

## **ICE ERU Futures, CER Futures and CER DAILY Futures: Phase 3 Large Hydro List Methodology**

### **Process**

ICE is compiling a list of large hydro CDM and JI projects (the “Phase 3 Large Hydro List”). The Phase 3 Large Hydro List is based on publically ascertainable information maintained by the designated national authorities (“DNAs”) or designated focal points (“DFPs”) of EU Member States of projects that have been approved as fulfilling the requirements of Article 11(b)(6) of Directive 2003/87/EC (as amended by Directive 2004/101/EC) pursuant to the Guidelines as defined below, or where the authorised representative of the relevant DNA or DFP has confirmed to ICE, in writing (e.g. by email), that the relevant project was approved by them in full adherence to the ‘Guidelines on a common understanding of Article 11, section 6 of Directive 2003/87/EC as amended by Directive 2004/101/EC’ (the “Guidelines”) as agreed by the DNAs and DFPS of the EU in 2009. It is ICE’s understanding, although for the avoidance of doubt ICE makes no warranty or representation to that effect, that CERs and ERUs issued from projects fulfilling the requirements of Article 11(b)(6) of Directive 2003/87/EC (as amended by Directive 2004/101/EC) (the “WCD Criteria”), are likely to satisfy the criteria for eligibility for use in Phase 3 of the EU ETS pursuant to Articles 11a and 11b of Directive 2003/87/EC (as amended from time to time, including by Directive 2009/29/EC, Article 58 of Commission Regulation (EU) No 389/2013 of 2 May 2013 and any measures adopted pursuant to Article 11a(9) of Directive 2003/87/EC). The Phase 3 Large Hydro List may therefore be updated from time to time with projects which have been so publically ascertained or confirmed by the relevant DNA or DFP as satisfying the WCD Criteria. The Phase 3 Large Hydro List includes the relevant project number, the project name, the host country and the Member State that issued the Letter of Approval for that project.

### **Background**

CERs and ERUs issued as a result of CDM or JI hydroelectric power production project activities with a generating capacity exceeding 20 MW (“Large Hydro CERs” and “Large Hydro ERUs” respectively) were excluded from delivery to the exchange up to and including the April 2013 Expiry. This exclusion was notified to market participants via Circular 08/044 on 9 May 2008 and was due to concerns raised, at that time, by certain Member States regarding sustainability issues in relation to large dam projects.

Further, ICE agreed to exclude Large Hydro CERs and Large Hydro ERUs until the start of its phase 3 contracts (i.e. until after 1 May 2013), when it was anticipated that the criteria for determination of EU ETS eligibility would be in accordance with Articles 11a and 11b(6) of Directive 2003/27/EC as amended by Directive 2009/29/EC.

The CER/ERU contract specifications limit deliverability to the exchange of credits that are eligible for use in the EU ETS as described in the Methodology. As is consistent with that approach, the Exchange will require all Large Hydro CERs and Large Hydro ERUs that are delivered from 1 May 2013 onwards to have been issued from CDM or JI projects that are named in the Phase 3 Large Hydro List.