15-nation talks would essentially bypass the larger UN Framework Convention on Climate Change (UNFCCC) negotiations that will seek a post-Kyoto agreement, Bush said the US would continue to work with the UNFCCC to help nations adapt to climate change and adopt low-carbon technologies. The White House said the new framework would "compliment" the UNFCCC.

The proposal comes a week before the president heads to Germany for the G8 summit at which European leaders had hoped to produce a new agreement on reducing GHG emissions. But US negotiators have objected to any specific reduction targets as well as an overall goal of preventing global temperatures from rising by more than 2° C (AAD 05/29/07).

The timing of the presidential speech raised concerns that the administration is simply trying to offset some of the negative publicity surrounding the G8 talks. Democrats and environmental groups were largely critical, calling the proposal a delaying tactic. The science is largely settled on the need to stabilize atmospheric concentrations of CO₂ at around 450 parts per million and so further talks to reach a new goal are not necessary, critics said.

"Technology transfers and voluntary emissions targets are not enough to reverse global warming," House Speaker Nancy Pelosi (D-Calif.) said.

But at least one Democrat, EPW Chair Barbara Boxer (Calif.), offered some support for the president's proposal. Boxer has pressed Bush to convene such a meeting twice in recent months.

"Today he has accepted that challenge. I stand ready to assist him with the summit and continuing negotiations in any way I can," Boxer said.

BACT GHG analysis sought

Environmentalists are asking Montana regulators to do a BACT analysis for greenhouse gas emissions as part of the air permit for the Highwood Generating Station, marking one of the first times a permit appeal has sought to include GHGs since the US Supreme Court ruling in April.

The Montana Environmental Information Center (MEIC) and Citizens for Clean Energy have notified the Montana Department of Environmental Quality (DEQ) of their intent to file an appeal of the Highwood permit. A formal affidavit stating the groups' arguments will be filed in about a week, MEIC Program Director Anne Hedges said. DEQ issued the permit on May 11 (AAD 05/14/07).

The groups say DEQ erred by failing to do a BACT analysis for GHG emissions from the plant, a proposed 270MW coal-fired plant using a circulating fluidized bed boiler. Hedges said such an analysis is required now that the Supreme Court has ruled that CO₂ is a pollutant under the Clean Air Act (AAD 04/02/07). The environmentalists also claim DEQ failed to perform a BACT analysis for PM_{2.5}.

The plant is projected to emit 2.8 million tons/yr of GHGs, including 2.1 million tons of CO₂. One concern is that CFB plants tend to produce more nitrous oxide emissions than traditional coal-fired plants, Hedges said.

This may be the first formal protest of a permit on such grounds since the court's ruling. A similar case has been filed against Kansas authorities for not including CO₂ in the draft permit for the Sunflower Electric Holcomb project. But the final permit has not been issued.

Environmental lawyers have predicted that environmental groups will make great use of the Supreme Court ruling to challenge permits until Congress steps in and creates a new federal GHG program (AAD 04/03/07). Although the court's ruling involved EPA's decision not to regulate automobile emissions, lawyers said it should also clear the way for new regulation of stationary sources, including through Title V permits.

The plant developer, Southern Montana Electric Generation has also appealed the permit to clarify the test methodology for certain pollutants.

The air permit requires the boiler to meet a NO_x limit of 0.07lb/mmBtu, an SO₂ limit of 0.038lb/mmBtu, both based on a 30-day rolling average, and a mercury limit of 1.5lb/TBtu based on a rolling 12-month average.

Maine RGGI changes adopted

A bill implementing RGGI was passed by the Maine House today after two amendments were adopted during its first reading in front of the full chamber.

The House voted 130-6 in favor of the bill as amended, and the new version is scheduled for a second hearing before the full Senate tomorrow, Cathy Lee, lawyer with Gallagher, Callahan and Gartrell in Augusta, Maine, told *Argus*.

The bill should have at least as much support in the Senate, Lee said. The bill now largely reflects legislation introduced by Gov. John Baldacci (D) in April (AAD 04/16/07).

The amendments change the leniency in complying with RGGI's cap, by giving the Maine Department of Environment Protection Commissioner the authority only to grant a one-year waiver of enforcement if RGGI results in "price levels for allowances that will result in immediate and irreparable harm." The bill previously did not set the one-year limit on the enforcement waiver.

The Energy and Carbon Savings Trust and the Energy and Carbon Savings Trust Fund, would now be effective July 1, 2008, to receive the revenue from the sale of the state's RGGI CO₂ allowances. The state will sell 100 pct of its CO₂ budget, rather than allocated the allowances based on historical emissions. The amendments remove the Maine Public Utilities Commission's (PUC) oversight responsibilities, although the PUC will still appoint the trustees.

The trust will be overseen by three trustees that are tasked with using those monies to benefit consumers through energy efficiency and greenhouse gas emission reduction programs. Only \$5 of the revenue from each CO₂ allowance can go toward energy efficiency programs. Any revenue beyond \$5/ton would be given over to the PUC to be given back to the public as a consumer rebate.

And a Maine Conservation Energy Board (CEB) will be formed with the express purpose of developing and implementing state programs for energy efficiency and to provide assistance to the trustees of the CO₂ trust fund.

The trustees, the CEB and the PUC are responsible for completing the state's energy conservation plan to improve energy efficiency and reduce GHG and the first is to be submitted to the legislature, with programs to be implemented by July 1, 2010. The plan will be updated tri-annually.

Report calls for CO₂ emissions mandate

A carbon cap-and-trade system will not do enough to spur

commercialization of carbon capture and sequestration technology, according to a report from energy experts who instead advocate mandatory limits on power plant emissions.

Ultimately, "coal will be a part of the US energy future," said Carol Browner, former head of EPA, speaking today at a panel discussion on the report, *Global Warming and the Future of Coal*, at think-tank Center for American Progress.

But mitigating the environmental impacts of increasingly necessary coal-fired baseload power generation presents a formidable challenge, one that could be met with CCS technology.

The report authors, Ken Berlin, a lawyer at Skadden, Arps, Slate, Meagher & Flom, and Robert Sussman, a lawyer and former deputy administrator at the EPA, assess five policy tools to "change the economic calculus" of power generators in selecting carbon capture and sequestration (CCS) in plant design.

According to the report, changing that decision-making process within the utility industry will require aggressive action, specifically an Emission Performance Standard for new coal plants. In the three-stage program, all new power plants that begin construction after a certain date would be required to capture at least 85 pct of CO₂ emissions "through the best performing CCS technology" and then sequester the captured gas. In stage one, the first three years of the program, plants could meet the reductions with emissions offsets such as improved efficiency; by a second date, plants would have to capture "substantially all" emissions; and by a third date, integration of full-scale sequestration into the process would be required.

While the "number one priority is new plants," Sussman said, existing plants are also addressed under the proposed program by coupling a limited cap-and-trade program with the emissions performance standard. Already-operating power plants would be subject to a cap-and-trade system designed to encourage fleet turnover and, with a sufficiently stringent cap, prompt CCS retrofits.

Other regulatory schemes considered by the report include low carbon generation standards, defining CCS as Best Available Control Technology under the New Source Review program, as well as a carbon tax and a greenhouse gas cap-and-trade program. The latter has garnered the most attention among lawmakers, but current cap-and-trade proposals on Capitol Hill are too weak, the report claims, and do little to provide economic incentive for utilities to install expensive new technology rather than continue business-as-usual practices and buy credits to offset emissions. A \$30/ton carbon price would be necessary to promote CCS within the industry, the report states.

Incorporating a phase-in strategy to the emissions mandate, where capture and sequestration are not immediately required, would give the industry more time to gain experience with the technology at-scale. Currently, there are no large-scale commercial sequestration projects, although utility AEP has indicated its intent to implement such testing by 2011, and FirstEnergy yesterday said it would initiate a test of CCS at its Burger plant in Ohio.

Panel member John Deutch, a professor at the Massachusetts Institute of Technology, maintained that demonstrating that CCS is technically feasible does not mean it will be implemented. "To my mind, it is absolutely critical that it [large-scale CCS testing] begin today," he said, estimating that a single large-scale project will take 10 years and cost \$800 million.

Key stumbling blocks remain, the report concedes, including the need for more data on the nation's underground storage capacity and a legal and regulatory framework to address liability issues for carbon storage and to assuage the fears of investors. Involving China and India, too, will be central to the material success of any GHG reduction program.

Coal companies have a role to play in changing the sentiment among lawmakers, the public and the financial community, according to Deutch: "The absolutely most important thing is that the coal industry jump on everyone and say, 'Get us a serious sequestration demonstration program.'"

Schwarzenegger: Auto industry falling behind

California Gov. Arnold Schwarzenegger (R) said yesterday the US auto industry needs to do more to fight global climate change or risk being overtaken by its competitors.

Schwarzenegger said the state's regulations for reducing greenhouse gas emissions from automobiles will in the long run be a good thing rather than the catastrophe that the industry predicts. Schwarzenegger noted a billboard in the Detroit area that accuses the state of costing automakers \$86 billion. It reads "Arnold to Michigan: Drop Dead."

"The fact is what I am saying is: 'Arnold to Michigan: Get off your butt,'" Schwarzenegger said in a speech at the Toronto Economic Club.

Schwarzenegger was in Toronto to sign an agreement with the Ontario provincial government to coordinate on low carbon fuel standards (LCFS). Ontario will adopt standards that mirror California's, which require a 10 pct reduction in the carbon intensity of fuel used for passenger vehicles. Ontario has also expressed interest in joining the California-led Western Regional Climate Initiative to create a cap-and-trade program (AAD 03/30/07).

A final report recommending steps to implement the LCFS standard in California is scheduled to be finished today (AAD 05/10/07). The California Air Resources Board is expected to include the LCFS as one of the early action measures to implement AB 32, the state's GHG reduction law, it will adopt at a hearing on June 20.

"California may be doing more to save US automakers than anyone else, because we are pushing them to make the changes necessary so that they can sell their car in our Golden State," Schwarzenegger said. "And if they are not willing to make the change, we know someone will."

Schwarzenegger comments came the same day EPA held its second public hearing on California's request for a Clean Air

Act waiver to regulate vehicle GHG emissions. The hearing in Sacramento, Calif., featured testimony from state officials, environmentalists and industry representatives echoing much of what was said at the May 22 hearing in Arlington, Va. (AAD 05/22/07). As at the previous hearing, only the auto industry testified against the standards, according to hearing participants. California utilities, including Sempra and PG&E spoke in favor of the waiver.

The public comment period for the waiver request ends June 15. The auto industry has requested a 30-day extension.

HSBC launches GHG partnership

Partnering with four environmental groups, HSBC launched a program yesterday that will invest \$100 million over five years to find solutions for climate change, the largest charitable donation ever made by a British company.

The bank will work with the Climate Group, Earthwatch Institute, the Smithsonian Tropical Research Institute (STRI) and the World Wildlife Fund (WWF). "By working with four of the world's most respected environmental organizations and creating a 'green taskforce' of thousands of HSBC employees worldwide, we believe we can tackle the causes and impacts of climate change," HSBC Group Chairman Stephen Green said.

The funds have specific program goals and are intended to help the charities increase their capacity and expand into new countries and research sites.

The Climate Group's efforts will focus on addressing urban strategies for climate change mitigation and adaptation. "Climate change is an increasingly urban issue," Climate Trust Chief Executive Steve Howard said. "High summer temperatures, storms and rising sea levels will have more extreme impacts on city life ... [and] many of the solutions lie in cities — concentrations of capital, decision makers, opinion formers and population," Howard said. The Climate Group will focus in Hong Kong, London, Mumbai, New York and Shanghai, engaging local governments and businesses in finding climate solutions.

Earthwatch will involve HSBC employees in their research initiative looking for best practices to address climate change, particularly through sustainable forestry practices. Their research and findings will be further distributed to communities through Earthwatch's web-based education program.

STRI will use HSBC's contribution toward its Global Earth Observatory network that will study the climate change impacts of all the major tropical rainforests in the world and the effects of global warming on those resources.

WWF will expand their sustainable water management programs globally, in an effort to secure healthier drinking water for about 450 million people by reducing the impact of climate change on the Amazon, Ganges, Thames and Yangtze River basins.

The new HSBC climate partnership builds on the bank's

earlier \$50 million eco-partnership, which ended in 2006, that focused on biodiversity research projects in an effort to protect endangered species.

Testing CO₂ — renewable or GHG

The American Society for Testing Materials has defined a standard procedure to distinguish between CO₂ from biomass and CO₂ from fossil fuels. The test could someday enable power plants that co-fire with biomass, coal or municipal waste to determine exactly how much of their flue gas qualifies as renewable.

The American Society for Testing Materials (ASTM) standardized the procedure, called ASTM-D6866. The method compares the ratio of carbon-14 to carbon-12 in a sample of CO₂. Carbon-14 decays into carbon-12 over thousands of years. The older the sample is, the less carbon-14 there will be. CO₂ from fossil fuels should contain no carbon-14 at all.

The test could be used by power generators to precisely quantify how much of their CO₂ emissions are from renewable fuels at plants that burn both fossil fuels and renewables. Plants that burn both renewable and non-renewable fuels are not eligible for renewable energy certificates under most state renewable portfolio standards. Under a carbon cap-and-trade regime, generators

could use the system to track and subtract the “renewable” CO₂ emissions from the fossil emissions at a particular power plant.

Instead of the test, co-fired generators could simply track the amount of coal they burn, calculate the amount of CO₂ that should result and subtract that from their total CO₂ emissions to get the renewable emissions. But that approach is only approximate.

“The industry has been thinking in terms of mass-of-fuel ... I’m thinking about carbon,” said Darden Hood, president of Beta Analytic, the company that adapted the test for power plants.

The UK is considering adopting the test to allow waste-to-energy plants to generate renewable obligation certificates (ROCs) which are similar to US renewable energy certificates (RECs). The UK awards biomass plants about \$80.00/MW generated, but waste-to-energy plants are not eligible because the law requires “accurate and reliable data.” If adopted, ASTM-D6866 could provide that accurate data, argue Beta Analytic and the waste-to-energy plants.

The EU emissions trading scheme already has a legal directive to distinguish between renewable and fossil CO₂ emissions. The EU equivalent to ASTM has referenced ASTM-D6866 as the tool to quantify the renewable CO₂ portion of flue gas.

Implementing the test could be difficult because the flue gas samples must be sent to laboratories through the mail, said Rey Forte, chief of the emissions monitoring branch of EPA’s clean air markets division. The US currently has no legislative or regulatory reason to use the test, he said.

Argus expands Russian coal coverage



Interest in Russian coal markets is booming and Argus has expanded its coverage of this key coal producer to match with Argus Russian Coal, a new twice-monthly news, data and analysis service.

This new publication offers valuable insight into the Russian coal export market, with detailed data and analysis of both planned and actual exports. Argus Russian Coal covers coal production of companies operating within Russia, as well as extensive coverage of rail shipping and monthly average fob Russia prices, plus news on issues that affect exports through the Baltic and Black seas and the Russian far eastern terminals.

For more information about Argus Russian Coal contact us at sales@argusmediagroup.com, or call us on (713) 968-0063.

Commonly Used Acronyms

| | |
|-------------------|---|
| PM ₁₀ | Coarse particulate matter |
| PM _{2.5} | Fine particulate matter |
| SIP | State implementation plan |
| BART | Best Available Retrofit Technology |
| MACT | Maximum Achievable Control Technology |
| SCR | Selective catalytic reduction |
| SNCR | Selective non-catalytic reduction |
| ESP | Electrostatic precipitator |
| CAIR | Clean Air Interstate Rule |
| CAMR | Clean Air Mercury Rule |
| RPS | Renewable Portfolio Standard |
| IGCC | Integrated-gasification combined-cycle |
| RGGI | Regional Greenhouse Gas Initiative |
| NSR | New Source Review |
| NSPS | New Source Performance Standards |
| NAAQS | National Ambient Air Quality Standards |
| EIA | Energy Information Administration |
| DOE | Department of Energy |
| DOJ | Department of Justice |
| DOD | Department of Defense |
| EPRI | Electric Power Research Institute |
| EI | Edison Electric Institute |
| EPW | Senate Environment and Public Works Committee |
| RFP | Request for Proposals |
| AEP | American Electric Power |
| TVA | Tennessee Valley Authority |
| GAO | Government Accountability Office |
| CEED | Center for Energy and Economic Development |
| PSD | Prevention of Significant Deterioration |
| NETL | National Energy Technology Laboratory |
| NACAA | National Association of Clean Air Agencies |
| CDM | Clean Development Mechanism |
| CER | Certified Emission Reduction |

Canadian feds sued for clean air plan

Friends of the Earth International is suing the Canadian government for allegedly abandoning efforts to meet the country's international commitments to reduce greenhouse gas emissions.

The lawsuit, filed May 29 in Federal Court in Ottawa, focuses on a clause in the Canadian Environmental Protection Act (CEPA) that requires Canada to "comply with our environmental laws and live up to out domestic and international commitments to combat global warming," Friends of the Earth Canada Chief Executive Beatrice Olivastri said. Filed by environmental firm Sierra Legal, the application for judicial review alleges that the recent clean air plan released by Environment Minister John Baird violates CEPA because it will not lead to Canada meeting its international pollution prevention agreements.

CEPA's section 166 requires the government to control pollutants domestically if there is sufficient evidence that those pollutants could violate Canada's international environmental commitments. Canada signed onto the UN Framework Convention on Climate Change (UNFCCC) in 1992 and the Kyoto Protocol in 2002, and both have been ratified and incorporated into domestic law.

But Baird released the government's new "Turning the Corner" climate change strategy in April, setting GHG targets for major industrial sources that would cut emissions 20 pct below 2006 levels by 2020 (AAD 04/30/07). According to FOE, when the Kyoto 2012 commitment is due, those targets would leave Canada's GHG emissions 39 pct above its internationally agreed

cap of 6 pct below 1990 levels. And the country would not meet its Kyoto target until 2025, if ever, FOE said.

Further evidence comes from the government's own data collection and GHG emissions projections, Sierra Legal argued. In March, the country submitted its Fourth National Report on Climate Change to the UNFCCC "which stated that, taking into consideration the policies and measures that have been implemented, GHG emissions in Canada should reach 857 megatonnes (Mt) by 2020," Sierra Legal said. "This will be well beyond the 1990 level of 599 Mt."

Baird recently tried to twist the UNFCCC report into a success story, as it indicated the Canada's GHG emissions growth is already slowing (AAD 05/29/07). He suggested that the Conservatives are taking steps that, if the Liberals had considered implementing earlier, could have reduced GHG emissions earlier. But the new Turning the Corner plan sets emissions intensity targets, which environmentalists argue could allow absolute emissions to continue to increase.

The fast-growing oil sands sector will be able to triple its emissions based on the industry's production projections, according to a recent report by the Pembina Institute. Existing industrial emitters must improve emissions intensity by 18 pct from 2006 levels by 2010 with a 2 pct/yr improvement thereafter. New facilities have a three-year grace period and then a 2 pct/yr improvement target.

"The federal government has a legal duty to Canadians and the world to make 'demonstrable progress' in reducing GHG under the UN agreements," FOE Canada Senior Campaigner Christine Elwell said. "Instead we see important programs dis-

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The image shows the cover of the Argus Petroleum Coke report. The title is "Argus Petroleum Coke" with "MONTHLY" and "Report No. 070-005" also visible. The cover features several tables and charts, including "ARGUS PETROLEUM COKE", "ARGUS COAL DAILY", "ARGUS ANNUAL", and "PETROLEUM ARGUS". There is also a section titled "IN THIS ISSUE:" with a list of topics like "Freight rates", "US exports drop", "Switching feedstocks", "India buys US refinery", "EA permits cost", "Strategy to curb demand", "Sulfur dioxide production", "US burning less coke", "Freight rates rebound", "Refining options", and "Refined coke drops".

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Methodology

Argus publishes daily NO_x allowance prices for current vintage (spot), forward market prices for three additional years and previous year (banked) allowances. It also publishes spreads between the spot and forward and banked allowances. Argus publishes daily SO₂ allowance prices for current vintage (spot). Each Friday on a weekly basis, Argus publishes forward market prices for seven additional years. The forward SO₂ prices reflect the value on the Friday assessed, not a value representative of the entire week.

The Argus prices published daily are intelligent assessments of the bid/ask range at the timestamp of 5:00pm Eastern Time. The "price" represents the midpoint between the assessed bid and ask. The assessed range takes into account deals done, bids, offers, spreads between current and future vintages, and other assessments of the market gathered through a wide survey of participants. The assessment represents the range within which deals traded or could have traded at the close of the trading day for that particular vintage. Argus holds as a guiding principle that our assessments should be the product of intelligence, skill, and diligent investigation.

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The US Environmental Protection Agency (EPA) publishes transfers of SO₂ and NO_x allowances every business day. Argus publishes details on daily transfers between non-affiliated companies or organizations. Separately, Argus collects details on transactions completed in the over-the-counter market for emission allowances and publishes them in the "Deals Done" table in *Argus Air Daily* each business day. These transactions are typically completed two weeks or more before they are finalized and processed through the EPA's allowance tracking system. Therefore volume and type of trades in the "Deals Done" table will not match up with the same day's transfers in the EPA tables.

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mantled, terminated and slashed — all part of the pattern of Kyoto denial."

FOE is not alone in their concern that the Turning the Corner plan does not go far enough. Opposition parties in Parliament have been aggressively pushing forward with legislation that would force the country to attain its Kyoto targets. One bill, C-888, passed through Senate committee last week and is on the current agenda of the full Senate, but its committee passage is being contested (AAD 05/24/07). The second, C-30, is an act to amend CEPA to include a national CO₂ budget. The government has been refusing to bring that bill to a parliamentary vote, but on May 29, opposition parties passed a motion in the House to recommend that the government resurrect C-30 for full debate and a vote. The opposition's motion is not binding, "it is still up to the government to bring the bill back [to Parliament]," Chad Mariage, clerk of the legislative committee on C-30, said.

Baird has argued that the Kyoto target is unattainable, and that implementing programs in attempts to cut emissions to those levels would devastate the Canadian economy (AAD 04/20/07).

June 1 Federal Register**Rules**

Air quality implementation plans; approval and promulgation; various states; air quality planning purposes; designation of areas:

Virginia,
E7-10581
[R03-OAR-2006-0919;
FRL-8320-9],
E7-10582 [R03-OAR-
2006-0917; 8320-8]

Proposed Rules

Air quality implementation plans; approval and promulgation; various States; air quality planning purposes; designation of areas:

Pennsylvania,
E7-10584 [R03-OAR-
2007-0324; FRL-8321-1],
E7-10585 [R03-2007-0323;
8321-2]

Argus Air Daily

airdaily@argusmediagroup.com

Senior Editor: Caroline Gentry

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Chief Executive:

Euan Craik

Publisher:

Adrian Binks

Argus Media Inc.

1012 14th Street, N.W., Suite 1500

Washington, D.C. 20005

(202) 775-0240 (202) 872-8045 fax

www.argusmediagroup.com

Subscriptions: For information on multiple

subscription rates or site licensing contact

Sekani Williams at 202-349-2884.

Customer Service: For questions regarding

subscriptions or circulation, please contact

Zach Rhonheimer at (202) 775-0240 x255.

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