



Submission No. 20-122  
November 5, 2020

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 Future Vintage 2024 and Related Amendments (2 of 2)  
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 and 18.D.024, and amendments to Resolutions 1 and 2 of Chapter 18. The amendments provide for two new futures contracts, which will be listed on or about November 23, 2020, 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 and Vintage Specific Futures

California Carbon Allowance (“CCA”) futures contracts are carbon emission allowance contracts. The Exchange currently lists futures contracts for the 2013 through 2023 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 will cease trading three business days prior to the last business day of the delivery month, at which time will settle based on physical delivery of the underlying instruments. Amendments to Exchange Rule 18.D.022 list the 2024 vintage-year to the suite of existing CCA futures.

California Carbon Allowance Vintage Specific (“CAVS”) futures contracts are carbon emission allowance contracts. The Exchange currently lists vintage-specific futures contracts for the 2017 through 2023 vintage-years. The deliverable instruments for the existing CAVS 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 only. The contract will cease trading three business days prior to the last business day of the delivery month, at which time will settle based on physical delivery of the underlying vintage year 2024 allowances/instruments. Amendments to Exchange Rule 18.D.024 list the 2024 Vintage Specific futures contract to the suite of existing CAVS futures.

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 and Vintage Specific Futures 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 have been set at levels consistent with existing Physical Environmental futures contracts currently listed by the Exchange. Additionally, it is the Exchange's good faith belief that neither of the contracts meet the definition of *referenced contract* as prescribed in CFTC §150.1.<sup>1</sup>

## **Certifications**

The rules 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 Rules 18.D.022 and 18.D.024, 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 or are based upon the deliverable supply in the cash 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>).

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<sup>1</sup> 17 C.F.R. § 150.1 (October 15, 2020) (providing for *referenced contract* definition).

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

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Swartz", written in a cursive style.

Patrick Swartz  
Director  
Market Regulation

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

### EXHIBIT A

Rule	Contract Name	Commodity Code	Contract Size	Unit of Trading	Minimum Tick <sup>[1]</sup>	IPL Amount	IPL Recalc Time (Seconds)	IPL Hold Period (Seconds)	NCR
18.D.024	California Carbon Allowance Specific Vintage 2024 Future	CC4	1,000	Allowances	0.01	\$2.50	3	5	\$0.25
18.D.022	California Carbon Allowance Future Vintage 2024	CB4	1,000	Allowances	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
	* * *		
18.D.024	California Carbon Allowance Vintage Specific Future - Vintages 2018- <del>2023</del> <u>2024</u> Future	0.01	0.01
18.D.022	California Carbon Allowance Future Vintage 2019- <del>2023</del> <u>2024</u>	0.01	0.01

\* \* \*

### 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
18.D.024	California Carbon Allowance Specific Vintage 2024 Future	CC4	1,000	Allowances	4,500	4,500	4,500	CC4		25
18.D.022	California Carbon Allowance Future Vintage 2024	CB4	1,000	Allowances	25,000	25,000	30,000	CB4		25

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

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

18.D.024 California Carbon Allowance Vintage Specific Future

\* \* \*

**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

**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.024 California Carbon Allowance Vintage Specific Future**

**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:** CA8: CCAS Vintage 2018, CA9: CCAS Vintage 2019, CC0: CCAS Vintage 2020, CCI : Vintage 2021, CC2 : Vintage 2022, CC3 : Vintage 2023, CC4: Vintage 2024

**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 California Carbon 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 only.

**Registry:** California MTS

**MIC CODE:** IFED

**CLEARING VENUE:** ICEU

**[REMAINDER OF RULEBOOK UNCHANGED]**