



Submission No. 19-127
February 18, 2019

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**Re: New California Carbon Offset Future and Related Amendments
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.2**

Dear Mr. Kirkpatrick:

Pursuant to Commission Regulations 40.2, ICE Futures U.S., Inc. (“Exchange”) submits, by written certification, new Rule 18.D.051 and amendments to Resolutions 1 and 2 of Chapter 18. The new rules and amendments provide for one new futures contracts, which will be listed on or about April 8, 2019, or such other date as the Exchange shall determine which shall be no sooner than the second business day following the business day on which this submission is received by the Commission.

Physical Environmental Futures Contract

The Exchange is listing one new futures contract for physical delivery of California Air Resources Board (“CARB”) greenhouse gas emissions offset credits or, alternatively, delivery of CARB carbon allowances, which can be utilized in lieu of offset credits for satisfaction of emissions liability. The futures contract complements the existing suite of California Carbon Allowance futures and options contracts. Each offset credit is a certificate issued by CARB representing one metric ton equivalent of greenhouse gas emission reduction or removals enhancements achieved under California Assembly Bill 32 “California Global Warming Solutions Act of 2006,” and its associated regulations, rules and amendments, and collectively known as the “California Cap and Trade Program.” Each carbon allowance deliverable is issued as a limited authorization to emit up to one metric ton of CO₂ or CO₂ equivalent in the California Cap and Trade Program and has a vintage corresponding to the specified vintage-year and allowances having a vintage of any year prior to the specified vintage-year. The contract will reach expiration three business days prior to the last business day of the delivery month. At expiry, the offset credits and/or carbon allowances are deliverable through the California MTS, in accordance with the contract specifications.

The contract size, minimum price fluctuation, Interval Price Limits (IPLs) and IPL recalculation times, No-Cancellation Ranges (NCRs), spot month position limits and single and all month accountability levels are provided in relevant documents attached as Exhibit A. All relevant terms of the California Carbon Offset contract are similar to other Physical Environmental contracts listed by the Exchange. The listing cycle and other relevant specifications are provided in the contract specifications in Exhibit A. A deliverable supply analysis detailing the methodology the Exchange used to determine spot month position limits for the California Carbon Offset Future is attached to this submission as Exhibit B.

Certifications

The new rule and related amendments will become effective with the listing of the new futures contract. The Exchange is not aware of any substantive opposing views to the new futures contract. The Exchange certifies that the new contract rule and related amendments comply with the requirements of the Act and the rules and regulations promulgated thereunder. The Exchange has reviewed the designated contract market core principles ("Core Principles") as set forth in the Act and has determined that the listing of the contract complies with the following relevant Core Principles:

COMPLIANCE WITH RULES

The terms and conditions of the new futures contract is set forth in new Rule 18.D.051 and amendments to Resolutions 1 and 2 of Chapter 18, and will be enforced by the Exchange. In addition, trading of the contract is subject to all relevant Exchange rules which are enforced by the Market Regulation Department.

CONTRACTS NOT READILY SUBJECT TO MANIPULATION

The new futures contract is not readily subject to manipulation as it is based on established and liquid underlying cash markets. In addition, trading of the new contract will be monitored by the Market Regulation Department.

POSITION LIMITS OR ACCOUNTABILITY

Positions in the new futures contract will be subject to position limits and accountability levels set by the Exchange. As described above, such position limits are based upon the deliverable supply in the cash market. A Deliverable Supply Analysis is attached hereto as Exhibit B.

FINANCIAL INTEGRITY OF CONTRACTS

The new futures contract will be cleared by ICE Clear Europe, a registered derivatives clearing organization subject to Commission regulation, and carried by registered futures commission merchants qualified to handle customer business.

The Exchange further certifies that, concurrent with this filing, a copy of this submission was posted on the Exchange's website and may be accessed at (<https://www.theice.com/futures-us/regulation>). If you have any questions or need further information, please contact me at 312-836-6745 or at patrick.swartzter@theice.com.

Sincerely,



Patrick Swartzter
Manager
Market Regulation

Enc.
cc: Division of Market Oversight
New York Regional Office

EXHIBIT A

Rule	Contract Name	Commodity Code	Contract Size	Unit of Trading	Minimum Tick ^[1]	IPL Amount	IPL Recalc Time (Seconds)	IPL Hold Period (Seconds)	NCR
18.D.051	California Carbon Offset Future	CCO	1,000	Carbon Offsets	0.01	\$2.50	3	5	\$0.25

[1] The minimum fluctuation for the above futures and options contracts may differ depending on trade type.

Resolution No. 1 - Minimum Price Fluctuation Table

The following minimum price fluctuations shall be applicable to Energy Contracts.

Rule Number	Product	Minimum Price Fluctuations	
		Screen	Blocks and other trades outside the central limit order book
	* * *		
<u>18.D.051</u>	<u>California Carbon Offset Future</u>	<u>0.01</u>	<u>0.01</u>
	* * *		

Resolution No. 2 – Position Limit/Accountability Table

Rule	Contract Name	Commodity Code	Contract Size	Unit of Trading	Spot Month Limit	Single Month Accountability Level	All Month Accountability Level	Aggregate 1 (Positive Correlation)	Aggregate 2 (Negative Correlation)	Exchange Reportable Level
<u>18.D.051</u>	<u>California Carbon Offset Future</u>	<u>CCO</u>	<u>1,000</u>	<u>Carbon Offsets</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>CCO</u>		<u>25</u>

SUBCHAPTER 18D - PHYSICAL ENVIRONMENTAL FUTURES CONTRACTS

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18.D.051 California Carbon Offset Future

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18.D.051 California Carbon Offset Future

Contract Description: Physically delivered California Air Resources Board greenhouse gas emissions offset credits where each is a certificate issued by the California Air Resources Board representing one metric ton equivalent of greenhouse gas (GHG) emission reduction or removals enhancements achieved under California Assembly Bill 32 "California Global Warming Solutions Act of 2006" and its associated regulations, rules and amendments, all together known as the "California Cap and Trade Program".

Contract Symbol: CCO

Settlement Method: Physical Delivery

Contract Size: 1,000 California Carbon Offsets

Currency: USD

Minimum Price Fluctuation: The price quotation convention shall be One cent (\$0.01) per Offset; minimum price fluctuation may vary by trade type. Please see Table in Resolution 1 to this Chapter 18.

Listing Cycle: 1. The Exchange may list monthly contracts in the Standard Cycle or any other calendar month it determines for the current year and forward for up to ten years.

2. The Standard Cycle is: January, February, March, April, May, June, July, August, September, October, November and December

Last Trading Day: Three Business Days prior to the last Business Day of the delivery month.

Deliverable Instruments: The deliverable instruments are California Carbon Offsets equal to the contract size delivered through the California MTS. Also eligible for delivery are California Carbon Allowances equal to the contract size delivered through the California MTS.

California Carbon Offsets acceptable for delivery are those issued by the California Air Resources Board representing one metric ton equivalent of greenhouse gas emission reduction or removals enhancement achieved under California Assembly Bill 32 "California Global Warming Solutions Act of 2006" and its associated regulations, rules and amendments, all together known as the "California Cap and Trade Program". Any individual offset or series of offsets acceptable for delivery are those that are beyond the risk of invalidation, specifically where the Last Delivery Date of the futures contract is greater than the Invalidation Timeframe added to the Start of Invalidation Period (i.e.: Last Delivery Date > Invalidation Timeframe + Start of Invalidation Timeframe) as stated on the California Air Resource Board's website at the time of delivery.

Any available vintage of offset meeting these criteria is deliverable.

California Carbon Allowances acceptable for delivery are those issued as a limited authorization to emit up to one metric ton of CO₂ or CO₂ equivalent in the California Cap and Trade Program having a vintage corresponding to the specified vintage year and allowances having a vintage of any year prior to the specified vintage -year.

MIC Code: IFED

Clearing Venue: ICEU

Registry California: MTS

[REMAINDER OF RULEBOOK UNCHANGED]

EXHIBIT B

[EXHIBIT REDACTED]