

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 20-469 (3 of 3)

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): 12/15/20 Filing Description: Initial Listing of Three (3) California Carbon Allowance Vintage-Specific Futures Contracts (2021, 2022, 2023)

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:

Rule Numbers:



Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

December 15, 2020

VIA ELECTRONIC PORTAL

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

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding the Initial Listing of Three (3) CBL California Carbon Allowance Vintage-Specific Futures Contracts (2021, 2022, 2023).
NYMEX Submission No. 20-469 (3 of 3)**

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 three (3) CBL California Carbon Allowance Vintage-Specific Futures Contracts (2021, 2022, 2023) (the “Contracts”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort effective Sunday, January 10, 2021, for trade date Monday, January 11, 2021.

Contract Title	CBL California Carbon Allowance Vintage-Specific 2021 Futures
Commodity Code	CC1
Rulebook Chapter	1260
Settlement Type	Physical
Contract Size	1,000 California Carbon Allowances (CCAs)
Listing Schedule	Monthly contracts listed through and including December 2023.
Minimum Price Fluctuation	\$0.01 per allowance
Value per tick	\$10.00
First Listed Month	January 2021
Block Trade Minimum Threshold	10 contracts – subject to a minimum 15-minute reporting window
Termination of Trading	Trading terminates three business days prior to the last business day of the contract month.
CME Globex Matching Algorithm	First-In, First-Out (FIFO)

Contract Title	CBL California Carbon Allowance Vintage-Specific 2022 Futures
Commodity Code	CC2
Rulebook Chapter	1261
Settlement Type	Physical
Contract Size	1,000 California Carbon Allowances (CCAs)
Listing Schedule	Monthly contracts listed through and including December 2024.

Minimum Price Fluctuation	\$0.01 per allowance
Value per tick	\$10.00
First Listed Month	January 2021
Block Trade Minimum Threshold	10 contracts – subject to a minimum 15-minute reporting window
Termination of Trading	Trading terminates three business days prior to the last business day of the contract month.
CME Globex Matching Algorithm	First-In, First-Out (FIFO)

Contract Title	CBL California Carbon Allowance Vintage-Specific 2023 Futures
Commodity Code	CC3
Rulebook Chapter	1262
Settlement Type	Physical
Contract Size	1,000 California Carbon Allowances (CCAs)
Listing Schedule	Monthly contracts listed through and including December 2025.
Minimum Price Fluctuation	\$0.01 per allowance
Value per tick	\$10.00
First Listed Month	January 2021
Block Trade Minimum Threshold	10 contracts – subject to a minimum 15-minute reporting window
Termination of Trading	Trading terminates three business days prior to the last business day of the contract month.
CME Globex Matching Algorithm	First-In, First-Out (FIFO)

Trading and Clearing Hours:

CME Globex	Sunday - Friday 6:00 p.m. - 5:00 p.m. Eastern Time/ET (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
CME Globex Pre-Open	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. – 5:00 p.m. CT) Monday – Friday 5:45 p.m. – 6:00 p.m. ET (4:45 p.m. to 5:00 p.m. CT)
CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)

Exchange Fees:

	Member	Non-Member
CME Globex	\$2.00	\$2.50
EFP	\$2.00	\$2.50
Block	\$2.00	\$2.50
EFR/EOO	\$2.00	\$2.50
Agency Cross	\$2.00	\$2.50

	House Account	Customer Account
Delivery Notice	\$3.00	\$3.00
Processing Fees	Fee	
Facilitation Fee	\$0.60	
Give-Up Surcharge	\$0.05	
Position Adjustments/Position Transfers	\$0.10	

The Exchange is also certifying to the CFTC a minimum block threshold of 10 contracts of the Contracts which is commensurate with the Exchange's other similar 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 Contracts may have some bearing on the following Core Principles:

- **Availability of General Information:** The Exchange will publish information on the Contracts' specification on its website, together with daily trading volume, open interest and price information.
- **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, which provides diverse participation and sufficient spot transactions to support the final settlement index as assessed by Platts.
- **Compliance with Rules:** Trading in these Contracts will be subject to Chapter 4 of the Exchange rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices and will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department may use its investigatory and enforcement power where potential rule violations are identified during its regular surveillance reviews.
- **Prevention of Market Disruption:** Trading in the Contracts will be subject to the Rules of NYMEX which include prohibitions on manipulation, price distortion, and disruption to the =delivery process. As with any new product 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 these Contracts as demonstrated in this submission are consistent with the Commission's guidance.
- **Financial Integrity of Contracts:** The Contracts traded on the Exchange will be cleared by the CME Clearing House.
- **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 electronic 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.

- **Protection of Market Participants:** Chapter 4 contains multiple prohibitions precluding intermediaries from disadvantaging their customers and which apply to trading on all of the Exchange's competitive trading venues.
- **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 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 this 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 non-member 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.
- **Daily Publication of Trading Information:** Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.

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

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

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

Sincerely,

/s/ Christopher Bowen
 Managing Director and Chief Regulatory Counsel

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

Exhibit A

Chapter 1260

CBL California Carbon Allowance (CCA) Vintage-Specific 2021 Futures

1260100. SCOPE OF CHAPTER

This chapter is limited in application to California Carbon Allowance (CCA) Vintage-Specific 2021 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 California Carbon Allowance (CCA) Vintage-Specific 2021 Futures bought or sold for future delivery on the Exchange with the delivery of applicable CCAs made through the Compliance Instrument Tracking System Service (CITSS).

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 CITSS.

The term “Applicable Emissions Law” shall mean Assembly Bill 32, the State of California’s Global Warming Solutions Act of 2006, together with associated regulations or rules, and amendments thereto.

The term California Carbon Allowance or (CCA), means a limited authorization to emit up to one metric ton of CO₂ or CO₂ equivalent, as defined by the California Air Resources Board in accordance with the Applicable Emissions Law.

The term “In-Force” shall mean: (i) CCAs have been issued and (ii) the CITSS is in operation.

The term “Compliance Instrument Tracking System Service” or “CITSS” shall mean the market tracking system in which accounts are established for market participants to hold and retire California Carbon Allowances and to participate in transactions of California Carbon Allowances with other account holders.

The term “Vintage Year” shall mean the calendar year for which the allowance may be utilized for compliance.

For purposes of this rule, unless otherwise specified, times referred to herein shall refer to and indicate the Eastern Prevailing Time (EPT).

1260101. CONTRACT SPECIFICATIONS

The California Carbon Allowance (CCA) Vintage-Specific 2021 Futures specifies the physical delivery of applicable California Carbon Allowances (CCAs) within the Compliance Instrument Tracking System Service (CITSS).

Deliverable allowances under this Chapter shall be CCAs dated with the Vintage Year 2021.

1260102. TRADING SPECIFICATIONS

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

1260102.A. Trading Schedule

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

1260102.B. Trading Unit

The contract unit shall be one thousand (1,000) CCAs for a delivery made by transfer through the CITSS. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1260102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per allowance. The minimum price fluctuation shall be \$0.01 per allowance (\$10.00 per contract).

1260102.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.

1260102.E. Termination of Trading

Trading shall cease on the third business day prior to the last business day of the contract month. Any contracts remaining open after the last day of trading must be

(a) Settled by delivery, which shall take place no later than the third business day after the termination of trading for the contract month, 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 no later than two hours after trading terminates 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.

1260102.F. Final Settlement

Final settlement shall occur on the business day following the last trading day.

1260103. DELIVERY

CCA delivery shall comply with all requirements for the electronic transfer of allowances on the CITSS.

1260104. DELIVERY PROCEDURES

The Exchange is a party to all deliveries under this contract and will receive allowances by electronic transfer from the seller's clearing member into the Clearing House holding account at the CITSS. Following receipt from the seller's clearing member, the Exchange will deliver allowances from the Clearing House holding account to the CITSS holding account nominated by the buyer's clearing member.

All rights, title, and interest in and to, and risk of loss related to, the allowances will transfer upon receipt in the applicable CITSS account.

The seller's clearing member shall comply with such requirements and obligations imposed by or under applicable CITSS regulations in all respect material to the submission of the delivery of allowances noted in this rule. The buyer's clearing member shall comply with such requirements and obligations imposed by or under applicable CITSS regulations in all respect material to ensure the acceptance of a valid transfer into its holding account. Seller, buyer and the Exchange shall obtain and adequately maintain at all times systems and technology as may be necessary in order to comply with CITSS regulations. The Exchange may make amendments to delivery and timing of delivery, which may have a material impact to the contract, and will notify the Clearing Members of such amendments resulting from amendments to CITSS regulations.

By transferring allowances to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such allowances, and that such allowances are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

1260104.A. Responsibilities of Clearing Members

1. 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 11:00 a.m. on the second business day after the final day of trading providing number of contracts and any other information required by the Exchange.

2. 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 11:00 a.m. on the second business day after the final day of trading providing number of contracts and any other information required by the Exchange.

1260104.B. Final Settlement Price

The final settlement price shall be the basis for delivery.

1260104.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 second business day after the final day of trading.

1260105. TIMING OF DELIVERY

For purposes of this Rule 1260105,

"Delivery Period" shall mean the time between the final day of trading and the third business day following the final day of trading.

Delivery shall take place on the third business day after the final day of trading. Should the CITSS be inoperable during the Delivery Period due to periodic maintenance that is an Exchange business day, the Exchange shall have the option to extend the Delivery Period to the next valid business day at the Registry and Exchange.

1. The seller's clearing member shall transfer allowances subject to delivery to the Clearing House holding account of the CITSS by 10:00 a.m. on the third business day after the final day of trading of the delivery month.
2. The buyer's clearing member shall deposit / transfer payment equal to the full value of the product to the designated Clearing House bank account by 10:00 a.m. on the third business day after the final day of trading of the delivery month.
3. For each buyer's clearing member that has satisfied its obligations under subsection (2) of this rule, the Clearing House shall initiate the process of transferring the allowances to the buyer's clearing member's account at the CITSS by 12:00 p.m. on the third business day after the final day of trading of the delivery month.
4. The buyer's clearing member shall receive allowances from the Clearing House holding account of the CITSS by 3:00 p.m. on the third business day after the final day of trading of the delivery month.
5. 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 full contract value by 3:00 p.m. on the third business day after the final day of trading of the delivery month.

1260106. DELIVERY MARGINS AND PAYMENT

1260106.A. Definitions

For purposes of this Rule 1260106,

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

"Payment" shall include the settlement price, in U.S. dollars and cents, times the number of contracts times one thousand (1,000).

1260106.B. Margin

The buyer's clearing member and seller's clearing member shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

1260106.C. Payment

Any Payment made on the Payment Date shall be based on allowances actually delivered.

1260107. VALIDITY OF DOCUMENTS

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

1260108. ALTERNATIVE DELIVERY PROCEDURE

Please refer to Rule 771 in Chapter 7.

Chapter 1261

CBL California Carbon Allowance (CCA) Vintage-Specific 2022 Futures

1261100. SCOPE OF CHAPTER

This chapter is limited in application to California Carbon Allowance (CCA) Vintage-Specific 2022 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 California Carbon Allowance (CCA) Vintage-Specific 2022 Futures bought or sold for future delivery on the Exchange with the delivery of applicable CCAs made through the Compliance Instrument Tracking System Service (CITSS).

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 CITSS.

The term “Applicable Emissions Law” shall mean Assembly Bill 32, the State of California’s Global Warming Solutions Act of 2006, together with associated regulations or rules, and amendments thereto.

The term California Carbon Allowance or (CCA), means a limited authorization to emit up to one metric ton of CO₂ or CO₂ equivalent, as defined by the California Air Resources Board in accordance with the Applicable Emissions Law.

The term “In-Force” shall mean: (i) CCAs have been issued and (ii) the CITSS is in operation.

The term “Compliance Instrument Tracking System Service” or “CITSS” shall mean the market tracking system in which accounts are established for market participants to hold and retire California Carbon Allowances and to participate in transactions of California Carbon Allowances with other account holders.

The term “Vintage Year” shall mean the calendar year for which the allowance may be utilized for compliance.

For purposes of this rule, unless otherwise specified, times referred to herein shall refer to and indicate the Eastern Prevailing Time (EPT).

1261101. CONTRACT SPECIFICATIONS

The California Carbon Allowance (CCA) Vintage-Specific 2022 Futures specifies the physical delivery of applicable California Carbon Allowances (CCAs) within the Compliance Instrument Tracking System Service (CITSS).

Deliverable allowances under this Chapter shall be CCAs dated with the Vintage Year 2022.

1261102. TRADING SPECIFICATIONS

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

1261102.A. Trading Schedule

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

1261102.B. Trading Unit

The contract unit shall be one thousand (1,000) CCAs for a delivery made by transfer through the CITSS. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1261102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per allowance. The minimum price fluctuation shall be \$0.01 per allowance (\$10.00 per contract).

1261102.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.

1261102.E. Termination of Trading

Trading shall cease on the third business day prior to the last business day of the contract month. Any contracts remaining open after the last day of trading must be

(a) Settled by delivery, which shall take place no later than the third business day after the termination of trading for the contract month, 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 no later than two hours after trading terminates 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.

1261102.F. Final Settlement

Final settlement shall occur on the business day following the last trading day.

1261103. DELIVERY

CCA delivery shall comply with all requirements for the electronic transfer of allowances on the CITSS.

1261104. DELIVERY PROCEDURES

The Exchange is a party to all deliveries under this contract and will receive allowances by electronic transfer from the seller's clearing member into the Clearing House holding account at the CITSS. Following receipt from the seller's clearing member, the Exchange will deliver allowances from the Clearing House holding account to the CITSS holding account nominated by the buyer's clearing member.

All rights, title, and interest in and to, and risk of loss related to, the allowances will transfer upon receipt in the applicable CITSS account.

The seller's clearing member shall comply with such requirements and obligations imposed by or under applicable CITSS regulations in all respect material to the submission of the delivery of allowances noted in this rule. The buyer's clearing member shall comply with such requirements and obligations imposed by or under applicable CITSS regulations in all respect material to ensure the acceptance of a valid transfer into its holding account. Seller, buyer and the Exchange shall obtain and adequately maintain at all times systems and technology as may be necessary in order to comply with CITSS regulations. The Exchange may make amendments to delivery and timing of delivery, which may have a material impact to the contract, and will notify the Clearing Members of such amendments resulting from amendments to CITSS regulations.

By transferring allowances to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such allowances, and that such allowances are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

1261104.A. Responsibilities of Clearing Members

1. 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 11:00 a.m. on the second business day after the final day of trading providing number of contracts and any other information required by the Exchange.

2. 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 11:00 a.m. on the second business day after the final day of trading providing number of contracts and any other information required by the Exchange.

1261104.B. Final Settlement Price

The final settlement price shall be the basis for delivery.

1261104.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 second business day after the final day of trading.

1261105. TIMING OF DELIVERY

For purposes of this Rule 1261105,

"Delivery Period" shall mean the time between the final day of trading and the third business day following the final day of trading.

Delivery shall take place on the third business day after the final day of trading. Should the CITSS be inoperable during the Delivery Period due to periodic maintenance that is an Exchange business day, the Exchange shall have the option to extend the Delivery Period to the next valid business day at the Registry and Exchange.

6. The seller's clearing member shall transfer allowances subject to delivery to the Clearing House holding account of the CITSS by 10:00 a.m. on the third business day after the final day of trading of the delivery month.
7. The buyer's clearing member shall deposit / transfer payment equal to the full value of the product to the designated Clearing House bank account by 10:00 a.m. on the third business day after the final day of trading of the delivery month.
8. For each buyer's clearing member that has satisfied its obligations under subsection (2) of this rule, the Clearing House shall initiate the process of transferring the allowances to the buyer's clearing member's account at the CITSS by 12:00 p.m. on the third business day after the final day of trading of the delivery month.
9. The buyer's clearing member shall receive allowances from the Clearing House holding account of the CITSS by 3:00 p.m. on the third business day after the final day of trading of the delivery month.
10. 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 full contract value by 3:00 p.m. on the third business day after the final day of trading of the delivery month.

1261106. DELIVERY MARGINS AND PAYMENT

1261106.A. Definitions

For purposes of this Rule 1261106,

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

"Payment" shall include the settlement price, in U.S. dollars and cents, times the number of contracts times one thousand (1,000).

1261106.B. Margin

The buyer's clearing member and seller's clearing member shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

1261106.C. Payment

Any Payment made on the Payment Date shall be based on allowances actually delivered.

1261107. VALIDITY OF DOCUMENTS

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

1261108. ALTERNATIVE DELIVERY PROCEDURE

Please refer to Rule 771 in Chapter 7.

Chapter 1262

CBL California Carbon Allowance (CCA) Vintage-Specific 2023 Futures

1262100. SCOPE OF CHAPTER

This chapter is limited in application to California Carbon Allowance (CCA) Vintage-Specific 2023 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 California Carbon Allowance (CCA) Vintage-Specific 2023 Futures bought or sold for future delivery on the Exchange with the delivery of applicable CCAs made through the Compliance Instrument Tracking System Service (CITSS).

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 CITSS.

The term “Applicable Emissions Law” shall mean Assembly Bill 32, the State of California’s Global Warming Solutions Act of 2006, together with associated regulations or rules, and amendments thereto.

The term California Carbon Allowance or (CCA), means a limited authorization to emit up to one metric ton of CO₂ or CO₂ equivalent, as defined by the California Air Resources Board in accordance with the Applicable Emissions Law.

The term “In-Force” shall mean: (i) CCAs have been issued and (ii) the CITSS is in operation.

The term “Compliance Instrument Tracking System Service” or “CITSS” shall mean the market tracking system in which accounts are established for market participants to hold and retire California Carbon Allowances and to participate in transactions of California Carbon Allowances with other account holders.

The term “Vintage Year” shall mean the calendar year for which the allowance may be utilized for compliance.

For purposes of this rule, unless otherwise specified, times referred to herein shall refer to and indicate the Eastern Prevailing Time (EPT).

1262101. CONTRACT SPECIFICATIONS

The California Carbon Allowance (CCA) Vintage-Specific 2023 Futures specifies the physical delivery of applicable California Carbon Allowances (CCAs) within the Compliance Instrument Tracking System Service (CITSS).

Deliverable allowances under this Chapter shall be CCAs dated with the Vintage Year 2023.

1262102. TRADING SPECIFICATIONS

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

1262102.A. Trading Schedule

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

1262102.B. Trading Unit

The contract unit shall be one thousand (1,000) CCAs for a delivery made by transfer through the CITSS. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1262102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per allowance. The minimum price fluctuation shall be \$0.01 per allowance (\$10.00 per contract).

1262102.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.

1262102.E. Termination of Trading

Trading shall cease on the third business day prior to the last business day of the contract month. Any contracts remaining open after the last day of trading must be

(a) Settled by delivery, which shall take place no later than the third business day after the termination of trading for the contract month, 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 no later than two hours after trading terminates 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.

1262102.F. Final Settlement

Final settlement shall occur on the business day following the last trading day.

1262103. DELIVERY

CCA delivery shall comply with all requirements for the electronic transfer of allowances on the CITSS.

1262104. DELIVERY PROCEDURES

The Exchange is a party to all deliveries under this contract and will receive allowances by electronic transfer from the seller's clearing member into the Clearing House holding account at the CITSS. Following receipt from the seller's clearing member, the Exchange will deliver allowances from the Clearing House holding account to the CITSS holding account nominated by the buyer's clearing member.

All rights, title, and interest in and to, and risk of loss related to, the allowances will transfer upon receipt in the applicable CITSS account.

The seller's clearing member shall comply with such requirements and obligations imposed by or under applicable CITSS regulations in all respect material to the submission of the delivery of allowances noted in this rule. The buyer's clearing member shall comply with such requirements and obligations imposed by or under applicable CITSS regulations in all respect material to ensure the acceptance of a valid transfer into its holding account. Seller, buyer and the Exchange shall obtain and adequately maintain at all times systems and technology as may be necessary in order to comply with CITSS regulations. The Exchange may make amendments to delivery and timing of delivery, which may have a material impact to the contract, and will notify the Clearing Members of such amendments resulting from amendments to CITSS regulations.

By transferring allowances to the Exchange, the seller's clearing member represents and warrants that, at the time of delivery, it has good and marketable title to such allowances, and that such allowances are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

1262104.A. Responsibilities of Clearing Members

1. 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 11:00 a.m. on the second business day after the final day of trading providing number of contracts and any other information required by the Exchange.

2. 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 11:00 a.m. on the second business day after the final day of trading providing number of contracts and any other information required by the Exchange.

1262104.B. Final Settlement Price

The final settlement price shall be the basis for delivery.

1262104.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 second business day after the final day of trading.

1262105. TIMING OF DELIVERY

For purposes of this Rule 1262105,

"Delivery Period" shall mean the time between the final day of trading and the third business day following the final day of trading.

Delivery shall take place on the third business day after the final day of trading. Should the CITSS be inoperable during the Delivery Period due to periodic maintenance that is an Exchange business day, the Exchange shall have the option to extend the Delivery Period to the next valid business day at the Registry and Exchange.

11. The seller's clearing member shall transfer allowances subject to delivery to the Clearing House holding account of the CITSS by 10:00 a.m. on the third business day after the final day of trading of the delivery month.
12. The buyer's clearing member shall deposit / transfer payment equal to the full value of the product to the designated Clearing House bank account by 10:00 a.m. on the third business day after the final day of trading of the delivery month.
13. For each buyer's clearing member that has satisfied its obligations under subsection (2) of this rule, the Clearing House shall initiate the process of transferring the allowances to the buyer's clearing member's account at the CITSS by 12:00 p.m. on the third business day after the final day of trading of the delivery month.
14. The buyer's clearing member shall receive allowances from the Clearing House holding account of the CITSS by 3:00 p.m. on the third business day after the final day of trading of the delivery month.
15. 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 full contract value by 3:00 p.m. on the third business day after the final day of trading of the delivery month.

1262106. DELIVERY MARGINS AND PAYMENT

1262106.A. Definitions

For purposes of this Rule 1262106,

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

"Payment" shall include the settlement price, in U.S. dollars and cents, times the number of contracts times one thousand (1,000).

1262106.B. Margin

The buyer's clearing member and seller's clearing member shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and Payment have been completed.

1262106.C. Payment

Any Payment made on the Payment Date shall be based on allowances actually delivered.

1262107. VALIDITY OF DOCUMENTS

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

1262108. ALTERNATIVE DELIVERY PROCEDURE

Please refer to Rule 771 in Chapter 7.

Exhibit B

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

Position Limits, Position Accountability and Reportable Level Table
(attached under separate cover)

Exhibit C

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>CBL California Carbon Allowance Vintage-Specific 2021 Futures</u>	<u>CC1</u>	<u>\$.40 per allowance</u>	<u>40</u>	<u>40</u>	<u>Each leg evaluated as an outright</u>	
<u>CBL California Carbon Allowance Vintage-Specific 2022 Futures</u>	<u>CC2</u>	<u>\$.40 per allowance</u>	<u>40</u>	<u>40</u>	<u>Each leg evaluated as an outright</u>	
<u>CBL California Carbon Allowance Vintage-Specific 2023 Futures</u>	<u>CC3</u>	<u>\$.40 per allowance</u>	<u>40</u>	<u>40</u>	<u>Each leg evaluated as an outright</u>	

Exhibit D

Cash Market Overview and Analysis of Deliverable Supply

CASH MARKET ANALYSIS

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying the initial listing of three (3) CBL California Carbon Allowance Vintage-Specific Futures Contracts (2021, 2022, 2023) (the “Contracts”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort effective Sunday, January 10, 2021, for trade date Monday, January 11, 2021.

Contract Title	Commodity Code	Rulebook Chapter
California Carbon Allowance (CCA) Vintage-Specific 2021 Futures	CC1	1260
California Carbon Allowance (CCA) Vintage-Specific 2022 Futures	CC2	1261
California Carbon Allowance (CCA) Vintage-Specific 2023 Futures	CC3	1262

BACKGROUND

The California legislature passed legislation in 2006 entitled the “California Global Warming Solutions Act of 2006.” The bill outlined a statewide emissions reduction program to reduce greenhouse gas (GHG) output to 1990 levels by 2020. In 1990, the total GHG output in California was 431 million metric tons of carbon dioxide equivalents. GHGs include carbon dioxide (CO₂) as well as methane (CH₄), nitrous oxide (N₂O), and fluorinated gases (e.g., hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride). The global warming effects of various non-CO₂ GHGs can be measured relative to the global warming effect of CO₂. The global warming effect of other GHGs can be placed on a CO₂-equivalent basis. For example, the global warming potential of methane over 100 years is 25 while the value for nitrous oxide is 298. Therefore, creation of one million metric tons of methane and nitrous oxide is equivalent to the production of 25 million and 298 million metric tons of CO₂, respectively.

On December 16, 2010, regulations for the program were passed by the California Air Resources Board (CARB), the regulatory body that administers the program. The program requires large emitters of GHGs, including electricity generators and importers and fuel suppliers, to periodically submit (see schedule below) allowances in amounts equal to their measured GHG emissions.¹ Each allowance entitles a regulated entity to emit one metric ton of CO₂-equivalent gases. The emissions reduction program’s first compliance year was 2013, and the last compliance year is 2030. The top 11 GHG producers in California in 2018 are shown below.

Table 1. Top 11 GG Producers in California in 2018

¹ For a list of large emitters subject to the carbon emissions reduction program, see <https://ww2.arb.ca.gov/mrr-data>

Facility Name	Total CO ₂ e (combustion, process, vented, and supplier)
Tesoro Refining and Marketing - Fuel Supplier	46,154,867
Pacific Gas and Electric Company (PG&E) - Supplier of Natural Gas	41,664,525
Southern California Gas Company - End User Emissions	39,890,211
Chevron Products Company - Headquarters Fuel Supplier	33,542,309
Valero Marketing and Supply Company - Fuel Supplier	20,029,018
Phillips 66 Company - Fuel Supplier	19,419,378
Shell Oil Products US - Supply - Fuel Supplier	13,211,017
Torrance Refining Company LLC - Fuel Supplier	10,565,995
BP West Coast Products LLC (BPWCP) - Terminals	7,324,023
Los Angeles Department of Water & Power (LADWP)	6,632,630

The program has seven compliance phases: 2013-2014, 2015-2017, 2018-2020, 2021-2023, 2024-2026, 2027-2030 and 2030-2032². Ultimately, each affected entity under the reduction program is required to cover all of its GHG emissions with allowances. However, the allowances are not redeemed all at once. Instead, the allowances are surrendered in stages. First, entities must submit allowances equal to 30% of their annual emissions in the spring of the year following the production and emission of the CO₂-equivalent gases. The balance of allowances (70%) that are due must be submitted to CARB in November following the final year of the compliance period. Thus, complete true-up for compliance (i.e. the submission of allowances in amounts equal to emissions) occurs after the conclusion of each compliance phase³. A longer compliance window (i.e., three-year period) is intended to help reduce volatility in the market for allowances by smoothing out the impacts of variation in economic activity and emissions levels.

California carbon allowances are allocated every three months (February, May, August, and November) each year through an auction process. Allowances are offered for the current calendar year and for a future calendar year that is three years out (e.g., in 2018, 2018 Vintage and 2021 Vintage allowances are offered). The allowances are tradable among market participants before they are redeemed for compliance. While the allowances are physical in the sense that they represent a permit to emit CO₂-equivalent emissions, they are actually issued and maintained in electronic form. The means of tracking the electronic allowances is through the Compliance Instrument Tracking System Service (CITSS). In addition to registering entities participating in the California carbon reduction program, the CITSS is used to track the ownership of compliance instruments, enable and record compliance instrument transfers, facilitate emissions compliance, and support market oversight. Participants in the primary market are required to register with CARB to establish a Holding Account in order to hold, transfer, and retire allowances. There are no restrictions on non-compliance parties establishing Holding Accounts, with the exception that the applicants

² https://ww2.arb.ca.gov/sites/default/files/classic/cc/capandtrade/ct_reg_unofficial.pdf

³ https://ww2.arb.ca.gov/sites/default/files/classic/cc/capandtrade/ct_reg_unofficial.pdf

must be approved by CARB. All accounts must have an authorized representative and up to four alternate authorized representatives to make actions on an entity's account(s).

On January 1, 2014, the California cap-and-trade program and the Québec cap-and-trade system officially linked, enabling the mutual acceptance of compliance instruments issued by each jurisdiction, and the jurisdictions to hold joint auctions of GHG allowances. The first joint auction by CARB and Québec's Ministry of Sustainable Development, Environment and the Fight against Climate Change (MDDELCC) was held on November 25, 2014.

As noted above, the goal of the California cap-and-trade program is to reduce GHG emissions. While this is being achieved as each year passes, the number of allowances available annually now is much larger than when the program first started. In the initial compliance year (2013), the number of allowances in the market was 162.8 million tons, as the program only covered emissions from electricity generators. The inclusion of additional sectors (i.e., transportation fuels) into the program as well as the cooperation with Quebec has led to a larger number of available allowances covering a much larger amount of GHG emissions.

CCA futures contracts will be listed for trading based on the allowance vintage. The launch calls for Vintage 2021, Vintage 2022, and Vintage 2023. Each vintage futures contract permits the physical delivery of allowances that are dated with the same calendar year as the one noted by the futures contract.

SUPPLY – ADVANCE AUCTION SALES

A conservative approach has been taken when estimating the deliverable supply of allowances for each vintage futures contract. As noted above, the program requires that entities cover 30% of their annual GHG emissions with CCAs in the spring following the calendar year when the emissions were produced. The unredeemed CCAs for that year can be banked and subsequently used against the emissions output in future years. Thus, this carryover effect increases the number of available allowances in future years because an entity is not required to only use the CCAs dated with the calendar year in which the emissions were produced. The methodology used here assumes that no allowances are available past the calendar year in which they are usable. Auction results for CCAs are reported on the CARB website.⁴

In estimating the deliverable supply for the Vintage 2021 futures contract, no Vintage 2018-2020 CCAs are assumed to be available for delivery. A total of 43,658,900 Vintage 2021 CCAs were auctioned and 33,436,000 were sold in 2018 – none of which have been redeemed for compliance yet. It is assumed that unsold allowances are not counted when estimating the deliverable supply. On a contract-equivalent basis, the monthly deliverable supply of Vintage 2021 CCAs is 2,786 contracts (futures contract quantity is 1,000 CCAs). Therefore, the proposed spot month position limit for the Vintage 2021 futures contract is 400 or 14.36% of the estimated deliverable supply.

Table 3. Advance Auction for Vintage 2021 Allowances⁵

Auction Date	Allowances Offered	Allowances Sold
2/21/2018	12,427,950	8,576,000
5/15/2018	12,427,950	6,057,000
8/14/2018	9,401,500	9,401,500
11/14/2018	9,401,500	9,401,500
TOTAL	43,658,900	33,436,000

⁴ http://www.arb.ca.gov/cc/capandtrade/auction/auction_archive.htm

⁵ <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/auction-information/auction-notices-and-reports>

In estimating the deliverable supply for the Vintage 2022 futures contract, no Vintage 2019-2021 CCAs are assumed to be available for delivery. A total of 36,152,000 Vintage 2022 CCAs were auctioned and 33,097,000 were sold in 2019 – none of which have been redeemed for compliance yet. It is assumed that unsold allowances are not counted when estimating the deliverable supply. On a contract-equivalent basis, the deliverable supply of Vintage 2022 CCAs is 2,758 contracts (futures contract quantity is 1,000 CCAs). Therefore, the proposed spot month position limit for the Vintage 2022 futures contract is 400 or 14.50% of the estimated deliverable supply.

Table 4. Advance Auction for Vintage 2022 Allowances⁶

Auction Date	Allowances Offered	Allowances Sold
2/20/2019	9,038,000	5,983,000
5/14/2019	9,038,000	9,038,000
8/20/2019	9,038,000	9,038,000
11/19/2019	9,038,000	9,038,000
TOTAL	36,152,000	33,097,000

In estimating the deliverable supply for the Vintage 2023 futures contract, no Vintage 2020-2022 CCAs are assumed to be available for delivery. A total of 34,689,000 Vintage 2023 CCAs were auctioned and an estimated 25,476,667 were sold in 2020 – none of which have been redeemed for compliance yet. Allowances to be offered in the final auction of 2020 taking place on 11/17/2020 can be found in the auction notice released on 9/18/2020⁷. November advanced auctions had a 100% sold rate in 2017, 2018, and 2019. However, to remain conservative in its estimates, the exchange has determined to use the average of the number of Vintage 2023 allowances sold year-to-date in 2020, 6,369,167, to estimate the number of allowances that will be sold in the November 2020 auction. It is assumed that unsold allowances are not counted when estimating the deliverable supply. On a contract-equivalent basis, the deliverable supply of Vintage 2023 CCAs is 2,123 contracts (futures contract quantity is 1,000 CCAs). Therefore, the proposed spot month position limit for the Vintage 2023 futures contract is 400 or 18.84% of the estimated deliverable supply.

Table 5. Advance Auctions for Vintage 2023 Allowances⁸

Auction Date	Allowances Offered	Allowances Sold
2/19/2020	8,672,250	8,672,250
5/20/2020	8,672,250	1,763,000
8/18/2020	8,672,250	8,672,250
11/17/2020	8,672,250	*6,369,167
TOTAL	34,689,000	25,476,667

*average of 2020 YTD allowances sold

⁶ <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/auction-information/auction-notices-and-reports>

⁷ https://ww2.arb.ca.gov/sites/default/files/2020-09/nov_2020_notice.pdf

⁸ <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/auction-information/auction-notices-and-reports>

It should be noted that CARB does allocate free allowances to entities for various reasons. Direct distribution are made to (1) covered entities for leakage prevention and industrial assistance, (2) electrical distribution utilities on behalf of ratepayers, (3) natural gas suppliers on behalf of ratepayers, and (4) special cases (such as generators operating under legacy contracts and public service facilities). The first category is to ensure that California businesses are not disadvantaged by the carbon rules and to stop the shifting of operations to other jurisdictions not subject to the reduction program. The second and third categories were established to prevent customers' energy bills from rising too high due to the implementation of the carbon reduction program.

Entities that receive free allowances include electrical distribution utilities (EDUs), petroleum refiners/hydrogen producers, crude oil and natural gas extractors, cement/lime/gypsum producers, ore and mineral miners, metal processors, and manufacturers, fruit and vegetable canners, other food manufacturers, dairies, glass manufacturers, paper manufacturers, chemical/biological/pharmaceutical manufacturers, and miscellaneous industrial facilities (e.g., Los Angeles Airport and Tesla Motors). CARB defines methodologies for determining how many free allowances to give out for each sector and entity. Only the distribution for EDUs has been determined through 2020. Allowances for affected entities, including EDUs, are distributed for the compliance year in which they are usable. Specifically, such entities must notify CARB by September 1 or the first business day thereafter each year as to how the allowances should be distributed into holding and compliance accounts. Soon after notification, CARB makes the allowance distribution. For the compliance year 2020, the allowances were distributed to the entities' accounts on October 24, 2019⁹.

Since free allowances are not available until the vintage year becomes the current year, they were not included the deliverable supply calculation. Attempting to include the free allowances would likely require that the position limits be lower in calendar years before the vintage year becomes the current year. That is, the position limit for the California Carbon Allowance (CCA) Vintage 2018 Futures contract would be lower for contract months in 2019 and 2020 compared to 2021. By not including the free allowances in the deliverable supply estimates, the established position limit levels are conservative.

ANALYSIS OF DELIVERABLE SUPPLY

Appendix C to part 38 of the Commission's regulations defines deliverable supply as "the quantity of the commodity meeting the 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."

Vintage Year	Deliverable Supply (Allowances)	Monthly Contract Equivalent	Spot Month Position Limit Equivalent	% of Deliverable Supply
2021	33,436,000	2,786	400	14.36%
2022	33,097,000	2,758	400	14.50%
2023	25,476,667	2,123	400	18.84%

⁹ <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/allowance-allocation>

Vintage Year 2021:

In estimating deliverable supply and calculating the proposed spot month position limit, the Exchange relied on California carbon allowances sold in the 2018 advance auctions. Based on the above analysis, it is estimated that the monthly deliverable supply for California carbon allowances with the vintage year of 2021 is 33,436,000 allowances which equates to 2,786 contract equivalents based on a contract size of 1,000 allowances per lot. Therefore, the proposed spot month position limit for the CBL California Carbon Vintage-Specific 2021 Futures contract is 400 contracts which represents 14.36% of the estimated deliverable supply.

Vintage Year 2022:

In estimating deliverable supply and calculating the proposed spot month position limit, the Exchange relied on California carbon allowances sold in the 2019 advance auctions. Based on the above analysis, it is estimated that the monthly deliverable supply for California carbon allowances with the vintage year of 2022 is 33,097,000 allowances which equates to 2,758 contract equivalents based on a contract size of 1,000 allowances per lot. Therefore, the proposed spot month position limit for the CBL California Carbon Vintage-Specific 2022 Futures contract is 400 contracts which represents 14.50% of the estimated deliverable supply.

Vintage Year 2023:

In estimating deliverable supply and calculating the proposed spot month position limit, the Exchange relied on California carbon allowances sold and estimated to be sold in the 2020 advance auctions. Based on the above analysis, it is estimated that the monthly deliverable supply for California carbon allowances with the vintage year of 2023 is 25,476,667 allowances which equates to 2,123 contract equivalents based on a contract size of 1,000 allowances per lot. Therefore, the proposed spot month position limit for the CBL California Carbon Vintage-Specific 2023 Futures contract is 400 contracts which represents 18.84% of the estimated deliverable supply.