

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 21-009

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): 02/11/21 **Filing Description:** Initial Listing of the Physically-Delivered CBL Global Emissions Offset Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

February 11, 2021

VIA ELECTRONIC PORTAL

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

Re: CFTC Regulation 40.6(a) Certification. Notification Regarding the Initial Listing of the Physically-Delivered CBL Global Emissions Offset Futures Contract. NYMEX Submission No. 21-009

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the initial listing of the physically-delivered CBL Global Emissions Offset Futures Contract (the “Contract”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort effective Sunday, February 28, 2021, for trade date Monday, March 1, 2021.

Contract Title	CBL Global Emissions Offset Futures
Commodity Code	GEO
Rulebook Chapter	1269
Settlement Type	Physical
Contract Size	1,000 Environmental Offsets
Listing Schedule	Monthly contracts listed for the current year and the next three calendar years. List monthly contracts for a new calendar year following the termination of the December contract of the current year.
Minimum Price Fluctuation	\$0.01 per environmental offset
Value per tick	\$10.00
First Listed Month	June 2021
Block Trade Minimum Threshold	10 contracts – subject to a minimum 15-minute reporting window
Termination of Trading	Trading terminates three business days prior to the last business day of the contract month.
CME Globex Matching Algorithm	First-In, First-Out (FIFO)
CME Globex	Sunday - Friday 6:00 p.m. - 5:00 p.m. Eastern Time/ET (5:00 p.m. - 4:00 p.m. Central Time/CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
CME Globex Pre-Open	Sunday 5:00 p.m. – 6:00 p.m. ET (4:00 p.m. – 5:00 p.m. CT) Monday – Friday 5.45 p.m. – 6:00 p.m. ET (4:45 p.m. to 5:00 p.m. CT).

CME ClearPort	Sunday - Friday 6:00 p.m. - 5:00 p.m. ET (5:00 p.m. - 4:00 p.m. CT) with a 60-minute break each day beginning at 5:00 p.m. ET (4:00 p.m. CT)
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Exchange Fees:

	Member	Non-Member
CME Globex	\$5.00	\$5.50
EFP	\$5.00	\$5.50
Block	\$5.00	\$5.50
EFR/EOO	\$5.00	\$5.50
	House Account	Customer Account
Delivery Notice	\$5.00	\$5.00
Processing Fees	Fee	
Facilitation Fee	\$0.60	
Give-Up Surcharge	\$0.05	
Position Adjustment/Position Transfer	\$0.10	

The Exchange is also certifying to the CFTC a minimum block threshold of 10 contracts which is commensurate with the Exchange's other similar products.

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

- **Availability of General Information:** The Exchange will publish information on the Contract's specification on its website, together with daily trading volume, open interest and price information.
- **Contracts Not Readily Subject to Manipulation:** The Contract is not readily subject to manipulation due to the deep liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement index as assessed by Platts.
- **Compliance with Rules:** Trading in these Contract will be subject to Chapter 4 of the Exchange rules which includes prohibitions against fraudulent, non-competitive, unfair and abusive practices and will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department may use its investigatory and enforcement power where potential rule violations are identified during its regular surveillance reviews.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to the Rules of NYMEX which include prohibitions on manipulation, price distortion, and disruption to the delivery process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the Contract proposed herein will be subject to monitoring and surveillance by CME Group's Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for these Contract as demonstrated in this submission are consistent with the Commission's guidance.

- **Financial Integrity of Contracts**: The Contract traded on the Exchange will be cleared by the CME Clearing House.
- **Execution of Transactions**: The Contract will be listed for trading on the CME Globex electronic trading and for clearing through CME ClearPort. The CME Globex electronic trading venue provides for competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.
- **Trade Information**: All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Protection of Market Participants**: Chapter 4 contains multiple prohibitions precluding intermediaries from disadvantaging their customers and which apply to trading on all of the Exchange's competitive trading venues.
- **Disciplinary Procedures**: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in the Contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.
- **Dispute Resolution**: Disputes with respect to trading in the Contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a non-member is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.
- **Daily Publication of Trading Information**: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.

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

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

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

Sincerely,

/s/ Christopher Bowen
 Managing Director and Chief Regulatory Counsel

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

Exhibit A
NYMEX Rulebook

Chapter 1269
CBL Global Emissions Offset Futures

1269100. SCOPE OF CHAPTER

This chapter is limited in application to CBL Global Emissions Offset Futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all CBL Global Emissions Offset Futures bought or sold for future delivery on the Exchange with the delivery of emissions offsets that meet all GEO Screening Criteria, including CORSIA Eligibility requirements (as defined below).

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. Parties to the transaction may select a designee for making or taking delivery. The designee, if selected, must be the party’s clearing member. Any party utilizing a designee must submit designee information in such manner as prescribed by the Clearing House. The term “CORSIA” shall mean the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), as further identified and described [here](#), a global market-based measure (GMBM) established by the International Civil Aviation Organization (ICAO) as part of a basket of greenhouse gas mitigation measures.

The term “CORSIA Eligibility” means a voluntary emissions offset unit, generated and registered under an approved offset crediting CORSIA program, that meets the eligible emission unit requirements and design criteria identified by CORSIA and further described [here](#).

The term “GEO Screening Criteria” means the voluntary emissions offset unit screening criteria established under the CBL Standard Instruments Program to identify voluntary emission offset units as eligible for physical delivery under the GEO spot contract listed under Schedule 16 of the CBL Market Operating Rules, found [here](#).

The term “ICAO CORSIA Approved Registries” shall refer to the following registries included in the GEO:

1. American Carbon Registry (ACR)
2. Climate Action Reserve (CAR)
3. Verra Registry, operated by Verified Carbon Standard (VCS)

The term “CBL Market” shall mean the commodity trading system integrated with ICAO CORSIA Approved Registries upon which accounts are established for market participants as account holders to transact in, hold and retire offsets.

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

1269101. CONTRACT SPECIFICATIONS

The CBL Global Emissions Offset Futures contract physically delivers emissions offsets that meet all GEO Screening Criteria, including CORSIA Eligibility.

Deliverable emissions offsets under this Chapter shall be identified as such by the applicable approved eligible emissions unit program, according to each program’s respective CORSIA Eligibility criteria.

1269102. TRADING SPECIFICATIONS

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

1269102.A. Trading Schedule

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

1269102.B. Trading Unit

The contract unit shall be one thousand (1,000) emissions (environmental) offsets meeting GEO Screening Criteria for delivery made by transfer through the CBL Market. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1269102.C. Price Increments

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

1269102.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.

1269102.E. Termination of Trading

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

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

(b) Liquidated by means of a bona fide Exchange for Related Position (EFRP), pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract no later than 9 a.m. Eastern Prevailing Time (EPT) one business day after trading terminates on the last day of trading of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

1269102.F. Final Settlement

The final settlement price for the delivery month shall be the CBL Markets Global Emissions Offsets (GEO) Spot Price on the last trade date. The final settlement price shall be the basis for delivery.

1269103. DELIVERY

CBL Global Emissions Offset Futures contract deliveries shall comply with all requirements for the electronic transfer of offsets on CBL Market. Notwithstanding the use of a designee, all clearing members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers' clearing members and buyer's clearing members.

1269104. DELIVERY PROCEDURES

CBL Market is a transfer agent contracted by its account holders to facilitate the transfer of emissions offsets and payment. Deliveries against expiring contracts shall be by book-entry transfer. The seller's and buyer's clearing member is required to verify that its customer as a buyer or seller, holds a registry account with each of the ICAO CORSIA Approved Registries included in the GEO Screening Criteria and seller has identified a bank account to CBL Market.

The seller shall by 9:00 a.m. EPT on the delivery day, transfer offsets that meet GEO Screening Criteria to the designated registry account. No later than 9:00 a.m. EPT, the buyer must instruct and remit funds in USD for delivery into the designated cash account. The transfer agent will then transfer the appropriate funds to the seller and the appropriate number of offsets meeting GEO Screening Criteria to the buyer, by 2:00 p.m. EPT. Upon receipt of transfer confirmation from the clearing member, the clearing house will release the delivery margins.

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

The seller and the seller's clearing member shall comply with such requirements and obligations imposed by or under any ICAO CORSIA Approved Registries requirement, and in all respect material to the submission of the delivery of emissions offsets noted in this rule. The buyer and the buyer's clearing member shall comply with such requirements and obligations imposed by or under any ICAO CORSIA Approved Registries requirement, and in all respect material to ensure the acceptance of a valid transfer into its holding account. Seller, buyer, and CBL Market shall always obtain and adequately maintain systems and technology as may be necessary in order to comply with CBL or

any ICAO CORSIA Approved Registries rules. The Exchange may make amendments to delivery and timing of delivery, which may have a material impact to the contract, and will notify the Clearing Members of such amendments resulting from amendments any ICAO CORSIA Approved Registries requirement. These amendments include, but are not limited to, amendments to the ICAO eligible emissions unit programs and specific unit criteria found [here](#).

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

1269104.A. Responsibilities of Clearing Members

1. Notice of Intention to Accept
Clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 a.m. EPT on the business day after the final day of trading providing number of contracts, EMA account, and any other information required by the Exchange.
2. Notice of Intention to Deliver
Clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 a.m. EPT on the business day after the final day of trading providing number of contracts, Registry, EMA account and any other information required by the Exchange.

1269104.B. Final Settlement Price

The final settlement price shall be the basis for delivery.

1269104.C. Assignment Day

The Clearing House shall allocate Notices of Intention to Accept and Notices of Intention to Deliver, on the first business day after the final day of trading, by matching positions, to the extent possible. The Clearing House shall provide Assignment Notice Reports to the respective clearing members on the first business day after the final day of trading.

1269105. TIMING OF DELIVERY

For purposes of this Rule 1269105:

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

Delivery shall take place on the last day of the Delivery Period, which unless extended is the third business day after the final day of trading. Should the ICAO CORSIA Approved Registries or CBL Market be inoperable during the Delivery Period due to periodic maintenance that is an Exchange business day, the Exchange shall have the option to extend the Delivery Period by an additional business day at the Registries, CBL Market, and Exchange.

1. The seller or the seller's clearing member shall transfer offsets subject to delivery to their respective CBL account by 9:00 a.m. EPT on the third business day after the final day of trading of the delivery month.
2. The buyer or the buyer's clearing member shall deposit / transfer payment equal to the full value of the product to their designated CBL Market account by 9:00 a.m. EPT on the third business day after the final day of trading of the delivery month.
3. The buyer or the buyer's clearing member shall receive offsets from CBL Market by 2:00 p.m. EPT on the third business day after the final day of trading of the delivery month.
4. For each seller or seller's clearing member that has satisfied its obligations under subsection (1) of this rule, CBL Market shall pay the seller's clearing member full contract value by 2:00 p.m. EPT on the third business day after the final day of trading of the delivery month.

1269106. DELIVERY MARGINS AND PAYMENT

1269106.A. Definitions

For purposes of this Rule 1269106:

"Payment Date" shall mean the date on which the CBL Market transfers Payment in connection with a delivery to the seller. If the seller selects a designee, the CBL Market will transfer Payment in connection with a delivery to the seller's designee.

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

1269106.B. Margin

The buyer's clearing member and seller's clearing member shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on

the business day following notification to the Exchange that delivery and Payment have been completed.

1269106.C. Payment

Any Payment made on the Payment Date shall be based on offsets that the seller's clearing member is obligated to deliver pursuant to the applicable delivery.

In the event that delivery cannot be accomplished because of a failure of the CBL Market wire, or because of a failure of either the buyer, the buyer's designee, the seller, or the seller's designee, delivery shall be made before 9:30 a.m. on the next business day on which the CBL Market wire, or bank access to it, is operable.

1269107. VALIDITY OF DOCUMENTS

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

Exhibit B

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

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

Exhibit C

**NYMEX Rulebook
Chapter 5
("Trading Qualifications and Practices")
NYMEX Rule 588.H. – ("Globex Non-Reviewable Trading Ranges") Table
(additions underscored)**

Instrument	Globex Symbol	Outrights			Spreads	
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Minimum Ticks	NRR: Globex Format	NRR: Minimum Ticks
<u>CBL Global Emissions Offset Futures</u>	<u>GEO</u>	<u>\$2.00 per Environmental Offset</u>	<u>200</u>	<u>200</u>	<u>Each leg evaluated as an outright</u>	

Exhibit D

Cash Market Overview and Analysis of Deliverable Supply

CASH MARKET OVERVIEW

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is self-certifying the initial listing of the physically-delivered CBL Global Emissions Offset futures contract (the “Contract”). The Exchange relied on long standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical CORSIA eligible voluntary carbon offsets (“offsets”) issued that could reasonably be considered readily available for delivery. The Contract will be listed for trading on CME Globex electronic trading platform (“CME Globex”) and for submission of clearing via CME ClearPort.

Contract Title	Commodity Code	Rulebook Chapter
CBL Global Emissions Offset Futures	GEO	1269

CORSIA BACKGROUND

The Carbon Offsetting and Reduction Scheme for International Aviation (“CORSIA”) was adopted at the 39th session of the ICAO Assembly in 2016. The aim is to address any annual increase in total CO2 emissions from international civil aviation (i.e. civil aviation flights that depart in one country and arrive in a different country) above 2020 levels and contribute to the industry’s commitment to carbon neutral growth from 2020¹. Global aviation is responsible for 2% of global human-induced CO2 emissions and 12% of CO2 emissions from all transport sources. It is anticipated that CORSIA will mitigate around 2.5 billion tons of CO2 between 2021 and 2035. The aviation industry aims to achieve carbon neutral growth, improve the aviation fleet fuel efficiency by 1.5%, and cut 2005 net aviation carbon emissions in half by 2050².

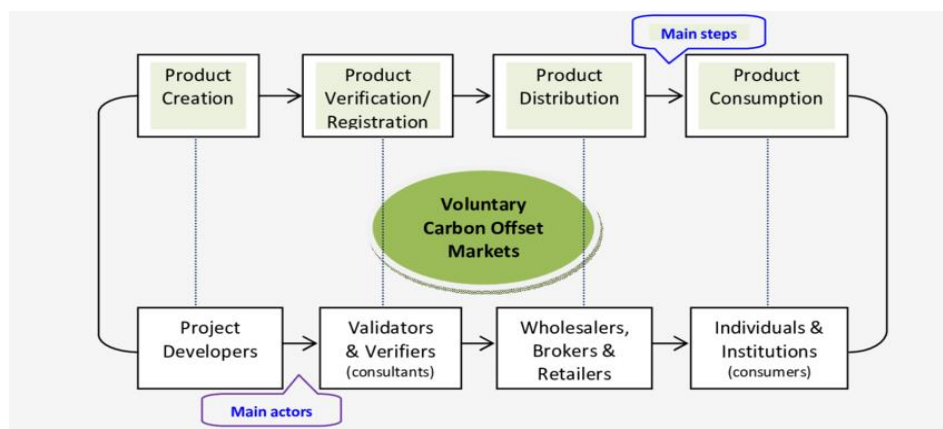
Under CORSIA, airlines will be required to purchase voluntary carbon offsets to compensate for their growth in CO2 emissions above 2020 levels. Voluntary Carbon Offsets are a recognized non-government mechanism which allow individuals and companies to invest in environmental projects that contribute to reducing the amount of CO2 in the atmosphere and some, at the same time, offer broader value to society including improved social livelihoods and biodiversity, clean water and air quality while balancing out their carbon footprint³.

¹ https://www.iata.org/en/about/worldwide/asia_pacific/What-is-CORSIA/

² <https://www.atag.org/facts-figures.html>

³ <https://www.shell.com/business-customers/trading-and-supply/trading/shell-energy-europe/our-offer/clean-energy-solutions/voluntary-carbon-offsets.html#:~:text=Voluntary%20Carbon%20Offsets%20are%20a,and%20biodiversity%2C%20clean%20water%20and>

Figure 1. Life Cycle of a Voluntary Carbon Offset⁴



All aircraft operators with emissions greater than 10,000 tons of CO₂ CORSIA will be required to report their emissions to their national authority annually. The reporting of emissions will be specific to international flights and excludes certain routes based on an ICAO set criteria. CORSIA will be implemented in three separate phases, each with unique requirements and participant pools.

Pilot Phase (from 2021 through 2023)

- Applies to States that have volunteered to participate in the scheme.

First Phase (from 2024 through 2026)

- Applies to States that have volunteered to participate in the scheme.

Second Phase (from 2027 through 2035)

- Applies to all States that have an individual share of international aviation activities in RTKs in year 2018 above 0.5 per cent of total RTKs or whose cumulative share in the list of States from the highest to the lowest amount of RTKs reaches 90 per cent of total RTKs, except Least Developed Countries (LDCs), Small Island Developing States (SIDS) and Landlocked Developing Countries (LLDCs) unless they volunteer to participate in this phase.

Revenue Ton Kilometers (“RTK”) is utilized (or sold) capacity for passengers and cargo expressed in metric tons, multiplied by the distance flown. In other words, the RTK levels correspond to the volume of air transport activity. As an aircraft operator carries more passengers and cargo over a longer distance, the RTK levels of the operator increase⁵.

CORSIA calls for international aviation to offset part of its CO₂ emissions through the reduction of emissions elsewhere (outside of the international aviation sector), involving the concept of "emissions units." One emissions unit represents one ton of CO₂ emissions reduced. Emissions units are generated when emissions from a specific project or program are reduced, compared to a baseline (or business-as-usual), through the implementation of emission reductions techniques/technologies. These projects or programs can be implemented in various sectors, such as electricity generation, industrial processes, agriculture,

⁴https://www.researchgate.net/figure/Simplified-Supply-Chain-of-the-Voluntary-Carbon-Markets-Source-Adapted-from-Hamilton-et_fig4_254450839

⁵https://www.icao.int/environmental-protection/CORSIA/Documents/CORSIA_FAQs_Update_9Aug18.pdf

forestry, waste management etc. Emissions units are sometimes also referred to as carbon credits or offsets.

The CORSIA eligible emissions units are only those units described in the ICAO document entitled "CORSIA Eligible Emissions Units"⁶, which meet the CORSIA Emissions Unit Eligibility Criteria contained in the ICAO document entitled "CORSIA Emissions Unit Eligibility Criteria"⁷. A list of the Emissions Unit Programs approved by the ICAO Council is provided below.

CORSIA Eligible Emissions Unit Programs:

- 1.) American Carbon Registry (ACR)
- 2.) Climate Action Reserve (CAR)
- 3.) Verified Carbon Standard (VCS)
- 4.) The Gold Standard (GS)
- 5.) Clean Development Mechanism (CDM)
- 6.) China GHG Voluntary Emissions Reduction Program
- 7.) Architecture for REDD+ Transactions (ART)

The ICAO CORSIA Eligible Emissions Unit Programs and Eligible Emissions Units criteria is subject to change. The Exchange may make amendments to the eligible emissions units and programs, which may have a material impact on the contract, and will notify participants of such amendments resulting from amendments implemented by ICAO.

METHODOLOGY

For the CBL Global Emissions Offset Futures contract, the Exchange considered three components in the evaluation of deliverable supply:

- 1.) Offset Issuance
- 2.) Offset Retirement
- 3.) Offset Cancellation

The Exchange determined to use data reported by three of the seven International Civil Aviation Organization (ICAO) approved carbon offset registries for its analysis and evaluation of deliverable supply estimates for CORSIA eligible offsets. Emissions Unit Programs approved by the ICAO Council to supply CORSIA Eligible Emissions Units and the registries designated by CORSIA Eligible Emissions Unit Programs for the purpose of fulfilling the provisions set out in the CORSIA-related ICAO Standards and Recommended Practices can be found in the ICAO CORSIA Eligible Emissions Units document⁸. A list of the Emissions Unit Programs that is included in the analysis of deliverable supply can be seen below.

CORSIA Eligible Emissions Unit Programs Deliverable into CBL Global Emissions Offset Futures:

1. American Carbon Registry (ACR)
2. Climate Action Reserve (CAR)
3. Verified Carbon Standard (VCS)

⁶ <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-Emissions-Units.aspx>

⁷ https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202020/ICAO_Doc_CORSIA_Eligible_Emissions_Units_August_2020.pdf

⁸ https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/TAB%202020/ICAO_Doc_CORSIA_Eligible_Emissions_Units_August_2020.pdf

CBL Markets and the Exchange will not include the Clean Development Mechanism (“CDM”) in its list of approved programs for the delivery into the Contract as CDM offsets are not available for re-trading and will no longer be issued beginning in 2021. China GHG Voluntary Emissions Reduction Program will not be included in the list of approved programs for the Contract as the program will not be publishing publicly available registry data. The Gold Standard (GS) does not assume any form of liability or indemnity in the event of breach or fraud by the organization or its employees and therefore will not be included in the list of approved programs for delivery into the Contract. The Architecture for REDD+ Transactions (ART) program was added to the list of ICAO approved programs in November 2020. CBL, at this time, will not be including ART offsets in the CBL Global Emissions Offset spot contract and therefore the ART program will not be included in the list of approved programs for the Contract.

To determine the deliverable supply of CORSIA eligible offsets, the Exchange first applied the ICAO Eligible Emissions Units criteria to the offset pool of each registry. The ICAO Eligible Emissions Unit criteria used by the Exchange to determine the supply of CORSIA eligible offsets states that:

- 1.) CORSIA eligible units are eligible for cancellation for use toward CORSIA offsetting requirements in the 2021 – 2023 compliance cycle
- 2.) CORSIA eligibility will only be issued to activities that started their first crediting period from January 1, 2016 and in respect of emissions reductions that occurred through December 31, 2020.

The Exchange also followed ICAO’s Program specific criteria to identify CORSIA eligible offsets in each of the three registries. Program specific criteria determined by ICAO and used by the Exchange to determine the supply of CORSIA eligible offsets can be seen in Table 1. below.

Table 1. ICAO Eligible Emissions Unit Criteria: Program Specific Scope of Eligibility

CORSIA Eligible Emissions Unit Programs	Program Designated Registry	Scope of Eligibility
American Carbon Registry	ACR Registry	ACR Emission Reduction Tons (ERTs), including any additional certifications, and with the exclusion of the following activity and/or unit types, methodologies, programme elements, and/or procedural classes: a) California Registry Offset Credits (ROCs). b) California Early Action Offset Credits (EAOCs).
Climate Action Reserve	Climate Action Reserve Voluntary Offset Project Registry	Climate Reserve Tons (CRTs), including any additional certifications, with the exclusion of the following activity and/or unit types, methodologies, programme elements, and/or procedural classes: a) CRTs issued to activities that have not reported their sustainable development contributions or co-benefits, according to criteria identified in the Reserve’s Program Manual5. b) Forecast Mitigation Units (FMUs) credited under the Climate Forward program. c) California Registry Offset Credits (ROCs). d) California Early Action Offset Credits (EAOCs).

Verified Carbon Standard	Verra Registry	Verified Carbon Units (VCUs), including any additional certifications, and with the exclusion of the following activity and/or unit types, methodologies, programme elements, and/or procedural classes: a) California Early Action Offset Credits (EAOCs) b) California Registry Offset Credits (ROCs) c) VCUs issued to activities that have not reported their sustainable development contributions or co-benefits in the course of applying the Climate, Community and Biodiversity (CCB) Standards or the Sustainable Development Verified Impact Standard (SD VISta Standard), or according to other default list(s) of sustainable development criteria that the VCS clearly identifies for such use d) VCUs issued to project-level activities, including projects following the VCS Jurisdictional and Nested REDD+ (JNR) framework, that are developed in REDD+ countries and utilize methodologies within the programme’s Sectoral Scope 14 and are estimated ⁶ to generate greater than 7,000 Verified Carbon Units (VCUs) / annum individually or grouped with these allowable exceptions: a. VCUs issued to project-level activities under a jurisdictional programme following Scenario 2 of the VCS JNR framework b. VCUs issued under a jurisdictional programme following Scenario 3 of the VCS JNR framework c. VCUs issued to project-level activities that utilize one of the following methodologies: VM0012, VM0017, VM0021, VM0022, VM0024, VM0026 (and VMD0040), VM0032, VM0033, VM0036.
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The VCS program does not specify the first crediting period in its public registry database, but instead includes it in each individual project report. CBL Markets has analyzed each individual project report for the Verra registry to determine the amount of VCS offsets that began their first crediting period no earlier than January 1, 2016. The Exchange relied on the below information, provided by CBL Markets, to determine the VCS CORSIA eligible supply.

CBL Markets determined that VCS offsets containing a project ID of 1700 or greater have crediting periods after January 1, 2016 and of those offsets, approximately 10% are not CORSIA eligible. Therefore, this criterion will be used to determine CORSIA qualified VCS offsets, in addition to the VCS specific scope of eligibility criteria set forth in Table 1 above.

Both ACR and CAR program data explicitly identifies CORSIA eligible offsets within their registry. The Exchange has filtered ACR and CAR credits to include only those that have the label of “CORSIA Eligible.”

Deliverable supply of CORSIA eligible offsets is calculated as the outstanding offset issuances net of retirements and cancellations. The net supply will represent a running total of available CORSIA eligible offsets.

DATA SOURCES

American Carbon Registry (ACR)

The American Carbon Registry (ACR), a nonprofit enterprise of Winrock International, was founded in 1996 as the first private voluntary greenhouse gas registry in the world. In both the voluntary carbon market and California's regulated carbon market, ACR oversees the registration and verification of carbon offset projects following approved carbon accounting methodologies or protocols and issues offsets on a transparent registry system. Each offset represents the reduction or removal from the atmosphere equivalent to one metric ton of carbon dioxide. The American Carbon Registration provides public registry reports on projects, offset issuance, retirement, and cancellation⁹.

Climate Action Reserve (CAR)

As the premier carbon offset registry for the North American carbon market, the Climate Action Reserve encourages action to reduce greenhouse gas (GHG) emissions by ensuring the environmental integrity and financial benefit of emissions reduction projects. The Reserve establishes high quality standards for carbon offset projects, oversees independent third-party verification bodies, issues carbon credits generated from such projects and tracks the transaction of credits over time in a transparent, publicly-accessible system¹⁰.

Verified Carbon Standard (VCS)

Verra is a global leader helping to tackle the world's most intractable environmental and social challenges by developing and managing standards that help the private sector, countries, and civil society achieve ambitious sustainable development and climate action goals. Verra's global standards and frameworks serve as linchpins for channeling finance towards high-impact activities that tackle some of the most pressing environmental issues of our day¹¹. VCS does not provide public registry reports on projects, offset issuance, retirement, and cancellation. CBL Markets holds an account with VCS and will be providing the registry report data to the exchange.

CBL Markets

The exchange will be partnering with CBL Markets, an environmental commodities spot exchange, which will provide pricing data and delivery capabilities for CORSIA eligible offsets available in ICAO approved registries. CBL Markets has access to over 800 certified voluntary projects around the world from the major international carbon standards including Verified Carbon Standard, Climate Action Reserve, and the American Carbon Registry¹².

CORSIA CARBON OFFSET SUPPLY

Deliverable supply is determined as the net supply of CORSIA eligible offsets available across the ACR Registry, Climate Action Reserve Voluntary Offset Project Registry, and Verra Registry. CORSIA eligible offsets are defined as offsets that meet the ICAO Eligible Emissions Unit criteria and program specific scope of eligibility laid out in Table 1. As of July 2020, the Climate Action Reserve registry does not have any CORSIA eligible offsets available and therefore is not included in the calculation of deliverable supply¹³.

⁹ <https://americancarbonregistry.org/how-it-works/registry-reports>

¹⁰ <https://thereserve2.apx.com/mymodule/mypage.asp>

¹¹ <https://verra.org/project/vcs-program/registry-system/>

¹² <https://www.cblmarkets.com/>

¹³ <https://thereserve2.apx.com/mymodule/mypage.asp>

Table 2. American Carbon Registry (ACR) – CORSIA Eligible Offset Supply (Emissions Offsets)¹⁴

Date	Issued	Retired	Cancelled	Net Supply
Jan-20	326,994	0	0	326,994
Feb-20	0	0	0	326,994
Mar-20	307,666	0	0	634,660
Apr-20	812,136	0	0	1,446,796
May-20	66,579	0	0	1,513,375
Jun-20	48,512	216,006	0	1,345,881
Jul-20	0	13,163	0	1,332,718
3-yr Average*	42,213	6,194	0	187,228

*first issue date for CORSIA eligible ACR offsets was January 1, 2020 (July 2017 – December 2020 = 0)

Table 3. Verified Carbon Standard (VCS) – CORSIA Eligible Offset Supply (Emissions Offsets)¹⁵

Date	Issued	Retired	Net Supply	Net Supply (10% Reduction)
Jul-17	0	0	0	0
Aug-17	0	0	0	0
Sep-17	0	0	0	0
Oct-17	0	0	0	0
Nov-17	0	0	0	0
Dec-17	9,008	0	9,008	8,107
Jan-18	0	0	9,008	8,107
Feb-18	0	0	9,008	8,107
Mar-18	138,334	0	147,342	132,608
Apr-18	54,648	0	201,990	181,791
May-18	120,385	0	322,375	290,138
Jun-18	287,682	0	610,057	549,051
Jul-18	551,380	33,111	1,128,326	1,015,493
Aug-18	137,096	20,770	1,244,652	1,120,187
Sep-18	104,933	785	1,348,800	1,213,920
Oct-18	186,078	19,153	1,515,725	1,364,153
Nov-18	66,925	13,885	1,568,765	1,411,889
Dec-18	464,630	119,797	1,913,598	1,722,238
Jan-19	1,558,983	15,279	3,457,302	3,111,572
Feb-19	66,606	18,305	3,505,603	3,155,043
Mar-19	735,377	60,000	4,180,980	3,762,882
Apr-19	1,158,591	96,691	5,242,880	4,718,592

¹⁴ <https://americancarbonregistry.org/how-it-works/registry-reports>

¹⁵ CBL Markets Data

May-19	488,967	125,362	5,606,485	5,045,837
Jun-19	548,383	136,048	6,018,820	5,416,938
Jul-19	1,491,935	88,132	7,422,623	6,680,361
Aug-19	879,942	101,099	8,201,466	7,381,319
Sep-19	2,333,498	132,672	10,402,292	9,362,063
Oct-19	2,718,302	1,365	13,119,229	11,807,306
Nov-19	3,373,276	334,964	16,157,541	14,541,787
Dec-19	3,221,872	134,544	19,244,869	17,320,382
Jan-20	3,517,530	41,745	22,720,654	20,448,589
Feb-20	627,512	10,832	23,337,334	21,003,601
Mar-20	3,410,540	62,607	26,685,267	24,016,740
Apr-20	195,642	5,778	26,875,131	24,187,618
May-20	233,523	8,855	27,099,799	24,389,819
Jun-20	3,218,089	343,222	29,974,666	26,977,199
Jul-20	2,125,258	367,637	31,732,287	28,559,058
3-yr Average	919,593	61,963	8,135,510	7,321,959

Table 4. All CORSIA Registries – CORSIA Eligible Offset Supply (Emissions Offsets)

Date	ACR	VCS with 10% reduction	All CORSIA Registries - Net Supply
Jul-17	0	0	0
Aug-17	0	0	0
Sep-17	0	0	0
Oct-17	0	0	0
Nov-17	0	0	0
Dec-17	0	8,107	8,107
Jan-18	0	8,107	8,107
Feb-18	0	8,107	8,107
Mar-18	0	132,608	132,608
Apr-18	0	181,791	181,791
May-18	0	290,138	290,138
Jun-18	0	549,051	549,051
Jul-18	0	1,015,493	1,015,493
Aug-18	0	1,120,187	1,120,187
Sep-18	0	1,213,920	1,213,920
Oct-18	0	1,364,153	1,364,153
Nov-18	0	1,411,889	1,411,889
Dec-18	0	1,722,238	1,722,238
Jan-19	0	3,111,572	3,111,572
Feb-19	0	3,155,043	3,155,043
Mar-19	0	3,762,882	3,762,882
Apr-19	0	4,718,592	4,718,592
May-19	0	5,045,837	5,045,837

Jun-19	0	5,416,938	5,416,938
Jul-19	0	6,680,361	6,680,361
Aug-19	0	7,381,319	7,381,319
Sep-19	0	9,362,063	9,362,063
Oct-19	0	11,807,306	11,807,306
Nov-19	0	14,541,787	14,541,787
Dec-19	0	17,320,382	17,320,382
Jan-20	326,994	20,448,589	20,775,583
Feb-20	326,994	21,003,601	21,330,595
Mar-20	634,660	24,016,740	24,651,400
Apr-20	1,446,796	24,187,618	25,634,414
May-20	1,513,375	24,389,819	25,903,194
Jun-20	1,345,881	26,977,199	28,323,080
Jul-20	1,332,718	28,559,058	29,891,776
3-yr Average	187,228	7,321,959	7,509,187

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."

Deliverable Supply (Emissions Offsets)	Monthly Contract Equivalent	Spot Month Position Limit Contract Equivalent	% of Deliverable Supply
7,509,187	7,509	1,500	19.98%

In estimating deliverable supply and calculating the proposed spot month position limit, the Exchange relied on CORSIA eligible carbon offset issuance, retirement, and cancellation across the three ICAO approved registries. The deliverable supply is calculated as issuances net of retirements and cancellations adjusted for offsets that do not meet the ICAO Eligible Emissions Unit criteria. Based on the above analysis, it is estimated that the monthly deliverable supply for CORSIA eligible carbon offsets is 7,509,187 emissions offsets based on the most recent three-year average from July 2017 to July 2020 which equates to 7,509 monthly contract equivalents based on a contract size of 1,000 emissions offsets per contract. Therefore, the proposed spot month position limit for the CBL Global Emissions Offsets Futures contract is 1,500 contracts which represents 19.98% of the estimated deliverable supply.