

Nodal Exchange and IncubEx to Launch First Physically Delivered Low Carbon Fuel Standard (LCFS) Futures

WASHINGTON and CHICAGO -- Nodal Exchange and IncubEx announced they will launch the first physically delivered California Low Carbon Fuel Standard (LCFS) futures contract on January 24, 2020, pending regulatory review.

The new contract provides a trading and hedging instrument for commercial firms in the transportation fuels space participating in California's LCFS program. It is complemented by an LCFS options contract, also listing on January 24.

California's LCFS program aims to increase the use of biofuels and reduce greenhouse gas emissions in the transportation sector. By offering credits for cleaner fuels, the state is diversifying the fuel pool and reducing petroleum dependency through a market-based mechanism.

"The development of a physically deliverable LCFS futures contract is the result of extensive engagement with obligated parties, credit generators and other stakeholders in the California LCFS program" said Daniel Scarbrough, President and COO of IncubEx. "In line with other liquid environmental futures contracts we have developed, we believe the physical nature of this contract and specific deliverable instrument design serve as an optimal hedging tool for compliance obligations under this program."

"We always strive to innovate and lead in the markets we serve, and the LCFS futures contract developed in collaboration with IncubEx is another great example," said Paul Cusenza, Chairman and CEO of Nodal Exchange. "The environmental markets are an important and growing sector that we are privileged to serve."

The LCFS program was one of the key elements of California's AB 32, or California Global Warming Solutions Act passed in 2006. The LCFS program, implemented in 2011, aims to reduce the carbon intensity of the state's transportation fuel pool by 10% by 2022 and 20% by 2030. The California Air Resources Board places carbon intensity targets on all transportation fuels with an aim to diversify the state's fuel mix and reduce petroleum-based fuel usage. Low carbon intensity fuels such as ethanol and biodiesel, among others generate credits while higher carbon intensity fuels create deficits.

The new LCFS futures and options contracts on Nodal Exchange allow firms to hedge their forward production and meet compliance obligations utilizing physical delivery of credits via the LCFS Reporting Tool and Credit

Bank & Transfer System (LRT-CBTS) at expiration of the futures contract. Participants trading on Nodal also benefit from advanced risk management solutions and improved operational efficiency during the delivery process.

The new LCFS futures and options contracts expand the growing environmental markets product suite from IncubEx and Nodal, which consists of contracts on: California Carbon Allowances and Regional Greenhouse Gas Initiative (RGGI) Allowances, 30 Renewable Energy Certificates, plus SO₂ and NO_x emissions contracts.

As environmental markets are enacted through state or federal regulatory action, IncubEx and Nodal will continue to engage with the marketplace to further expand the list of exchange traded products.

About IncubEx

IncubEx is an incubator for exchange traded products, services, and technology solutions. At its core, IncubEx is a product and business development firm. The company works in conjunction with its global exchange partner, European Energy Exchange (EEX), Nodal Exchange and other leading service providers and stakeholders to design and develop new financial products in global environmental, reinsurance, and related commodity markets. The company has a specific focus on innovation and continuous improvement of products and services, including technology, trading solutions, and operational efficiencies. The IncubEx team is led by former key Climate Exchange executives and is uniquely positioned to capture these opportunities with its partners. The company was founded in 2016 and currently has offices in Chicago and London.

About Nodal Exchange

Nodal Exchange is a derivatives exchange providing price, credit and liquidity risk management solutions to participants in the North American commodities markets. Nodal Exchange is a leader in innovation, having introduced the world's largest set of electric power locational (nodal) futures contracts. As part of EEX Group, a group of companies serving international commodity markets, Nodal Exchange currently offers over 1,000 contracts on hundreds of unique locations, providing the most effective basis risk management available to market participants. In addition, Nodal Exchange offers natural gas, environmental and trucking freight contracts. All Nodal Exchange contracts are cleared by Nodal Clear which is a CFTC registered derivatives clearing organization. Nodal Exchange is a designated contract market regulated by the CFTC.

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