



November 29, 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 Regarding the Listing of a New Canadian Light Sweet Oil (Net Energy) Index Futures Contract for Trading on CME Globex and the NYMEX Trading Floor, and for Clearing through CME ClearPort. NYMEX Submission No. 13-551**

Dear Ms. Jurgens:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of a new Canadian Light Sweet Oil (Net Energy) Index futures contract for trading on CME Globex and the NYMEX trading floor, and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, December 15, 2013, for trade date December 16, 2013. The first listed contract month will be February 2014.

Pursuant to Commission Regulation 40.2(a), NYMEX is separately self-certifying block trading on this Contract with a minimum threshold of 5 contracts as listed in NYMEX/COMEX Submission No. 13-542.

The contract specifications are provided below:

<b>Contract Name</b>	Canadian Light Sweet Oil (Net Energy) Index Futures
<b>Commodity Code</b>	CIL
<b>Chapter</b>	1211
<b>Settlement Type</b>	Financial
<b>Contract Size</b>	1,000 barrels
<b>Termination of Trading</b>	Trading shall cease on the last business day of the month prior to the contract month.
<b>Minimum Price Fluctuation</b>	\$0.001 per barrel
<b>Floating Price</b>	Net Energy
<b>First Listed Month</b>	February 2014
<b>Listing Convention</b>	CME Globex: 1 month CME ClearPort and NYMEX PIT shall be listed for the current year

	plus next 4 years.
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Trading Hours:

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 and Clearing Fees:

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
<b>Pit</b>	\$2.00	\$2.00	\$2.25	\$2.50	
<b>Globex</b>	\$2.00	\$2.00	\$2.25	\$2.50	\$2.25
<b>ClearPort</b>		\$2.00		\$2.50	

Other Processing Fees		
	Member	Non-Member
<b>Cash Settlement</b>	\$.25	\$.25

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

In addition, the Exchange is self-certifying the insertion of the non-reviewable ranges (“NRR”) for the futures contract into Rule 588.H. (See Appendix C: Rule 588.H. – Non-reviewable Range Table).

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

- Prevention of Market Disruption: Trading in this contract will be subject to the NYMEX rules (“Rulebook”) Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group’s designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department.
- Contracts not Readily Susceptible to Manipulation: The new contract is not readily susceptible to manipulation due to the liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement index.

- Compliance with Rules: Trading in this contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Position Limitations or Accountability: The spot month position limit for the contract is set at less than the threshold of 25% of the deliverable supply in the underlying market in accordance with the Commission guidelines.
- Availability of General Information: The Exchange will publish information of the contract's specifications 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 Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contract is dually listed for clearing through the CME ClearPort platform and for open outcry trading on the NYMEX trading floor. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as a 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 Rulebook. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.
- Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to 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 new product listing complies with the Act, including regulations under the Act. A description of the cash market for this new product is attached. (See Appendix D: Cash Market Overview and Analysis of Deliverable Supply).

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

## Appendix A

### **Chapter 1211 Canadian Light Sweet Oil (Net Energy) Index Futures**

#### **1211100. SCOPE OF CHAPTER**

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

#### **1211101. CONTRACT SPECIFICATIONS**

The Floating Price for each contract month is equal to the simple arithmetic average of the Net Energy Canadian Daily Index (CDI) for "NE2 Sweet" during the pricing period for the contract month. The pricing period shall extend from the first Canadian business day of the month through the last Canadian business day prior to Notice of Shipments date on the Enbridge Pipeline.

#### **1211102. TRADING SPECIFICATIONS**

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

##### **1211102.A. Trading Schedule**

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

##### **1211102.B. Trading Unit**

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

##### **1211102.C. Price Increments**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel.

##### **1211102.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.

##### **1211102.E. Termination of Trading**

Trading shall cease one Canadian business day prior to the Notice of Shipments (NOS) date on the Enbridge Pipeline. The NOS date occurs on or about the 20th calendar day of the month, subject to confirmation by Enbridge. The official schedule for NOS dates will be made publicly available by the Enbridge Pipeline.

#### **1211103. FINAL SETTLEMENT**

Final settlement under the contract shall be by cash settlement. Final settlement following the termination of trading for a contract month will be based on the Floating Price.

#### **1211104. DISCLAIMER**

Net Energy licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Net Energy price assessments in connection with the trading of the contracts.

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**Appendix B**

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

(Attached under separate cover)

**Appendix C**

**NYMEX Rule 588.H. Non-Reviewable Range Table**

<b>Contract</b>	<b>Non-Reviewable Range (NRR) in Globex format</b>	<b>NRR including Unit of Measure</b>	<b>NRR Ticks</b>
Canadian Light Sweet Oil (Net Energy) Index Futures	1000	\$1.00 per barrel	1000



## **Appendix D**

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

#### **CONTRACT OVERVIEW**

The New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is self-certifying the listing of a financially-settled Canadian Light Sweet Oil Index Futures contract. The price for each contract month is equal to the simple arithmetic average of the Net Energy’s “NE2 Sweet” index, which is composed of all physical deliverable trades of Canadian sweet oil streams at Edmonton, Alberta. In this analysis, the Exchange proposes a spot month position limit of 1500 contracts.

#### **Index Provider**

The Exchange has a licensing agreement with Net Energy to utilize their price index. Net Energy is a major Canadian oil trade execution and price information platform consisting of more than 150 traders from 60 different oil companies and 400 authorized viewers from 100 companies<sup>1</sup>. Buyers and sellers of Canadian crude oil across North America use the Net Energy screen daily, either by actively trading or by following market activity, making Net Energy the largest volume trading system of its kind.

Net Energy has a strong reputation in the industry for publishing fair and balanced price benchmarks. The Alberta provincial government utilizes Net Energy indices in their monthly pricing mechanism to value extracted oil barrels for taxation purposes. Net Energy pricing methodology to determine the NE2 Sweet Index is derived from actual physical transactions done as reported via telephone or electronic media by multiple market participants. Only firm bids, offers, and confirmed trades are published on Net Energy’s trading platform, and price valuation and settlements are conducted in an independent manner. The Exchange evaluated the daily transactions, bids, and offers in the underlying physical market to ensure that the Net Energy NE2 Sweet Index is based on a robust and highly contested market that is not readily susceptible to manipulation.

#### **Pricing**

Canadian crude oil is priced in US Dollars and cents per barrel, and typically traded at a differential to the NYMEX Light Sweet Crude Oil Futures (CL) contract. Prices are primarily dependent on the US Midwest market, adjusted for quality and transportation costs from the Edmonton hub in Alberta. The Exchange’s new financially-settled Canadian Light Sweet Oil Index Futures contract is expressed as a differential to the Calendar Month Average (CMA) of the NYMEX Light Sweet Crude Oil futures settlement price.

Net Energy generates average price indices based on physical trading activity on its platform for the month prior to the delivery period for each relevant market. The index price for each contract month is the simple average of the daily volume-weighted average prices of sweet oil transactions executed during the pricing window. This window extends from the first Canadian business day of the month through the last Canadian business day penultimate to Notice of Shipments (NOS) date on the Enbridge Pipeline.

#### **Data Sources (Deliverable Supply)**

The Canadian Association of Petroleum Producers (CAPP) is a trade association whose member companies produce more than 90% of Canada’s natural gas and crude oil. CAPP maintains a variety of publications and statistics on the oil and natural gas industry. CAPP represents 130 upstream oil and gas companies.

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<sup>1</sup> See NetEnergy Summary Facts available at <http://www.ne2.ca/overview.htm>.

CAPP annually publishes its long-term outlook for Canadian crude oil production to provide a basis on which to build a common understanding among stakeholders, including industry, governments, and the general public regarding the growth in Canadian supply and the need for additional market access. The report discusses market opportunities available in North America and globally; and transportation projects being developed to connect the growing crude oil supplies to various markets. The latest of the series, the 2013-2030 CAPP Crude Oil Forecast, Markets & Transportation<sup>2</sup> constitutes the main source of data the Exchange utilized for its deliverable supply analysis.

CAPP forecasts rely on both historical trends and the results of CAPP producer surveys. After accounting for existing and planned projects as well as the results of the producer surveys, CAPP forecasts two forecast scenarios; one growth scenario determined by the assumption of proposed projects coming to fruition and one relying solely on existing and in-construction projects. The Exchange used the latter more conservative approach when reviewing and using CAPP forecasts.

In addition to CAPP, the Alberta Energy Ministry<sup>3</sup> and the Canadian National Energy Board<sup>4</sup> (NEB) provide detailed information and statistics on Canadian oil production, exports and reserves. The NEB is a Canadian federal agency that regulates international and interprovincial aspects of the oil, gas and electric industries, and compiles an extensive database of industry statistics. The Exchange relied on quarterly exports data from the NEB for its calculation of exports. The quarterly Canadian exports by destination and crude grade data extend back to the first quarter of 2009.

## Production

Crude oil is categorized by reference to its density and sulfur content. Canadian light sweet oil has an API gravity range of 39-40.<sup>5</sup> Approximately 30% of all oil production in Canada is light crude oil.<sup>6</sup> Table 1 below illustrates the specifications of select Canadian light crude oil streams.

**Table 1 – Selected Specifications of Sweet Oil Streams, Five-Year Average<sup>7</sup>**

Stream	Density (kg/m <sup>3</sup> )	Gravity (API)	Sulfur (%)
Rangeland Sweet	826	39.6	0.39
Kerrobert Sweet	845	35.9	0.30
Mixed Sweet Blend	827	39.4	0.44
Tundra Sweet	825	39.9	0.40
Gibson Light Sweet	827	39.5	0.44

Canada's 173 billion barrels of proven crude oil reserves are the world's third largest after Venezuela and Saudi Arabia. Canadian crude oil is chiefly sourced from Western Provinces, Northwest Territories and Atlantic Canada. Notably, Alberta in western Canada accounts for more than 96% of the country's oil

<sup>2</sup> CAPP Crude Oil Forecast, Markets & Transportation Report, available at <http://www.capp.ca/forecast/Pages/default.aspx>.

<sup>3</sup> Alberta Energy Website, available at <http://www.energy.alberta.ca/index.asp>.

<sup>4</sup> Canadian National Energy Board Website, available at <http://www.neb-one.gc.ca/clf-nsi/rcmmn/hm-eng.html>.

<sup>5</sup> See [crudemonitor.ca](http://www.crudemonitor.ca/home.php) Specifications, available at <http://www.crudemonitor.ca/home.php>.

<sup>6</sup> Excluding synthetic crude oil which is also a light grade.

<sup>7</sup> Information derived from [crudemonitor.ca](http://www.crudemonitor.ca/home.php) Specifications, available at <http://www.crudemonitor.ca/home.php>.

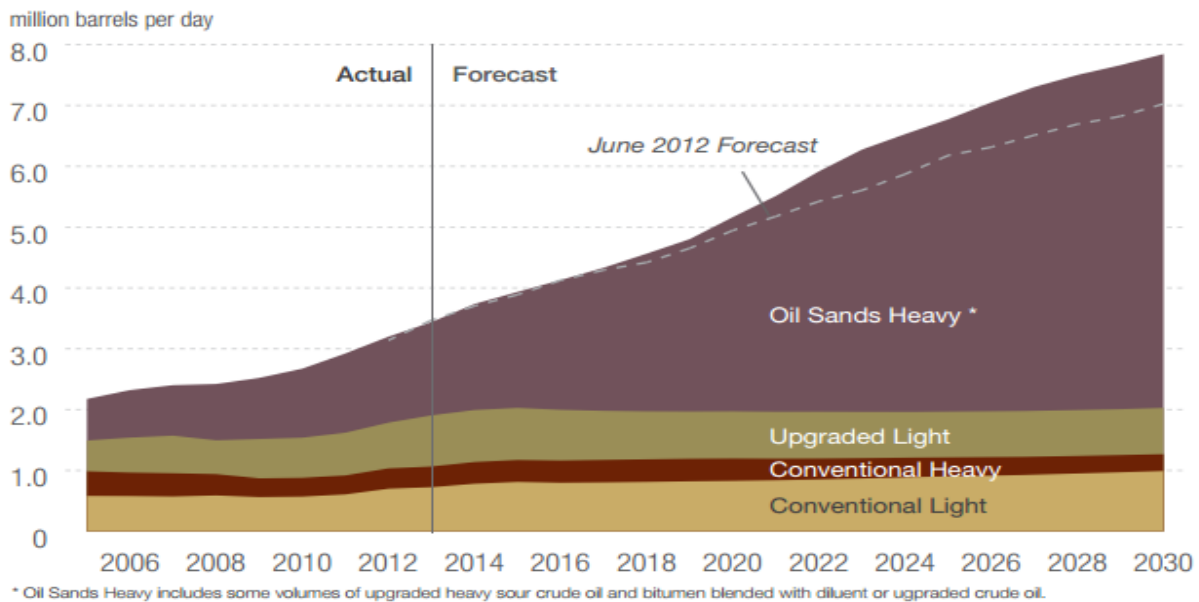
reserves. In 2012, Western Canada produced an average of 3 million b/d crude oil.<sup>8</sup> Table 2 below illustrates production of light and all crude grades in Canada from 2007-2011.

**Table 2 – Canadian Light Oil Production<sup>9</sup> (converted thousand b/d)**

Year	Light Crude	All Grades	Percent Light
2007	889	2,766	32%
2008	884	2,725	32%
2009	783	2,705	29%
2010	803	2,816	29%
2011	833	2,919	29%

The split between heavy and light conventional crude oil will remain essentially constant to 2030, according to CAPP. Figure 1 below illustrates actual and forecasted Canadian oil production by grade. Accordingly, conventional light crude oil is expected to remain around 1 million b/d.<sup>10</sup>

**Figure 1 – CAPP Canadian Oil Production<sup>11</sup>**



<sup>8</sup> CAPP Crude Oil Forecast, Markets & Transportation Report, available at <http://www.capp.ca/getdoc.aspx?DocId=227308>.

<sup>9</sup> CAPP Canadian Crude Oil Production by Type Chart, available at <http://membernet.capp.ca/SHB/Sheet.asp?SectionID=999&SheetID=233> (conversion factor of 6.292 was used to convert cubic meters to barrels).

<sup>10</sup> CAPP Crude Oil Forecast, Markets & Transportation Report, available at <http://www.capp.ca/getdoc.aspx?DocId=227308>.

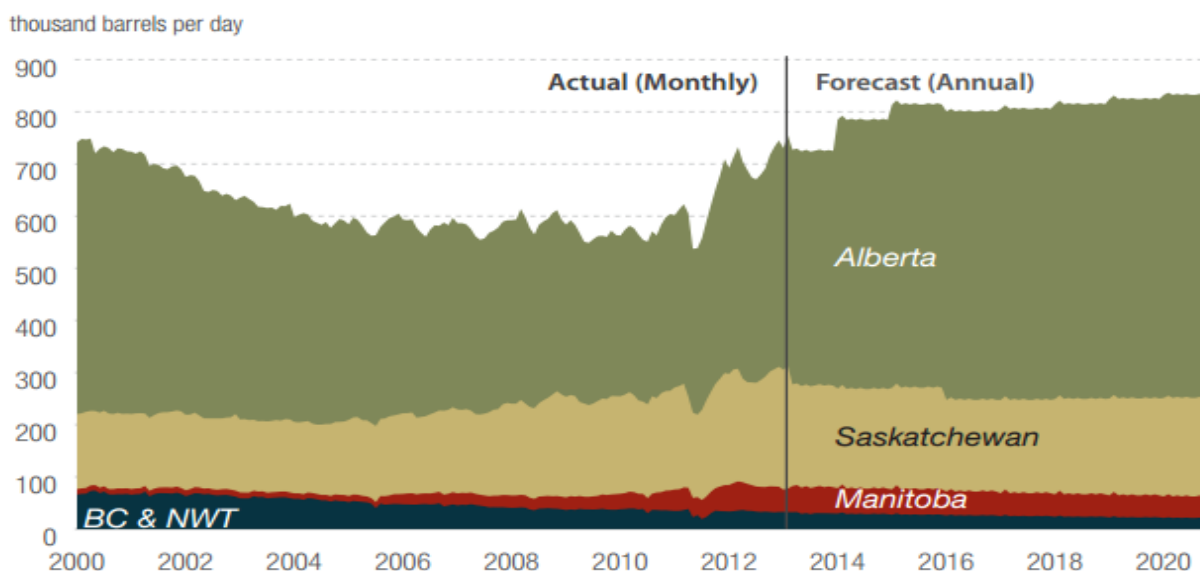
<sup>11</sup> CAPP Canadian Crude Oil Production by Type Chart, available at <http://membernet.capp.ca/SHB/Sheet.asp?SectionID=999&SheetID=233> (a conversion factor of 6.292 was used to convert cubic meters to barrels).

Western Canadian crude oil production can be divided between conventional and oil sands production. Oil sands production essentially only occurs in the province of Alberta, while conventional resources underlie Alberta, northeast British Columbia, Saskatchewan and parts of Manitoba and the Northwest Territories. Most of the conventional production comes from Alberta and Saskatchewan and is primarily light crude oil. Canada has benefited from horizontal drilling which accounts for 2,379 of the 3,107 new oils wells placed on production in 2012, according to the Alberta Energy Resources Conservation Board (ERCB). Alberta's oil production was 556,000b/d in 2012 and is expected to increase to 813,000 b/d by 2030.

The application of advanced drilling technology to previously inaccessible tight oil reserves has reversed the steady decline seen in conventional production over the last several decades. Currently conventional production in Western Canada is 1.2 million b/d and is expected to grow to 1.4 million b/d by 2015. Light, tight crude oil production is expected to account for most of this growth.

Figure 2 and Table 3 below display actual and forecasted oil production of light and medium crude oil in Western Canada by region.<sup>12</sup>

**Figure 2 – CAPP Western Canadian Light Oil Production**



**Table 3 – Canadian Light/Medium Oil Production (thousand b/d)<sup>13</sup>**

Year	Western Canada	All Canada
2007	575.63	946.16

<sup>12</sup> CAPP Crude Oil Forecast, Markets & Transportation Report, available at <http://www.capp.ca/getdoc.aspx?DocId=227308> (virtually (about 95%) all oil classified under CAPP's "Light and Medium" category falls under light crude oil specifications according to CAPP's historical data).

<sup>13</sup> See <http://www.capp.ca/forecast/Pages/default.aspx>.

<b>2008</b>	592.88	936.98
<b>2009</b>	566.71	836.02
<b>2010</b>	573.72	851.20
<b>2011</b>	610.10	878.26
<b>2012</b>	703.75	902.14
<b>2013</b>	728.79	947.79

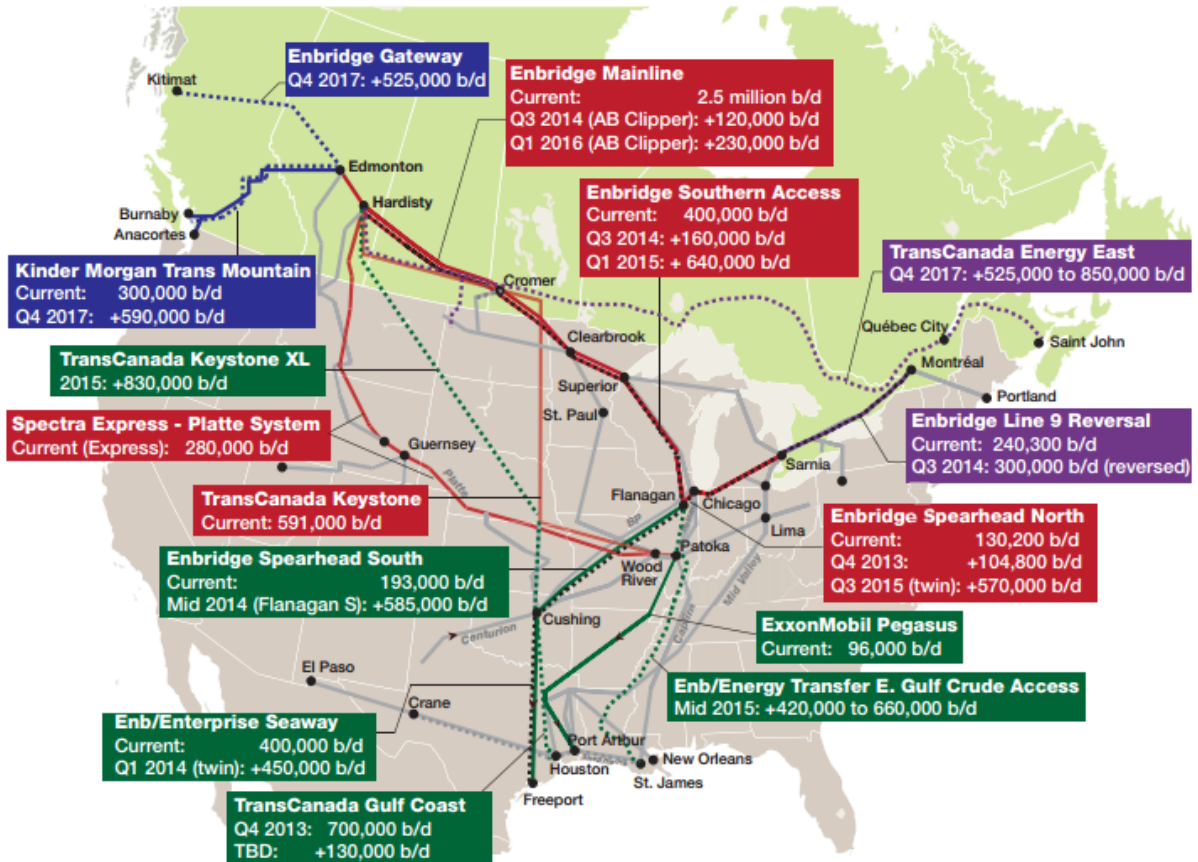
### Transportation

Sweet crude oil is shipped by underground pipelines to refineries to be further processed into petroleum products across North America. The logistics network required to supply petroleum products from the refineries to end-users is a complex system of pipelines, ships, railways and trucks. Often several methods of transportation are used to move petroleum products from the refineries, ports and large terminals. The United States is the primary market for western Canadian crude oil, but new market opportunities are emerging in Asia where crude oil demand has grown significantly.

The two major pipeline systems from Canada to the U.S. are Enbridge and Kinder Morgan pipelines originating at Edmonton, Alberta. The Enbridge system is the largest crude oil pipeline in the world and is the main transporter of crude oil from Western Canada to the US Midwest, or PADD II. The Enbridge Mainline current capacity is 450,000 b/d and connects western Canada, Montana and North Dakota to markets in western Canada, the US Midwest and Ontario. The Enbridge Pipeline delivers on average more than 2.4 million b/d of crude oil and liquids. Figure 3 below illustrates existing and proposed pipeline projects in Canada and the US.

**Figure 3 – Canadian Pipeline Infrastructure<sup>14</sup>**

<sup>14</sup> CAPP Crude Oil Forecast, Markets & Transportation Report, available at <http://www.capp.ca/getdoc.aspx?DocId=227308>.



Given the growing Canadian production outlook, the need to reach new markets is a top priority for Canadian oil producers. A fundamental shift is occurring in the market due to strong growth in light crude oil production, which is replacing offshore imports to the light oil refineries in eastern Canada and the United States. Several pipeline project proposals have been announced that could increase the capacity by up to 3.1 million b/d during the next five years. Table 4 below lists pipeline proposals through the end of 2017.

**Table 4 – Western Canadian Pipeline Proposals**

Pipeline	Increase Capacity (thousand b/d)	Target InService
Enbridge Alberta Clipper Expansion	+120	Q3-2014
Enbridge Alberta Clipper Expansion	+230	Q1-2016
Trans Mountain Expansion	+590	Q4-2017
TransCanada Keystone XL	+830	2015
Enbridge Northern Gateway	+525	Q4-2017
TransCanada Energy East	+525 to 850	Q4-2017
<b>Total Proposed Capacity</b>	<b>+2,820 to 3,145</b>	

Transporting crude by rail has also been growing quickly in western Canada with 12,989 rail cars (1.1 million tons) loaded in February 2013, a 60% growth from the previous year, according to CAPP. Transporting by rail is costly but has advantages over pipelines as it can be used when pipeline bottlenecks are alleviated and extends to markets that are not connected by pipelines.

The Edmonton hub in Alberta is a major refining, storage and transportation hub, well-connected to upstream and downstream operations. Edmonton is connected to inland North American markets via the Enbridge Pipeline and to the West Coast of Canada and offshore markets via the Trans Mountain Pipeline. Kinder Morgan Canada is the operator of both Trans Mountain Pipeline and the Edmonton terminals. The Edmonton terminal has 20 incoming feeder lines from throughout Alberta and contains 19 storage tanks with an overall volume of 2.4 million barrels.<sup>15</sup>

## Trade

In 2012, Canadian refineries processed only 894,000 b/d of western Canadian crude oil. The remaining 2.3 million b/d or 72% of available supplies was exported to the U.S. Midwest, which is the largest regional market for western Canadian crude oil<sup>16</sup>. The U.S. Midwest is the primary export market for western Canadian crude oil, representing more than half of all crude exported out of Canada. PADD II had a total capacity of 3.8 million b/d as of 2012 and the refineries received 1.7 million b/d of foreign sourced crude oil, most of which was from western Canada.

**Table 5 – Canadian Light Crude Oil Exports, b/d<sup>17</sup>**

<b>Quarter</b>	<b>To United States</b>	<b>All</b>
<b>Q1-2010</b>	<b>383,625</b>	<b>383,625</b>
<b>Q2-2010</b>	<b>425,829</b>	<b>433,776</b>
<b>Q3-2010</b>	<b>395,334</b>	<b>406,184</b>
<b>Q4-2010</b>	<b>423,017</b>	<b>444,899</b>
<b>Q1-2011</b>	<b>413,670</b>	<b>428,115</b>
<b>Q2-2011</b>	<b>446,878</b>	<b>455,770</b>
<b>Q3-2011</b>	<b>458,457</b>	<b>493,003</b>
<b>Q4-2011</b>	<b>486,168</b>	<b>507,822</b>
<b>Q1-2012</b>	<b>528,481</b>	<b>528,481</b>

<sup>15</sup> See Kinder Morgan Summary, available at [http://www.kindermorgan.com/business/terminals/west\\_canada/W-C-North40-Edmonton.pdf](http://www.kindermorgan.com/business/terminals/west_canada/W-C-North40-Edmonton.pdf).

<sup>16</sup> CAPP Crude Oil Forecast, Markets & Transportation Report, available at <http://www.capp.ca/getdoc.aspx?DocId=227308>.

<sup>17</sup> See National Energy Board Estimated Canadian Crude Oil Exports by Type and Destination Page, available at <http://www.neb-one.gc.ca/clf-nsi/rnrgynfmrtn/sttstc/crdlnDptrlmprdct/stmtdcndncrdlxprttpdstn-eng.html>.

<b>Q2-2012</b>	<b>482,128</b>	<b>497,656</b>
<b>Q3-2012</b>	<b>410,036</b>	<b>438,278</b>
<b>Q4-2012</b>	<b>497,627</b>	<b>539,587</b>
<b>Q1-2013</b>	<b>459,133</b>	<b>531,354</b>
<b>Q2-2013</b>	<b>506,803</b>	<b>594,434</b>

Strong refinery demand, geographic proximity and established pipeline infrastructure are factors making PADD II the biggest consumer of western Canadian crude oil. Canadian exports into PADD II are expected to grow on new pipeline or expansion projects are in the planning phase. PADD I has also increased Canadian crude oil exports due to previously idled refinery capacity restarting in 2012 which mostly refine light sweet crude.

### **Analysis of Deliverable Supply**

In its analysis of deliverable supply, the Exchange has focused on the light sweet crude oil production adjusted for exports. As noted in the previous section, exports are a substantial portion of the Canadian light sweet crude oil market given the level of energy trade and infrastructure integration between Canada and the United States. Hence, the deliverable supply estimates used in this analysis solely represents volume available to Canadian domestic markets and may underestimate the size of the cash market. In its analysis light crude oil production, the Exchange adjusted CAPP's production figures by 95% to account for the small volume of conventional medium grade crude oil.

Table 6 below summarizes the data used in calculating the Exchange's deliverable supply estimates.

**Table 6 – Canadian Light Sweet Oil Deliverable Supply, b/d**

	<b>Light and Medium Production</b>	<b>Light Production (95% of Light &amp; Medium)</b>	<b>Light Exports</b>	<b>Deliverable Supply</b>	<b>Contract Equivalent</b>
<b>2010</b>	851,200	808,640	417,121	391,519	11,746
<b>2011</b>	878,260	834,347	471,178	363,170	10,895
<b>2012</b>	902,140	857,033	501,001	356,033	10,681
<b>2013</b>	947,790	900,401	562,894	337,507	10,125
<b>Average (2010-2013)</b>	<b>894,848</b>	<b>850,105</b>	<b>488,048</b>	<b>362,057</b>	<b>10,862</b>

According to Table 6, the available supply of light crude oil to domestic Canadian markets is approximately 362,000 barrels per day, or approximately 10.86 million barrels per month. This is equivalent to 10,862 contracts. Hence, the spot month position limit of 1,500 contracts are approximately 14% of the monthly deliverable supply.



By comparison, the CAPP supply estimates can be observed in Table 7 below. These estimates fall significantly above the Exchange's as they consider the integrated markets of Canada and United States as one big trading hub as opposed to singling out exports as a reduction in deliverable supply.

**Table 7 – Canadian Blended Light and Medium Oil Supply to Trunk Pipelines and Markets<sup>18</sup>**

<b>Year</b>	<b>Quantity (b/d)</b>
<b>2007</b>	571,631
<b>2008</b>	588,884
<b>2009</b>	562,708
<b>2010</b>	569,715
<b>2011</b>	606,097
<b>2012</b>	699,753
<b>2013</b>	724,698

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<sup>18</sup> See <http://www.capp.ca/forecast/Pages/default.aspx>.

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Type
Canadian Light Sweet Oil (Net Energy) Index Futures	1211	CIL	1,000	Barrels	Futures

Settlement	Group	Diminishing Balance Contract	Reporting Level	Spot-Month position comprised of futures and deliveries	Spot-Month Aggregate Into Futures Equivalent Leg (1)	Spot-Month Aggregate Into Futures Equivalent Leg (2)	Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio Leg (2)
Financially Settled Futures	Crude Oil	Y	25		CIL			

Spot-Month				
Spot-Month Accountability Level	Initial Spot- Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	Initial Spot-Month Limit Effective Date	Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)	Single Month Aggregate Into Futures Equivalent Leg (1)
	1,500	Close of trading 3 business days prior to last trading day of the contract	1,500,000	CIL

Single Month					All Month				
Single Month	Single	Single	Single Month	Single Month	All Month	All Month	All Month	All Month	All Month
Aggregate Into	Month	Month	Accountability	Limit (In Net	Aggregate Into	Aggregate Into	Aggregate	Aggregate	Accountability
Futures	Aggregate	Aggregate	Level Leg (1) /	Futures	Futures	Futures	Aggregate	Aggregate	Level Leg (1) /
Equivalent Leg	Into Ratio	Into Ratio	Leg (2)	Leg (1) / Leg	Equivalent Leg	Equivalent Leg	Into Ratio	Into Ratio	Leg (1) /
(2)	Leg (1)	Leg (2)		(2)	(1)	(2)	Leg (1)	Leg (2)	Leg (2)
			10,000		CIL				20,000

All Month  
Limit (In Net  
Futures  
Equivalents)  
Leg (1) / Leg  
(2)