SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 21-120

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: ☒ **DCM** ☐ **SEF** ☐ **DCO** ☐ **SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/24/21 Filing Description: Increase of Spot Month Position Limits and Accountability Levels of Six (6) European Natural Gas Futures and Option Contracts

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

☐	Certification	§ 40.6(a)
☐	Approval	§ 40.5(a)
☐	Notification	§ 40.6(d)
☐	Advance Notice of SIDCO Rule Change	§ 40.10(a)
☐	SIDCO Emergency Rule Change	§ 40.10(h)

Rule Numbers:

New Product **Please note only ONE product per Submission.**

☐	Certification	§ 40.2(a)
☐	Certification Security Futures	§ 41.23(a)
☐	Certification Swap Class	§ 40.2(d)
☐	Approval	§ 40.3(a)
☐	Approval Security Futures	§ 41.23(b)
☐	Novel Derivative Product Notification	§ 40.12(a)
☐	Swap Submission	§ 39.5

Product Terms and Conditions (product related Rules and Rule Amendments)

☒	Certification	§ 40.6(a)
☐	Certification Made Available to Trade Determination	§ 40.6(a)
☐	Certification Security Futures	§ 41.24(a)
☐	Delisting (No Open Interest)	§ 40.6(a)
☐	Approval	§ 40.5(a)
☐	Approval Made Available to Trade Determination	§ 40.5(a)
☐	Approval Security Futures	§ 41.24(c)
☐	Approval Amendments to enumerated agricultural products	§ 40.4(a), § 40.5(a)
☐	"Non-Material Agricultural Rule Change"	§ 40.4(b)(5)
☐	Notification	§ 40.6(d)

Official Name(s) of Product(s) Affected: **see filing**
Rule Numbers: see filing

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

March 24, 2021

VIA ELECTRONIC PORTAL

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

Re: CFTC Regulation 40.6(a) Certification. Notification Regarding the Increase of Spot Month Position Limits and Accountability Levels of Six (6) European Natural Gas Futures and Option Contracts.
NYMEX Submission No. 21-120

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying amendments to the spot month position limits and accountability levels of six (6) European natural Gas futures and option contracts (the "Contracts") as noted in the table below effective on Sunday, April 11, 2021, for trade date Monday, April 12, 2021 commencing with the May 2021 contract month and beyond (collectively, the "Rule Amendments").

(additions are underscored, deletions are ~~struck through~~.)

Contract Title	Rulebook Chapter	CME Globex/ CME ClearPort Code	Aggregate Into Futures Equivalent (1)	Aggregate Into Futures Equivalent (2)	Aggregate Into Ratio (1)	Aggregate Into Ratio (2)	Spot-Month Limit	Accountability levels (Single Month and All Month)
Dutch TTF Natural Gas Calendar Month Futures	1159	TTF	TTF				~~6,000~~ 50,000	~~8,000~~ 60,000
Dutch TTF Natural Gas Daily Futures	1160	TTD	TTD				~~6,000~~ 50,000	~~8,000~~ 60,000
Dutch TTF Margined Calendar Month Option	1161	TTO	TTF		1 TTO : 1 TTF		~~6,000~~ 50,000	~~8,000~~ 60,000
Dutch TTF Futures-Style Margined Calendar Month Option	1162	TFO	TTF		1 TFO : 1 TTF		~~6,000~~ 50,000	~~8,000~~ 60,000
Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures	1003	TTE	TTE				~~1,450~~ 12,000	~~5,000~~ 13,000
Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures	1005	THD		TTE		1 THD : -1 TTE	~~1,450~~ 12,000	~~5,000~~ 13,000

The Position Limit, Position Accountability and Reportable Level Table (the "Table") and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook is being amended to reflect the changes in the position limits for the Contracts (see Exhibit A: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)).

300 Vesey Street New York, NY 10282 T 212 299 2200 F 212 301 4645 christopher.bowen@cmegroup.com cmegroup.com

The Exchange conducted a comprehensive review of the Dutch TTF Natural Gas Calendar Month Futures contract ("TTF"). Upon its review, the Exchange determined to update the methodology to calculate spot month position limits in NYMEX's TTF markets. The enhanced methodology takes the extensive natural gas infrastructure in the Netherlands into account by including gas storage, pipelines, and LNG terminal send-out capacity in addition to domestic production. Additional details regarding this methodology is provided in Exhibit B below which is inclusive of the Exchange's updated cash market overview and analysis of deliverable supply for the Contracts.

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act" or "CEA") and identified that the Rule Amendments may have some bearing on the following Core Principles:

- **Contract Not Readily Susceptible to Manipulation**: Due to the liquidity and robustness in the underlying physical markets, the Contracts are not readily susceptible to manipulation.

- **Position Limitations or Accountability**: The speculative position limits for the Contracts as demonstrated in this submission are consistent with the Commission's guidance.

- **Availability of General Information:** The information contained herein will be disseminated to the marketplace via a Market Surveillance Notice ("MSN"). The MSN will also be posted on the CME Group website. The Exchange will publish information on the contract specifications on its website, together with daily trading volume, open interest, and price information.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.6(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to the proposal.

The Exchange certifies that this submission has been concurrently posted on the CME Group website at http://www.cmegroup.com/market-regulation/rule-filings.html.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (effective April 12, 2021) (attached under separate cover)
Exhibit B: Cash Market Overview and Analysis of Deliverable Supply

300 Vesey Street New York, NY 10282 T 212 299 2200 F 212 301 4645 christopher.bowen@cmegroup.com cmegroup.com

Exhibit A

NYMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")

Position Limits, Position Accountability and Reportable Level Table

(attached under separate cover)

Exhibit B
Cash Market Overview and Analysis of the Deliverable Supply

Cash Market Overview

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") relied on a number of publicly available source to determine the deliverable supply of Dutch TTF Natural Gas ("TTF").

The Exchange utilized data from the European Union's statistical office, Eurostat, the European Network of Transmission System Operators for Gas, ENTSOG, and the European Association of Renewable and Low-carbon Gases Infrastructure Operators, GIE. In addition, we are using data from Gasunie Transport Services (GTS), the gas transmission system operator operating in the Netherlands.

Physical market participants can deliver natural gas into the TTF virtual trading hub via various routes. They can produce gas within the Netherlands, import gas from neighboring countries, import gas from undersea pipelines, or take delivery from gas molecules from LNG cargoes via LNG import terminals. Finally, they can also make use of local gas storage sites to take delivery of natural gas that was previously injected into storage. Following this approach, TTF deliverable supply will be defined as the sum of:

- Netherlands internal production of natural gas
- Netherlands pipeline import capacity – pipelines that connect into the TTF hub
- Netherlands LNG import capacity – capacity of LNG terminals to feed into the TTF
- Gas storage capacity – gas storage sites which can release natural gas into the TTF

Since capacity figures are not subject to seasonal fluctuations, the Exchange does not include a seasonality adjustment on pipeline and storage capacity. However, domestic production of natural gas in the Netherlands is seasonal: typically, domestic gas fields produce more during the winter months to match increased heating demand. Because of this seasonality, we propose to adjust domestic production figures to account for that seasonality effect.

TTF deliverable supply is not adjusted for long-term contracts. The Exchange believes that this is not required, as the TTF market is highly developed and spot market liquidity across exchanges and OTC provides ample access to natural gas to meet short term supply requirements. Public data sources provide a good overview of prevalent market liquidity to assess the suitability of this methodology. Gasunie tracks monthly churn rates which documents the significant increase in TTF liquidity across the past few years. The market churn is defined as the volume of gas traded (OTC and on exchange) as a ratio to nominated volume. Over the past years, market churn rates in TTF have increased from an average of 54x (in 2018) to 91x (in 2020) as depicted in Table 1 below.

Table 1 – Monthly Churn Rates at the TTF Virtual Trading Hub

Monthly Churn rates TTF			
	Minimum	Average	Maximum
2011	10x	18x	26x
2012	10x	20x	31x
2013	13x	20x	30x
2014	20x	34x	54x
2015	25x	40x	53x
2016	23x	46x	78x
2017	25x	42x	59x
2018	30x	54x	85x
2019	36x	72x	107x
2020	70x	91x	128x

Source: Gasunie Transport Services

Table 2 provides natural gas primary production in the Netherlands. Table 3 provides a monthly primary production breakdown in the Netherlands. Compared to the annual average production, production during the lowest active months (in Q2 and Q3) amount to between 80-90% of the annual average.

Table 2 – Annual Natural Gas Primary Production in the Netherlands

	2017	**2018**	**2019**	**Average**
Terajoules	1,544,415	1,297,096	1,122,222	1,321,244
GWh	429,008	360,307	311,731	367,015
TWh	429	360	312	367

Source: Eurostat

Table 3 – Monthly Natural Gas Primary Production in the Netherlands

Terajoules	2017	2017%	2018	2018%	2019	2019%
Jan	150,840	117%	129,613	120%	147,157	157%
Feb	143,942	112%	109,499	101%	100,345	107%
Mar	137,045	106%	133,728	124%	106,564	114%
Apr	136,979	106%	101,178	94%	87,082	93%
May	119,885	93%	103,877	96%	94,662	101%
Jun	107,490	84%	99,894	92%	87,415	93%
Jul	116,820	91%	102,643	95%	84,380	90%
Aug	124,284	97%	98,219	91%	87,468	94%
Sep	112,288	87%	97,519	90%	77,663	83%
Oct	122,118	95%	93,324	86%	69,198	74%
Nov	136,845	106%	108,589	100%	87,757	94%
Dec	135,879	106%	119,013	110%	92,531	99%
Average	128,701		108,091		93,519	
Total	1,544,415		1,297,096		1,122,222	

Source: Eurostat

Table 4 provides the Netherlands' pipeline import capacity – from neighboring countries as well as underwater pipelines and LNG import terminals.

Table 4 – Netherlands Pipeline Import Capacity – Border Countries

Netherlands Import capacity (GWh/day)				
Gas year	**17/18**	**18/19**	**19/20**	**3-year average**
Belgium	394	394	393	394
Germany Gaspool	344	341	348	344
Germany NCG	162	162	245	190
Norway (underwater)	963	963	963	963
LNG import terminals	399	385	418	401
Total				2,291

Source: ENTSOG system development maps

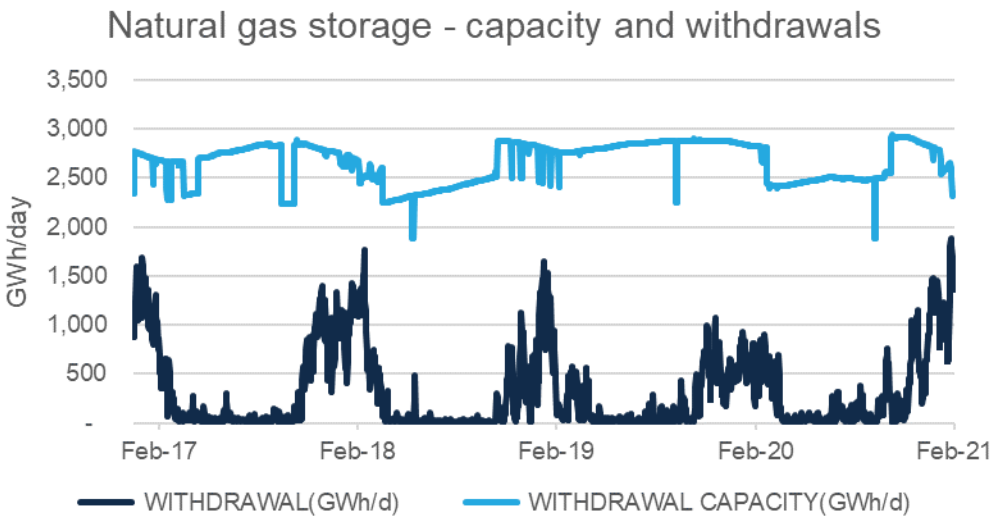
Finally, GIE provides domestic gas storage volume data for the Netherlands. As of July 1, 2018, the technical withdrawal capacity aggregated across all storage sites in the Netherlands was 2791 GWh/day.

Table 5 – Netherlands Storage Capacity

Operator	Facility/Location	Status	Investment	Start-up year	Withdrawal technical GWh/day
EnergyStock BV	EnergyStock	operational	existing	2011	422
EnergyStock BV	EnergyStock	planned	planned		-
NAM	Grijpskerk	operational	existing	1997	719
NAM	Norg (Langelo)	operational	existing	1997	742
TAQA Gas Storage	Bergermeer	operational	existing	2015	554
TAQA Piek Gas	Alkmaar	operational	existing	1997	353
Total					2,791

Source: GIE

The below chart shows that withdrawals from Dutch storage sites occur mainly during winter months to respond to seasonal heating demand. It also shows that storage capacity is stable across the years.



Source: GIE, **https://agsi.gie.eu/#/graphs/NL**

Analysis of Deliverable Supply

Table 6 summarizes the capacity and volume information for physical gas deliveries within the Netherlands. To account for lower production during summer months, domestic production figures are adjusted downwards by 20%.

Table 6 – TTF Deliverable Supply and Spot-Month Position Limit

Natural gas domestic production	367	TWh
Natural gas domestic production seasonally adjusted	294	TWh (A)
Netherlands import capacity	2,291	GWh/day
	836	TWh (B)
Netherlands storage withdrawal capacity	2,791	GWh/day
	1,019	TWh (C)
Deliverable Supply (annual)	2,149	TWh (A+B+C)
Deliverable Supply (monthly)	179	TWh
	179,050,851	MWh
	248,682	contracts*
Spot month Position limit	50,000	contracts
% of Deliverable Supply	20.11%	

* Note = 720 MWh contract equivalent

It is proposed to apply the new spot month position limits of 50,000 contracts to the Dutch TTF Natural Gas Calendar Month Futures (TTF), Dutch TTF Natural Gas Daily Futures (TTD), Dutch TTF Margined Calendar Month Option (TTO), and the Dutch TTF Futures-Style Margined Calendar Month Option (TFO). The spot month position limit of 50,000 contracts is equivalent to 20.11% of deliverable supply.

For the Dutch TTF Natural Gas (USD/MMBtu) (ICIS Heren) Front Month Futures, and the Henry Hub TTF (ICIS Heren) Natural Gas Spread Futures (THD), which trade in 10,000 MMBTu units, Exchange staff proposes a spot month position limit of 12,000 contracts[1], equivalent to 19.65% of deliverable supply.

[1] 12,000 TTE contract equivalents amount to 120,000,000 MMBtu, which is equal to 35,168,514 MWh, or 48,854 TTF equivalents.