SUBMISSION COVER SHEET

***IMPORTANT*: Check box if Confidential Treatment is requested** ☐

Registered Entity Identifier Code (optional): 24-005 (2 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): 01/11/24 Filing Description: Initial Listing of Three (3) LNG Freight 174,000 Cubic Metre (Baltic) Futures Contracts

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: See filing.

Rule Numbers: See filing.

Timothy Elliott
Managing Director and Chief Regulatory Counsel
Legal Department

January 11, 2024

VIA ELECTRONIC PORTAL

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

Re: CFTC Regulation 40.2(a) Certification. Initial Listing of Three (3) LNG Freight 174,000 Cubic Metre (Baltic) Futures Contracts.
NYMEX Submission No. 24-005 (2 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 listing of three (3) LNG freight 174,000 cubic metre futures contracts (the "Contracts") based on the vessel size of 174,000 cubic metres for trading on the CME Globex electronic trading platform ("CME Globex") and for submission for clearing via CME ClearPort effective Sunday, January 28, 2024, for trade date Monday, January 29, 2024.

Contract Title	**LNG Freight Route Australia to Japan RV (BLNG1 - 174) (Baltic) Futures**	**LNG Freight Route US Gulf to Continent RV (BLNG2 - 174) (Baltic) Futures**	**LNG Freight Route US Gulf to Japan RV (BLNG3 - 174) (Baltic) Futures**
Rulebook Chapter	519	520	521
CME Globex and CME ClearPort Code	BG1	BG2	BG3
Settlement Type	Financial		
Contract Size	1 day of time charter		
Pricing Quotation	U.S. dollars per day		
Minimum Price Fluctuation	$1.00 per day of time charter		
Value per tick	$1.00		
Listing Schedule	Monthly contracts listed for the current year and the next two (2) consecutive calendar years. List monthly contracts for a new calendar year following the termination of trading in the November contract month of the current year.		
First Listed Contract Month	February 2024		
Termination of Trading	**For the January to November contract months inclusive:** Trading terminates on the last day of the settlement period on which the Index is published by The Baltic Exchange (usually a Tuesday or a Friday). **For the December contract months:** Trading terminates on the 24th calendar day of the month assuming this is a day on which the Index is		

	published by The Baltic Exchange (usually a Tuesday or a Friday), or the first preceding day where the Index price is published.
Settlement Period	For contract months referenced to a calendar month **January to November inclusive**, the Settlement Period shall be the full calendar month. For contract months referenced to the **December** calendar month, the Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.
Block Trade Minimum Threshold Level	5 contracts – subject to a 15-minute reporting window
CME Globex Match Algorithm	First-In, First-Out (FIFO)
Trading and Clearing Hours	**CME Globex Pre Open**: Sunday 4:00 p.m. - 5:00 p.m. Central Time/CT Monday – Thursday 4:45 p.m. - 5:00 p.m. CT **CME Globex**: Sunday 5:00 p.m. - Friday 4:00 p.m. CT with a daily maintenance period from 4:00 p.m. - 5:00 p.m. CT **CME ClearPort**: Sunday 5:00 p.m. - Friday 4:00 p.m. CT with no reporting Monday - Thursday from 4:00 p.m. - 5:00 p.m. CT

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA") and identified that the Contracts may have some bearing on the following Core Principles:

- **Compliance with Rules**: Trading in the Contracts will be subject to the rules in NYMEX 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 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 these products 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.

- **Contracts Not Readily Subject to Manipulation**: The Contracts are not readily subject to manipulation because of its structural attributes, underlying market, and reliance on a well administered index. The Contracts final settle against an index based on market assessments published by The Baltic Exchange and licensed to the Exchange.

- **Prevention of Market Disruption**: Trading in the Contracts will be subject to Rules of NYMEX, which include prohibitions on manipulation, price distortion and disruption to the cash settlement 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 the Contracts as demonstrated in this submission are consistent with the Commission's guidance.

- **Availability of General Information**: The Exchange will publish on its website information regarding the Contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information.

- **Daily Publication of Trading Information**: The Exchange will publish the trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contracts.

- **Execution of Transactions**: The Contracts will be listed for trading on the CME Globex electronic trading and for clearing through the CME ClearPort. The CME Globex 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.

- **Financial Integrity of Transactions**: The Contracts will be cleared by the CME Clearing House, a derivatives clearing organization registered with the CFTC and subject to all CFTC regulations related thereto.

- **Protection of Market Participants**: NYMEX Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all the Exchange's competitive trading venues and will be applicable to transactions in the Contracts.

- **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 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 the Contracts 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.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange certifies that the Contracts comply 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 (312) 466-7478 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Timothy Elliott
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: Exchange Fees
Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

EXHIBIT A

NYMEX Rulebook

Chapter 519
LNG Freight Route Australia to Japan RV (BLNG1 - 174) (Baltic) Futures

519100. 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.

519101. CONTRACT SPECIFICATIONS

The floating price for each contract month is equal to arithmetic average of the USD per day rate for the BLNG1 - 174 freight route (i.e. Australia to Japan Round Voyage) for cargoes of 174,000 cubic metres, or as subsequently amended, published by The Baltic Exchange for each day that is published during the Settlement Period. The Floating Price shall be rounded to the nearest $0.01.

519102. TRADING SPECIFICATIONS

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

519102.A. Trading Schedule

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

519102.B. Trading Unit

The contract quantity shall be 1 day of time charter. Each contract shall be valued as the contract quantity (1) multiplied by the settlement price.

519102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per day of time charter. The minimum price fluctuation shall be $1 per day of time charter.

519102.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.

519102.E. Settlement Period

For contract months referenced to a calendar month January to November inclusive, the Settlement Period shall be the full calendar month. For contract months referenced to the December calendar month, the Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.

519102.F. Termination of Trading

For the January to November contract months inclusive: Trading terminates on the last day of the settlement period on which the Index is published by The Baltic Exchange (usually a Tuesday or a Friday).

For the December contract months: Trading terminates on the 24th calendar day of the month assuming this is a day on which the Index is published by The Baltic Exchange (usually a Tuesday or a Friday), or the first preceding day where the Index price is published.

519103. FINAL SETTLEMENT

Final settlement 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.

519104. DISCLAIMER

See NYMEX/COMEX Chapter iv. (“DISCLAIMERS”) incorporated herein by reference.

Chapter 520
LNG Freight Route US Gulf to Continent RV (BLNG2 - 174) (Baltic) Futures

520100. 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.

520101. CONTRACT SPECIFICATIONS

The floating price for each contract month is equal to arithmetic average of the USD per day rate for the BLNG2 - 174 freight route (i.e., US Gulf to Continent Round Voyage) for cargoes of 174,000 cubic metres, or as subsequently amended, published by The Baltic Exchange for each day that is published during the Settlement Period. The Floating Price shall be rounded to the nearest $0.01.

520102. TRADING SPECIFICATIONS

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

520102.A. Trading Schedule

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

520102.B. Trading Unit

The contract quantity shall be 1 day of time charter. Each contract shall be valued as the contract quantity (1) multiplied by the settlement price.

520102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per day of time charter. The minimum price fluctuation shall be $1 per day of time charter.

520102.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.

520102.E. Settlement Period

For contract months referenced to a calendar month January to November inclusive, the Settlement Period shall be the full calendar month. For contract months referenced to the December calendar month, the Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.

520102.F. Termination of Trading

For the January to November contract months inclusive: Trading terminates on the last day of the settlement period on which the Index is published by The Baltic Exchange (usually a Tuesday or a Friday).

For the December contract months: Trading terminates on the 24th calendar day of the month assuming this is a day on which the Index is published by The Baltic Exchange (usually a Tuesday or a Friday), or the first preceding day where the Index price is published.

520103. FINAL SETTLEMENT

Final settlement 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.

520104. DISCLAIMER

See NYMEX/COMEX Chapter iv. ("DISCLAIMERS") incorporated herein by reference.

Chapter 521
LNG Freight Route US Gulf to Japan RV (BLNG3 - 174) (Baltic) Futures

521100. 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.

521101. CONTRACT SPECIFICATIONS

The floating price for each contract month is equal to arithmetic average of the USD per day rate for the BLNG3 - 174 freight route (i.e., US Gulf to Japan Round Voyage) for cargoes of 174,000 cubic metres, or as subsequently amended, published by The Baltic Exchange for each day that is published during the Settlement Period. The Floating Price shall be rounded to the nearest $0.01.

521102. TRADING SPECIFICATIONS

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

521102.A. Trading Schedule

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

521102.B. Trading Unit

The contract quantity shall be 1 day of time charter. Each contract shall be valued as the contract quantity (1) multiplied by the settlement price.

521102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per day of time charter. The minimum price fluctuation shall be $1 per day of time charter.

521102.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.

521102.E. Settlement Period

For contract months referenced to a calendar month January to November inclusive, the Settlement Period shall be the full calendar month. For contract months referenced to the December calendar month, the Settlement Period shall be the period from and including the 1st calendar day of the month through to and including the 24th calendar day of the month.

521102.F. Termination of Trading

For the January to November contract months inclusive: Trading terminates on the last day of the settlement period on which the Index is published by The Baltic Exchange (usually a Tuesday or a Friday).

For the December contract months: Trading terminates on the 24th calendar day of the month assuming this is a day on which the Index is published by The Baltic Exchange (usually a Tuesday or a Friday), or the first preceding day where the Index price is published.

521103. FINAL SETTLEMENT

Final settlement 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.

521104 DISCLAIMER

See NYMEX/COMEX Chapter iv. (“DISCLAIMERS”) incorporated herein by reference.

<u>EXHIBIT B</u>

NYMEX Rulebook

Chapter 5

(“Trading Qualifications and Practices”)

Position Limit, Position Accountability, and Reportable Level Table

(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)

		Outright			Spreads	
Instrument Name	**Globex Symbol**	**Globex Non-Reviewable Ranges (NRR)**	**NRR: Globex Format**	**NRR: Ticks**	**NRR: Globex Format**	**NRR: Minimum Outright Ticks**
LNG Freight Route Australia to Japan RV (BLNG1 - 174l) (Baltic) Futures	BG1	$200 per Charter Day	200	200	N/A	N/A
LNG Freight Route US Gulf to Continent RV (BLNG2 – 174)(Baltic) Futures	BG2	$200 per Charter Day	200	200	N/A	N/A
LNG Freight Route US Gulf to Japan RV (BLNG3 – 174)(Baltic) Futures	BG3	$200 per Charter Day	200	200	N/A	N/A

EXHIBIT D

Exchange Fees

	Member	**Non-Member**
CME Globex	$4.00	$5.00
EFP	$4.00	$5.00
Block	$4.00	$5.00
EFR/EOO	$4.00	$5.00
Processing Fees	**Member**	**Non-Member**
Cash Settlement	$1.00	$1.00
Facilitation Fee	$0.60	
Give-Up Surcharge	$0.05	
Position Adjustment/Position Transfer	$0.10	

EXHIBIT E

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) LNG freight futures contracts based on the vessel size of 174,000 cubic metres (the "Contracts") for trading on the CME Globex electronic trading platform ("CME Globex") and for submission for clearing via CME ClearPort effective Sunday, January 28, 2024, for trade date Monday, January 29, 2024 as noted below.

Contract Title	CME Globex and CME ClearPort Code	Rulebook Chapter	Spot Month Position Limit	Single and All Month Accountability Level
LNG Freight Route Australia to Japan RV (BLNG1 - 174) (Baltic) Futures	BG1	519	580	2,500
LNG Freight Route US Gulf to Continent RV (BLNG2 – 174) (Baltic) Futures	BG2	520	250	1000
LNG Freight Route US Gulf to Japan RV (BLNG3 – 174) (Baltic) Futures	BG3	521	160	375

Cash Market Overview and Analysis of Deliverable Supply

Data Sources:

The Exchange based its analysis of deliverable supply on data provided by the following organisations.

The International Gas Union (IGU)[1] which was founded in 1931. It is a worldwide non-profit organisation registered in Vevey, Switzerland with the Secretariat currently located in Barcelona, Spain. The mission of IGU is to advocate gas as an integral part of a sustainable global energy system, and to promote the political, technical and economic progress of the gas industry. The more than 160 members of IGU are associations and corporations of the gas industry representing over 95% of the global gas market. The working organisation of IGU covers the complete value of gas chain from exploration and production, transmission via pipelines and liquefied natural gas (LNG) as well as distribution and combustion of gas at the point of use.

IGU encourages international trade in gas by supporting non-discriminatory policies and sound contracting principles and practices, promoting development of technologies which add to the environmental benefits of gas and further enhance safe production, transmission, distribution and utilisation of gas.

The **International Group of Liquefied Natural Gas Importers, or GIIGNL**, is a non-profit organization whose objective is the development of activities related to LNG markets. GIIGNL's membership is composed of companies active in LNG purchasing, importing, processing, transportation, handling, re-gasification around the world[2].

Market analysis – Liquefied Natural Gas

Liquefied natural gas ("LNG") is a growing part of the international supply and trade of energy. LNG is natural gas that is cooled and compressed into liquid form to make it more readily transportable. LNG is typically transported by sea in specially designed vessels. The International Group of Global Liquefied Natural Gas importers ("GIIGNL") report shows that the global trade in LNG grew by 4.5% to reach a total

[1] https://giignl.org/wp-content/uploads/2023/07/GIIGNL-2023-Annual-Report-July20.pdf
[2] https://giignl.org/about-us/

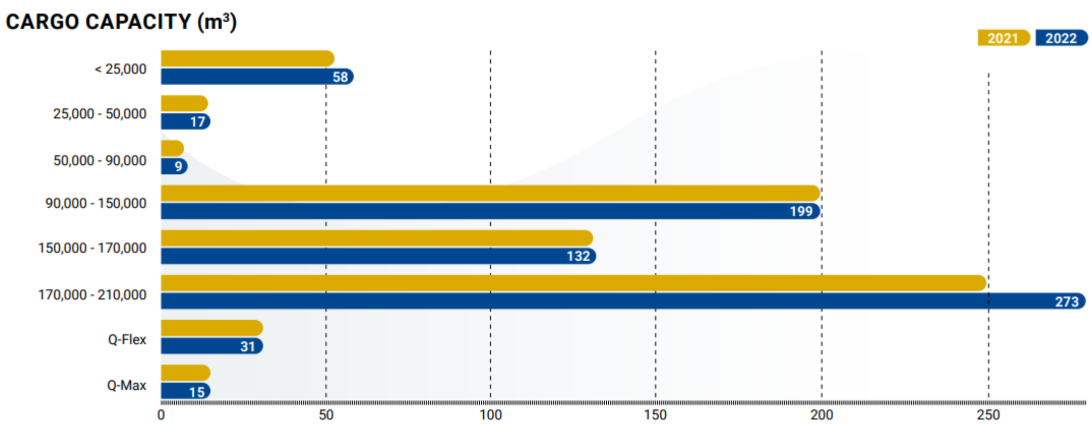
of 389.2 MT in 2022. There are 20 exporting countries and 45 importing markets and 65% of the global LNG demand remains in Asia. In 2022, the total volume of LNG sold on a spot or short-term basis was 135 MT or 35% of total trade.

The outbreak of the Russia-Ukraine war in February 2022 reduced the flow of pipeline gas into Europe from Russia. Expanding capacity in the United States provided additional volumes to replace a significant part of the gas. The higher flows of natural gas were seen as a positive factor for the LNG freight market. LNG imports into Europe increased by 60% to 120 MT and at the same time LNG imports into Asia fell by around 8% to 252 MT.

The U.K and the Netherlands remained the largest importers of LNG in Europe where total imports from the U.S. reached 103 BCF per month in the first half of 2023 compared to 60 BCF per month over the same period in 2022.[3]

LNG Freight

The LNG tanker fleet consisted of 734 vessels at the end of 2022 with a total capacity of 108.7 million cubic metres. The standard ship size has traditionally been 160,000 cubic metres but this is changing with higher volumes of larger vessels being delivered into the market of 174,000 cubic metres and beyond. The GIIGNL 2023 report[4] showed that from the 35 new vessels that were delivered in 2022 there were 25 vessels that were at or greater than the 174,000 cubic metre size. Of the total fleet there were 273 vessels on the market with a cargo capacity between 170,000 and 210,000 cubic metres compared to 132 vessels with a cargo capacity of between 150,000 and 170,000 cubic metres.



The shipping market is an important component of the global LNG trade and is expected to grow as new supply regions like the U.S. increase capacity for exports, coupled with rising demand for natural gas in Asia and Europe. Ships can be diverted to or from the term market or vice versa from the spot market to meet demand. Therefore, the supply of vessels can be viewed as highly flexible, which is consistent with the way that the other freight markets are operating.

LNG carriers typically vary in size between 125,000 and 210,000 cubic metres. The more common size of ship tends to be towards the larger end at between 150,000 and 170,000 cubic metres and the larger 170,000 to 210,000 cubic metres. In the larger vessel size, they account for around 37% of the global fleet. The chart above shows the growth in supply of each vessel size between 2021 and 2022.

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[3] U.S. EIA data - Gas exports by destination https://www.eia.gov/dnav/ng/ng_move_expc_s1_m.htm
[4] **Page 30 – LNG Shipping**
https://giignl.org/wp-content/uploads/2023/07/GIIGNL-2023-Annual-Report-July20.pdf

Trades done involving different vessel sizes are typically normalised to the benchmark reference and therefore, no further adjustments to the deliverable supply to account for the different vessel sizes has been made.

Spot Market for LNG

Historically, the market for LNG was restrictive in the sense that long-term supply agreements did not allow for destination flexibility. Today, non-destination restricted term cargoes are re-traded multiple times and may be redirected. Overall, destination restrictions are being progressively shelved. According to the GIIGNL, the total volume of LNG sold on a spot or short-term basis was around 138 MT over the period 2020 to 2022. This represented around 37% of the global LNG trade. Much of this volume is being exported from the U.S. Gulf coast.

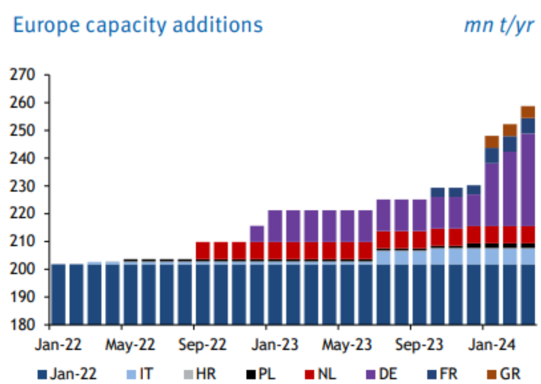
The percentage of spot and short-term trade has changed year on year and can be summarised in the table below.

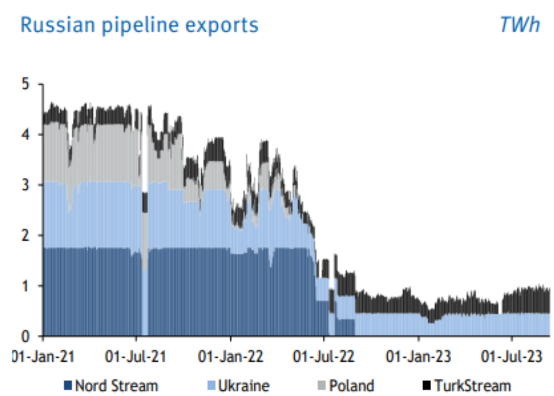
Table 1: Short term of spot traded LNG

Volume in MT	Volume of spot and short term	% of total LNG traded volume
2020	142.5	40%
2021	136.3	36.6%
2022	135	35%
3-year average 2020 to 2022	**137.9**	**37.2%**

Source: GIGNL

Global liquefaction capacity is poised to rise by about 11.8 MT to 21.3 MT in October 2023 to March 2024. Europe looks to be the premium market for Atlantic basin LNG cargoes and capacity looks set to increase sharply through to the end of March 2023. The chart from Argus below shows the total European capacity additions in MT per year and the decline in Russian pipeline gas flows resulting from the ongoing war in Ukraine[5].





LNG Exports by country

Source: International Gas Union reports 2021-2023[6]

MT's	2019	2020	2021	2022	3-year average 2020-2022

[5] https://view.argusmedia.com/rs/584-BUW-606/images/LNG-Whitepaper-winter-2023-24-market-preview.pdf

[6] IGU Reports 2023 https://www.igu.org/resources/lng2023-world-lng-report/
2022 IGU LNG Report - https://www.igu.org/resources/world-lng-report-2022/
2021 IGU LNG Report - https://www.igu.org/resources/world-lng-report-2021/
20120 IGU LNG Report - https://www.igu.org/resources/2020-world-lng-report/

Australia	75.39	77.77	79.02	80.87	79.22
Qatar	77.80	77.13	76.96	80.05	78.05
United States	33.75	44.76	69.96	80.48	65.07

The U.S. exported 7.99 MT of LNG in November 2023 which was just short of the record export volume reached in April 2023 of 8.01 MT of LNG.[7] European customers saw huge increases in LNG imports from the U.S. and the latest export data shows that around 68% of all U.S. LNG was exported to European countries. Part of the reason for the higher flows into Europe was the significant reduction in Russian pipeline gas following the continued Russian war in the Ukraine.

Based on this data in the table below, we have calculated the total LNG gas flows of LNG from Australia to Asia were about 87.05 MT of LNG or when converted to liquid gas this equates to 118.39 billion cubic metres (bcm). U.S. sourced exports, including Trinidad to Asia, were 25.48 MT of LNG or when converted to liquid gas this equates to 34.65 bcm. Exports from the U.S. and Trinidad to Europe were 34.57 MT of LNG or when converted to liquid gas this equates to 47.01 bcm. Exports from the U.S to Europe have risen year on year since 2020 as additional export capacity from the U.S has expanded. European buyers have switched away from Russian pipeline gas and have turned to additional volumes from the LNG market. It I worth noting that the 2022 U.S export volumes to Europe were more than double the levels seen in 2020.

Total Exports of LNG to destinations – MT of LNG

U.S. and Trinidad	Europe
2022	58.4
2021	23.1
2020	22.2
Average 2020-22	**34.57**

U.S. and Trinidad	North Asia and Asia-Pacific
2022	22.16
2021	33.86
2020	20.43
Average 2020-22	**25.48**

Australia and Papua New Guinea (PNG)	North Asia and Asia-Pacific
2022	88.48
2021	86.74
2020	85.93
Average 2020-22	**87.05**

Source: IGU Reports 2021 to 2023 (for the data for 2020 to 2022)

In the charter market, market participants and brokers have noted a typical charter voyage for each route on a round turn basis. This typically includes a re-delivery back to Sabine Pass for the U.S. origin routes

[7] https://www.reuters.com/business/energy/us-november-lng-exports-approach-record-levels-amid-higher-output-2023-12-01/

and a re-delivery back to Gladstone for the Australia route. Based on an assumed 17 knots, which is consistent with feedback from the LNG trade, the US Gulf Coast to Northeast Asia was 53 days, US Gulf Coast to UK Continent was 29 days and Australia to Northeast Asia was 20 days.

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."

The Exchange has based its deliverable supply on the volume of LNG exported on each route in the spot market. We have made no further adjustments to account for the spot versus term deliveries. The Exchange understands that the major facilities use a commercial structure which is based on procuring natural gas from upstream producers under long-term contracts. The facilities will typically process this gas into LNG then sell it to customers or off-takers under long term LNG sale and purchase agreements ("SPAs"). Although SPAs are term deals, the contracted LNG quantity is available for re-sale and delivery and cargoes can be re-traded as spot. Therefore, no further adjustments have been made to the total volume of deliverable supply.

The Exchange has not made any adjustments to deliverable supply to reflect cargo shipments of 174,000 cubic metre sized vessels only as the Baltic and brokers who provide prices to the Baltic will continue to receive prices for both 160,000 and 174,000 cubic metre vessels. Where prices for shipments based on the smaller vessels are received, they will be re-based against the larger vessel size to create a single price for shipments using the 174,000 cubic metre ships. Secondly, the index assessments are based on the brokers estimates for a given route. However, where fixtures do not occur on a specific route, the brokers will estimate where the freight rate would be based on the information that they have available to them. Therefore, for this, it is possible to expand the load and delivery port locations as values are normalised back to the assessed market.

To calculate the flows of LNG between the U.S. Gulf and Asia and Australia to Asia, the Exchange has based its calculations of deliverable supply of LNG using IGU reports from 2021 to 2023 which covers the data reporting period for 2020 to 2022.

For the LNG flows between the U.S. Gulf (including Trinidad) and Europe, the Exchange has based its calculations of deliverable supply of LNG using the IGU reports from 2021 to 2023 which covers the data reporting period for 2020 to 2022. Over the three-year period, there was an average of 34.57 MT of LNG per annum. Exports have risen sharply between 2021 and 2022 which the Exchange has attributed to the growth in spot trading and the shortages of natural gas caused by the pipeline gas reductions from Russia. . The Exchange has made no further adjustments for European destinations for northwest Europe as cargoes that are destined for Europe can be diverted and re-directed to any destination within Europe. This also reflects the way that the index handles non-Northwest European deliveries of LNG as there is a normalization process to re-base cargoes in value terms to the UK Isle of Grain.

For the Asia data, the Exchange has used data for both Asia and Asia-Pacific as where fixtures are concluded in the market basis other ports outside of North Asia, the brokers will undertake a normalisation process to rebase the values basis North Asia. Therefore, the Exchange believes that the broader Asia and Asia-Pacific region is representative as the basis for calculating deliverable supply. In the case of the U.S. data the exchange has also included Trinidad due to its close proximity to the U.S. and therefore the Exchange believes that this data can be included in the calculation of deliverable supply for exports originating in the U.S.

Based on the IGU data, the volume of LNG flows from **Australia and Papua New Guinea to Asia** was 87.05 MT over the period 2020 to 2022 which equates to 118.39 billion cubic metres (bcm).[8] For Asia, we have used data for both wider Asia and wider Asia-Pacific destinations. We have also included the supply from Papua New Guinea (PNG) to northeast Asia despite its relatively close geographic location to Australia meaning that the estimation of deliverable supply is on the conservative side as cargoes from this region could potentially replace contracted Australia volumes.

Based on the IGU data, the volume of LNG flows from the **U.S. to Europe** was 34.57 MT or 47.01 Bcm based on the three-year average export data for the period 2020 to 2022.. The data from Trinidad and Tobago has been included due to its relatively close proximity to the U.S. but its export volumes are relatively insignificant compared to the LNG export volumes sold from the U.S.

Based on the IGU data, the volume of LNG flows from the **U.S. to Asia** was 25.48 MT or 34.65 Bcm based on the export volumes over the period 2020 to 2022. The data from Trinidad and Tobago has been included due to its relatively close proximity to the U.S. but its export volumes are relatively insignificant compared to the LNG export volumes sold from the U.S.

A vessel size of 174,000 cubic metres has been calculated as around 81,500 MT of liquefied natural gas and is around 10% larger than the current vessel size for the existing LNG freight futures contracts. This has been reflected in the overall size of the spot month position limits for the three (3) LNG freight futures contracts. The conversion from cubic metres to MT of LNG has been done using the standard calculation of 1 MMBTu = 0.0411 and 1 MMBtu = 0.01926 tons.

In our calculation of the number of charter days, we have followed the same calculations as the Baltic when calculating the number of days for exporting a cargo as published in the guide to benchmarks from the Baltic Exchange.[9] With this in mind, for the U.S. export routes, the number of charter days required to export a cargo from Sabine Pass to Northeast Asia is 54 days round trip and from Sabine Pass to Europe is 29 days round trip. Charter voyages from Australia to Northeast Asia are shorter than from the U.S. bound exports to the region therefore it is assumed that each ship will be occupied for less time with a standard round-trip voyage being 23 days. However, the Exchange has excluded this calculation in the deliverable supply volumes as the calculation is based on the flow of LNG export volumes and the number of ships required to transport these volumes of LNG to the destination.

Using the total gas flow for each route for the year, we have calculated the number of ships required to ship the LNG and based this number on a total number of ships per month. In the charter day calculation, we have assumed a 30-day month to derive a total deliverable supply in number of days and applied a 25% limit to this to come up with a spot month position limit. To ensure that the Exchange remains below the 25% figure, we have rounded down the total number of charter days per month to ensure that our calculation is conservative based on the current flows on LNG on each route.

The Exchange has determined the current level of deliverable supply for the **LNG Freight Route Australia to Japan RV (BLNG1 -174) (Baltic) Futures**, to be 87.05 MT per annum which reflects the average volume of exports sold into the Asian market in the period 2020-2022. To calculate this using the total number of ships required, a division by 81,500 tons per vessel was applied to generate the ships per year number of 1,068. Based on this calculation, the total deliverable supply was 89 ships per month, or 2,670 charter days based on a 30-day month. Therefore, the Exchange proposes a spot month position limit of 580 charter days which equates to 21.7% of the total monthly deliverable supply and well below the maximum 25% threshold for calculation purposes.

The Exchange has determined the current level of deliverable supply for the **LNG Freight Route US Gulf to Continent RV (BLNG2 – 174) (Baltic) Futures** to be 34.57 MT per annum which reflects the total

[8] 1 MT of LNG = 1.36 Bcm

[9] https://www.balticexchange.com/content/dam/balticexchange/consumer/documents/data-services/documentation/ocean-bulk-guides-policies/GMB.pdf

volume of exports sold into the European market over the period 2020 to 2022. To calculate this using the total number of ships required, a division by 81,500 tons per vessel was applied to generate the ships per year number of 424. Based on this calculation, the total deliverable supply was 35 ships per month, or 1,050 charter days based on a 30-day month. Therefore, the Exchange proposes a spot month position limit of 250 contracts which represents 23.8% of the total monthly deliverable supply.

The Exchange has determined the current level of deliverable supply for the **LNG Freight Route US Gulf to Japan RV (BLNG3 - 174) (Baltic) Futures** to be 25.48 MT per annum which reflects the average volume of exports sold into Asia over the period 2020 to 2022. To calculate this using the total number of ships required, a division by 81,500 tons per vessel was applied to generate the ships per year number of 312. Based on this calculation, the total deliverable supply was 26 ships per month, or 780 charter days based on a 30-day month. Therefore, the Exchange proposes a spot month position limit of 160 contracts which represents 20.5% of the total monthly deliverable supply.