

**SECTION 7G1 - CONTRACT RULES: ICE FUTURES UKA FUTURES CONTRACT<sup>1</sup>**

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<sup>1</sup> Inserted 19 May 2021.

**7G1.1 CONTRACTS FOR THE TRANSFER OF UK CARBON EMISSION ALLOWANCES BETWEEN ACCOUNTS**

- (a) The ICE Futures UKA Futures Contract Rules contained in this Section 7G1, and the provisions of Sections I and 7G2, are applicable to the trading of UK Carbon Emissions Allowance Contracts.
- (b) A UK Carbon Emissions Allowance Contract shall be for the sale by the Seller and purchase by the Buyer of UK Carbon Emissions Allowances, for transfer from the Account of the Seller to the Account of the Buyer during the Delivery Period specified in the UK Carbon Emissions Allowance Contract in accordance with, or pursuant to, these ICE Futures UKA Futures Contract Rules, the Administrative Procedures and the Clearing House procedures. For the purposes of these ICE Futures UKA Futures Contract Rules, Transfer of UK Carbon Emissions Allowances as between Nominated Holding Accounts of the Buyer and the Seller maintained in the Registry pursuant to 7G1.6 shall constitute "delivery".
- (c) All deliveries under a UK Carbon Emissions Allowance Contract shall be made to and from the Registry.
- (d) The Clearing House shall from time to time determine and notify Members of one or more Nominated Holding Accounts which it will use for the delivery of UK Carbon Emissions Allowances under a UK Carbon Emissions Allowance Contract in accordance with Clearing House procedures.
- (e) The Exchange shall from time to time, in its absolute discretion, determine the Allowance Types for the purposes of identifying the UK Carbon Emissions Allowances which may be traded and delivered under a UK Carbon Emissions Allowance Contract. The Exchange shall from time to time issue a list of such Allowance Types and may, at any time, upon such notice as considered appropriate by the Exchange circulated to Members, add or withdraw an Allowance Type from such list (and any such change may, according to its terms, have effect on existing as well as new UK Carbon Emissions Allowance Contracts).
- (f) The Exchange may offer contract months for trading of UK Carbon Emissions Allowance Contracts on the Market or otherwise pursuant to the Regulations as the Exchange may determine from time to time. For the avoidance of doubt, UK Carbon Emissions Allowance Contracts for the contract months of January, February, March and April of a calendar year shall represent trading of Carbon Emission Allowances for the Compliance Year immediately preceding that calendar year.

**7G1.2 QUANTITY**

- (a) Subject to Rule 7G1.2(b), UK Carbon Emissions Allowance Contracts shall be for one or more lots of UK Carbon Emissions Allowances to be delivered during the Delivery Period as specified in the UK Carbon Emissions Allowance Contract (it being understood that a lot refers to 1000 UK Carbon Emissions Allowances).
- (b) The Exchange may, in its absolute discretion, determine from time to time that UK Carbon Emissions Allowance Contracts shall be traded and delivered in a minimum number of lots or multiples thereof.

**7G1.3 OTHER DEFINITIONS**

In these ICE Futures UKA Futures Contract Rules and the related Administrative Procedures set out in Section 7G2, the following terms shall bear the meanings set out opposite each:

- “Allowance Type” means any type of allowance, determined and notified to Members by the Exchange from time to time. For any Allowance Type, the Exchange may specify such criteria as it deems appropriate, including without limitation the type, nature and source of an allowance;
- "Buyer" means the Buyer (as defined in Rule A.1) or such other person, who is the purchaser or purchasers of UK Carbon Emissions Allowances under a UK Carbon Emissions Allowance Contract, and shall include the Clearing House, as appropriate;

“Civil Penalties”	means any penalties as set out in Part 7, Chapter 2, GG ETS Order;
“Clearing Account”	means an account set up in the ICE Futures Europe Clearing Administration application;
“Clearing House procedures”/ “Procedures”	means the procedures of the Clearing House from time to time in force as prescribed under the Clearing House Rules;
“Clearing House Directions”	means any instructions or requests that the Clearing House may issue to the Buyer or Seller from time to time in respect of the delivery of UK Carbon Emissions Allowances under a UK Carbon Emissions Allowance Contract;
“Compliance Year”	means the calendar year specified from time to time by the UK Government, for which the surrender of UK Carbon Emission Allowances must occur by a specified date in the following calendar year.
“Delivery Costs”	means an amount payable by a Buyer or Seller which is attributable to a Transfer Request Failure referred to the Exchange under Rule 7G1.12(b) or a Transfer Request Delay. For Transfer Request Failures such reasonable costs may include, but will not be limited to, any losses, costs, damages and expenses suffered or incurred by the Buyer or Seller as a result of it taking steps to acquire or dispose of UK Carbon Emissions Allowances in the event of a Transfer Request Failure. Delivery Costs resulting from Transfer Request Failures and Transfer Request Delays shall not under any circumstances include any Civil Penalties which a Buyer or Seller may incur under the Scheme;
“Delivery Period”	means the period beginning at 10:00 hours on the Business Day following the last day of trading of a UK Carbon Emissions Allowance Contract and ending at 16:00 hours on the third Business Day following that last day of trading. Where a Transfer Request Delay occurs, the period shall end at such later time as the Clearing House may direct under Rule 7G2.6, which in any event shall not be a time beyond 16:00 hours on the fourth Business Day after the last day of trading. During this period delivery of UK Carbon Emissions Allowances is to take place in accordance with the terms of these ICE Futures UKA Futures Contract Rules, the Administrative Procedures and the Clearing House procedures;
“Exchange Delivery Settlement Price” (EDSP)	means, in respect of a UK Carbon Emissions Allowance Contract, the settlement price determined by the Exchange in accordance with the Administrative Procedures;
“GG ETS Order”	means The Greenhouse Gas Emissions Trading Scheme Order 2020 as amended from time to time;
“GG ETS Auctioning Regulations”	means The Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021, as amended from time to time;
“GG ETS Regulator”	means the authority or authorities set out in Section 9(1) of the GG ETS Order, as applicable;
“Margin Account”	means, in relation to a Clearing Member, either its Proprietary Account or Customer Account (as defined in the ICE Clear Europe Clearing Rules), or in relation to a Sponsor and/or Sponsored Principal, the Individually Segregated Sponsored Account, in which the positions in its Position-Keeping Accounts are notionally recorded by the Clearing House for the purpose of calling margin on that Clearing Counterparty’s positions in accordance with the Clearing House procedures;
“Nominated Holding Account”	means an account maintained by the Registry in order to record the holding and transfer of UK Carbon Emissions Allowances;
“Nominated Holding Account Holder”	means a person who has an account in the Registry;

“Position-Keeping Account”	means any sub-account within the Clearing House’s clearing system in which an Exchange Member’s positions with the Clearing House are recorded, being either: (1) any of the following commonly designated Position-Keeping Accounts: H, N, S, L, D, U, F, W or Z (and, in the case of a non-clearing Member, including an identifying three letter Member mnemonic); or, (2) any other account that the Clearing House makes available within its clearing system from time to time;
“Random Selection Mechanism”	means the automated mechanism used by the Clearing House to create a list setting out, in random order, all the Buyers for a Delivery Period for the purpose of providing the order in which the Clearing House shall transfer UK Carbon Emissions Allowances to the Accounts of such Buyers upon the credit of the Clearing House’s Nominated Holding Account with the UK Carbon Emissions Allowances from the Sellers’ Accounts in the relevant Delivery Period. The list so provided may also be used to identify one or more Buyers in the event of a failed or delayed delivery by the Clearing House pursuant to Rule 7G1.12;
“Registry”	means the single UK Emissions Trading Registry established pursuant to the GG ETS Auctioning Regulations in order to ensure the accurate accounting of the issue, holding, transfer, acquisition, surrender, cancellation, and replacement of UK Carbon Emissions Allowances under the Scheme;
“Registry Account Terms and Conditions”	means the terms and conditions parties sign up to in order to open a Nominated Holding Account at the Registry;
“Registry Administrator”	has the meaning given to that term in the Registry Regulations, as applicable;
“Registry Regulations”	means, in each case, as applicable and as amended from time to time: (1) the GG ETS Order; (2) the GG ETS Auctioning Regulations; and (3) the Registry Account Terms and Conditions;
“Required Authorisations”	means all governmental and other licences, authorisations, permits, consents, contracts and other approvals (if any) that are required to enable a Seller and/or a Buyer (as appropriate) to fulfil any of its obligations under a UK Carbon Emissions Allowance Contract;
“Scheme”	means the scheme for transferring UK Carbon Emissions Allowances established pursuant to the GG ETS Order;
“Seller”	means the Seller (as defined in Rule A.1) who is the seller of UK Carbon Emissions Allowances under a UK Carbon Emissions Allowance Contract and shall include the Clearing House;
“Transfer”	means the transfer of all UK Carbon Emissions Allowances required to be delivered under a UK Carbon Emissions Allowance Contract from one Nominated Holding Account to another under and in accordance with the Scheme;
“Transfer Request Delay”	is deemed to have taken place where:  (a) in the case of a Seller other than the Clearing House, the Seller makes a Transfer Request for a Delivery Period after 16:00 hours on the first Business Day after the last day of trading or such later time as the Clearing House may provide pursuant to Rule 7G2.6(c), but before 16:00 hours on the second Business Day after the last day of trading, in compliance with a Clearing House Direction or otherwise; or  (b) in the case of a Buyer other than the Clearing House, the Buyer’s Nominated Holding Account is credited after 16:00 hours on the third Business Day after the last day of trading and on or before 16:00 hours on the fourth Business Day after the last day of trading in compliance with a Clearing House Direction or otherwise; or  (c) the Clearing House has declared that there is a Transfer Request Delay in accordance with Rule 7G2.6(c) or 7G2.7(c);

	provided in each case, that a Transfer Request Delay will cease to exist where a Transfer Request Failure takes place;
“Transfer Request Failure”	is deemed to have taken place where:  (a) in the case of a Seller other than the Clearing House, the Seller has failed to make a valid Transfer Request for a Delivery Period by 16:00 hours on the second Business Day after the last day of trading; or  (b) in the case of a Buyer being the Clearing House, the Buyer’s Nominated Holding Account has not been credited by 16:00 hours on the third Business Day after the last day of trading; or  (c) in the case of a Buyer other than the Clearing House, the Buyer’s Nominated Holding Account has not been credited by 16:00 hours on the fourth Business Day after the last day of trading; or  (d) the Clearing House has declared that there is a Transfer Request Failure in accordance with Rule 7G2.6(d) or 7G2.7(c);
“Trusted Account List”	means the list maintained by the Registry for a specified Nominated Holding Account which list includes accounts identified or nominated by the Nominated Holding Account Holder as accounts to which Transfers can be made from that Nominated Holding Account Holder’s Nominated Holding Account;
“UK Carbon Emissions Allowance” or “UKA”	means an “allowance” as defined under Regulation 2(1), GG ETS Auctioning Regulations and which falls within an Allowance Type;
“UK Carbon Emissions Allowance Contract”	means a Contract made pursuant to these ICE Futures UKA Futures Contract Rules for the delivery of UK Carbon Emissions Allowances;
“UK Carbon Emissions Allowance Delivery Amount”	means for each Margin Account an amount reflecting the gross number of UK Carbon Emissions Allowances which are to be delivered by a Seller for any Delivery Period in respect of all UK Carbon Emissions Allowance Contracts to which it is party as Seller;
“UK Carbon Emissions Allowance Transfer Request” (“Transfer Request”)	means a request to effect a Transfer submitted by the Seller to the Registry in respect of a Delivery Period in the manner required by the Registry Regulations and otherwise in accordance with these ICE Futures UKA Futures Contract Rules, the Administrative Procedures and the Clearing House procedures;
UK Transaction Log	The record of UKA transactions maintained by the applicable Governmental Authority.

**7G1.4 PRICE**

- (a) The price of a UK Carbon Emissions Allowance Contract shall be in Pounds Sterling UK Carbon Emissions Allowance. UK Carbon Emissions Allowance Contracts may be traded with minimum fluctuations of £0.01 GBP per UK Carbon Emissions Allowance.
- (b) The price of a UK Carbon Emissions Allowance Contract shall be exclusive of any charges payable by either the Buyer or the Seller to any third party in respect of the maintenance of Nominated Holding Accounts and/ or the submission of Transfer Requests or effecting Transfers.
- (c) The price of a UK Carbon Emissions Allowance Contract shall be exclusive of any Value Added Tax or any other duty that may be or become payable on the sale or transfer of UK Carbon Emissions Allowances under a UK Carbon Emissions Allowance Contract and any such duties shall be borne by the Buyer.

**7G1.5 CARBON EMISSION ALLOWANCE TRANSFER REQUEST**

For any Delivery Period in relation to which a Member is party as Seller to one or more relevant UK Carbon Emissions Allowance Contracts, the Seller shall submit, for each Margin Account, one Transfer Request in respect of the UK Carbon Emissions Allowance Delivery Amount for that Margin Account in accordance with:

- (a) Rule 7G1.6;
- (b) Rule 7G2.6, (or where the Seller is the Clearing House, in accordance with Rule 7G2.7); and,
- (c) the Registry Regulations, the Clearing House procedures and any Clearing House Directions.

**7G1.6 DELIVERY UNDER A UK CARBON EMISSIONS ALLOWANCE CONTRACT**

For a Delivery Period:

- (a) in respect of a UK Carbon Emissions Allowance Contract to which the Clearing House is party as the Buyer, delivery shall be effected upon the completion of the Transfer and confirmation by the Registry of the credit to the Clearing House's Nominated Holding Account of UK Carbon Emissions Allowances in accordance with Registry Regulations and with Rule 7G2.6 as appropriate. The Seller shall effect the Transfer by submitting a Transfer Request in accordance with these ICE Futures UKA Futures Contract Rules, and in particular Rule 7G2.6, stipulating the receiving account as the Clearing House's Nominated Holding Account in the Registry.
- (b) in respect of a UK Carbon Emissions Allowance Contract to which the Clearing House is party as the Seller, delivery shall be effected upon the completion of the Transfer and confirmation by the Registry of the credit to the Buyer's Nominated Holding Account of UK Carbon Emissions Allowances in accordance with Registry Regulations and Rule 7G2.7 (a), (b) and, as appropriate, (c). The Clearing House shall effect the Transfer by submitting a Transfer Request in accordance with these ICE Futures UKA Futures Contract Rules, and in particular Rule 7G2.7, stipulating the receiving account as the Buyer's Nominated Holding Account in the Registry.
- (c) If at any time during the Delivery Period the Exchange or the Clearing House becomes aware of the refusal or rejection by the Registry, the Registry Administrator, the GTS ETS Regulator or the UK Transaction Log, as the case may be, of a Transfer Request, the Clearing House and affected parties may take such steps to rectify the situation in compliance with any Clearing House Directions provided that such steps ensure that delivery still occurs in accordance with the terms and deadlines of these ICE Futures UKA Futures Contract Rules, the Administrative Procedures and the Clearing House procedures. In the event that appropriate steps cannot be taken, and delivery cannot therefore occur in accordance with the terms and deadlines of: these ICE Futures UKA Futures Contract Rules; the Administrative Procedures; and, the Clearing House procedures, the Clearing House shall declare that there is a Transfer Request Delay or Failure (as applicable) and Rule 7G1.12 shall apply.

**7G1.7 EXCLUSION OF LIABILITY**

- (a) Save as specifically provided in these ICE Futures UKA Futures Contract Rules, the Administrative Procedures, the Clearing House procedures, the Regulations and the Clearing House Rules (and to the extent permitted by law), the Exchange and the Clearing House accept no liability in connection with a UK Carbon Emissions Allowance Contract, its performance, non-performance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, neither the Exchange nor the Clearing House are responsible for or shall have any liability whatsoever to any Buyer or Seller for:
  - (i) the performance or non-performance by the Registry or UK Transaction Log of their respective obligations under the Registry Regulations or otherwise;
  - (ii) the validity or non-validity of any UK Carbon Emissions Allowance for the purposes of meeting the requirements of the Registry Regulations;
  - (iii) any act or omission of any operator of a UK Transition Log or any part thereof;
  - (iv) any act or omission of an Authorised Representative of any other party;
  - (v) the actions, omissions, performance or non-performance of any Governmental Authority, the Registry Administrator or the GG ETS Regulator; or
- (b) Without prejudice to the rights and obligations of any person party to a Corresponding Contract arising pursuant to a Corresponding Contract, a person who is not the Buyer, Seller, the Exchange or the

Clearing House shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any provision contained in a UK Carbon Emissions Allowance Contract made pursuant to these ICE Futures UKA Futures Contract Rules.

**7G1.8 PAYMENT UNDER A UK CARBON EMISSIONS ALLOWANCE CONTRACT**

- (a) Subject to delivery under 7G1.6 and without prejudice to paragraph (b) of this Rule 7G1.8, the Buyer shall pay the EDSP specified in the UK Carbon Emissions Allowance Contract. Payment will be made by the time referred to in and in accordance with Rule 7G2.9.
- (b) Any difference between the EDSP with respect to the UK Carbon Emissions Allowance Contract and the Contract Price shall be accounted for between the parties to the UK Carbon Emissions Allowance Contract in accordance with the Clearing House procedures.

**7G1.9 SELLER'S OBLIGATIONS**

- (a) In respect of a UK Carbon Emissions Allowance Contract to which the Clearing House is party as the Buyer, the Seller shall:
  - (i) ensure that there are sufficient transferable UK Carbon Emissions Allowances in the Nominated Holding Account from which a Transfer is to be made to meet the terms of the relevant Transfer Request at the time the Seller submits such Transfer Request;
  - (ii) deliver to the Nominated Holding Account of the Clearing House UK Carbon Emissions Allowances free and clear of all liens, security interests, claims and encumbrances or any interest in or to them by any other person so as to transfer an unencumbered UK Carbon Emissions Allowances to the Clearing House;
  - (iii) conduct its affairs so as not to give the Registry, the Registry Administrator or the GG ETS Regulator cause to refuse, reject or cancel (whether in whole or in part) any Transfer Request or to suspend or restrict the Seller's right to request or effect any Transfer (including, without limitation, suspension or cancellation of any relevant Nominated Holding Account);
  - (iv) ensure that it complies with such other conditions and requirements as are necessary to make Transfer Requests and effect Transfers in accordance with the Scheme and these ICE Futures UKA Futures Contract Rules, Administrative Procedures and Clearing House procedures;
  - (v) maintain in full force and effect all Required Authorisations at all appropriate times;
  - (vi) have and maintain, during such periods as determined by the Exchange from time to time and at its own cost, one Nominated Holding Account for each Margin Account at the Registry;
  - (vii) ensure that the Authorised Representative notified to the Clearing House pursuant to Rule 7G2.4(b)(iii) shall be contactable by the Clearing House at all appropriate times during the Delivery Period;
  - (viii) give the Clearing House, for the purposes of delivery under Rule 7G1.6, any details required by the Clearing House as specified in the Administrative Procedures, the Clearing House procedures or under any Clearing House Direction from time to time;
  - (ix) comply with the applicable provisions of the Registry Regulations, these ICE Futures UKA Futures Contract Rules, the Administrative Procedures, the Clearing House procedures and any Clearing House Direction in order that the Transfer Request is accepted by the Registry and actioned by the UK Transaction Log, and the Nominated Holding Account is subsequently debited during the Delivery Period;
  - (x) notify the Clearing House immediately, in accordance with the Clearing House procedures, if the Seller fails to comply, or may fail to comply, in respect of any delivery obligations or deadlines under these ICE Futures UKA Futures Contract Rules, the Administrative Procedures, the Clearing House Rules, the Clearing House procedures, or any Clearing House Direction;

- (xi) make payment of any amounts due and payable pursuant to and in accordance with these ICE Futures UKA Futures Contract Rules, the Administrative Procedures, the Clearing House Rules or the Clearing House procedures;
  - (xii) perform all other obligations imposed on the Seller under these ICE Futures UKA Futures Contract Rules, the Administrative Procedures and the Clearing House procedures; and
  - (xiii) be and continue to be a Selling Counterparty as defined in the Clearing House Rules.
- (b) The Seller shall be responsible for the performance of all of its obligations under the UK Carbon Emissions Allowance Contract, and shall perform such obligations in a timely manner. The Seller shall be responsible for all actions and omissions of an Authorised Representative acting or purporting to act on its behalf in relation to any UK Carbon Emissions Allowance Contract or any related obligations.
  - (c) Subject to Rule 7G1.12 any obligation upon the Seller to pay any costs, charges or expenses of any form shall be for its own account and shall include, but not be limited to all fees and charges levied by the Registry attributable to the Transfer Request or the holding of its Nominated Holding Account in respect of a UK Carbon Emissions Allowance Contract to which the Seller is party.
  - (d) In the event that the Clearing House as Buyer is invoiced, or otherwise charged, in respect of a levy, charge or tax attaching to a UK Carbon Emissions Allowance which has been delivered under the terms of a UK Carbon Emissions Allowance Contract which arose, or arises in relation to the relevant UK Carbon Emissions Allowance prior to, or in connection with, its delivery, then the Seller shall indemnify the Clearing House as Buyer in respect of such levy, charge or tax. Without prejudice to the generality of the preceding sentence, in such circumstances the Clearing House may in its absolute discretion require the Seller who has delivered the relevant UK Carbon Emissions Allowance to the Clearing House, under the terms of a UK Carbon Emissions Allowance Contract, to settle the relevant invoice or charge.
  - (e) In respect of a Daily UK Carbon Emissions Allowance Contract to which the Clearing House is party as the Seller it shall,
    - (i) have and maintain, one or more Nominated Holding Accounts at the Registry notified by it to Clearing Members from time to time pursuant to these ICE Futures UKA Daily Contract Rules, Administrative Procedures and Clearing House Procedures.
    - (ii) following notification of the Nominated Holding Account information from the Buyer pursuant to Rule 7G1.10(a)(vi), nominate the Nominated Holding Account specified by the Buyer as a Nominated Holding Account on the Trusted Account List for a Nominated Holding Account used by the Clearing House pursuant to Rule 7G1.9(e).

**7G1.10 BUYER'S OBLIGATIONS**

- (a) In respect of a UK Carbon Emissions Allowance Contract to which the Clearing House is party as the Seller, the Buyer shall:
  - (i) conduct its affairs so as not to give the Registry, Registry Administrator or the GG ETS Regulator cause to refuse, reject or cancel (whether in whole or in part) any Transfer Request or to suspend or restrict the Buyer's ability to receive any Transfer (including, without limitation, suspension or cancellation of any relevant Nominated Holding Account);
  - (ii) maintain in full force and effect all Required Authorisations at all appropriate times;
  - (iii) ensure that it complies with such other conditions and requirements as are necessary to effect Transfers in accordance with the Scheme and these ICE Futures UKA Futures Contract Rules, Administrative Procedures and Clearing House procedures;
  - (iv) have and maintain during such periods as determined by the Exchange from time to time and at its own cost, one Nominated Holding Account at the Registry for each Margin Account;

- (v) ensure that the Authorised Representative notified to the Clearing House pursuant to Rule 7G2.5(b)(ii) shall be contactable by the Clearing House at all appropriate times during the Delivery Period;
  - (vi) give the Clearing House details of the Nominated Holding Account for the purposes of delivery under Rule 7G1.6 and in accordance with the Administrative Procedures and any other details required by the Clearing House as specified in the Administrative Procedures or the Clearing House procedures from time to time;
  - (vii) nominate the Nominated Holding Account specified by the Clearing House as its Nominated Holding Account for the delivery on the Trusted Account List for its own Nominated Holding Account intended to receive the delivery;
  - (vii) comply with the applicable provisions of the Registry Regulations, these ICE Futures UKA Futures Contract Rules, the Administrative Procedures, the Clearing House procedures and any Clearing House Direction in order that the Transfer Request input by the Clearing House is accepted by the Registry, actioned by the UK Transaction Log if appropriate, and the Nominated Holding Account of the Buyer updated by the Registry for a Delivery Period;
  - (viii) notify the Clearing House immediately, in accordance with the Clearing House procedures, if the Buyer fails to comply, or may fail to comply, in respect of any delivery obligations or deadlines under these ICE Futures UKA Futures Contract Rules, the Administrative Procedures, the Clearing House Rules, the Clearing House procedures or any Clearing House Direction;
  - (ix) make payment of any amounts due and payable pursuant to and in accordance with these ICE Futures UKA Futures Contract Rules, the Administrative Procedures, the Clearing House Rules or the Clearing House procedures;
  - (x) perform all other obligations imposed on the Buyer under these ICE Futures UKA Futures Contract Rules, the Administrative Procedures and the Clearing House procedures; and
  - (xi) be and continue to be a Buying Counterparty as defined in the Clearing House Rules.
- (b) The Buyer shall be responsible for the performance of all of its obligations under the UK Carbon Emissions Allowance Contract, and shall perform such obligations in a timely manner. The Buyer shall be responsible for all actions and omissions of an Authorised Representative acting or purporting to act on its behalf in relation to any UK Carbon Emissions Allowance Contract or any related obligations.
  - (c) Subject to Rule 7G1.12 any obligation upon the Buyer to pay costs, charges or expenses of any form shall be for its own account and shall include, but not be limited to, all fees and charges levied by the Registry attributable to the Transfer Request and its Nominated Holding Account in respect of a UK Carbon Emissions Allowance Contract to which the Buyer is party.

**7G1.11 BUYER'S AND SELLER'S SECURITY**

The Buyer and the Seller may be required to put up such security as the Clearing House may from time to time require pursuant to the Clearing House Rules.

**7G1.12 FAILURE TO PERFORM AND/OR DELAY IN PERFORMANCE OF OBLIGATIONS AND DELIVERY COSTS UNDER A UK CARBON EMISSIONS ALLOWANCE CONTRACT**

- (a) On the occurrence of a Transfer Request Failure in accordance with Rules 7G2.6(d) or 7G2.7(c), a Seller may agree with the Clearing House to make delivery of UK Carbon Emissions Allowances to the Clearing House, or a Buyer may agree with the Clearing House to take delivery from the Clearing House of UK Carbon Emissions Allowances in a manner or on terms other than those specified in the Contract Rules and Administrative Procedures.
  - (i) In the event of an agreement between the Seller and the Clearing House or the Buyer and the Clearing House under the terms of this Rule 7G1.12(a), the Seller or the Buyer, (as the case may be), shall immediately give written notice of the fact of such agreement to the Exchange.

In the event of no agreement being reached upon the occurrence of a Transfer Request Failure in accordance with Rules 7G2.6(d) or 7G2.7(c), the Clearing House shall refer the fact of the Transfer Request Failure to the Exchange in accordance with Rule 7G1.12(b).

- (ii) On agreement between the Seller and the Clearing House or the Buyer and the Clearing House under the terms of this Rule 7G1.12(a), the Clearing House shall take whatever steps it considers reasonable in its absolute discretion to effect such an agreement. If the Clearing House chooses to liquidate its Contract with the Seller or the Buyer (as the case may be), it will do so at the Exchange Delivery Settlement Price and it will cease, in respect of any arrangement made by the Clearing House and the Seller or Buyer (as the case may be) under this Rule 7G1.12(a), to owe any obligation towards the Seller or Buyer (as the case may be), under this UK Carbon Emissions Allowance Contract. Furthermore, if the Clearing House chooses to liquidate the relevant Contract, the Seller or the Buyer, (as the case may be), shall cease in respect of any such arrangement made by the Clearing House and the Seller or Buyer (as the case may be) under this Rule 7G1.12(a), to owe any obligation towards the Clearing House, under this UK Carbon Emissions Allowance Contract. For the avoidance of doubt this shall be without prejudice to any obligations owed by the Buyer or Seller under the Clearing House Rules.
- (b) Where an agreement is not reached pursuant to Rule 7G1.12(a) the Clearing House shall refer the relevant Transfer Request Failure to the Exchange by the close of business on the Business Day following the day of the Transfer Request Failure and the Exchange or a body appointed by the Exchange:
- (i) shall direct the Clearing House to take whatever steps it considers reasonable in its absolute discretion, taking into account any information it considers to be relevant for this purpose.
  - (ii) If the Exchange directs the Clearing House to invoice back the affected Contract at a price set by the Exchange, no price set by the Exchange, or a body appointed by the Exchange, to invoice back the affected Contracts shall be referred to arbitration under the Arbitration Rules but this Rule 7G1.12(b) shall be without prejudice to the right of the Member to refer any other matter to arbitration under the Arbitration Rules.

### Delivery Costs

- (c) (i) If, in respect of a UK Carbon Emissions Allowance Contract there is a Transfer Request Failure which is referred to the Exchange under Rule 7G1.12(b) and/or Transfer Request Delay for a Delivery Period as a result of any failure or any delay on the part of the Seller (including the Clearing House) to comply with the applicable obligations under such UK Carbon Emissions Allowance Contract, then the Seller (including the Clearing House) shall indemnify the Buyer in respect of any Delivery Costs attributable to that Transfer Request Failure and/or Transfer Request Delay;
- (ii) If, in respect of a UK Carbon Emissions Allowance Contract there is a Transfer Request Failure which is referred to the Exchange under Rule 7G1.12(b) and/or a Transfer Request Delay for a Delivery Period as a result of any failure or delay on the part of the Buyer (including the Clearing House) to comply with the applicable obligations under a UK Carbon Emissions Allowance Contract, then the Buyer (including the Clearing House) shall indemnify the Seller in respect of any Delivery Costs attributable to that Transfer Request Failure and/or Transfer Request Delay;
- (iii) For the purposes of calculating either the Seller's, or the Buyer's Delivery Costs, the relevant consequences of the Transfer Request Failure shall be considered in isolation from other Transfer Requests not made under a UK Carbon Emissions Allowance Contract in respect of the Buyer's or Seller's Nominated Holding Accounts;
- (iv) Without prejudice to (i) or (ii) above, the Seller or the Buyer respectively shall indemnify the Clearing House against all costs reasonably incurred by the Clearing House in taking steps to mitigate the losses or, charges, expenses or penalties which would otherwise be incurred as a result of the Seller's or the Buyer's (as the case may be) failure to comply with its obligations under a UK Carbon Emissions Allowance Contract;
- (v) Where the level of Delivery Costs attributable to a Transfer Request Failure which is referred to the Exchange under Rule 7G1.12(b), cannot be agreed between the Clearing House and a

Buyer/Seller within seven Business Days of the day on which trading ceases for the relevant contract month, the matter shall be referred to the Exchange, or a body appointed by the Exchange which shall, in its absolute discretion determine the Delivery Costs and notify the Clearing House and the Buyer/Seller of such Delivery Costs. In the event that either party disputes the Delivery Costs so determined, the party may, within three Business Days of notification of the Delivery Costs by the Exchange, request in writing to the Exchange that the Delivery Costs be reviewed by the Exchange's Authorisation, Rules and Conduct Committee. The decision of this Committee shall be final and binding and no further review shall be permitted.

- (d) The Exchange and/or the Clearing House shall, under no circumstances, be liable for any indirect or consequential loss or loss of profits.
- (e) The Buyer and the Seller acknowledge that the right to be indemnified under this Rule 7G1.12 shall be their sole remedy in respect of any failure by any other party to comply with its obligations in respect of a UK Carbon Emissions Allowance Contract. For the avoidance of doubt this shall be without prejudice to any obligations owed by the Buyer or Seller under the Clearing House Rules.
- (f) The Clearing House may take such steps in accordance with the terms of this 7G1.12, without prejudice to the provisions of these ICE Futures UKA Futures Contract Rules and any other steps or sanctions which may be taken or applied under the Regulations (including, without limitation, the provisions of Sections D and E of the Regulations), or the Clearing House Rules.
- (g) The Clearing House may, by Clearing House Directions, instruct a Buyer or Seller that partial settlement is to take place under a UK Carbon Emissions Allowance Contract to which they are party, in which case the provisions of this Rule 7G1.12 as to Transfer Request Failures or Transfer Request Delays may apply to part only of such UK Carbon Emissions Allowance Contract where relevant.

**7G1.13 ARBITRATION AND DISPUTE RESOLUTION**

The Buyer and the Seller acknowledge that, subject to Rules 7G1.12(f) any disputes relating to the UK Carbon Emissions Allowance Contract shall be determined in accordance with the arbitration provisions in the Rules.

**7G1.14 FORCE MAJEURE**

- (a)
  - (i) If, before the first and any subsequent Delivery Period, the Scheme is, as a result of official written public pronouncement by any duly authorised body representing the UK Government, no longer scheduled to proceed or is to be discontinued, or is significantly amended in a manner which prevents the performance of delivery and Transfer obligations in accordance with the ICE Futures UKA Futures Contract Rules and Procedures, the Clearing House shall take whatever steps it considers reasonable in its absolute discretion, taking into account any information it considers to be relevant for this purpose. If the Clearing House decided to invoice back any open contract in accordance with the Clearing House procedures, it will do so at a price to fixed by the Exchange or a body appointed by the Exchange, in its absolute discretion. Such price shall be binding on the parties and no dispute as to such price may be referred to arbitration under the Arbitration Rules. In such case, neither the Buyer, Clearing House, nor the Seller shall have any further delivery, Transfer or payment obligations under or in respect of the open UK Carbon Emissions Allowance Contract.
  - (ii) If, before the first and any subsequent Delivery Period, the implementation of the UK Transaction Log is, as a result of official written public pronouncement by any duly authorised body representing the UK Government, interrupted or delayed to the extent that the delay prevents the performance of delivery and Transfer obligations in accordance with the ICE Futures UKA Futures Contract Rules and Procedures, the Exchange may, at the close of business of the relevant contract month on the last day of trading for that contract month, transfer the open positions in the relevant contract month to the next forward contract month at a price and by such means to be fixed by the Exchange, in their absolute discretion.
- (b) Subject to Rule 7G1.14(e), a Seller who is party to a UK Carbon Emissions Allowance Contract shall not be liable in respect of any failure on its part to submit a Transfer Request in relation to any UK Carbon Emissions Allowance Contract, any rejection/non acceptance of a Transfer Request or

subsequent failure in the credit of UK Carbon Emissions Allowances to the Buyer's Account, nor shall a Buyer be liable in respect of any failure on its part to ensure the credit to its Account of all UK Carbon Emissions Allowances under a UK Carbon Emissions Allowance Contract if performance of such obligations is prevented by Force Majeure. In such case neither party shall be held to be in default under the UK Carbon Emissions Allowance Contract and no payment shall be made under Rules 7G1.8 or 7G1.12.

- (c) Force Majeure shall, in relation to the Buyer or the Seller as the case may be, mean the occurrence of any event (except as provided otherwise in Rule 7G1.14(e)), which is outside the reasonable control of such party, and which prevents the debiting and crediting of the Buyer's or Seller's Nominated Holding Accounts at the Registry so that a Transfer cannot be effected during the Delivery Period, or results in an amount other than the UK Carbon Emissions Allowance Delivery Amount being credited and debited. Without limitation to the foregoing, an event of Force Majeure shall include:
  - (i) a public statement by an appropriate authority, or by the Registry, of an occurrence of an event outside the reasonable control of the Registry so as to prevent a Transfer taking place during that Delivery Period, and which is endorsed by the Exchange as a declaration of Force Majeure in respect of the Registry;
  - (ii) subject to Rule 7G1.14(e)(iii), the Registry suspending the submission of Transfer Requests or the effecting of Transfers under the Registry Regulations or otherwise; or
  - (iii) for the relevant Delivery Period, the inability to make or accept a Transfer due to an interruption in, delay to or permanent halting of a Transfer resulting from the intervention of the UK Transaction Log in relation to the Registry.
- (d) Where a Force Majeure event has arisen in relation to one or more UK Carbon Emissions Allowance Contracts to which the Clearing House is party as Buyer which prevents the Transfer of UK Carbon Emissions Allowances or performance of other obligations, the Clearing House shall use the Random Selection Mechanism to identify and subsequently notify the relevant Buyers to which the Clearing House is party as Seller, that the Clearing House has declared a Force Majeure event in relation to such UK Carbon Emissions Allowance Contracts in accordance with these ICE Futures UKA Futures Contract Rules, and/or the Regulations and/or the Clearing House Rules and/or the Clearing House procedures.
- (e) Subject to Rules 7G1.14(a) and 7G1.14(c), the occurrence of any of the following events shall not give rise to Force Majeure:
  - (i) the refusal or rejection by a Registry or the UK Transaction Log, for whatever reason, of a Transfer Request submitted by the Seller. For the avoidance of doubt, this shall include the refusal or rejection by the Registry, the Registry Administrator, the GTS ETS Regulator or the UK Transaction Log, as applicable, of a Transfer Request where;
  - (ii) the inability to make a Transfer owing to a problem within the central systems or processes established under the Scheme for the receipt and acceptance of Transfer Requests, but only to the extent that contingency arrangements exist under the Scheme by which the Seller or the Buyer can reasonably be expected to make or accept the Transfer (as the case may be) in accordance with any Clearing House Direction; or
  - (iii) an insufficient amount of (or in the event that there are no) UK Carbon Emissions Allowances in the Seller's Nominated Holding Account to enable the Seller to effect the Transfer, whether caused by non-allocation or low allocation of UK Carbon Emissions Allowances or for any other reason; or
  - (iv) the non-validity for any reason of any UK Carbon Emissions Allowances for the purposes of meeting the requirements of the Registry Regulations.
- (f) A Seller or a Buyer (other than the Clearing House) who is party to a UK Carbon Emissions Allowance Contract shall not be entitled to relief through the occurrence of an event of Force Majeure under this Rule 7G1.14 unless such party has notified the Clearing House and the Exchange, or in the case of the Clearing House, the Clearing House shall not be entitled to relief through the occurrence of an event of Force Majeure under this Rule 7G1.14 unless the Clearing House has notified the other party and the Exchange, as soon as reasonably practicable after such party or the Clearing House as the case

may be, has become aware (or after it ought reasonably to have become aware) of such Force Majeure event, and has continued to seek to perform its obligations in accordance with the UK Carbon Emissions Allowance Contract (in which event it shall be entitled to such relief with effect from the commencement of such Force Majeure event).

- (g) Upon request by the Clearing House and/or the Exchange, a party seeking Force Majeure relief under this Rule 7G1.14 shall provide all information required by the Clearing House and/or the Exchange as soon as practicable to assist the Exchange in determining whether an event of Force Majeure has occurred. Whether an event of Force Majeure has occurred shall be determined by the Exchange. Where the Clearing House is not the party seeking relief through the occurrence of an event of Force Majeure, the Exchange shall consult a representative of the Clearing House in its determination.
- (h) If Force Majeure prevents the affected party from performing its obligations under a UK Carbon Emissions Allowance Contract, the Clearing House shall take whatever steps it considers reasonable in its absolute discretion, taking into account any information it considers to be relevant for this purpose. If the Clearing House decides to invoice back the relevant Contract(s), it will do so in accordance with the Clearing House procedures, at a price to be fixed by the Exchange, or a body appointed by the Exchange, in the Exchange's absolute discretion. Such price shall be binding on the parties and no dispute as to such price may be referred to arbitration but completion of invoicing back shall be without prejudice to the right of either party to refer the question of the existence, extent or duration of the Force Majeure or any default or related dispute to arbitration under the Arbitration Rules.