

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 17-216

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): June 22, 2017 Filing Description: Initial Listing of the Micro Coal (API 5) fob Newcastle (Argus/McCloskey) Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | | |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Notification | § 40.6(d) |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers:

New Product

Please note only ONE product per Submission.

- | | | |
|-------------------------------------|---------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification | § 40.2(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> | Approval | § 40.3(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission | § 39.5 |

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

- | | | |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification | § 40.6(a) |
| <input type="checkbox"/> | Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> | Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> | Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> | Approval | § 40.5(a) |
| <input type="checkbox"/> | Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> | Approval Security Futures | § 41.24(c) |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | “Non-Material Agricultural Rule Change” | § 40.4(b)(5) |
| <input type="checkbox"/> | Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected:

Rule Numbers:

June 22, 2017

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 40.2(a) Certification. Notification Regarding the Initial Listing of the Micro Coal (API 5) fob Newcastle (Argus/McCloskey) Futures Contract. NYMEX Submission No. 17-216

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 the initial listing of the Micro Coal (API 5) fob Newcastle (Argus/McCloskey) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform and for submission for clearing via CME ClearPort, effective Sunday, July 9, 2017 for trade date Monday, July 10, 2017, as set forth below.

| | |
|--------------------------------------|--|
| Contract Title | Micro Coal (API 5) fob Newcastle (Argus/McCloskey) Futures |
| Commodity Code | M5F |
| Rulebook Chapter | 1131 |
| Settlement Method | Financial |
| Contract Size | 10 MT (metric tons) |
| Listing Schedule | Monthly contracts listed for the current year and the next calendar year. Monthly contracts for a new calendar year will be added following the termination of trading in the December contract of the current year. |
| Minimum Price Fluctuation | \$0.05 per metric ton |
| Value per Tick | \$0.50 |
| First Listed Month | July 2017 |
| Block Trade Minimum Threshold | 100 contracts |
| Termination of Trading | Trading terminates on the last Friday of the contract month. If such Friday is a UK holiday, trading terminates on the UK business day immediately prior to the last Friday of the contract month unless such day is not an Exchange business day, in which case trading terminates on the Exchange business day immediately prior. Notwithstanding the above, if New Year's Day is a Friday, the immediately preceding December contract month terminates on the last business day of the contract month. |
| CME Globex Matching Algorithm | FIFO |

Trading and Clearing Hours:

| | |
|-------------------------------------|---|
| CME Globex and CME ClearPort | Sunday - Friday 6:00 p.m. - 5:00 p.m. (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. (4:00 p.m. CT) |
|-------------------------------------|---|

Exchange Fees:

| Exchange Fees | Member | Non-Member | International Incentive Programs (IIP/IVIP) |
|---------------|--------|------------|---|
| CME Globex | \$0.07 | \$0.10 | \$0.08 |
| EFP | \$0.07 | \$0.10 | |
| Block | \$0.07 | \$0.10 | |
| EFR/EOO | \$0.07 | \$0.10 | |
| Agency Cross | \$0.07 | \$0.10 | |

| Processing Fees | Member | Non-Member |
|-----------------|--------|------------|
| Cash Settlement | \$0.01 | \$0.01 |

| Other Processing Fees | Fee |
|---------------------------------------|--------|
| Facilitation | \$0.60 |
| Give-Up Surcharge | \$0.05 |
| Position Adjustment/Position Transfer | \$0.10 |

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the contract into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the Contract. The terms and conditions establish the all month/any one-month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contract. Please see Appendix B, attached under separate cover.

NYMEX is also notifying the CFTC that it is self-certifying block trading on the contract with a minimum block threshold of 100 contracts. The block level is consistent with the Exchange's similar existing products.

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

Compliance with Rules: Trading in the Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply 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 the new product 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.

Contract Not Readily Subject to Manipulation: The Contract is based on a cash price series that is reflective of the underlying cash market and is commonly relied on and used as a reference price by cash market brokers and commercial market participants.

Prevention of Market Disruption: Trading in the Contract will be subject to Rulebook Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.

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

Availability of General Information: The Exchange will publish information on the contract's specifications on its website, together with daily trading volume, open interest and price information.

Daily Publication of Trading Information: The Exchange will publish information on the contract's specifications on its website, together with daily trading volume, open interest and price information.

Execution of Transactions: The Contract will be listed for trading on the CME Globex electronic trading and for clearing through 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 required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

Financial Integrity of Contract: All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.

Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.

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 rules. Trading in this contract 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 these products are identified.

Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow all nonmembers 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 the rules in 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 Regulations 40.2(a), the Exchange hereby certifies that listing the Contract complies 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: Appendix A: NYMEX Rulebook Chapter 1131
Appendix B: Position Limits, Position Accountability and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Appendix D: Cash Market Overview and Analysis of Deliverable Supply

Appendix A

NYMEX Rulebook

Chapter 1131

Micro Coal (API 5) fob Newcastle (Argus/McCloskey) Futures

1131100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

1131101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month shall be equal to the API 5 fob Newcastle 5,500 kcal/kg Monthly Coal Price Index published in the Argus/McCloskey's Coal Price Index Report (i.e. being the average of weekly prices during the contract month).

1131102. TRADING SPECIFICATIONS

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

1131102.A. Trading Schedule

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

1131102.B. Trading Unit

The contract quantity shall be ten (10) metric tons. Each contract shall be valued as the contract quantity (10) multiplied by the settlement price.

1131102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per ton. The minimum price fluctuation shall be \$0.05 (5¢) per metric ton. The minimum final settlement price fluctuation is \$0.01 per metric ton.

1131102.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.

1131102.E. Termination of Trading

The contract shall terminate at the close of trading on the last Friday of the contract month. If such Friday is a UK holiday, the contract will terminate on the UK business day immediately prior to the last Friday of the contract month unless such day is not an Exchange business day, in which case the contract shall terminate on the Exchange business day immediately prior. Notwithstanding the above, if New Year's Day is a Friday, the immediately preceding December contract month shall terminate on the last business day of the contract month.

1131103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

1131104. DISCLAIMER

The Micro Coal (API 5) fob Newcastle (Argus/McCloskey) Futures contract (the "Product") is not sponsored, endorsed, sold or promoted by Argus Media Inc. ("Argus") or IHS Global Ltd. ("IHS"). Argus and IHS make no representation or warranty, express or implied, to the owners of the Product or any member of the public regarding the advisability of trading in the Product. Argus' and IHS' only relationship to Chicago Mercantile Exchange Inc., CME Clearing Europe Ltd. And New York Mercantile Exchange, Inc. (together, "CME") is the licensing of certain trademarks and trade names of Argus and IHS, and of the API 5 index (which is determined, composed and calculated by Argus and IHS without regard to CME or the Product), and Argus and IHS have no obligation to take the needs of CME or the owners of the Product into consideration in determining, composing or calculating the API 5 index. Argus and IHS are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the Product to be listed or in the determination or calculation of the equation by which the Product is to be converted into cash. Argus and IHS have no obligation or liability in connection with the administration, marketing or trading of the Product.

ARGUS, IHS AND CME DO NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE API 5 INDEX OR ANY DATA RELATED THERETO AND NEITHER ARGUS, IHS, NOR CME SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. ARGUS, IHS AND CME MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY CME, OWNERS OF THE PRODUCT, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE API 5 INDEX OR ANY DATA RELATED THERETO. ARGUS, IHS, AND CME MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE API 5 INDEX OR ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL ARGUS, IHS, OR CME HAVE ANY LIABILITY FOR ANY DAMAGES WHATSOEVER, WHETHER DIRECT OR INDIRECT, INCLUDING WITHOUT LIMITATION, LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN ARGUS, IHS, AND CME.

Without prejudice to any of the above provisions and in addition to them, each and every third party should and must note that, insofar as New York Mercantile Exchange, Inc. ("NYMEX") may list any index for trading in or in connection or by reference therewith, none of:

- a. NYMEX;
- b. its directors or officers; or
- c. any relevant party that NYMEX may contract with for the supply of the index or information in relation thereto;

(each of the foregoing, a "Relevant Party") assume any obligation or liability in connection with the trading of any contract based on such index. Accordingly, no Relevant Party shall be in any way responsible for any losses, expenses or damages (in all cases direct or indirect) arising in connection with or referable to the trading of any contract linked or referable to the said index, *provided* that nothing herein shall affect either the obligations of NYMEX or its Members as Parties trading in any contract so linked or referable. None of the Relevant Parties guarantee or warrant or undertake in any manner the accuracy or completeness of any such index or any information or data included in or referable to it.

NONE OF THE RELEVANT PARTIES MAKE ANY WARRANTY OR GIVES ANY GUARANTEE OR UNDERTAKING, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF, OR THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM THE USE OF ANY SUCH INDEX, AND PROXY RELATED OR REFERABLE THERETO OR ANY INFORMATION OR DATA INCLUDED IN OR REFERABLE TO IT IN CONNECTION WITH ANY TRADING OR ANY CONTRACTS OR FOR ANY OTHER USE. NONE OF THE RELEVANT PARTIES MAKE ANY EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO ANY SUCH INDEX, ANY RELATED OR REFERABLE THERETO OR ANY INFORMATION OR DATA INCLUDED IN OR REFERABLE TO ANY SUCH INDEX.

Appendix B

**Position Limits, Position Accountability and Reportable Level Table
in Chapter 5 of the NYMEX Rulebook**

(attached under separate cover)

Appendix C:

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

(additions are underscored)

| Instrument Name | Globex Symbol | Globex Non-Reviewable Ranges (NRR) | NRR: Globex Format | NRR: Ticks |
|---|----------------------|---|---------------------------|-------------------|
| <u>Micro Coal (API 5) fob Newcastle (Argus/McCloskey) Futures</u> | <u>M5F</u> | <u>\$2.00 per metric ton</u> | <u>200</u> | <u>40</u> |

Appendix D

The Commission defines deliverable supply as the quantity of the commodity meeting a derivative contract's delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce. (See Appendix C to 17 CFR Part 38.)

Cash Market Overview and Deliverable Supply

CASH MARKET OVERVIEW

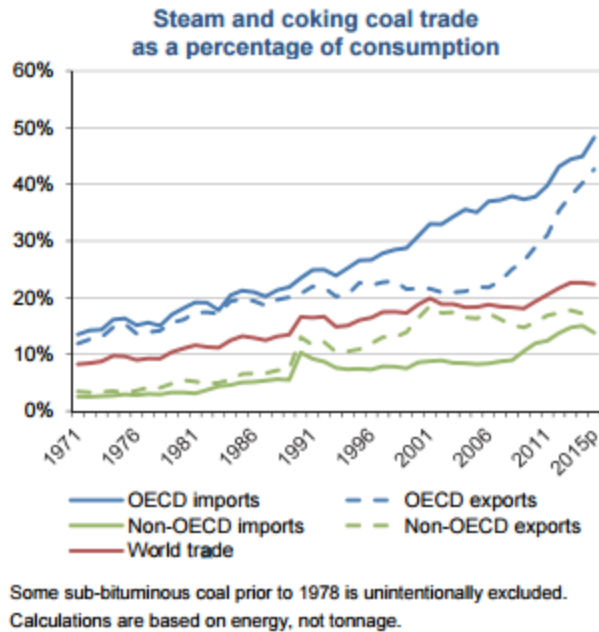
Coal as a Traded Commodity

Coal is a combustible sedimentary rock mainly composed of carbon along with a range of other elements such as hydrogen, sulfur, oxygen and nitrogen. Coal has been used as an energy source throughout history. Coal is naturally occurring in rock strata and is extracted from the ground by mining.

There are two primary classifications of coal that are traded internationally, which are both subtypes of bituminous coal. Coking coal, or metallurgical coal, is used in the production of steel. Steam coal, or thermal coal, is used in the production of electrical power. With its higher carbon content, and lower levels of impurities, coking coal can be considered the superior class, and typically trades at a premium to steam coal.

Thermal coal, also known as steam coal, is a globally traded commodity. Thermal coal is burned to generate electricity. Coal is usually transported by truck, train or barge within the domestic markets, but for international trade, dry-bulk seaborne vessels are used, primarily handysize, panamax, and capesize vessels. International trade has played an increasing role to meet local coal demand, as may be seen from below chart¹:

¹ Source: International Energy Agency, <https://www.iea.org/publications/freepublications/publication/KeyCoalTrends.pdf>



The two major thermal coal markets are the Atlantic and Pacific markets. In the Atlantic, the main importers are Western European countries, such as the UK, Germany and Spain. In the Pacific market, import demand comes mainly from Japan, China, South Korea and Taiwan. India is also a major importer from both Atlantic and Pacific suppliers.

Tables 1 and 2 show the world's most important coal producing and exporting countries:

Table 1: Top Steam Coal Producers (2014e) (million tons)

Source: World Coal Association²

| Country | Production |
|--------------|------------|
| PR China | 3,180 |
| USA | 769 |
| India | 570 |
| South Africa | 251 |
| Australia | 246 |
| Russia | 190 |
| Kazakhstan | 94 |
| Colombia | 84 |
| Poland | 61 |

² http://www.worldcoal.org/file_validate.php?file=Coal%20Facts%202015.pdf

| | |
|---------|----|
| Vietnam | 36 |
|---------|----|

Table 2: Top Coal Exporters (2014e) (million tons)

Source: World Coal Association³

| Country | Total | of which | |
|--------------|-------|----------|--------|
| | | Steam | Coking |
| Indonesia | 410 | 408 | 2 |
| Australia | 375 | 195 | 180 |
| Russia | 155 | 133 | 22 |
| USA | 88 | 31 | 57 |
| Colombia | 80 | 79 | 1 |
| South Africa | 76 | 76 | 0 |
| Canada | 35 | 4 | 31 |

Australia's Role in the World Coal Market

According to the World Coal Association, Australia is the world's fifth largest producer of steam coal, and the world's second largest exporter.

Exports of bituminous coal were equal to 390 million metric tons in 2016, according to data from the United Nations Comtrade Database⁴. The World Coal Association estimates steam coal exports to be 195 million tons in 2014⁵.

Table 3: Australia Exports of coal (2012-16)

³ <https://www.worldcoal.org/coal/coal-market-pricing>

⁴ Source United Nations Comtrade Database, DESA/UNSD, <http://comtrade.un.org>

⁵ <http://www.worldcoal.org/resources/coal-statistics/>

Source: United Nations Comtrade Database⁶, million metric tons

| Year | Bituminous Coal | Anthracite | Other Coal |
|--------------------------|-----------------|------------|------------|
| 2012 | 316.0 | 0.4 | 0.0 |
| 2013 | 359.1 | 0.2 | 0.0 |
| 2014 | 387.3 | 0.2 | 0.0 |
| 2015 | 387.7 | 0.1 | 0.1 |
| 2016 | 389.9 | 1.0 | 0.0 |
| Average 2014-2016 | 388.3 | 0.4 | 0.0 |

As shown in Table 3, Australian exports have been relatively stable across the past 3 full years. Australia's main export destinations are Asian countries. As shown in Table 4, the top four export destinations accounted for 75%⁷ of total exports in 2016. It should be noted that the UN Comtrade Database does not include data relating to Taiwan for political reasons. Taiwan data is likely to be included in the "Other Asia, not elsewhere specified" line item.

Table 4: Australian Export Destinations of Bituminous Coal (2012-16)

Source: United Nations Comtrade Database⁸, million metric tons

| million metric tons | World | China | India | Japan | Rep. of Korea | Other Asia, nes |
|---------------------|-------|-------|-------|-------|---------------|-----------------|
| 2012 | 316 | 63 | 32 | 114 | 46 | 24 |
| 2013 | 359 | 88 | 35 | 125 | 50 | 27 |
| 2014 | 387 | 93 | 47 | 120 | 55 | 30 |
| 2015 | 388 | 71 | 48 | 126 | 60 | 30 |
| 2016 | 390 | 75 | 48 | 122 | 50 | 36 |
| | | | | | | |
| % of total | World | China | India | Japan | Rep. of Korea | Other Asia, nes |
| 2012 | 100% | 20% | 10% | 36% | 15% | 8% |

⁶ Source United Nations Comtrade Database, DESA/UNSD, <http://comtrade.un.org>. Anthracite data is under HS code 270111, Bituminous data is under HS code 270112, Other Coal under HS code 270119. Bituminous coal includes both steam coal and metallurgical coal.

⁷ 19% for China, 12% India, 31% Japan and 13% Republic of Korea

⁸ Source United Nations Comtrade Database, DESA/UNSD, <http://comtrade.un.org>. Bituminous data is under HS code 270112.

| | | | | | | |
|------|------|-----|-----|-----|-----|----|
| 2013 | 100% | 24% | 10% | 35% | 14% | 8% |
| 2014 | 100% | 24% | 12% | 31% | 14% | 8% |
| 2015 | 100% | 18% | 12% | 32% | 15% | 8% |
| 2016 | 100% | 19% | 12% | 31% | 13% | 9% |

Australian production and exports of steam coal consists of a range of quality types. Market participants inform us that higher energy density coal is typically sold to Japan, whilst coal with lower energy density is sold to China, Korea and India⁹. The API 5 index reflects coal with a standardized energy density of 5,500 kcal/kg. This is lower than the 6,000 kcal/kg that is used as the basis of the API 6 index. Industry estimates suggest that approximately 50% of Australian steam coal exports is of the quality that would be included in the API 5 index.

The US Energy Information Administration publishes production, consumption, import and export data for the international coal market. Data for Australia is shown below in Table 5.

Table 5: Australian Coal Production, Consumption, Imports and Exports

Source: US Energy Information Administration¹⁰

| in '000 ST | 2012 | 2013 | 2014 | Average 2012-2014 |
|------------------------|---------|---------|---------|-------------------|
| Production | 492,786 | 521,121 | 553,283 | 522,397 |
| Consumption | 139,312 | 134,602 | 130,504 | 134,806 |
| Imports | 17 | - | - | 6 |
| Exports | 347,765 | 394,900 | 387,252 | 376,639 |
| | | | | |
| in million Metric tons | 2012 | 2013 | 2014 | Average 2012-2014 |
| Production | 447 | 473 | 502 | 474 |
| Consumption | 126 | 122 | 118 | 122 |
| Imports | 0 | - | - | 0 |
| Exports | 315 | 358 | 351 | 342 |

A US Short Ton (ST) is equal to 0.9072 Metric Ton (MT)

⁹ <http://www.argusmedia.com/methodology-and-reference/key-prices/api-5/>

¹⁰ <http://www.eia.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=1&pid=1&aid=24>

The Australian Office of the Chief Economist publishes quarterly data on thermal coal production¹¹. Yearly data is based on Australian Financial Years, which begin on the first of July:

| Thermal Coal | | 2014–15 | 2015–16 | 2016–17 | Average |
|---------------|----|---------|---------|---------|---------|
| Production | Mt | 252 | 251 | 252 | 251 |
| Export volume | Mt | 205 | 200 | 208 | 204 |

¹¹ <https://industry.gov.au/Office-of-the-Chief-Economist/Publications/Pages/Resources-and-energy-quarterly.aspx>, direct download link <https://industry.gov.au/Office-of-the-Chief-Economist/Publications/Documents/req/Forecast-data-December-2016.xlsx>, under “Thermal Coal” tab in excel document

ANALYSIS OF DELIVERABLE SUPPLY

The Exchange is assessing spot month position limits for the Coal (API 5) fob Newcastle (Argus/McCloskey) Futures contract based on data from the Office of the Chief Economist of the Australian Government.

The Exchange's analysis of deliverable supply is based on the Australian production amounts reported by the Office of the Chief Economist for steam coal. Whilst Australia has a substantial internal consumption of steam coal, there is also a substantial export market, and all domestic supply can be considered available to be deliverable into an export contract. Table 6 above shows that production of steam coal in Australia was on average 251 million metric tons per annum on average across the period 2014-15, 2015-16 and 2016-17. Given the relatively large domestic supply for coal, it is anticipated that Australian imports are for specific purposes, and therefore unlikely to be available for re-export. Therefore, imports are excluded in the calculation of deliverable supply.

Australia exports steam coal with a range of specifications, and particularly with a range of energy content. Typically, higher quality coal (6,000 kcal/kg standard) goes to Japan while China, Korea and India take lower quality product. Market participants have indicated that approximately 50% of Australia's steam coal exports conform to the API 5 specification. The deliverable supply can therefore be assessed as 50% of the thermal coal production volumes, which is 125.5 million metric tons per annum for the period (50% of 251 MT). This is the equivalent of 10.4 million metric tons per calendar month. The contract size of the existing Coal (API 5) fob Newcastle (Argus/McCloskey) Futures contract (ACM) is 1,000 metric tons. The spot month position limit is being set at 250 lots, the equivalent of 0.25 million metric tons per calendar month, which is 2.4% of the deliverable supply (2.4% of 10.4 million metric tons).

The contract size of Micro Coal (API 5) fob Newcastle (Argus/McCloskey) Futures is 10 metric tons. It is proposed that the spot month limits for this new contract aggregate into the existing ACM contract with a ratio of 100:1 (100 lots of the Micro Future equivalent to 1 lot of the "normal" Future) to reflect the respective unit sizes.