

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-220 (2 of 2)

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): 05/18/23 **Filing Description:** Initial Listing of the European Union Allowance (EUA) Futures and European Union Allowance (EUA) 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.

May 18, 2023

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.2(a) Certification. Initial Listing of the European Union Allowance (EUA) Futures and Option Contracts.
 NYMEX Submission No. 23-220 (2 of 2)**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of the physically-delivered European Union Allowance (EUA) Futures and European Union Allowance (EUA) Option contracts (the “Contracts”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort effective Sunday, June 4, 2023 for trade date Monday, June 5, 2023.

Contract Title	European Union Allowance (EUA) Futures	European Union Allowance (EUA) Option
CME Globex/CME ClearPort Code	ECF	ECO
Rulebook Chapter	1253	1254
Settlement Type	Physical	Physically delivered into underlying futures
Contract Size	1,000 European Union Allowances (EUAs)	
Listing Schedule	Monthly contracts listed for 3 consecutive months, quarterly contracts (Mar/Jun/Sep/Dec cycle) listed for 9 consecutive quarters and all December contracts through and including December 2030.	Quarterly contracts listed for 6 consecutive quarters (Mar/Jun/Sep/Dec cycle). All December contracts through and including December 2030.
Pricing Quotation	EUR per EUA	
First Listed Month	July 2023	September 2023
Minimum Price Fluctuation	EUR 0.01 per EUA	EUR 0.005 per EUA
Value per tick	EUR 10.00	EUR 5.00
Block Trade Minimum Threshold	5 contracts – subject to a minimum 15-minute reporting window	
Termination of Trading	Trading in the contract shall terminate at 6:00 p.m. Netherlands local time on the last Monday of the delivery month for the expiring contract, except as follows: If the last Monday of the delivery month occurs on a date on which the Union Registry is closed or not available, an Exchange Holiday or a day on which the administrator of the Union Registry	The option contract shall expire at the close of trading three business days prior to the expiration of the underlying European Union Allowance (EUA) futures contract.

	<p>in the Netherlands is not processing transfers (“a Union Registry Holiday”) or, if an Exchange Holiday or Union Registry Holiday occurs on any of the four (4) days following the last Monday of the delivery month, trading shall cease on the penultimate Monday of the delivery month.</p> <p>If the penultimate Monday of the delivery month occurs on a date on which the Union Registry is closed or not available, an Exchange Holiday or a day on which the administrator of the Union Registry in the Netherlands is not processing transfers (“a Union Registry Holiday”) or, if an Exchange Holiday or Union Registry Holiday occurs on any of the four (4) days following the penultimate Monday of the delivery month, trading shall cease on the antepenultimate Monday of the delivery month.</p>	
CME Globex Matching Algorithm	First in First Out (FIFO)	
Underlying Futures Contract Title/Commodity Code	n/a	Option underlying is the December contract of the current calendar year of the European Union Allowance (EUA) Futures (ECF).
Strike Price Increment	n/a	EUR 0.005
Strike Price Listing Schedule	n/a	At-the-money strikes then dynamic thereafter
Option Type	n/a	European Style
Margining Style	n/a	Futures-Style
Trading and Clearing Hours	<p>CME Globex Pre-Open: Sunday 4:00 p.m. - 5:00 p.m. Central Time/CT Monday - Thursday 4:45 p.m. - 5:00 p.m. CT CME Globex: Sunday - Friday 5:00 p.m. CT with a daily maintenance period from 4:00 p.m. - 5:00 p.m. CT CME ClearPort: Sunday - Friday 5:00 p.m. - 4:00 p.m. CT with no reporting Monday - Thursday from 4:00 p.m. - 5:00 p.m. CT</p>	

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

- Compliance with Rules:** Trading in the Contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these Contracts will also be subject to the full range of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in these products will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Contracts Not Readily Subject to Manipulation:** The Contracts are not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market.
- Prevention of Market Disruption:** Trading in the Contracts will be subject to Rules of NYMEX, which include prohibitions on manipulation, price distortion and disruption to the delivery process. As with any new products listed for trading on a CME Group designated contract market, trading

activity in the Contracts proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.

- **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 Exchange will publish on its website information regarding the Contract's specifications, terms, and conditions, as well as daily trading volume, open interest, and price information.
- **Daily Publication of Trading Information**: The Exchange will publish the Contracts' trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contracts.
- **Execution of Transactions**: The Contracts will be listed for trading on the CME Globex electronic trading and for clearing through the CME ClearPort. The CME Globex trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information**: All requisite trade information for the Contracts will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract**: The Contracts will be cleared by the CME Clearing House, a derivatives clearing organization registered with the CFTC and subject to all CFTC regulations related thereto.
- **Protection of Market Participants**: NYMEX Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues and will be applicable to transaction in the Contracts.
- **Disciplinary Procedures**: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in the contracts will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in the product are identified.
- **Dispute Resolution**: Disputes with respect to trading in the Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that listing the Contracts complies with the Act, including regulations under the Act. There were no substantive opposing views to listing of the Contracts.

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

Please note that concurrently with this listing, the Exchange delisted the three (3) EUA futures and option contracts that were previously suspended from trading and clearing see [NYMEX Submission No. 23-221](#) dated May 15, 2023.

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

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapters 1253 and 1254
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit C: Strike Price Listing and Exercise Procedure Table
Exhibit D: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Exhibit E: Exchange Fees
Exhibit F: Cash Market Overview and Analysis of Deliverable Supply

EXHIBIT A
NYMEX Rulebook

Chapter 1253
European Union Allowance (EUA) Futures

1253100. SCOPE OF CHAPTER

This chapter is limited in application to European Union Allowance (EUA) Futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all EUAs bought or sold for future delivery on the Exchange with delivery at the Union Registry.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s Clearing Member and buyer’s Clearing Member may utilize a Designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the Union Registry in accordance with Rule 1253103.

The EU ETS is based on Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emissions allowance trading within the Community and amending Council Directive 96/61/EC, which entered into force on 25 October 2003, as amended from time to time (the “Directive”).

The term “Authorised Representative” shall have the meaning in the Registry Regulation.

The term “Clearing House Registry Account” shall mean the Trading Account of the Clearing House at the Union Registry as notified by the Clearing House from time to time.

The term “Communication Link” shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with the Union Registry, and/or (2) by which the Union Registry communicates with EUTL.

The term “Designee” means a third party appointed by a Clearing Member to effect the delivery or receipt of EUAs into a Registry Account in place of such Clearing Member in respect of an open long position or an open short position and who in each case is permitted to make or take delivery of EUAs to or from the Clearing House.

The term “EUA” or “European Union Allowance” shall mean an allowance to emit one metric tonne of carbon dioxide or an amount of other greenhouse gas equivalent set out in the Directive during a specified period valid for the purposes of meeting the requirements of the Directive and transferable in accordance with the Directive that is valid for settlement of obligations under the Directive and as may be determined and notified by the Exchange in its absolute discretion as valid for trading and delivery under the contract and which shall be applicable to existing and new contracts upon such notification by the Exchange.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, which automatically checks, records and authorizes all transactions between accounts in the Union Registry, the operation of which is further detailed in the Registry Regulation.

The term “Registry Account” shall mean a valid Trading Account at the Union Registry within the meaning of the Registry Regulation, where the national administrator is the Netherlands or such other national administrator as agreed by the Clearing House from time to time.

The term “Registry Regulation” shall mean the Commission Delegated Regulation (EU) 2019/1122 of 12 March 2019 supplementing the Directive as regards the functioning of the Union Registry.

The terms “Trusted Account” and “Trading Account” shall have the meaning given in the Registry Regulation.

The term “Union Registry” shall mean the single EU Registry operated pursuant to the Registry Regulation for the accounting of transactions under the EU ETS in a standardized and secured electronic database to track the issue, holding, transfer and cancellation of EUAs.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the Netherlands.

1253101. CONTRACT SPECIFICATIONS

The European Union Allowance (EUA) Futures contract physically delivers European Union Allowance (EUAs) via Trading Accounts maintained at the Union Registry.

1253102. TRADING SPECIFICATIONS

Trading in European Union Allowance (EUA) Futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

1253102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

1253102.B. Trading Unit

The contract unit shall be one thousand (1,000) EUAs for a delivery made by transfer through the Union Registry.

1253102.C. Price Increments

The minimum price fluctuation shall be €0.01 per EUA (€10 per contract). Prices shall be quoted in Euros and Euro cents per EUA. Prices shall be exclusive of any taxes or duties that may be applied to a transaction.

1253102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1253102.E. Termination of Trading

Trading in the contract shall terminate at 6:00 p.m. on the last Monday of the delivery month for the expiring contract, except as follows:

If the last Monday of the delivery month occurs on a date on which the Union Registry is closed or not available, an Exchange Holiday or a day on which the administrator of the Union Registry in the Netherlands is not processing transfers (“a Union Registry Holiday”) or, if an Exchange Holiday or Union Registry Holiday occurs on any of the four (4) days following the last Monday of the delivery month, trading shall cease on the penultimate Monday of the delivery month.

If the penultimate Monday of the delivery month occurs on a date on which the Union Registry is closed or not available, an Exchange Holiday or a day on which the administrator of the Union Registry in the Netherlands is not processing transfers (“a Union Registry Holiday”) or, if an Exchange Holiday or Union Registry Holiday occurs on any of the four (4) days following the penultimate

Monday of the delivery month, trading shall cease on the antepenultimate Monday of the delivery month.

Any contracts remaining open after the last day of trading must be either:

(a) Settled by delivery which shall take place in accordance with Rule 1253105; or

(b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 8:00 p.m. on the last day of trading of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

1253103. DELIVERY REQUIREMENTS

EUA delivery shall comply with all requirements for the electronic transfer of EUAs within the Union Registry in accordance with the Registry Regulation. The Clearing Member shall be responsible for fulfilling the delivery requirements of every contract that it has entered into. A Clearing Member may fulfil delivery requirements itself or it may appoint the buyer or seller (as applicable) to act as Designee(s) in its place to fulfil delivery requirements. The Clearing Member must notify the Clearing House of the appointment of each relevant Designee through submission of a completed Designee Notification Form (signed by an authorized signatory of each of the Clearing Member and the Designee) to the Clearing House. A Clearing Member may appoint multiple Designees such that a different Designee may act in respect of any account or customer account, provided that any single account shall have only a single Designee appointed to effect deliveries in respect of such account. Notwithstanding the use of a Designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers' Clearing Members and buyers' Clearing Members, as applicable.

Each Registry Account of any Clearing Member or Designee (buyer or seller) utilized for deliveries under this contract must be established as a Trusted Account of the Clearing House Registry Account prior to any delivery.

1253104. DELIVERY PROCEDURES

The Exchange is a party to all deliveries under this contract and will receive EUAs from the seller's Clearing Member or from one or more Designee(s) (as applicable) into the Clearing House Registry Account. Following receipt from the seller's Clearing Member or their Designee(s), the Exchange will deliver EUAs to the buyer's Clearing Member or their Designee(s) from the Clearing House Registry Account to the Registry Account nominated by the buyer's Clearing Member.

The seller's Clearing Member or their Designee (as applicable) shall comply with such requirements and obligations imposed by or under the Registry Regulation in all respects material to the submission of the forms noted in this rule. The buyer's Clearing Member or, where applicable, its Designee(s) shall comply with such requirements and obligations imposed by or under the Registry Regulation in all respects material to ensure the acceptance of a valid transfer into the relevant Registry Account. If a provision of the rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulation, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer's Clearing Member, seller's Clearing Member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring EUAs to the Exchange (either directly or through a Designee), the seller's Clearing Member represents and warrants that, at the time of delivery, it (or its Designee, as applicable) has good and marketable title to such EUAs, that such EUAs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

1253104.A. Responsibilities of Clearing Members

Notice of Intention to Accept

Exchange Clearing Members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Union Registry Account Number for the relevant Registry Account, and any additional information as may be required by the Exchange.

Notice of Intention to Deliver

Exchange Clearing Members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the Union Registry Account Number, and any additional information as may be required by the Exchange.

1253104.B. Final Settlement Price

The final settlement price shall be the basis for delivery.

1253104.C. Assignment Day

The Clearing House shall allocate Notices of Intention to Accept and Notices of Intention to Deliver by matching positions, to the extent possible.

The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery month.

1253105. TIMING OF DELIVERY

1. The seller's Clearing Member or Designee (as applicable) shall submit a transfer request via the Communication Link instructing the transfer of EUAs subject to delivery to the Clearing House Registry Account the Business Day following assignment and such EUAs shall be received into the Clearing House Registry Account no later than 1:00 p.m. on the second Business Day on which the Union Registry administrator in the Netherlands is processing transfers of EUAs after the final day of trading of the delivery month.
2. The buyer's Clearing Member or Designee (as applicable) shall receive EUAs from the Clearing House Registry Account by 4:00 p.m. on the third Business Day after the final day of trading of the delivery month, except where the national administrator of the Registry Account of the buyer's Clearing Member or Designee (as applicable) is not processing transfers, in which case the transfer to the buyer's Clearing Member or Designee (as applicable) may be delayed.
3. The buyer's Clearing Member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 1:00 p.m. on the second Business Day following the last day of trading of the delivery month.
4. For each seller's Clearing Member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's Clearing Member the full contract value by 4:00 p.m. on the third Business Day following the last day of trading of the delivery month.

The timings for delivery by the Clearing House shall be dependent on the operation of the Union Registry and therefore may be subject to change. The Clearing House shall not be liable for any delay in delivery of EUAs under Rule 1253105. where such delays relate to the delay or failure of processing of transactions by the Union Registry or any national administrator of a Registry Account.

1253106. DELIVERY MARGINS AND PAYMENT

1253106.A. Definitions

For purposes of this Rule 1253106:

"Payment Date" shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller's Clearing Member.

"Payment" shall include the final settlement price times the number of contracts times 1,000.

1253106.B. Margin

The buyer's Clearing Member and seller's Clearing Member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the Business Day following notification to the Exchange that delivery and Payment have been completed.

1253106.C. Payment

Any Payment made on the Payment Date shall be based on EUAs that the seller's Clearing Member is obligated to deliver pursuant to the applicable delivery.

1253107. VALIDITY OF DOCUMENTS

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any Notice of Intention to Accept, Notice of Intention to Deliver, or of any document or instrument delivered pursuant to these rules.

1253108. ALTERNATIVE DELIVERY PROCEDURE

A seller and buyer matched by the Exchange under Rule 1253104.C. may agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed and executed copy of such notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense the Exchange may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

1253109. VAT

While contract prices shall be exclusive of any taxes or duties, should Value Added Tax ("VAT") be payable on European Union Allowance (EUA) Futures, the relevant buyer shall be responsible for ensuring that it accounts for such VAT to the relevant tax authority under the reverse charge procedure where applicable.

Prior to entry into any European Union Allowance (EUA) Futures contract, Clearing Members must provide such information reasonably requested by the Clearing House for the purposes of determining the applicability of VAT or other taxes, including but not limited to valid VAT registration details, and for the purposes of accounting for any applicable taxes to a tax authority. The Clearing Member is deemed to represent and warrant that the information it has provided under this Rule is complete and accurate each time a contract is entered into.

Where VAT is due and payable and the reverse charge procedure does not apply, including but not limited to circumstances where VAT must be declared by the buyer under the rules for the "place of service" regarding services rendered in relation to European Union Allowance (EUA) Futures contracts:

1. the Clearing Member must notify the Clearing House prior to entry into any European Union Allowance (EUA) Futures contract; and
2. the buyer must make payment of such VAT to the Clearing House as seller at the same time as the payment of the purchase price.

Where the reverse charge procedure applies, the Clearing Member warrants and represents that the relevant buyer has a valid VAT registration and will account for any applicable VAT to the relevant tax authority under the reverse charge procedure.

The Clearing Member agrees to indemnify the Clearing House in respect of any VAT, interest, penalties and associated costs of the Clearing House in the event that the Clearing House does not receive any applicable VAT from the relevant buyer when due under this rule.

1253110.

LIABILITY

Without prejudice to the generality of the rules of the Exchange, neither the Exchange, the Clearing House nor any of its Affiliates shall be liable to any person for any losses, liabilities, damages, claims, costs or expenses arising from or in connection with:

1. the availability or unavailability or performance or failure to perform of any Communication Link, the Union Registry, any national administrator of the Union Registry, the EUTL or any other part of the infrastructure for the issue, holding, transfer, acquisition, surrender, cancellation, replacement or delivery of EUAs, including for the avoidance of doubt, in relation to any loss or unavailability of EUAs held by the Exchange or transferred to or from the Exchange;
2. the validity or otherwise of any EUA for the purposes of meeting the requirements of the Directive or settlement of obligations under the Directive;
3. any act or omission of the European Commission or other governmental body connected with the EU ETS, the operator of any Communication Link, the Union Registry or any national administrator of the Union Registry or any administrator of the EUTL; or
4. any act or omission of an Authorised Representative or Designee of any party.

Chapter 1254 European Union Allowance (EUA) Option

1254100. SCOPE OF CHAPTER

This chapter is limited in application to put and call options on European Union Allowance (EUA) futures contracts. In addition to the rules of this chapter, transactions in European Union Allowance (EUA) Options shall be subject to the general rules of the Exchange.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the Netherlands.

1254101. OPTION CHARACTERISTICS

The number of months open for trading at a given time shall be determined by the Exchange.

1254101.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

1254101.B. Trading Unit

The European Union Allowance (EUA) Option is an option on the European Union Allowance (EUA) Futures Contract. On exercise of a call option, the long position will be assigned a long position in the European Union Allowance (EUA) first nearby December Futures at the strike price. On exercise of a call option, the short position will be assigned a short position in the European Union Allowance (EUA) first nearby December Futures position at the strike price. On exercise of a put option, the long position will be assigned a short position in the European Union Allowance (EUA) first nearby December Futures at the strike price. On exercise of a put option, the short position will be assigned a long position in the European Union Allowance (EUA) first nearby December Futures position at the strike price.

1254101.C. Price Increments

The minimum price fluctuation is €0.005 per EUA (€5 per contract). Prices shall be quoted in Euros (€) and Euro cents (¢) per EUA.

1254101.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5. A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion. Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

1254101.E. Termination of Trading

The option contract shall expire at the close of trading three business days prior to the expiration of the underlying European Union Allowance (EUA) futures contract.

On the last trading day, trading terminates at 2:00 p.m. The option shall be available for automatic exercise. The in-the-money value of the option shall be based on a methodology to be published by the Exchange that reflects market prices at the termination of trading of a contract. Notwithstanding the above, the Exchange may determine an alternative termination of trading time on the last trading day for specific expiries on NYMEX Business Days immediately prior to or concurrent with local or U.S. holidays.

1254101.F Option Type

The option is a European-style option which can only be exercised into the underlying futures on expiration day.

1254101.G. Settlement Variation and Option Value

This contract is a future-style margin option. Settlement variation rules for futures-style margin options conform to those set forth for non-options stipulated in NYMEX Rule 814. As such, when a clearing member or its customers is long or short any amount of any commodity for a settlement

cycle, as indicated by Clearing House records, settlement for any outstanding exposure shall be made with the Clearing House based on the settlement price for that settlement cycle. For futures-style margin options, each clearing member and its customers shall pay to, or collect from, the Clearing House any loss or profit, as the case may be, represented by the difference between (x) the settlement price of the futures-style margin option for such settlement cycle and (y) the settlement price of the futures-style margin option for the prior settlement cycle (or, for the first settlement cycle after the purchase/sale of such option, the price at which the option was purchased or sold).

1254102.

EXERCISE PRICES

Transactions shall be conducted for option contracts as set forth in Rule 300.20.

EXHIBIT B
NYMEX Rulebook
Chapter 5
(“Trading Qualifications and Practices”)
Position Limit, Position Accountability, and Reportable Level Table

(under separate cover)

EXHIBIT C
NYMEX Rulebook
Chapter 300
(“Options Contracts”)

NYMEX Rule 300.20. – (“Strike Price Listing and Exercise Procedures”) Table

Commodity Code	CME Globex Code	Product Name	Product Group	Product Subgroup	Exchange	Rulebook Chapter	Strike Price Listing Rule	Exercise Style	Contrary Instructions	Margin Style	Exact At-The-Money Characteristics	Underlying Commodity Code	Underlying Product Name
ECO	ECO	European Union Allowance (EUA) Option	Energy	Emissions	NYMEX	1254	Minimum at-the-money strike at €0.005 per environmental offset increment plus dynamic strikes at €0.005 per environmental offset increment	European	No	Futures	Exercise Calls. Abandon Puts.	ECF	European Union Allowance (EUA) Futures

EXHIBIT D
NYMEX Rulebook
Chapter 5

(“Trading Qualifications and Practices”)

NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table

(additions underscored)

Instrument	Globex Symbol	Outrights			Spreads	
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Minimum Ticks	NRR: Globex Format	NRR: Minimum Ticks
<u>European Union Allowance (EUA) Futures</u>	<u>ECF</u>	<u>€ .40 per allowance</u>	<u>40</u>	<u>40</u>	<u>Each leg evaluated as an outright</u>	

Globex Symbol

Globex Non-Reviewable Ranges (NRR)

<u>European Union Allowance (EUA) Option</u>	<u>ECO</u>	<u>The greater of the following:</u> <ul style="list-style-type: none"> •<u>Delta multiplied by the underlying futures non-reviewable range</u> •<u>20% of premium up to ¼ of the underlying futures non-reviewable range</u> •<u>5 ticks</u>
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EXHIBIT E

Exchange Fees

Exchange Fees	Member	Non-Member
CME Globex	\$1.50	\$2.00
EFP	\$1.50	\$2.00
Block	\$1.50	\$2.00
EFR/EOO	\$1.50	\$2.00

Processing Fees	House Account	Customer Account
Delivery Notice (Futures)	\$0.50	\$0.50
Option Exercise / Assignment Notice (Options)	\$0.50	\$0.50
Facilitation Fee	\$0.60	
Give-Up Surcharge	\$0.05	
Position Adjustment/Position Transfer	\$0.10	

EXHIBIT F

Cash Market Overview and Analysis of Deliverable Supply

Introduction

This memo proposes to determine deliverable supply in the European Union Allowance (EUA) market based on the annual volume of EUAs issued to the marketplace. Deliverable supply is estimated based on publicly available data from the European Environmental Agency¹ and the European Commission.²

Background

According to the World Bank, approximately 40 countries and more than 20 cities, states and provinces use a form of carbon pricing. Globally, carbon pricing mechanisms cover half of emissions emitted in these regions, amounting to about 13% of annual global greenhouse gas emissions.³

Emissions trading schemes (ETS) apply the principle of cap-and-trade. A controlling body sets a maximum amount of carbon emissions that may be emitted in a given period (usually one year). Certificates representing these emissions are allocated and/or auctioned to participants. Each year, entities participating in the cap-and-trade mechanism must provide certificates in accordance with the amount of Co2 emitted. Entities that pollute less than forecast can sell excess certificates to other participants and are financially rewarded. By gradually reducing the supply of new certificates, the market price of those certificates should reflect a higher price of compliance, incentivizing participants to decrease carbon emissions through a market-based mechanism.

The scope of ETS mechanisms is varied, and ranges from the supranational EU ETS to regional mechanisms that covers cities (in China) or provinces/ states (U.S., Canada). The systems differ in the sectors covered, the share of allowances which is freely allocated, the cap trajectory (the rate at which allowances will be reduced) and the sectors covered.

The EU ETS remains the largest ETS worldwide, accounting for approximately 90% of global emission trading volume according to a Refinitiv analysis.⁴ The EU ETS is supported by a large secondary market, in which allowances are traded bilaterally or on an exchange-cleared basis on multiple venues.

The EU ETS was launched in 2005 as a response to the 1997 Kyoto Protocol, which set legally binding emission reduction targets for certain industrialized countries. The development of the EU ETS went through various phases. Phase I (2005-2007) was a pilot scheme in which most allowances were given away for free. In the second phase (2008-2012), a higher proportion of allowances was auctioned off, the penalty for non-compliance was greatly increased (from EUR 40/ton to EUR 100/ton) and additional industries such as domestic aviation were included. Phase 3 (2013-2020) saw a further reduction in the amount of free allowances.

Phase 4 in the EU ETS (2021-2030) aligns the goals of the EU ETS to the targets captured in the 2015 Paris agreement. It increases the annual reduction in allowances and introduces a market stability reserve (MSR). By placing excess certificates in a reserve, the MSR greatly reduced market surplus, leading to significantly higher prices of EU emission allowances (increasing from EUR 5/ton to >EUR 30/ton). In

¹ <https://www.eea.europa.eu/>

² https://commission.europa.eu/index_en

³ <https://www.worldbank.org/en/programs/pricing-carbon>

⁴ <https://www.reuters.com/article/us-europe-carbon-idUSKBN29W1HR>

addition to power generation, the EU ETS covers industrial installations and domestic aviation – in total approximately 40% of EU emissions.

In July 2021, the European Commission adopted a series of legislative proposals to reduce net greenhouse gas emissions by 55% by 2030.⁵ In December 2022,⁶ new rules were agreed for the aviation sector to help supports the overall aims of reducing net greenhouse gas emissions by at least 55% by 2030 under the EU Fit for 55 package. The inclusion means that free allowances will no longer be provided to the airline sector from 2026 onwards. In 2026, the European Commission will carry out an assessment of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) set up by the International Civil Aviation Organisation (ICAO), to see if it is sufficiently delivering on the goals of the Paris Agreement. Subject to the outcome of this assessment, the Commission will make a legislative proposal, which could extend the scope of EU emissions trading to departing flights if CORSIA is not sufficiently aligned with the Paris Agreement.

Deliverable Supply

Deliverable supply in emission certificates can be estimated based on the number of allowances that are available to market participants. In its early phases, the EU ETS freely allocated a vast majority of its allowances to support the nascent marketplace. The objective was to gradually reduce the amount of freely allocated allowances as the EU ETS enters its fourth phase. Covered installations must provide the appropriate number of EUAs by April of the following year (the “annual surrendering of allowances”). As such, the demand for EUAs does not naturally follow a seasonal cycle. Similarly, the supply side / auctioning of EUAs normally occurs regularly throughout the entire year, meaning that there is no seasonal element in market supply.⁷ Allowances are freely tradable between market participants regardless whether they have been freely allocated to participants or auctioned off. Likewise, allowances created in a specific year can be used for compliance purposes in a later calendar year. Finally, trading in allowances occurs both in the primary market (via the auctioning process) and in the secondary market via physically delivered forwards and futures.

Table 1 shows the annual issuance of “new” EUAs, either freely allocated or auctioned off, minus the annual surrendered volume.

Table 1 – Annual issuances of allowances				
000 MT equivalent (contract equivalent)	2019	2020	2021	2019-2021 average
Total allocated Allowances	1,223,186	1,190,633	1,000,708	1,138,175
Freely allocated	654,121	604,359	530,530	596,337
Auctioned allowances	569,065	586,274	470,178	541,839
Units surrendered	1,382,021	1,217,450	1,304,130	1,301,200
Market surplus/deficit	(158,835)	(26,817)	(303,422)	(163,025)

Source: [European Environment Agency](#)⁸. Includes data for stationary installations and aviation

⁵ https://ec.europa.eu/clima/eu-action/eu-emissions-trading-system-eu-ets/market-stability-reserve_en

⁶ Airlines into the EU ETS https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7609

⁷ See [EEX auction calendar](#)

⁸ <https://www.eea.europa.eu/data-and-maps/dashboards/emissions-trading-viewer-1>

Table 2 shows the total number of allowances in circulation (TNAC), a number published each year by the European Commission. TNAC represents a running total of available allowances, meaning all issued and eligible allowances minus verified emissions over the prior years (since 2013). TNAC also subtracts allowances that have been placed in the MSR. As can be seen in the table, a growing quantity of allowances has been placed into the MSR.

$$\text{TNAC} = \text{Supply} - (\text{Demand} + \text{allowances in the MSR})$$

Table 2 – TNAC calculation

TNAC calculation, '000 MT CO2	2019	2020	2021	2019-2021 average
Supply	14,876,899	17,050,094	18,919,086	16,948,693
Demand	12,194,278	13,546,770	14,837,189	13,526,079
MSR	1,297,125	1,924,551	2,632,682	1,951,453
TNAC	1,385,496	1,578,772	1,449,214	1,471,161

Source:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020XC0513%2802%29>

[https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:52021XC0517\(01\)](https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:52021XC0517(01))

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOC_2022_195_R_0002

Basing the deliverable supply on yearly emission volumes only underestimates the true number of allowances that are available for delivery in the market: because emissions emitted in prior annual cycles but not surrendered yet continue to be available to market participants. The inventory thereof is tracked in the annual TNAC number.

The Exchange did not apply a seasonality adjustment. Likewise, there is no requirement to adjust for long-term contracts. The EUA market is mandated by a supranational governmental entity and therefore, EUA deliverable supply may not be affected by considerations that could apply to physical commodities. Any EUA allowance is freely tradable and can be used for compliance and/or trading purposes by any registered market participant. Participants do not have to own or operate a covered installation to participate in the EUA marketplace.

By using the numbers above for TNAC, the Exchange derives the deliverable supply at 1,471,161 contract equivalents annually for the 2019 through 2021 period, equivalent to 122,597 contract equivalents per month. Current spot-month position limits are set at 20,000 contracts, equivalent to 16% of deliverable supply.