



Date: February 20, 2019

To: All ICE NGX Contracting Parties

Re: **IMPORTANT NOTICE REGARDING THE FEDERAL CARBON TAX EFFECTIVE
APRIL 1, 2019**

Overview

Effective April 1, 2019 the federal carbon levy (the “**Carbon Tax**”)¹ will be imposed on the delivery of natural gas in Ontario, Manitoba and Saskatchewan as well as certain other Canadian jurisdictions (each a “**Listed Jurisdiction**”).² This will impact trading in physical natural gas markets on ICE NGX for delivery at delivery points in these provinces.

Generally speaking and subject to certain exemptions, the regime

- (i) requires each company that “delivers”³ natural gas in a Listed Jurisdiction to be registered as a “distributor”; and
- (ii) applies the Carbon Tax to the seller in each delivery of natural gas in a Listed Jurisdiction, as well as to imports of natural gas into a Listed Jurisdiction from outside of Canada and transfers of natural gas into a Listed Jurisdiction from another jurisdiction of Canada.

The Carbon Tax is not payable by the seller for delivery of natural gas if the buyer provides a certificate evidencing registration as a registered distributor (“**Certificate**”). Registration as a “distributor” under the Carbon Tax Act can be made at: <https://www.canada.ca/en/revenue-agency/services/tax/excise-taxes-duties-levies/fuel-charge.html>.

Application of the Carbon Tax in the ICE NGX Markets

As the central counterparty, ICE NGX is the buyer to every seller and the seller to every buyer in transactions in the ICE NGX markets, including for physical delivery of natural gas in the Listed Jurisdictions.

Deliveries to ICE NGX

ICE NGX has begun the registration process and we anticipate that we will have received confirmation of our status as a “registered distributor” before the Carbon Tax becomes effective on April 1, 2019. Once registered, ICE NGX will provide a Certificate to all Contracting Parties so that deliveries to ICE NGX – i.e., where ICE NGX is the buyer – will be exempt from the Carbon Tax.

¹ The Carbon Tax is being imposed under the *Greenhouse Gas Pollution Pricing Act* (Canada) (the “**Carbon Tax Act**”), and administered by the Minister of National Revenue.

² The Carbon Tax also takes effect in New Brunswick and Prince Edward Island on April 1, 2019, and in Yukon and Nunavut on July 1, 2019.

³ The Act defines “delivery” of natural gas to include making the natural gas available.



Deliveries by ICE NGX

All Contracting Parties trading physical natural gas at delivery points in a Listed Jurisdiction will be required to register as a distributor under the Carbon Tax Act and to provide a Certificate to ICE NGX at Legal-ICENGX@TheIce.com.

Beginning on April 1, 2019, ICE NGX will pass on to any Contracting Party that has not provided a Certificate to ICE NGX the amount of Carbon Tax applicable to each delivery of natural gas to that Contracting Party at a delivery point in a Listed Province. All Carbon Tax amounts passed on to ICE NGX Contracting Parties will be subject to margin. We intend to amend the ICE NGX Contracting Party Agreement to implement the above.

Providing Certificates to ICE NGX

We strongly encourage all Contracting Parties to register as a distributor of natural gas as soon as possible and to provide a Certificate evidencing registration to ICE NGX at Legal-ICENGX@TheIce.com as soon as it is received.

If you have not provided us with your Certificate, ICE NGX will charge an amount equal to the Carbon Tax applicable to each delivery of natural gas to you in a Listed Jurisdiction beginning April 1, 2019.

We encourage you to consult your legal and tax departments for interpretations specific to your company. If you have questions about the implementation of the Carbon Tax in the ICE NGX markets, please contact Legal-ICENGX@TheIce.com.