



Submission No. 21-103  
September 10, 2021

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

**Re: New California Carbon Allowance Vintage 2025 Futures and Related Amendments (1 of 3) Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.2**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the “CEA”), and Commission Regulations 40.2, ICE Futures U.S., Inc. (“Exchange”) submits, by written certification, amendments to Rules 18.D.022, amendments to Resolutions 1 and 2 of Chapter 18, and new Rules 18.D.057 and 18.D.058. The amendments provide for three new futures contracts, which will be listed on or about September 27, 2021, 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 Contracts**

#### a. California Carbon Allowance Vintage 2025 Futures

California Carbon Allowance (“CCA”) futures contracts are physically-delivered carbon emission allowance futures contracts. The Exchange currently lists futures contracts for the 2013 through 2024 vintage-years. The term “vintage” identifies the compliance year for which an allowance is designated. The deliverable instruments for the existing CCA contracts are California Carbon Allowances issued as a limited authorization to emit up to one metric ton of CO<sub>2</sub> or CO<sub>2</sub>-equivalent in the California Cap and Trade Program equal to the contract size, delivered through the California MTS, which have a vintage corresponding to the specific vintage year or prior to the specific vintage year. The contract specifications will be identical to other CCA vintage futures contracts currently listed by the Exchange, which prescribe that the contract will cease trading three business days prior to the last business day of the delivery month, at which time the contract will settle based on physical delivery of the underlying allowances. Amendments to Exchange Rule 18.D.022 add the 2025 vintage year to the suite of existing CCA futures.

#### b. Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half and Back Half Specific Futures

The Exchange is listing two new Physical Environmental futures contracts based on the price of renewable energy credits (“RECs”) generated in Texas. The Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future (“TBH”) and Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future (“TFH”) are monthly physically-delivered futures contracts. At expiration, the contracts specify that Texas RECs eligible for delivery are those which

are eligible to meet the REC requirements specified in the Public Utility Commission of Texas Substantive Rule Chapter 25, Subchapter H, Division 1 under the renewable energy trading program, having been generated from wind energy production technology and having a Front Half or Back Half designation that corresponds to the specified vintage year of the expiring contract. The contracts' terms and conditions provide that REC offsets are not deliverable under the provisions of the contracts. The contract will cease trading three business days prior to the last business day of the delivery month, at which time the contract will settle based on physical delivery of the underlying allowances.

For contracts which are designated as Front Half, RECs acceptable for delivery are those that were issued for generation occurring in the first six calendar months of the specified vintage year. For contracts which are designated as Back Half, RECs acceptable for delivery are those that were issued for generation occurring in the last six calendar months of the specified vintage year. The expiration and delivery schedule for these contracts are similar to other REC futures contracts currently listed by the Exchange and align with the quarterly issuance schedule for Texas RECs, which begins approximately 39 days after the end of each quarter. As an example of the delivery schedule, only Vintage 2022 RECs will be deliverable for the TFH contract from June 2022 through May 2023 contract months, at which time the contract will transition to delivery of the Vintage 2023 credits. Similarly, the Vintage 2022 RECs will be deliverable for the TBH contract from December 2022 through November 2023 contract months, at which time the contract will transition to delivery of the Vintage 2023 credits. Credits deliverable under the contract specifications for each contract will need to be designated as Front Half or Back Half eligible and correspond to the applicable vintage year.

The contract size, minimum price fluctuation, Interval Price Limit (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 Allowance Vintage 2025 Futures ("CB5"), Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future ("TBH"), and Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future ("TFH") contracts 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. Position limits and accountability levels for CB5 have been set at levels consistent with existing Physical Environmental futures contracts for California Carbon Allowances currently listed by the Exchange. The Exchange believes that the TBH and TFH contracts are substantially the same as existing contracts (*look-a-likes*) currently listed on another designated contract market. Therefore, pursuant to CFTC Regulation 150.5(b)(3), the Exchange has set spot month position limits and single and all-months-combined accountability levels for TBH and TFH at levels identical to those of existing contracts listed by such designated contract market, in compliance with the requirement.<sup>1</sup> Additionally, it is the Exchange's good faith belief that none of the contracts meet the definition of *referenced contract* as prescribed in CFTC §150.1.<sup>2</sup>

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<sup>1</sup> 17 C.F.R. § 150.5(b)(3) (October 15, 2020) (relevant regulation providing that: "For any newly listed commodity derivative contract subject to paragraph (b) of this section that is substantially the same as an existing contract listed on a designated contract market or swap execution facility that is a trading facility, the designated contract market or swap execution facility that is a trading facility listing such newly listed contract shall adopt spot month, individual month, and all-months-combined speculative position limits comparable to those of the existing contract.") Here, the TBH and TFH contracts have identical deliverable instruments and expiration schedules to those listed by Nodal Exchange in its Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Vintage 2021 Back Half Futures and Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Vintage 2021 Front Half Future, as well as the subsequent vintages of the products listed by Nodal Exchange. Therefore, the Exchange has determined to set spot month speculative position limits, single and all-months-combined accountability levels at 11,541 contracts, identical to those at Nodal Exchange. ([https://www.nodalexchange.com/wp-content/uploads/Nodal\\_Rulebook\\_Appendix\\_A-Nodal\\_Exchange\\_Contract\\_Specification\\_All\\_2021\\_08\\_16.pdf](https://www.nodalexchange.com/wp-content/uploads/Nodal_Rulebook_Appendix_A-Nodal_Exchange_Contract_Specification_All_2021_08_16.pdf) and [https://www.nodalexchange.com/files/autogenerated/Nodal\\_Rulebook\\_Appendix\\_C-Limits\\_and\\_Levels.PDF](https://www.nodalexchange.com/files/autogenerated/Nodal_Rulebook_Appendix_C-Limits_and_Levels.PDF))

<sup>2</sup> 17 C.F.R. § 150.1 (October 15, 2020) (providing for *referenced contract* definition).

## **Certifications**

The rules and amendments establishing the new futures contracts' terms and conditions are to become effective on the second business day following the business day on which this submission is received by the Commission. The Exchange is not aware of any substantive opposing views to the new futures contracts. The Exchange certifies that the rule 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 contracts complies with the following relevant Core Principles:

### **COMPLIANCE WITH RULES**

The terms and conditions of the new futures contracts are set forth in amendments to Rule 18.D.022, new Rules 18.D.057 and 18.D.058, and amendments to Resolutions 1 and 2 of Chapter 18 and will be enforced by the Exchange. In addition, trading of the contracts are subject to all relevant Exchange rules which are enforced by the Market Regulation Department.

### **CONTRACTS NOT READILY SUBJECT TO MANIPULATION**

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

### **POSITION LIMITS OR ACCOUNTABILITY**

Positions in the new futures contracts will be subject to position limits and accountability levels set by the Exchange. As described above, such position limits are based upon existing levels set for substantially similar products at the Exchange or another designated contract market.

### **FINANCIAL INTEGRITY OF CONTRACTS**

The new futures contracts 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 is not aware of any opposing views expressed by members or others regarding the listing of the new futures contracts and the adoption of related amendments. The Exchange further certifies that concurrent with this filing a copy of this submission was posted on the Exchange's website, which may be accessed at: (<https://www.theice.com/futures-us/regulation#rule-filings>).

If you have any questions or need further information, please contact the undersigned at [patrick.swartz@theice.com](mailto:patrick.swartz@theice.com).

Sincerely,



Patrick Swartz  
Director  
Market Regulation

Enc.

cc: Division of Market Oversight  
New York Regional Office

**EXHIBIT A**

<b>Rule</b>	<b>Contract Name</b>	<b>Commodity Code</b>	<b>Contract Size</b>	<b>Unit of Trading</b>	<b>Minimum Tick <sup>[1]</sup></b>	<b>IPL Amount</b>	<b>IPL Recalc Time (Seconds)</b>	<b>IPL Hold Period (Seconds)</b>	<b>NCR</b>
18.D.022	California Carbon Allowance Vintage 2025 Future	CB5	1,000	Allowances	0.01	\$2.50	3	5	\$0.25
18.D.057	Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Back Half Specific Future	TBH	1,000	Mwh representing Texas RECs	0.01	\$2.50	3	5	\$0.25
18.D.058	Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future	TFH	1,000	Mwh representing Texas RECs	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

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18.D.022	California Carbon Allowance Future Vintage 2019- <del>2024</del> <u>2025</u>	0.01	0.01
<u>18.D.057</u>	<u>Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Back Half Specific Future</u>	<u>0.01</u>	<u>0.01</u>
<u>18.D.058</u>	<u>Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future</u>	<u>0.01</u>	<u>0.01</u>

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### 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.022</u>	<u>California Carbon Allowance Vintage 2025 Future</u>	<u>CB5</u>	<u>1,000</u>	<u>Allowances</u>	<u>25,000</u>	<u>25,000</u>	<u>30,000</u>	<u>CB5</u>		<u>25</u>
<u>18.D.057</u>	<u>Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Back Half Specific Future</u>	<u>TBH</u>	<u>1,000</u>	<u>Mwh representing Texas RECs</u>	<u>11,541</u>	<u>11,541</u>	<u>11,541</u>	<u>TBH</u>		<u>25</u>
<u>18.D.058</u>	<u>Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future</u>	<u>TFH</u>	<u>1,000</u>	<u>Mwh representing Texas RECs</u>	<u>11,541</u>	<u>11,541</u>	<u>11,541</u>	<u>TFH</u>		<u>25</u>

**SUBCHAPTER 18D - PHYSICAL ENVIRONMENTAL FUTURES CONTRACTS**

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18.D.022 California Carbon Allowance Future - Vintage 2019 and After

18.D.057 Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Back Half Specific Future

18.D.058 Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future

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## **18.D.022 California Carbon Allowance Future - Vintage 2019 and After**

**Contract Description:** Physically delivered greenhouse gas emissions allowances where each is an allowance issued by the California Air Resources Board or a linked program (“California Carbon Allowance”) representing one metric ton of CO<sub>2</sub> equivalent 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:** CAX: Vintage 2019, CAY Vintage 2020, CAZ: Vintage 2021, CB0: Vintage 2022, CBI : Vintage 2023, CB4: Vintage 2024, CB5: Vintage 2025

**Settlement Method:** Physical delivery

**Contract Size:** 1,000 California Carbon Allowances

**Currency:** USD

**Minimum Price Fluctuation:** The price quotation convention shall be One cent (\$0.01) per Allowance; 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 Allowances equal to the contract size delivered through the California MTS.

California Carbon Allowances acceptable for delivery are those issued as a limited authorization to emit up to one metric ton of CO<sub>2</sub> or CO<sub>2</sub> 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.

If the specified vintage year allowances do not exist in the California MTS at contract expiry, allowances of any prior vintage year or allowances of the earliest vintage year available in the California MTS shall be delivered.

**Registry:** California MTS

**MIC CODE:** IFED

**CLEARING VENUE:** ICEU



**18.D.057 Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Back Half Specific Future**

**Description:** Physically delivered Texas Compliance Renewable Energy Certificates (REC) issued by the ERCOT Renewables Registry for qualifying wind energy production from facilities which are listed with the Center for Resource Solutions (CRS) as an element of CRS' administration of its Green-e® certification program.

**Contract Symbol:** TBH

**Settlement Method:** Physical delivery

**Contract Size:** 1,000 MWh representing 1,000 Texas RECs

**Currency:** USD

**Minimum Price Fluctuation:** The price quotation convention shall be One cent (\$0.01) per MWh; minimum price fluctuation may vary by trade type

**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:** Texas RECs eligible for delivery are those which are eligible to meet the REC requirements specified in the Public Utility Commission of Texas Substantive Rule Chapter 25, Subchapter H, Division 1 under the renewable energy trading program, having been generated from wind energy production technology and having a Back Half year designation that corresponds to the specified vintage year of the expiring contract. REC Offsets are not deliverable.

RECs delivered must be from facilities that have a Tracking Attestation form on file with the Center for Resource Solutions ("CRS"), in connection with CRS's administration of its Green-e® certification programs. The Tracking Attestation form must cover the generation period of the RECs. Maintenance of an active Tracking Attestation form does not guarantee that a facility meets the requirements of any Green-e® renewable energy standards and does not mean that a facility's supply is Green-e® Certified. The Green-e® name and symbol are a registered trademark owned and administered by Center for Resource Solutions (CRS). For more information about Tracking Attestation forms and Green-e® certification, please visit the Green-e® website at [www.green-e.org](http://www.green-e.org). To confirm that a facility has an active Tracking Attestation form on file, please contact the Center for Resource Solutions at [verification@green-e.org](mailto:verification@green-e.org).

For contracts which are designated as Back Half or BH, RECs acceptable for delivery are those that were issued for generation occurring in the last six calendar months of the specified vintage year.

**Registry:** ERCOT Renewables Registry

**MIC Code:** IFED

**Clearing Venue:** ICEU

**18.D.058 Texas Compliance Renewable Energy Certificate from CRS Listed Facilities Front Half Specific Future**

**Description:** Physically delivered Texas Compliance Renewable Energy Certificates (REC) issued by the ERCOT Renewables Registry for qualifying wind energy production from facilities which are listed with the Center for Resource Solutions (CRS) as an element of CRS' administration of its Green-e® certification program.

**Contract Symbol:** TFH

**Settlement Method:** Physical delivery

**Contract Size:** 1,000 MWh representing 1,000 Texas RECs

**Currency:** USD

**Minimum Price Fluctuation:** The price quotation convention shall be One cent (\$0.01) per MWh; minimum price fluctuation may vary by trade type.

**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:** Texas RECs eligible for delivery are those which are eligible to meet the REC requirements specified in the Public Utility Commission of Texas Substantive Rule Chapter 25, Subchapter H, Division 1 under the renewable energy trading program, having been generated from wind energy production technology and having a Front Half year designation that corresponds to the specified vintage year of the expiring contract. REC Offsets are not deliverable.

RECs delivered must be from facilities that have a Tracking Attestation form on file with the Center for Resource Solutions ("CRS"), in connection with CRS's administration of its Green-e® certification programs. The Tracking Attestation form must cover the generation period of the RECs. Maintenance of an active Tracking Attestation form does not guarantee that a facility meets the requirements of any Green-e® renewable energy standards and does not mean that a facility's supply is Green-e® Certified. The Green-e® name and symbol are a registered trademark owned and administered by Center for Resource Solutions (CRS). For more information about Tracking Attestation forms and Green-e® certification, please visit the Green-e® website at [www.green-e.org](http://www.green-e.org). To confirm that a facility has an active Tracking Attestation form on file, please contact the Center for Resource Solutions at [verification@green-e.org](mailto:verification@green-e.org).

For contracts which are designated as Front Half or FH, RECs acceptable for delivery are those that were issued for generation occurring in the first six calendar months of the specified vintage year.

**Registry:** ERCOT Renewables Registry

**MIC Code:** IFED

**Clearing Venues:** ICEU

**[REMAINDER OF RULEBOOK UNCHANGED]**