Chapter 5

Conclusions

5.1 Conclusion

It is important to know the dependence structure of the dependence between the two energy spot prices since that structure can have an impact on both current energy policy and future policies. Our empirical results show that after 2009, the dependence relationship between oil and ethanol prices in the U.S. was weak. There are several reasons for using the extreme value copula to characterize the dependence between the two variables: First, using the copula makes it possible to avoid the unsatisfying assumption of independence; this method can capture nonlinear relationship. Second, the extreme value copula provides for modeling the dependence between the constitutive relation parameters of a random couple which illustrate the greatest values of two properties considered over the same period of time. This is an important issue in our study because the extreme tail dependence and co-movement of prices of traditional energy and new energy is a subject matter that calls for close attention and analysis.