



October 4, 2013

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulation 40.2(a) Certification. Notification of New Product Listing of Two (2) Low Sulphur Gasoil Based Futures Contracts on CME Globex and the NYMEX Trading Floor and for Clearing Through CME ClearPort  
NYMEX Submission #13-488**

Dear Ms. Jurgens:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of two Low Sulphur Gasoil related futures contracts: NY Harbor ULSD vs. Low Sulphur Gasoil (1,000bbl) Futures and NY Harbor ULSD vs. Low Sulphur Gasoil (1,000mt) Futures, collectively (the "Contracts") for trading on CME Globex and the NYMEX trading floor and for submission for clearing through CME ClearPort. The effective date for this submission is dependent upon the Commission's resumption of regulatory review activity and will be no earlier than after the expiration of the required review period under Commission Regulation 40.2

Pursuant to Commission Regulation 40.6(a), NYMEX is separately self-certifying block trading minimum thresholds of five (5) lots for the NY Harbor ULSD vs. Low Sulphur Gasoil (1,000mt) Futures contract and ten (10) lots for the NY Harbor ULSD vs. Low Sulphur Gasoil (1,000bbl) Futures contract in NYMEX/COMEX Submission No. 13-469. Block transactions are governed by Rule 526.

The Contract specifications are as follows:

<b>Contract Name</b>	NY Harbor ULSD vs. Low Sulphur Gasoil (1,000bbl) Futures
<b>Commodity Code</b>	NLS
<b>Chapter</b>	371
<b>Settlement Type</b>	Financial
<b>Contract Size</b>	The contract quantity shall be 42,000 gallons (1,000 barrels). Each contract shall be valued as the contract quantity (42,000) multiplied by the settlement price.
<b>Termination of Trading</b>	Trading shall cease on the last London business day of the contract month
<b>Minimum Price Fluctuation</b>	\$0.0001 per gallon
<b>Final Settlement Price Tick</b>	\$0.0001 per gallon

<b>First Listed Month</b>	November 2013 (dependent upon the Commission's resumption of regulatory review activity)
<b>Listing Convention</b>	For CME Globex, monthly contracts shall be listed for twelve consecutive calendar months. CME ClearPort and NYMEX trading floor shall be listed for the current year and the next 4 consecutive calendar years.
<b>Trading Hours (All Times are New York Time/ET)</b>	Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. Chicago Time/CT)
	CME Globex and CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

<b>Contract Name</b>	NY Harbor ULSD vs. Low Sulphur Gasoil (1,000mt) Futures
<b>Commodity Code</b>	SLS
<b>Chapter</b>	254
<b>Settlement Type</b>	Financial
<b>Contract Size</b>	The contract quantity shall be 312,900 gallons (1,000 metric tons). Each contract shall be valued as the contract quantity (312,900) multiplied by the settlement price.
<b>Termination of Trading</b>	Trading shall cease on the last London business day of the contract month
<b>Minimum Price Fluctuation</b>	\$0.0001 per gallon
<b>Final Settlement Price Tick</b>	\$0.0001 per gallon
<b>First Listed Month</b>	November 2013 (dependent upon the Commission's resumption of regulatory review activity)
<b>Listing Convention</b>	For CME Globex, monthly contracts shall be listed for twelve consecutive calendar months. CME ClearPort and NYMEX trading floor shall be listed for the current year and the next 4 consecutive calendar years.
<b>Trading Hours (All Times are New York Time/ET)</b>	Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. Chicago Time/CT)
	CME Globex and CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

#### Trading Hours:

Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT). CME Globex: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

**Trading and Clearing Fees:**

Product Profile					
Product Name	NY Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000bbl) Futures				
Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	\$0.85	\$0.85	\$1.05	\$1.25	
Globex	\$0.85	\$0.85	\$1.05	\$1.25	\$1.05
ClearPort		\$0.85		\$1.25	

Processing Fees		
	Member	Non-Member
Cash Settlement	\$0.10	\$0.10

Additional Fees and Surcharges	
EFS Surcharge	\$0.00
Block Surcharge	\$0.00
Facilitation Desk Fee	\$0.20

Product Profile					
Product Name	NY Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000mt) Futures				
Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	\$7.00	\$7.00	\$8.00	\$9.00	
Globex	\$7.00	\$7.00	\$8.00	\$9.00	\$8.00
ClearPort		\$7.00		\$9.00	

Processing Fees		
	Member	Non-Member
Cash Settlement	\$1.00	\$1.00

Additional Fees and Surcharges	
EFS Surcharge	\$0.00
Block Surcharge	\$0.00
Facilitation Desk Fee	\$0.40

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contract. These terms and conditions establish the diminishing balances, all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contracts. In addition, the Exchange is self-certifying the insertion of the non-reviewable ranges (“NRR”) for the futures contracts into Rule 588.H.

NYMEX business staff responsible for the new products and the NYMEX legal department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (the “Act” or “CEA”). During the review, NYMEX staff identified that the new products may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in these Contracts will be subject to the Rules of NYMEX which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- Contracts not Readily Susceptible to Manipulation: The Contracts are not readily susceptible to manipulation due to the liquidity and robustness in the underlying cash markets, which provides diverse participation and sufficient spot transactions to support the final settlement index.
- Compliance with Rules: Trading in the Contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in these Contracts will also be subject to the full range of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Position Limitations or Accountability: The spot month position limit for the Contracts is set at a conservative level that is less than 25% of the monthly deliverable supply in the underlying market in accordance with the guidelines included in CFTC Part 151. (see Appendix B: Chapter 5 Position Limit Table (attached under separate cover).
- 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.
- 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.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the CME Clearing House which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The Contracts are dually listed for trading on CME Globex and on the NYMEX trading floor for open outcry trading, and for clearing through the CME ClearPort platform. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. The CME Globex platform provides a transparent, open, and efficient mechanism to electronically execute trades on screen. In addition, the NYMEX trading floor is available as an additional venue to provide for competitive and open execution of transactions.

- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the rules. Trading in these Contracts will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.
- Dispute Resolution: Disputes with respect to trading in these Contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. The rules in Chapter 6 allow 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 the rules in Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2, the Exchange hereby certifies that the Contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. A description of the cash markets for these new products is attached.

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

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or [Christopher.Bowen@cmegroup.com](mailto:Christopher.Bowen@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

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

## Chapter 371

### NY Harbor ULSD vs. Low Sulphur Gasoil (1,000bbl) Futures

#### **371100. SCOPE OF CHAPTER**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

#### **371101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the arithmetic average of the NY Harbor ULSD Futures first nearby settlement price minus the first line Low Sulphur Gasoil (1,000bbl) (ICE) Futures settlement price for each business day during the contract month.

For purposes of determining the Floating Price, the Low Sulphur Gasoil Futures first nearby contract month settlement price will be converted each day to US dollars and cents per gallon, rounded to the nearest cent using a conversion factor of 7.45 barrels per metric ton, and 42 gallons per barrel. Except as noted below:

The settlement prices for the first nearby contract month will be used except on the last day of trading for the expiring Low Sulphur Gasoil Futures contract when the settlement prices of the second nearby Low Sulphur Gasoil contract will be used.

The Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

#### **371102. TRADING SPECIFICATIONS**

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

##### **371102.A. Trading Schedule**

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

##### **371102.B. Trading Unit**

The contract quantity shall be 42,000 gallons (equivalent to 1,000 barrels). Each contract shall be valued as the contract quantity (42,000) multiplied by the settlement price.

##### **371102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be \$0.0001 per gallon.

##### **371102.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.

##### **371102.E. Termination of Trading**

Trading shall cease on the last business day of the contract month.

#### **371103. FINAL SETTLEMENT**

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

## Chapter 254

### NY Harbor ULSD vs. Low Sulphur Gasoil (1,000mt) Futures

#### 254100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

#### 254101. CONTRACT SPECIFICATIONS

The floating price for each contract month is equal to the arithmetic average of the NY Harbor ULSD Futures first nearby settlement price minus the first line Low Sulphur Gasoil (1,000mt) (ICE) Futures settlement price for each business day during the contract month.

For purposes of determining the Floating Price, the Low Sulphur Gasoil Futures first nearby contract month settlement price will be converted each day to US dollars and cents per gallon, rounded to the nearest cent using a conversion factor of 7.45 barrels per metric ton, and 42 gallons per barrel except as noted below.

The settlement prices for the first nearby contract month will be used except on the last day of trading for the expiring Low Sulphur Gasoil Futures when the settlement prices of the second nearby Low Sulphur Gasoil contract will be used.

The Floating Price is calculated using the non-common pricing convention. In calculating the spread differential, the monthly average for each component leg of the spread shall be calculated by using all trading days in the month for each component leg of the spread, followed by the calculation of the spread differential between the two averages.

#### 254102. TRADING SPECIFICATIONS

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

##### 254102.A. Trading Schedule

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

##### 254102.B. Trading Unit

The contract quantity shall be 1,000 metric tons. Each contract shall be valued as the contract quantity (1000) multiplied by the settlement price.

##### 254102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be \$0.0001 per gallon.

##### 254102.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.

##### 254102.E. Termination of Trading

Trading shall cease on the last business day of the contract month.

#### 254102. FINAL SETTLEMENT

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

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

**(attached under separate cover)**



**Rule 588.H Globex Non-Reviewable Ranges**

<b>Instrument</b>	<b>Non-Reviewable Range (NRR) in Globex format</b>	<b>NRR including Unit of Measure</b>	<b>NRR Ticks</b>
NY Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000bbbl) Futures	250	\$.025 per gallon	250
NY Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000mt) Futures	2000	\$2.00 per metric ton	2000

### **Cash Market Overview and Analysis of Deliverable Supply**

Two new cash settled futures contracts for Low Sulphur Gasoil are being prepared for trading on Globex and via the NYMEX trading floor. All trades will be submitted for clearing on CME Clearport.

<b>Contract name</b>	<b>Contract code</b>	<b>Rulebook chapter</b>
NY Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000bbbl) Futures	<b>NLS</b>	<b>371</b>
NY Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000mt) Futures	<b>SLS</b>	<b>254</b>

The NY Harbor ULSD vs. Low Sulphur Gasoil references the differential between NYMEX ULSD and ICE Low Sulphur Gasoil Futures. The proposed contracts will be listed no earlier than after the expiration of the required review period for this submission under Commission Regulation 40.2 with the first listed contract month scheduled currently as November 2013. ICE Low Sulphur Gasoil contracts were dual listed on ICE Futures Europe to reflect the lower sulphur Gasoil traded within mainland Europe. The new futures contract was listed in 2012 although volumes are not expected to increase before the end of 2014 when ICE Gasoil Futures will cease to be listed.

The listed unit of measure for trading is different to the pricing unit so a conversion will have to be done. In the case of the **New York Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000bbbl) Futures**, the New York Harbour ULSD futures contract will be converted using a conversion factor of 1 barrel = 42 gallons (contract multiplier 42,000). The **New York Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000bbbl) Futures will be converted using a factor of 1 metric ton = 312.9 gallons (contract multiplier 312,900)**.

The analysis focuses on the ULSD markets in Northwest Europe and New York harbor.

#### **Analysis of the deliverable supply**

ICE Low Sulphur Gasoil and NYMEX NY ULSD Futures are two key components in the underlying for the proposed contracts. NYMEX will use the settlement prices from each market to cash settle the proposed contracts. ICE Low Sulphur Gasoil Futures were dual-listed in 2012 alongside ICE Gasoil Futures although volumes are not expected to pick up significantly until the end of 2014 when the ICE Gasoil futures contract will cease to be listed (according to ICE published documentation).

NYMEX ULSD Futures contract was changed from a High Sulphur Gasoil contract to a Low Sulphur Diesel contract with effect from the May 2013 delivery month. Therefore any deliveries must comply with the amended contract rules which reflect Low Sulphur Diesel or ULSD.

The spot month limits for the new contracts will be aggregated with the existing position limits for the following contracts:

1. New York Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000bbbl) Futures (aggregate into NYMEX Heating Oil Last Day Financial Futures (23) and (LSP))
2. New York Harbor ULSD Futures vs. Low Sulphur Gasoil (1,000mt) Futures (aggregate into NYMEX Heating Oil Last Day Financial Futures (23) and (LSP))

Data from the US Energy Information Administration ("EIA") has been included in this analysis.

Please note that, at this time, with regard to Northwest Europe the Exchange is not including stocks data in its analysis of deliverable supply. Stocks data tend to vary and, at least upon launch of products, we would rather not condition recommended position limits based on stock data. Further, the Exchange has

determined not to adjust the deliverable supply estimate based on the spot availability because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of demand and supply. The typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply. Also, the spot trading is not restricted in that it could increase if the market demand increases. Therefore, we believe that it is not necessary to adjust the deliverable supply estimate on the basis of spot trading activity as it does not restrict the deliverable supply, and spot trading volume can expand to allow for more supply to flow if needed in the spot market.

The Exchange has included Belgium, France (50%), Germany and the Netherlands for the deliverable supply data in Northwest Europe. The market is supplied by a mix of imports and domestic refinery production given the large network of oil refineries around the port.

There is a large refining network around New York harbor and the region is well supplied with refining products via the Colonial pipeline which originates on the Gulf coast. The Exchange uses consumption levels to evaluate deliverable supply in Belgium, France, Germany, the Netherlands and New York harbor, as this a more relevant measure than refinery production due to the fact that refinery production material is not necessarily consumed in the region itself and material may be exported depending on the supply/demand situation at the time.

## **ANALYSIS OF DELIVERABLE SUPPLY**

The Exchange has undertaken an analysis of deliverable supply for its NY Harbor ULSD Futures contract (“ULSD Contract”) in connection with efforts to ensure that the deliverable supply estimate reflects current market realities. Our estimate of ULSD deliverable supply to the New York Harbor delivery area is based conservatively on refinery production, net imports, and storage levels. At this time, we are not including pipeline flows from the U.S. Gulf to New York Harbor, until we receive permission to use proprietary data from Colonial Pipeline. Using three-year average historical data presented previously, the Exchange estimates the monthly deliverable supply of ULSD in New York Harbor to be approximately 22 million barrels, which is equivalent to 22,000 contracts per month.

1. *Refinery Production: 227,000 b/d x 30 days = 6.81 million barrels per month*
2. *Net Imports: 68,000 b/d x 30 days = 2.04 million barrels*
3. *Pipeline/Barge Flows: 279,000 b/d x 30 days = 8.38 million barrels*
4. *Storage levels in the delivery area = 4.5 million barrels*

Given the CFTC spot month position limit guideline of not exceeding 25% of the available monthly supply, the deliverable supply of the NYMEX New York Harbor ULSD Futures contract (HO) would support a spot month position limit of up to 5,500 contract equivalents. The current spot month position limit for the NYMEX New York Harbor ULSD Futures contract is 1,000 contracts.

## **European ULSD – Northwest Europe**

The numbers stated for France have been reduced by 50% of the total for the country reflecting the split between volumes in Northwest Europe and the Mediterranean

The production data that we have used for Northwest Europe does not break out the consumption volumes between ULSD and Gasoil or Heating Oil so we have made an assumption that for northwest Europe, the split between ULSD and Heating oil is 65% for ULSD and 35% for Heating oil based on the respective volumes of each market reported by the European Statistics Agency (Eurostat).

According to the EIA data, the total distillate fuel oil production for the three-year averages to 2010 across Belgium, France, Germany and the Netherlands was 1.3-million barrels per day, which is the equivalent to 174,496 metric tonnes per day or 5,234,899 metric tonnes per month.

The deliverable supply of Low Sulphur Gasoil in Northwest Europe is 1.3-million barrels per day or 39-million barrels per month (5,234 contract equivalents in metric tons per month). The spot month limit of 1,000 lots for the underlying **Low Sulphur Gasoil (100mt) Penultimate Day Futures** (contract code LSP) represent 19.1% of the deliverable supply.

## Diesel Overview

### Description

Distillate fuel oil is a general classification for one of the petroleum product categories produced by distillation operations, a boiling process that separate crude oil into fractions<sup>1</sup>. The lightest and the first fraction of distillate fuel is jet kerosene, followed by on-road diesel, heating oil/off-road diesel, and residual fuel oils. Products known as No.1 (on-road diesel), No.2 (off-road diesel, residential heating oil), and No.4 (commercial/industrial heating oil) oils are used in diesel engines, boilers and power generators. Diesel<sup>2</sup>, also called No. 2 Diesel Fuel, is a liquid petroleum product less volatile than gasoline and used as an energy source. The primary use is in the transportation sector. ULSD contains a lower level of sulphur than heating oil. There are relatively stringent cold properties in ULSD that refiners have to satisfy, particularly in the winter, to be able to deal with the harsh winter temperatures in some regions. Cold properties prevent the diesel fuel from freezing.

### European Diesel –Northwest Europe

#### Consumption, Production, Imports and Exports

Diesel, or ULSD (ULSD) as it is more commonly referred to, is part of the “distillate” segment which is used primarily by the transportation sector. It is produced as part of the refining process. In recent years, refiners have invested heavily into hydro-cracking capacity which essentially takes higher sulphur products and “cracks” the molecules into lower sulphur products such as ULSD.

The main trading hub for ULSD in Europe is the Amsterdam-Rotterdam-Antwerp (ARA) region, where extensive storage capacity and refining infrastructure exists. The ARA market is a vibrant import and supply centre for petroleum products and encompasses the geographic area of The Netherlands, Germany and France. **For the purpose of this analysis, we have estimated that about 50% of the ULSD supplied into France is supplied out of the northern ports. So the supply and demand figures for France have been halved for the analysis of the Barge and Cargo markets.** There is an active trading hub around Northwest Europe basis CIF NWE/Basis ARA. In the case of ULSD, the main reference port is Le Havre in France where there is a large refining centre.

#### Table 1: Selected Statistics: Northwest Europe

The U.S. Energy Information Administration (“EIA”) data in Table 1 below shows Production and Consumption for distillate fuel oil. The EIA does not distinguish between ULSD and Heating Oil so we have made an assumption as to the size of each market. To do this, we have referred to the Eurostat Data reports which break out the Diesel and Gasoil into separate categories. We have also referred to anecdotal information received from Platts and broker data.

The ULSD market is larger than the Heating Oil market in Northwest Europe and the Mediterranean, primarily due to the growth of ULSD as a transportation fuel and the fact that Heating Oil demand is being

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<sup>1</sup> <http://www.epa.gov/otaq/regs/nonroad/marine/ci/fr/dfuelrpt.pdf>

<sup>2</sup> US EIA <http://www.eia.doe.gov/tools/glossary/index.cfm?id=F>.

replaced by Natural Gas. The EIA or Joint Oil Data Initiative do not breakdown the distillates market into ULSD and Heating Oil and refer to the data category as Diesel/Gasoil. Eurostat breaks down the data into the individual categories for Transportation Diesel and Heating Oil<sup>3</sup> so we have used this for the basis of determining the split between the two products. Market sources have also told us that their view on the splits match the data we have gathered from Eurostat. Based on the three year average data for 2009 to 2011 for Belgium, France, Germany and the Netherlands 65% of the deliverable supply was transportation diesel and 35% of the deliverable supply was heating oil.

<b>Belgium</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Diesel	6334	5860	6411	7864
Heating Oil	6625	6388	6124	3633
Diesel Share	49%	48%	51%	68%

<b>France</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Diesel	22609	21037	19338	21954
Heating Oil	13084	10682	9639	7527
Diesel Share	63%	66%	67%	74%

<b>Germany</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Diesel	32868	30750	27805	28541
Heating Oil	15771	14932	15505	13888
Diesel Share	68%	67%	64%	67%

<b>Netherlands</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Diesel	11770	13566	15017	14073
Heating Oil	8668	6818	6237	6376
Diesel Share	58%	67%	71%	69%

In Belgium, Northern France, Germany and the Netherlands, known as Northwest Europe, the production of ULSD is about 1.3-million barrels per day and consumption is also estimated to be about 1.3-million barrels per day for the average annual period of 2008 to 2010.

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<sup>3</sup> <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

**Table 1: Selected Statistics for Diesel – Europe (consumption and production)<sup>4</sup>**

Production	2007	2008	2009	2010	Average 2008-2010
Belgium	171	172	157	166	166
Northern France	231	245	220	200	224
Germany	674	667	630	597	642
Netherlands	258	273	273	283	272
<b>Total</b>	<b>1334</b>	<b>1357</b>	<b>1280</b>	<b>1246</b>	<b>1304</b>

Consumption	2007	2008	2009	2010	Average 2008-2010
Belgium	147	165	154	159	159
Northern France	319	322	321	320	321
Germany	648	737	693	713	714
Netherlands	125	126	116	123	122
<b>Total</b>	<b>1239</b>	<b>1350</b>	<b>1284</b>	<b>1315</b>	<b>1316</b>

Source: US Energy Information Administration (Thousand Barrels per day)

ULSD Imports were 615,000 barrels per day for the three-year average to 2010 and exports were 592,000 barrels per day over the same period.

Imports	2007	2008	2009	2010	Average 2008-2010
Belgium	97	102	81	73	85
Northern France	89	95	124	135	118
Germany	124	206	193	207	202
Netherlands	124	163	217	250	210
<b>Total</b>	<b>434</b>	<b>566</b>	<b>615</b>	<b>665</b>	<b>615</b>
Exports	2007	2008	2009	2010	Average 2008-2010
Belgium	116	112	91	93	99
Northern France	23	22	17	17	19
Germany	163	132	118	90	114
Netherlands	274	302	365	413	360
<b>Total</b>	<b>576</b>	<b>568</b>	<b>591</b>	<b>613</b>	<b>592</b>

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EIA Production data:

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=1&cid=BE,FR,GM,NL,&syid=2008&eyid=2012&unit=TBPD>

EIA Consumption data:

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=2&cid=BE,FR,GM,NL,&syid=2008&eyid=2012&unit=TBPD>

EIA Exports data:

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=4&cid=BE,FR,GM,NL,&syid=2006&eyid=2010&unit=TBPD>

EIA Imports data:

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=65&aid=3&cid=BE,FR,GM,NL,&syid=2006&eyid=2010&unit=TBPD>

## **Market activity**

PRA based assessments are not included as the basis for this analysis since both legs of these contracts are exchange based markets. Low Sulphur Gasoil is traded in units of dollars and cents per metric ton. The conversion factor is 7.45 barrels per metric ton which is a standard industry conversion factor. Average Daily Volumes (ADV) in Low Sulphur Gasoil has been relatively light given that it is a new contract. Both ICE Gasoil and Low Sulphur Gasoil Futures are trading side by side until the end of December 2014.

Gasoil and Low Sulphur Gasoil are physically deliverable futures contracts and each traded future is 100 metric tons. The underlying is the barge market in ARA and the contracts provide the basis for a series of OTC trades which are reported by Platts. The cash markets trade as differentials to the futures. ICE publishes the delivery volumes on their website<sup>5</sup>. However it should be noted that these are reported as Gross positions on expiry and therefore do not take into account any delivery volume which may be transacted off exchange via an ADP (alternative delivery procedure). NYMEX ULSD Futures trade in units of 1,000 barrels or 42,000 gallons are also physically settled. The unit of trading is in USD and cents per gallon.

## **Price Sources**

ICE and NYMEX Futures settlements will be used as the main pricing source for each of the contracts. These markets are listed on regulated Futures exchanges with Low Sulphur Gasoil and Brent being listed on ICE Futures Europe and ULSD being listed on NYMEX.

For the NY Harbor ULSD vs. Low Sulphur Gasoil (1,000bbl) Futures contract, the conversion factor of 1 barrel = 42 gallons will be used and for the NY Harbor ULSD vs. Low Sulphur Gasoil (1,000mt) Futures contract the conversion factor of 1 metric ton= 312.9 gallons will be used.

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<sup>5</sup> <https://www.theice.com/marketdata/reports/ReportCenter.shtml#report/135>

## **Cash Market Overview US ULSD Market**

The US Northeast is the largest distillate market in North America. As of December 1, 2010, all on-highway diesel fuel consumed in the United States is ULSD as mandated by federal regulations. The heating oil market is still a valid market but it is subject to more stringent sulfur content restrictions than previously. As of July 1, 2012 the New York State mandates that all heating oil sold for residential, commercial and industrial heating applications within the State contain no more than 15 parts per million (ppm) of sulfur. Various initiatives to apply comparable sulfur limits to heating oil are in planning or implementation stages in the Northeast, the main heating oil consuming region. However, According to the EIA, New England and the Central Atlantic Coast of the United States (collectively known as the “Northeast” for data purposes) are the main consumers of heating oil, typically accounting for 80% of the sales. Following New York’s footsteps, New Jersey intends to gradually transition to 15ppm sulfur content in 2016. Furthermore by 2018 Vermont, Massachusetts and Maine plan to transition to ULSD for heating purposes. The NY Harbor ULSD Futures contract is the main benchmark used for pricing the distillate products market, which includes diesel fuel, heating oil, and jet fuel. The Exchange amended the grade and quality specifications in response to changes in environmental regulations in the Northeast, requiring cleaner, lower sulfur diesel standards for heating oil. Effective the May-2013 delivery month, the New York Harbor ULSD Heating Oil Futures contract was re-named to New York Harbor ULSD Futures and required delivery of ULSD with a maximum of 15ppm sulfur content. Consequently the Futures contract now serves as a dual-use contract that is a price reference and hedging instrument for both the heating oil and on-road diesel markets.

### **New York Harbor Delivery Region**

New England and the Central Atlantic Coast of the United States, collectively defined by the EIA as the “Northeast”, is a well-connected and integrated geographical region in terms of oil and products infrastructure. The region is part of the larger PADD 1 (Petroleum Administration for Defense District), and more specifically defined by PADD 1a and PADD1b, which include: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Delaware, District of Columbia, Maryland, New Jersey, New York, and Pennsylvania<sup>6</sup>.

Located in both New York and New Jersey, the New York Harbor area is the largest oil importing and third largest container port in the nation, and is the main oil and refined products pricing and trading hub. Petroleum products in New York Harbor are supplied by refineries located in New Jersey, Delaware and Pennsylvania, all located within 100 miles of the New York Harbor area. East Coast refineries, a majority of which are located in New Jersey and Philadelphia, send products by local pipelines into New York

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<sup>6</sup> <http://www.eia.gov/analysis/petroleum/nerefining/prelim/>



Harbor. The Colonial Pipeline connects the Northeast to refinery output from the US Gulf Coast and foreign imports, principally from Canada, Virgin Islands, Caribbean and Europe, are additional supply sources to the New York Harbor area.

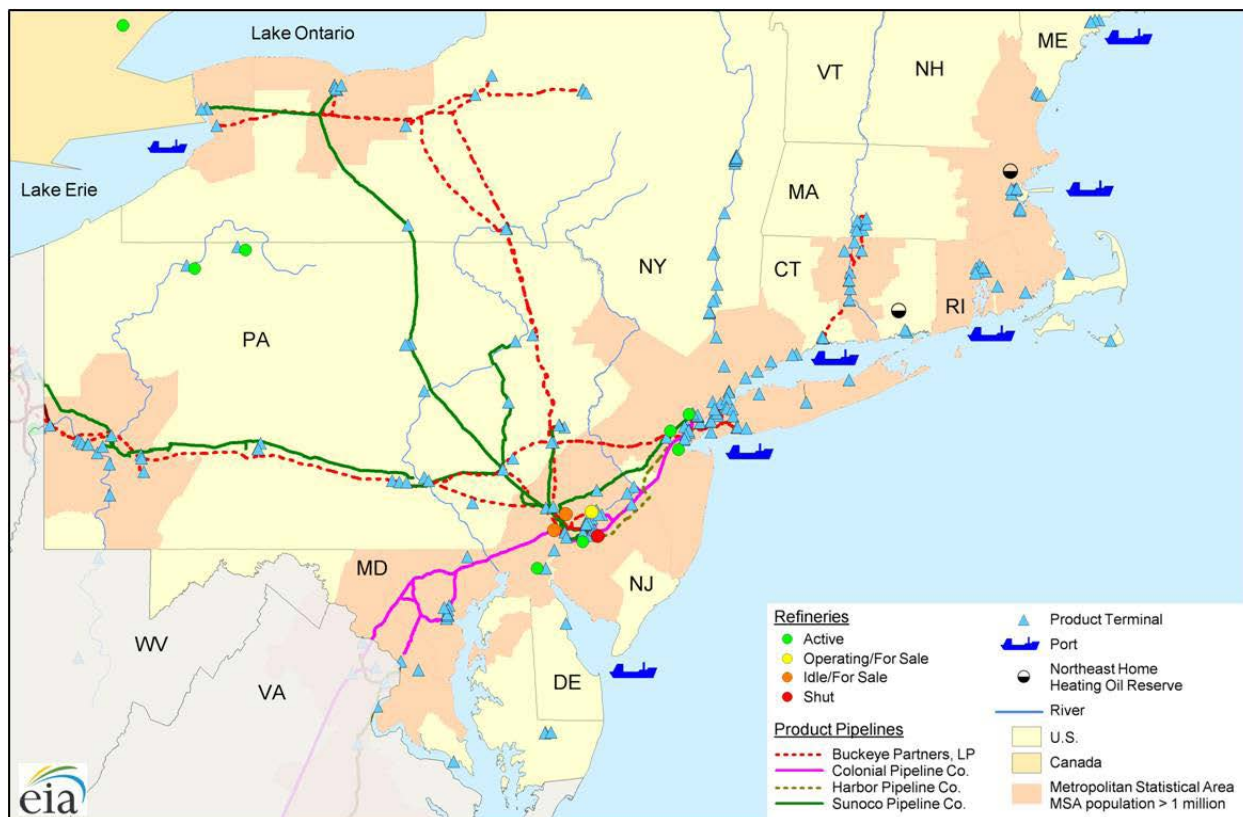
Many of the petroleum products delivered to New York Harbor are redistributed to smaller ports where they supply local demand. In particular, the Hudson River provides a major inland water route for petroleum product barges supplying eastern New York and parts of western New England. Significant volumes are shipped to New England via barge from New York Harbor. On the other side of the State, western New York product markets are primarily supplied from Canada at the Port of Buffalo, and via the Buckeye and Sunoco pipeline systems from Pennsylvania and the Midwest<sup>7</sup>

The Colonial Pipeline is the largest refined products pipeline in the US and a key products supply link for the Northeast. The pipeline provides a link from the US Gulf Coast to the New York Harbor area through the south and across the Eastern seaboard. The Trainer, Marcus Hook and Philadelphia refineries are strategically located along the pipeline. According to the EIA, more than 500,000 b/d of gasoline and distillates are delivered into the Northeast via the Colonial pipeline, which terminates in Linden, NJ. It generally takes from 14 to 24 days for a product batch on the Colonial Pipeline to get from Houston, Texas to the New York Harbor, with 18.5 days the average time.

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<sup>7</sup> <http://205.254.135.7/state/state-energy-profiles-analysis.cfm?sid=NY>

Figure I - Northeast Refined Products Market Logistics<sup>8</sup>



In 2010, Colonial Pipeline delivered nearly 850 million or 2.3 million b/d of refined products. In 2011, Colonial expanded the northern end of its Houston-to-New York system, adding 100,000 b/d of capacity. In addition, the company completed a series of system upgrades leading to more than 100,000 b/d of capacity for distillates<sup>9</sup> specifically serving the New Jersey, Pennsylvania, and New York markets. In addition, Colonial Pipeline slated an additional 100,000 b/d of gasoline and distillates capacity to be available 2013<sup>10</sup> to meet demand in the Northeast. While the expanded capacity is only on the southern portion of the pipeline, where gasoline and distillate fuels have separate lines, it should help to deliver additional volumes of ULSD on the northern portion of the line (Greensboro, NC to Linden, NJ) according to the EIA<sup>11</sup>.

Many of the petroleum products delivered to New York Harbor are redistributed to smaller ports where they supply local demand. In particular, the Hudson River, which meets the Atlantic Ocean in New York Harbor, provides a major inland water route for petroleum product barges supplying eastern New York Harbor and parts of western New England. Significant volumes are shipped to New England via barge from New

<sup>8</sup> <http://www.eia.gov/analysis/petroleum/nerefining/update/pdf/neprodmkts.pdf>

<sup>9</sup> [http://www.eia.gov/pressroom/presentations/sieminski\\_10102012.pdf](http://www.eia.gov/pressroom/presentations/sieminski_10102012.pdf)

<sup>10</sup> [http://www.colpipe.com/press\\_release/pr\\_114.asp](http://www.colpipe.com/press_release/pr_114.asp)

<sup>11</sup> <http://www.eia.gov/oog/info/twip/twiparch/120725/twipprint.html>

York Harbor. On the other side of the State, western New York product markets are primarily supplied from Canada at the Port of Buffalo, and via the Buckeye and Sunoco pipeline systems from Pennsylvania and the Midwest<sup>12</sup>.

The majority of PADD 1 refineries are located in New Jersey, Delaware and Pennsylvania, and within 100 miles of the New York Harbor area. These refineries are directly connected to the New York Harbor market by local pipelines and/or waterborne barges. A list of Northeast refineries is provided in Table I.

**Table I - Northeast Refineries**

<b>Delaware City Refinery</b>	DE	PBF Energy	182,200 b/d	Operational
<b>Port Reading</b>	NJ	Hess	70,000 b/d. Processes straight	Operational
<b>Perth Amboy</b>	NJ	Buckeye Partners	80,000 b/d, asphalt only.	Operational
<b>Bayway Refinery in Linden</b>	NJ	Phillips 66	238,000 b/d. Crude is supplied to the refinery by tanker, primarily from the North Sea, Canada and West Africa.	Operational
<b>Paulsboro Asphalt</b>	NJ	Nustar Asphalt Refining	70,000 b/d. The refinery purchases heavy crude and produces asphalt	Operational
<b>Paulsboro Refining</b>	NJ	PBF	160,000 b/d	Operational
<b>Bradford</b>	PA	American Refining Group	10,000 b/d	Operational

<sup>12</sup> <http://205.254.135.7/state/state-energy-profiles-analysis.cfm?sid=NY>

<b>Trainer</b>	PA	Monroe Energy (Delta Subsidiary)	185,000 b/d	<b>Resumed operations in Q4-2012.</b>
<b>Marcus Hook</b>	PA	Sunoco/Energy Transfer Partners	178,000 b/d. Processes light sweet oil from	Idle
<b>Philadelphia</b>	PA	Sunoco/Energy Transfer Partners and Carlyle Group	330,000 b/d	<b>Operational</b>
<b>Warren</b>	PA	United Refining Co.	70,000 b/d	Operational

Sunoco's Philadelphia refinery, now belonging to Delta Airlines, ConocoPhillips' Trainer, and Sunoco's Marcus Hook refineries had closed in late 2011 and early 2012 causing concerns about supply availability. However prior concerns have eased considerably in recent months on a combination of production and infrastructure projects completed and underway in the region reflecting both an improved outlook for regional refining activity and success in meeting logistical challenges<sup>13</sup>.

Delta Airline's Trainer refinery restarted operations late 2012 after being idle during the majority of the year<sup>14</sup>. The refinery alone represents 16% of East Coast refining capacity. Other developments, including increased product flows into the region from the Midwest (PADD 2) that were identified as a possible outcome by the EIA and an increased capacity to bring waterborne products into the product pipelines originating in the Philadelphia area, have also contributed to the easing of product supply concerns. For example, The Carlyle Group and Sunoco joint venture announced planned upgrades to the Philadelphia refinery, including the installation of a hydrocracker that will support higher ULSD yields.

Furthermore, the ability to bring in products to pipelines that feed Pennsylvania and western New York has increased as a result of Sunoco Logistics' Eagle Point Terminal in New Jersey becoming operational. With a connection to the Colonial Pipeline as well as dock capacity to bring in waterborne petroleum products and move them on the pipelines running westward, Eagle Point helps to create a more flexible infrastructure in the region.

## **Methodology: Key Components of Deliverable Supply**

In estimating deliverable supply for the New York Harbor ULSD Futures Contract, we relied on Commission long-standing precedent, which prescribes that key components of deliverable supply is

<sup>13</sup> <http://www.eia.gov/oog/info/twip/twiparch/120725/twipprint.html>

<sup>14</sup> [http://www.eia.gov/pressroom/presentations/sieminski\\_10102012.pdf](http://www.eia.gov/pressroom/presentations/sieminski_10102012.pdf)

estimated based on production and supply levels that could reasonably be considered readily available for delivery.

There are four key components that the Exchange took into account when updating the deliverable supply estimates of the NY Harbor ULSD Futures contract:

- A. *Refinery production;*
- B. *Net foreign import flows to the delivery area;*
- C. *Pipeline/barge flows to the delivery area; and*
- D. *Storage levels in the delivery area.*

The main source of data for the cash market analysis is the US Energy Information Administration (EIA), which provides detailed data on the key components of deliverable supply. The EIA provides data on a weekly, monthly, and annual basis in addition to one-time analytical studies on specific topics, such as the study on refining activity, entitled “Potential Impacts of Reductions in Refinery Activity on Northeast Petroleum Product Markets” (“Northeast Refining Study”).<sup>15</sup>

### ***A. Refinery Production and Imports***

In recent years, Northeast refineries supplied about 60% of the ULSD consumed in the Northeast. Net receipts from the Gulf Coast supply the majority of the remaining market’s needs<sup>16</sup>. According to EIA data from 2010-2012, and as presented in Table II below, the three-year average of refinery ULSD production in PADD 1 was 227,000 barrels per day, or 6.81 million barrels per month. Northeast refineries are likely to increase ULSD production, reducing the need for additional supplies from outside the region according to the EIA.

**Table II – PADD 1 Production and Imports**

ULSD (<15 ppm Sulfur), in kb/d	2010	2011	2012	Average
Refinery and Blender Net Production <sup>17</sup>	230	222	230	227
Imports <sup>18</sup>	112	96	69	92
Exports <sup>19</sup>	7	34	31	24

<sup>15</sup> <http://www.eia.gov/analysis/petroleum/nerefining/update/pdf/neprodmts.pdf>

<sup>16</sup> [http://www.eia.gov/pressroom/testimonies/howard\\_03192012.pdf](http://www.eia.gov/pressroom/testimonies/howard_03192012.pdf)

<sup>17</sup> [http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WD0TP\\_R10\\_2&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WD0TP_R10_2&f=W)

<sup>18</sup> [http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WD0IM\\_R10-Z00\\_2&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WD0IM_R10-Z00_2&f=W)

<sup>19</sup> [http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=M\\_EPDXL0\\_EEX\\_R10-Z00\\_MBBLD&f=M](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=M_EPDXL0_EEX_R10-Z00_MBBLD&f=M)

<b>Net Imports</b>	105	62	38	68
<b>Total (Production + Net Imports)</b>	<b>335</b>	<b>284</b>	<b>268</b>	<b>296</b>

A majority of ULSD imports into PADD 1 arrive in the New York Harbor area, the largest oil import hub in the US. According to the EIA's Northeast Refining Study<sup>20</sup>, approximately 65% of PADD 1 imports occur in the New York Harbor area. The three-year average for net ULSD imports into PADD 1 is 68,000 b/d (Table II), and the estimate for the Northeast region specifically –assuming a conservative 65% ratio- net imports is 44,200 b/d. This level is in line with EIA's one-time estimate for the region, which is 57,000 b/d per the Northeast Refining Study.

### ***B. Pipeline Flows and Net Receipts***

Nearly all pipeline and barge ULSD shipments into PADD 1 originate in the Gulf Coast. While the EIA provides weekly data on PADD 1 ULSD barge and pipeline receipts (See Table III below), it does not provide specific flow data by Colonial Pipeline delivery point or port of entry. However, according to the EIA's Northeast Refining Study, approximately 45% of PADD 1's receipts from PADD 3 end up in the Northeast. This estimate amounts to approximately 273,000 b/d (45% of 606,200 b/d) of ULSD flowing to the New York Harbor region from PADD 3 alone. Assuming the same 45% ratio for PADD 2 shipments into PADD 1 (45% of 14,580=6,561 b/d), total receipts of ULSD into New York Harbor is approximately 279,000 b/d.

**Table III – Shipments and Receipts of ULSD**

<b>Shipments by Pipeline, Tanker, and Barge, in kb/d</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Average</b>
<b>PADD 3 Shipments<sup>21</sup> to PADD 1</b>	548.49	635.48	634.63	606.20
<b>PADD 2 Shipments<sup>22</sup> to PADD 1</b>	11.80	14.89	17.05	14.58
<b>Total PADD 1 Receipts</b>	560.29	650.37	651.68	620.78

### ***C. Inventories of ULSD in the New York Harbor Market***

New York Harbor has a petroleum bulk terminal storage capacity of over 75 million barrels, making it the largest petroleum product hub in the country. The International-Matex Tank Terminals ("IMTT") is a

<sup>20</sup> <http://www.eia.gov/analysis/petroleum/nerefining/update/pdf/neprodmkts.pdf>

<sup>21</sup> [http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MD0MX\\_R10R30\\_1&f=M](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MD0MX_R10R30_1&f=M)

<sup>22</sup> [http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MD0MX\\_R10-R20\\_1&f=M](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MD0MX_R10-R20_1&f=M)

privately-held storage and handling company, and holds about one third of storage market share in New York Harbor. The IMTT terminal in Bayonne, New Jersey has 620 tanks, 16 million barrels total capacity ranging in size from 5,000 gallons through 250,000 barrels. The IMTT terminal holds 5-8 million barrels of distillate fuels in storage according to market sources.

In addition to commercial stocks held in New York Harbor terminals, the Northeast Heating Oil Reserve, which was established in 2000 to provide heating fuel supply security in the Northeast, is stored in three terminals in the NYH area: Perth Amboy, New Jersey, and New Haven and Groton, Connecticut. The storage terminal located at Perth Amboy is the largest of the three, with a capacity of almost 1 million barrels.

The three-year average of ULSD stocks held in the Central Atlantic, or PADD 1b, region is approximately 10 million barrels (See Table IV). According to market participants, the New York Harbor area, which includes storage terminals in New York and New Jersey, accounts for 50% to 60% of the inventories reported in EIA’s PADD 1b statistics. Using a conservative estimate of 50% of PADD 1b inventories, the average stock level of ULSD is estimated to be 5 million barrels in New York Harbor.

**Table IV – ULSD Stocks**

Thousand Barrels	PADD 1	PADD 1b (Central Atlantic)
2010	23,250	10,347
2011	23,713	10,347
2012	20,930	9,470
Average	22,631	10,071

Based on estimates from industry experts, we determined that the operational minimum levels for storage tanks in the New York Harbor area are approximately 10%. Therefore, we estimate that approximately 500,000 of the 5 million barrels of stored ULSD are used for operations, leaving 4.5 million barrels available for spot month delivery.

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Type
NY Harbor ULSD vs. Low Sulphur Gasoil (1,000bbl) Futures	371	NLS	1,000	Barrels	Futures
NY Harbor ULSD vs. Low Sulphur Gasoil (1,000mt) Futures	254	SLS	1,000	Metric tons	Futures



Settlement	Group	Diminishing Balance Contract	Reporting Level	Spot-Month position comprised of futures and deliveries	Position Limit in Shipping Certificates, Warehouse Receipts	Spot-Month Aggregate Into Futures Equivalent Leg (1)	Spot-Month Aggregate Into Futures Equivalent Leg (2)
Financially Settled Futures	Refined Products	Y	25			23	LSP
Financially Settled Futures	Refined Products	Y	25			23	LSP

Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio Leg (2)	Spot-Month Accountability Level	Initial Spot- Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
1 NLS : 1 23	.745 NLS : 1 LSP		1,000/10,000
1 SLS : 7.45 23	1 SLS : 10 LSP		1,000/10,000

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Initial Spot-Month Limit Effective Date

For 23: Close of trading 3 business days prior to last trading day of the contract and for LSP: Close of trading 3 business days prior to last trading day of the contract

For 23: Close of trading 3 business days prior to last trading day of the contract and for LSP: Close of trading 3 business days prior to last trading day of the contract

Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)	Second Spot-Month Limit (In Net Futures Equivalent)	Second Spot-Month Limit Effective Date	Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)	Single Month Aggregate Into Ratio Leg (1)	Single Month Aggregate Into Ratio Leg (2)	Single Month Accountability Level Leg (1) / Leg (2)
1,000,000/1,000,000			23	LSP	1 NLS : 1 23	.745 NLS : 1 LSP	5,000/50,000
1,000,000/1,000,000			23	LSP	1 SLS : 7.45 23	1 SLS : 10 LSP	5,000/50,000

Single Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	"Intra Crop Year Spread Allowance"	All Month Aggregate Into Futures Equivalent Leg (1)	All Month Aggregate Into Futures Equivalent Leg (2)	All Month Aggregate Into Ratio Leg (1)	All Month Aggregate Into Ratio Leg (2)	All Month Accountability Level Leg (1) / Leg (2)	All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)
		23	LSP	1 NLS : 1 23	.745 NLS : 1 LSP	7,000/70,000	
		23	LSP	1 SLS : 7.45 23	1 SLS : 10 LSP	7,000/70,000	