



Dear Members of the Chicago Climate Futures Exchange:

On July 11, 2008 the U.S. Court of Appeals for the District of Columbia Circuit effectively overturned a series of pollution-reduction measures packaged as the Clean Air Interstate Rule, or CAIR. This letter addresses the potential ramifications of this decision as it relates to CCFE products based on US Environmental Protection Agency ("USEPA") SO₂ and NO_x emission allowances.

1. USEPA has indicated it is preparing its response to the decision. Final resolution of the issue could take the form of appealing portions or all of the decision, restructuring the EPA regulations to address the Court's findings, or a legislative solution from Congress.
2. While it may take months or years to establish and implement any changes in emission limits, the legal nature and registry functionality for the existing SO₂ and *seasonal (SIP Call)* NO_x emission allowances under these programs are unaffected by the decision. Therefore, the contract specifications for CCFE's SFI and NFI-Ozone Season contracts remain unchanged.
3. The annual NO_x allowance program established under CAIR is directly affected by the decision pending any appeals. The possibility that the annual NO_x program may be suspended at some point in the future may affect CCFE's NFI Annual futures product and open interest. At this time, however, the USEPA registry for annual NO_x allowances continues to function.

CCFE will continue to actively interface with its regulator, the Commodity Futures Trading Commission ("CFTC") and USEPA to develop an appropriate approach for resolving any issues related to the NO_x annual market. If it becomes clear that the annual NO_x market system will be suspended, we will work with the CFTC and our members to implement a method for assuring orderly termination of open interest in the NFI futures contract.

As always, please feel free to call should you have any questions. We will continue to update you regarding any changes to CCFE products.

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