



CCFE Advisory 2009-10

March 25, 2009

Re: NFI-OS Futures Contract – Modified Contract Specifications

CCFE has modified its NFI-OS futures contract specifications and rules to reflect the impending conversion of allowances in the Environmental Protection Agency's ("EPA") NO_x Ozone-Season Budget Trading Program into the NO_x Clean Air Interstate Rule Ozone-Season ("CAIROS") program. Effective Thursday, March 26, 2009, the CCFE NFI-OS futures contract specifications clarify that only EPA NO_x CAIROS emission allowances are eligible for delivery against the CCFE NFI-OS futures contract.

The EPA developed CAIR to create three distinct compliance programs to regulate air emissions: an annual NO_x program, an ozone-season NO_x program, and an annual SO₂ program. The first compliance year for the CAIR ozone-season and annual NO_x programs is 2009. The CAIR ozone-season program ("CAIROS") is an expansion of the existing regional cap-and-trade NO_x ozone-season program administered by the EPA, the NO_x Budget Trading Program ("NBP"), with broader geographic scope and more stringent emissions reduction targets.

States regulated under NBP will transition into CAIROS in 2009. CAIROS permits sources to bank and use pre-2009 NBP allowances for the CAIROS compliance on a 1:1 basis. Sources outside of the NBP region can also buy and use pre-2009 NBP allowances for CAIROS compliance. Progressive flow control, a feature in NBP that established the percentage of banked allowances that could be used for compliance on a 1:1 basis, will be eliminated under CAIROS.

The EPA is converting remaining NBP allowances to CAIROS allowances in March 2009 under the following guidelines:

- Allowances will maintain the same serial numbers, including the "vintage" (use year)
- EPA has "frozen" all (Unit, Overdraft, and General) NBP accounts, as of March 6, 2009. This means that these allowances are no longer available for transfer under the NBP.
- EPA is in the process of retiring the NBP allowances and reissuing the allowances as CAIR ozone season ("CAIROS") allowances.
- If the NBP allowances are being held in a unit account, they will be reissued into the corresponding CAIR facility account. If the facility does not have a CAIROS account, because it has no units subject to CAIROS, the NBP Authorized Account Representative ("AAR") needs to send an e-mail to cair-camr-allocations@epa.gov identifying a CAIROS general account into which the allowances converted from the NBP should be reissued.
- If the NBP allowances are being held in a general account, they will be reissued into a CAIROS general account designated for that purpose by the NBP AAR. The AAR needs to send an e-mail to cair-camr-allocations@epa.gov identifying the CAIROS general account into which the converted from the NBP should be reissued.

- An Acid Rain Program general account for NOx CAIROS allowances may be established through the CAMD Business System or by submitting the paper form found on CAMD's web site at <<http://www.epa.gov/airmarkets/business/forms.html#cair>>. Questions about establishing a general account under CAIR can be referred to Paula Branch at branch.paula@epa.gov or (202) 343-9168.
- The allowance transfers which convert NBP allowances to CAIR allowances will be assigned the transaction code, "Conversion of NBP allowances into CAIROS".

The contract specifications can be found at http://www.ccfе.com/about_ccfe/products.html

Questions pertaining to this advisory may be addressed to:

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