

California LCFS Spot Contract Product Guide



A New Way to Transact LCFS Credits

Introducing the first exchange-traded California Low Carbon Fuel Standard (LCFS) spot contract, a major milestone in the rapidly growing California LCFS market. The LCFS contract provides a reliable and streamlined way for companies to access liquidity for their credits and/or meet ongoing obligations. Users will gain access to single screen hosting a diverse network of credit-worthy market participants, helping unify a market historically driven by fragmented, over-the-counter transactions.

The LCFS contract will be fully integrated with Xpansiv spot market CBL's transparent central limit order book enabling instantaneous execution on an open and competitive electronic platform, and same-day (T+0) settlement of cash and credits through the exchange's post-trade infrastructure.

As the market continues to mature, the LCFS spot contract will help establish transparent price signals and a reliable benchmark. These will be essential to promoting investor confidence and realizing the program's ambitious and pioneering goals.

The LCFS contract was developed based on input from obligated entities, natural credit generators, financial institutions, trading firms, industry associations, and corporations, alike.



Centralized Platform to Trade Products



No Contracting

CBL acts as a central counterparty eliminating the need for LCFS contracting and reducing back-office costs.



Price Transparency

CBL provides transparency in historically opaque markets. CBL users can observe live bids, offers, and transactions across products – giving unprecedented clarity.



Reduced Transaction Costs

The exchange is free to access, with flat-fees taken at time of trade. CBL is dedicated to being price neutral—meaning our fee schedule does not change with market fluctuations.



No Minimum Contract Size

CBL allows you to procure or sell small and odd LCFS volumes without having to pay an elevated price. Our minimum contract size is one (1) LCFS credit.



Immediate Settlement

CBL's clearing and settlement facility provides immediate settlement of LCFS credits and funds bringing the T+3 spot market to T+0.



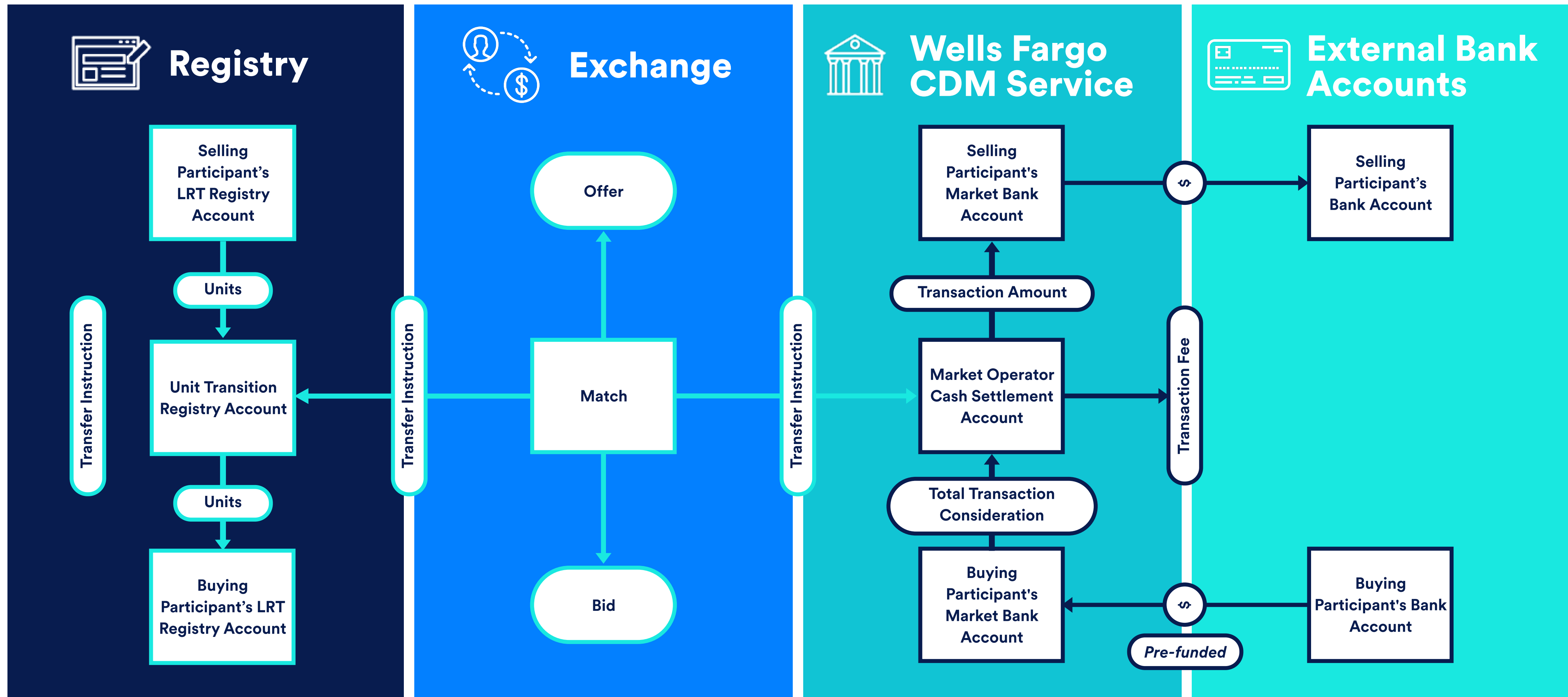
Reduced Counterparty Risk

Participants need to pre-fund their account to post bids and transfer in product to post offer on screen, reducing counterparty and credit risk.

CA-LCFS Contract Specification

PRODUCT DESCRIPTION	The California Low Carbon Fuel Standard Credit (“LCFS”) Spot Product represents a standardized, cleared contract for immediate (“spot”) physical delivery of LCFS Credits, issued in the LCFS Reporting Tool and Credit Banking Transfer System (“LRT”) by the California Air Resources Board (“CARB”).
DELIVERABLE INSTRUMENTS	LCFS Credits issued by CARB for compliance with the California Low Carbon Fuel Standard, CA Title 17, California Code of Regulations (CCR), Sections 95480-95503.
PRODUCT CODE	CA-LCFS
SETTLEMENT	Asset Units associated with Products that are the subject of Transactions are pre-cleared and physically settled through CBL’s delivery versus payment settlement process utilizing the Asset Unit Transition Account (an Exchange Clearing Holding Account exclusively dedicated for use in connection with the Market). Asset Units are transferred on a spot basis (intra-day) into the Participant’s LRT Account.
LOT SIZE	1 LCFS Credit, representing 1 Metric Ton (MT) of CO ₂ e reduced from baseline
CURRENCY	USD
MINIMUM PRICE FLUCTUATION	The price convention shall be On Cent (\$0.01) per LCFS Credit
REGISTRY	LCFS Reporting Tool and Credit Bank Transfer System (LRT-CBTS)
MARKET(S)	CBL
TRADING HOURS	Market Open: 8:30 - 18:00 Eastern Time (16:00 on the last Business Day of the week) Monday through Friday on U.S. Business Days

LCFS Contract Delivery & Settlement





Frequently Asked Questions

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1. What is the California Low Carbon Fuel Standard (LCFS) Program?

Regulated by the California Air Resources Board (CARB), the California LCFS sets carbon-intensity goals, which decrease with each respective year, for transportation fuels sold in the state. To meet compliance requirements, importers and refiners of carbon-intensive fuels, namely gasoline and diesel, accrue deficits which they need to offset by either decarbonizing their fuel mix or purchasing LCFS credits from generators of lower carbon-intensity fuels (i.e. electricity, biofuel, renewable diesel, etc). Note that this is a program that exists for the purposes of reducing carbon emissions exclusively from the transportation sector. To be eligible, the end fuel product must be used in a transportation context.

The California LCFS market is one of five similar programs across North America (Oregon, Washington, British Columbia, and Canada). Other states such as New York, Minnesota, and New Mexico are considering legislation to adopt LCFS programs as well.

Each LCFS credit represents one metric ton (MT) of CO₂ reduced from CARBs baseline.

2. Why is Xpansiv launching the LCFS spot contract?

The LCFS market is growing and maturing rapidly as it enters its second decade of existence. This will be the first physically settled, exchange-traded LCFS spot contract. It will bring further efficiencies, liquidity, and price discovery to an LCFS market with a historically fragmented, broker-driven transactional landscape.

LCFS bids, offers, transactions, and daily settlement prices will provide a transparent, benchmark price signal for the LCFS market. The LCFS contract will also enable intraday market price monitoring, and a reliable daily settlement price participants can use for a host of purposes, including the ability to mark open positions to market, as a mark for other OTC spot or derivatives contracts, and as a basis for project financings or hedging activities.

3. What benefits does the LCFS Spot Contract offer market participants?

For market participants, many LCFS benefits stem from the contract

being traded on CBL's open exchange platform:

- A simplified membership process enables exchange trading without the extensive documentation required to trade OTC
- Equal market access for all market participants (not credit dependent)
- Transparent pricing on the exchange's central limit order book
- Diverse participation from companies, producers, financial institutions, and trading firms
- Live market data
- Minimal/zero counterparty, credit, and delivery risks
- Post-trade, straight-through processing to registries

4. How does CBL reduce counterparty and delivery risk?

Our clearing-and-settlement process ensures against settlement risk, as we pre-clear both the product and cash sides of the transaction. This ensures that a buyer is guaranteed delivery of units offered on the exchange. Furthermore, sellers are guaranteed payment on a T+0 basis as we require buy-side participants to post cash in an escrow account before a bid can enter the order book, and therefore before a trade can occur.

5. How are you addressing LCFS invalidation risks?

There are invalidation risks associated with an LCFS credit and Xpansiv has spent time and effort ensuring that these risks should not materially impact buyers on the exchange. A few key items to consider:

- LCFS credits are not serialized, which means that CARB does not cancel existing credits. Instead it applies a deficit to the original credit generator's account.
- In an invalidation event, CARB will always go after the original credit generator first and has never had to go after any other party including the buyer. There is also a program-wide buffer pool to be drawn from if the original credit generator no longer exists.
- Credits do not get invalidated often. Invalidation represents only 0.2% of total credits generated in the history of the program and those have been concentrated across only 21 organizations.

Xpansiv also has language in our Operating Rules and Schedule 24 to help mitigate invalidation risk.

6. What is Xpansiv's relationship with the Minneapolis Grain Exchange (MGEX)?

Xpansiv and MGEX have a partnership such that the exchange account

in the LCFS registry (LRT) will be under MGEX's name and operated by Xpansiv staff. Participants will transfer credits into an LRT account under MGEX to populate their CBL Holdings Account with LCFS credits.

7. How do I get set up to trade LCFS on CBL?

Existing CBL Member Participants will need to send Xpansiv proof of an approved LRT registry account as well as confirmation from their Designated Authorized Representative (DAR) that they would like to trade LCFS credits. Non-Member Participants will need to go through Xpansiv's KYC process before being onboarded and approved to trade LCFS credits.

8. How do I post bids and offers through CBL?

Sellers/Offerers: To deposit credits in their CBL account, selling Participants will transfer credits from their LRT-CBTS account to the MGEX LRT-CBTS account. This will prompt CBL to accept the transfer and create a holdings deposit in the seller's CBL account.

Buyers/Bids: A buying Participant will need to pre-fund their CBL Cash Account and may only submit a Bid (or a Cash Trade Confirmation) if sufficient funds are held and which are not the subject of one or more other Bids (or Cash Trade Confirmations). There are no specific cash holding limits or minimums in the cash account.

9. Are all trades anonymous on CBL?

While all on-screen trades and closed-bid auctions are anonymous, participants can report trades through CBL where negotiation may be done directly with a counterparty or through an intermediary. Open-bid auctions are also available where the seller can see who has posted bids on their offer.

10. What are the fees associated with trading the LCFS Spot Contract?

There are no membership fees to join CBL. The buyer and seller each pay a \$0.25 per credit transaction fee that covers matching, clearing, and delivery/settlement.

11. Are you launching LCFS contracts in other markets like OR, WA and Canada?

While regulatory restrictions do not currently allow an exchange to operate within those markets, we are working with the regulators to allow for exchange-traded credits within the program. Xpansiv has the capability to facilitate open-bid or closed-bid auctions in those markets which a number of folks have expressed interest in.

Thank you

Please contact us today at lcfs@xpansiv.com
to learn more and schedule a demo.

