

IFEU Low Sulphur Gasoil Futures Origin FAQ (for Circular 22/116)

1) Why has the Exchange announced this?

The Exchange is introducing a stock documentation procedure (that may need to be performed more than once if additional tanks from within the same terminal and / or at another terminal will be used for subsequent deliveries) with the intention of excluding Russian origin gasoil from delivery into the Exchange's Low Sulphur Gasoil Futures Contract ("the Contract"), starting with effect from (and including) the January 2023 delivery period onwards.

Measures of this or some similar nature would be necessary anyway at some point, owing to the implementation of EU sanctions on Russian origin oil.

2) Why are you assuming that all Opening Stock is of Russian origin?

The Exchange is assuming only that it *might* be Russian origin unless the owners can prove otherwise in respect of all of it (see question 4, regarding regional refiners). The methodology therefore requires that this all be removed, and only demonstrably non-Russian material discharged in the intervening period.

3) Does the Opening Stock with which I start all have to be sold?

No. It has to leave the tanks in respect of which you are making a Submission, but it can do so by any means (subject to applicable laws and regulations). This includes being transferred to other tanks via pumpover (into another terminal) or inter-tank transfer (within the same terminal). These receiving tanks are then not allowed to be used for the next Exchange delivery. They can be used in subsequent Exchange deliveries, following the successful completion of a future Submission, evidencing the proper removal of any potentially Russian origin material contained within.

4) Do I have to go through the Submission process if I can prove none of my Opening Stock is Russian origin gasoil?

If you are a refiner and you can show (to the Exchange's satisfaction in its complete discretion) that all, or an identifiable quantity of your stocks in specific tanks, is all locally refined, then no, you do not. The Exchange will not consider locally-refined gasoil to be of potentially Russian origin. However, the Exchange reserves the right to request some form of proof of production or similar evidence from the refiner if they stipulate that they will be using such material to make delivery. Further to this, you would still need to show that you have not discharged any Russian origin gasoil into the refinery's tanks in the intervening period, and to complete the Submission process in respect of tanks in which other material is held. If the Opening Stock of a tank includes locally-refined material commingled with imported material then a Submission will need to be provided in the usual manner.

5) Do I have to ensure that every tank in the tank terminal that I use is free of Russian origin gasoil by the Exchange's methodology?

No. You only have to ensure that those tanks *from which you may wish to make delivery via the Contract* are free of such oil. If you wish to deliver from other tanks in subsequent deliveries, then a further Submission specific to those tanks will be required.

6) Can my Submissions cover part of the storage terminal and not all of it?

Yes.

7) Can my Submissions cover part of my own storage entitlement within a terminal, and not all of it?

Yes. The Exchange has no view into what subset of a tank terminal any trader rents or controls. For example, if you rent or control thirteen tanks, you can demonstrate (and identify by tank number) ten that are free of Russian origin gasoil. You can make delivery into the Contract from the ten tanks, but not from the other three.

8) So, does that mean I can pump Russian origin gasoil out of some of my tanks and into others, and then make a Submission to use the former but not the latter for Exchange delivery?

Yes.

9) Can I add further tanks later?

Yes, as long as you provide to the Exchange a Submission no later than the fifth calendar weekday¹ before expiry of the contract month in which you intend to participate in (see question 27 for Submission deadline dates).

10) So, to be absolutely clear, I do not need to show that the entire tank terminal is free of Russian origin gasoil, only those tanks that I may use to make delivery into the Contract?

Yes.

11) If I have a tank(s) that stores commingled material belonging to third parties, can I include it in a Submission?

You can, but unless whoever owns the other material makes a Submission too, it will not be deemed suitable to support Exchange deliveries. Alternatively, the Exchange will consider accepting (in the Exchange's complete discretion) equivalent information from the terminal operator if it is provided in respect of the whole tank(s) and covers the stock position and movements of all occupants.

12) What about linefill, tank heels and deadstocks - do they count as opening stocks?

The Exchange is disregarding linefill because, especially in a shared terminal, traders do not control and cannot speak for the amount, quantity, or quality of it. As for tank heels and deadstocks, as long as whatever quantity of these is in a given tank at 23:59 CET on 30 November 2022 has left the tank in question by 23:59 CET on 31 December 2022 (or the end of a subsequent calendar month provided in a subsequent Submission), then the Exchange takes the view that these have been replaced by new non-Russian material.

13) Can I declare a tank(s) which has no material stored i.e. an Opening Stock of zero?

Yes, as long as you also provide evidence of material moved into that tank(s) within the calendar month prior to the delivery month.

14) If I own, rent and / or control tanks in more than one terminal that is a [Recognised Gasoil Installation](#), can I provide just one Submission for all of the tanks within the different terminals that I intend to make delivery from under the Contract?

No, you will need to make one Submission per group of tanks at each terminal.

15) If I provide a Submission does that mean I have to make delivery?

No. Providing a Submission ahead of any given expiry does not commit the Seller to proceed to delivery in that expiry.

16) Can I make delivery if I open a position in the front-month Gasoil contract after the Submission deadline?

You can only make delivery in the front-month Gasoil contract if you have previously provided a Submission, regardless of when the position is created.

17) If I do not intend to make delivery in January 2023 but intend to do so in a future delivery month, what do I need to do?

You will need to provide the Exchange with a Submission no later than the fifth calendar weekday² before expiry of the contract month in which the delivery participant intends to participate. This is a similar process as if you were wishing to make delivery from additional tanks, further to those already deemed compliant in a previous Submission.

18) If I take delivery from the screen in December 2022 and receive Russian origin gasoil, what happens if I do not deplete that stock balance by the end of December 2022?

You have two options (for the purposes of being able to make delivery via the screen in subsequent months):

- a) If you receive Russian origin gasoil during the month, and take it to a tank(s) that you identified in the Opening Stock part of the Gasoil Delivery Reporting Submission Form ("the Form") part of your Submission, your Opening Stock figure is reset at that point to include these deliveries. This figure becomes the new total that you must deplete by 31 December 2022. You can deplete it either by selling it or by moving it to other tanks from which you do not then make delivery under the Contract.

¹ A "calendar weekday" is any day from Monday to Friday, regardless of whether it is a Business Day or not.

² Ibid.

- b) Alternatively, you can discharge such deliveries into tanks that you do not intend to form part of your Submission. This Submission will then, correctly, show that no product sourced via Exchange delivery arrived into those tanks named therein during December 2022. The Exchange is not interested in what is stored in or passes through tanks that are not being used to deliver into the Contract.

19) If I have completed the mass balance exercise within the Form and provided the Exchange and the Clearing Member with the Submission covering the calendar month prior to the delivery month, am I allowed to receive or make any material movements into and from the declared tank(s) until the delivery period of the delivery month?

Yes, you can make further discharges from and receive more material into the tank(s) provided that any new additions to the tank(s) are non-Russian origin.

20) What happens if I deliver Russian origin Gasoil in January 2023 by mistake?

In January 2023, your Clearing Member will be in breach of the rules, as deliveries are technically made by Clearing Members. They will face disciplinary action which may include any or all of the actions described in Exchange Regulations and/ or the [Clearing House Rulebook](#). After January 2023, the handling of Russian material may also be a breach of EU sanctions and/ or the laws of other jurisdictions, depending on the circumstances. The Exchange would strongly recommend that you take independent legal advice in respect of this.

21) Why can the Exchange not just remind Members that they have to observe sanctions?

For two reasons: first, the current EU sanctions (Regulation (EU) 833/2014) do not take effect until 5 February 2023 and the Exchange's origin exclusion takes effect from January 2023. Second, market participants taking delivery from the Contract who do not wish to receive even sanctions-free Russian origin gasoil will reasonably expect some evidence that the product received is not of Russian origin.

22) What guarantees other than this process will I receive that I am not receiving Russian origin gasoil?

Via the Contract Rulebook language amendments, Sellers are expressly warranting that oil they deliver is not Russian origin gasoil as a condition of making delivery via the Exchange.

23) Why can a Certificate of Origin ("CoO"), alone, not be relied on as evidence that a Seller's material is non-Russian?

In discussion with market participants, the Exchange found that CoOs rely on information provided by Sellers that may not be independently checked; may frequently state "Blended in the XXX country", which is insufficient; are a customs document and not a sanctions compliance document; and probably cannot be produced in the numbers and timeframe required for a barge-based business.

24) What does a "Submission" look like?

The Exchange has built a Gasoil Delivery Reporting Submission Form ("the Form") for participants to complete, which can be downloaded from here: https://www.ice.com/publicdocs/ICE_Gasoil_Origin_Submission.xlsx. If participants would like to submit additional and/or substitute documentation (for e.g. copies of stock quantities from terminal operators or other logs) that provides equivalent information to that detailed in the Form, then the Exchange will accept this but reserves the right to request further clarification from the submitter. Market participants are advised that information requested in the Form yet provided in a different format to that of the Form may take longer to process.

To establish the accurate movement of the material in order to satisfy the Exchange's mass-balance exercise, the quantities need to be reported in any two of these three parameters: metric tonnes, cubic meters and/or density (in kg/l).

25) What supporting evidence is the Exchange looking for, to support the Submission?

Supporting evidence that is likely to be deemed acceptable (at the Exchange's complete discretion) along with the Form includes but is not limited to: terminal logs, certificates of origin (onshore only, e.g. lightered or STS movements are not acceptable), refiner-issued certificates / assurances of locally produced material, etc.

26) What do you mean by "written assurance"?

With a Submission, the Exchange requires assurance in writing (to be signed by someone with the appropriate authority to sign such a document on behalf of the company - electronic signatures are permitted) from the delivery participant that

no Russian origin product has been received into the tanks designated for delivery between 00:00 CET on the first calendar day of the month prior to the delivery month and 23:59 CET on the last calendar day of the month prior to the delivery month.

This written assurance should be shared with your Clearing Member. If it is not, then the Exchange and Clearing House reserve the right to do so.

The Exchange reserves the right to audit the origin documentation with the issuing authorities (ports, terminals, local authorities, companies, etc.; and this includes sharing this information with such entities) as well as to request evidence of authority to sign from time to time.

27) Who will see my Submission(s)? / Will any other participant see my Submission(s)?

Details of the Submission will not be shared by the Exchange with any other market participant, including Buyers receiving delivery of gasoil. The Submission will be held in accordance with the Exchange's confidentiality obligations to Exchange Members, as set out in Rule A.4 (https://www.theice.com/publicdocs/contractregs/05_SECTION_A.pdf). The Exchange may forward the details to its usual marine surveyors for them to check.

As noted in question 31, you should provide your Clearing Member with any Submission you send to the Exchange.

28) What happens once we have provided a Submission?

The Exchange will review the Submission and may forward the details to marine surveyors. Once reviewed, the Exchange will inform the participant and its Clearing Member whether all steps have been completed successfully (at its complete discretion).

If the Submission fails such that a Seller has no tanks free of Russian origin material to the Exchange's complete satisfaction from which to make delivery, then the Exchange will inform the participant and the Clearing Member. The open position on the expiring front-month Gasoil contract will need either to be delivered from other tanks for which a valid Submission has been received, or to be closed. If a trader expires a short position without having provided a valid Submission, an Alternative Delivery Procedure ("ADP") will need to be agreed with the counterparty to avoid a delivery failure and the Exchange and/ or Clearing House may open an investigation into possible breach of rules.

29) What documents will the Buyers be provided with to reassure them that material they are receiving is of non-Russian origin?

The Seller expressly warrants non-Russian origin as a precondition of making delivery at all. The Exchange is considering whether Buyers should further have the option to request origin assurance on a lifting-by-lifting basis.

30) Is this arrangement likely to change?

In its latest communication, the Exchange amended the Gasoil futures rules clarifying that non-Russian origin oil, as defined by the EU sanctions will not be deliverable via the Contract from and including January 2023 delivery period onwards. **NB:** this is a month earlier than the EU refined product sanctions regime that will commence on 5 February 2023. The sanctions regime is evolving all the time. If it changes in a way that obviates the procedure outlined, the Exchange will respond accordingly. The Exchange reserves its right to amend its **Rulebook** as per its normal procedure. Please keep track of any Exchange Circular notifications here: <https://www.theice.com/futures-europe/circulars> .

31) Who do I send a Submission to?

Send completed Submissions to notifications-ifeu-gasoilenquiries@ice.com, and to your Clearing Member, no later than the fifth calendar weekday³ before expiry of the contract month in which the Delivery Participant intends to participate. The below table shows the Submission deadline dates for all contract months expiring in 2023:

Contract month	Contract expiry date	Submission deadline
January 2023	12 January 2023	05 January 2023
February 2023	10 February 2023	03 February 2023
March 2023	10 March 2023	03 March 2023
April 2023	12 April 2023	05 April 2023
May 2023	11 May 2023	04 May 2023
June 2023	12 June 2023	05 June 2023
July 2023	12 July 2023	05 July 2023

³ Ibid.

August 2023	10 August 2023	03 August 2023
September 2023	12 September 2023	05 September 2023
October 2023	12 October 2023	05 October 2023
November 2023	10 November 2023	03 November 2023
December 2023	12 December 2023	05 December 2023

32) Who can I contact if I have further questions?

Please email further questions to notifications-ifeu-gasoilenquiries@ice.com.

Version Updates

Version Number	Date Updated	Comments
1.0	08 August 2022	First version
2.0	12 December 2022	Second version with following significant amendments from first version: <ul style="list-style-type: none">- Questions added: #13, 16, 19, 24, 26, 28, 31 and 32.- Significant additions to #4, regarding 'proof of production' requirement and also treatment if imported material is commingled with locally-refined gasoil.- Change in Submission deadline timing from "fifth Business Day before expiry of the contract month" to "fifth calendar weekday before expiry of the contract month"- Other general updates throughout the document for consistency purposes as well as clarificatory, typographical and chronological amendments).