

**S&P Dow Jones  
Indices**

A Division of **S&P Global**

# **IHS Markit Carbon EUA Index *Index Manual***

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# 1) IHS Markit Carbon EUA Index Guide

The IHS Markit Carbon EUA Index is designed to measure the performance of the European Union Allowance credit market. Carbon credit futures are utilized to access carbon credit markets due to their liquidity and accessibility to investors.

The IHS Markit Carbon EUA Index is rebalanced once a year on the last Index Calculation Day of November (the "rebalancing date") and currently consists of European Union Allowance (EUA) carbon credit futures.

The IHS Markit Carbon EUA Index uses ICE Futures Pricing for EUA contracts.

This document covers the index selection rules and calculation methodology.

## 1.1) Publication of the Index

The index is calculated daily following the index calculation calendar below. The index is re-balanced on the last Index Calculation Day of November each year. The index is calculated on the basis of end-of-day futures exchange prices for the respective carbon credit futures on each trading day defined in the index calculation calendar. Index data and carbon credit futures price information is also available from the main information vendors.

The index calculation calendar conforms to the New York Stock Exchange (NYSE) trading calendar:

- Index Calculation Day: The Index calculates on each NYSE Trading Day.

# 2) Carbon Credit Selection Rules

The following selection criteria are used to determine the index constituents:

- Contract Selection
- Maturity of the Program

## 2.1) Contract Selection

The IHS Markit Carbon EUA Index includes only Current Year European Union Allowance December Expiry carbon credit futures with vintage year matching the Current future's year of expiry. Note that "Current" expiry is from the perspective of the index basket at a given date. Hence, immediately after rebalancing in November, "Current" expiry references the next calendar year so for example, in December 2022, "Current" references 2023.

IHS Markit may consult with the IHS Markit Global Carbon Index Advisory Committee to review potential carbon credit futures for inclusion or existing carbon credit futures for exclusion dependent on changes in overall liquidity within carbon credit markets. Any decision as to the eligibility or ineligibility of a carbon credit futures contract will be published and the index rules will be updated accordingly.

## 2.2) Maturity of the Program

The IHS Markit Carbon EUA Index includes only carbon credit futures that belong to cap-and-trade programs with recognizable stability regarding the sustainability and future existence of the program.

Carbon credit futures that are part of unstable or extremely uncertain cap-and-trade programs are not eligible for the index.

IHS Markit may consult with the IHS Markit Global Carbon Index Advisory Committee to review potential carbon credit futures for inclusion or existing carbon credit futures for exclusion dependent on the viewed stability of respective carbon credit markets by the industry. Any decision as to the eligibility or ineligibility of a carbon credit futures contract will be published and the index rules will be updated accordingly.

## 3) Index Calculation

### 3.1) Pricing Data

Carbon credit futures pricing is sourced from ICE Futures Pricing for European Union Allowance (EUA) futures contracts.

More details on the ICE Futures Pricing information used for EUA futures contracts can be found at <https://www.theice.com/products/197/EUA-Futures/specs>.

### 3.2) Rebalancing Process

The IHS Markit Carbon EUA Index is rebalanced annually on the last Index Calculation Day of November after the close of business. The index rolls from the current December Expiry contract to the next one.

On the last Index Calculation Day of November, IHS Markit publishes the final membership with closing prices for the carbon credit futures and various analytics based on the securities.

### 3.3) Index Data

An index level is calculated if there is at least one security available that matches all inclusion criteria. If no more securities qualify for an index, then its level will remain constant. If at least one security becomes available again, the index calculation will be resumed from the last calculated level.

Calculation occurs on a daily basis as soon as the consolidated quotes are available. Price quotes are provided and the indices are calculated every trading day in the NYSE calendar and for the last calendar day of November. Index calculation is based on market prices. In the event that no new quotes for a particular security are received, the index will continue to be calculated based on the last available prices. This might be the case in periods of market stress or disruption, as well as in illiquid or fragmented markets.

Note that the index converts all constituent pricing into United States dollars daily using the respective mid-rates for given currencies.

### 3.4) Index Weights

The rebalancing weight for the single EUA security in the index is set to 100%.

### 3.5) Index Calculus

#### 3.5.1) Rebalancing Weighting

For the IHS Markit Carbon EUA Index, the rebalancing weighting is 100%, invested in the Current December Expiry contract. For the avoidance of doubt, immediately after rebalancing in November, “Current” expiry references the next calendar year.

#### 3.5.2) Number of Units

On the rebalancing day in November, the number of units is determined by taking the product of the total return level prior to rebalancing and the calculated rebalancing weighting for the constituent of the index, and then dividing this figure by the respective constituent’s price. Note that the number of units remains static in the index basket until the subsequent annual rebalancing event, which is when said contract allocations change to match the new rebalancing composition:

$$\text{Number of Units}_{i,t} = \frac{\text{Total Return Level}_{Rebal} \times \text{Weight}_{i,Rebal}}{\text{Contract Price}_{i,Rebal}}$$

#### 3.5.3) Total Return Calculation

There are two considerations in the total return calculation: the changes in the market prices of the underlying contract and the yield earned on the cash collateral held for the futures. These are captured and discussed below. Note that the total return level for a given day is simply the previous calculation day’s total return level times one plus the current day’s total return:

$$\text{Total Return}_t = \text{Price Return}_t + \text{Collateral Yield}_t$$

$$\text{Total Return Level}_t = \text{Total Return Level}_{t-1} \times (1 + \text{Total Return}_t)$$

#### 3.5.4) Price Return Calculation

The price return is determined as the daily change in the price level for the index. The price level is calculated by multiplying the daily contract pricing for the constituent by the number of units assumed to be held in the index basket. Furthermore, an adjustment is made to rescale this price level in the price return calculation after the underlying index basket has changed immediately after the rebalancing event.

Note that the price return level for a given day is simply the previous calculation day’s price return level times one plus the current day’s price return:

$$\text{Price Level}_t = \text{Contract Price}_{i,t} \times \text{Number of Units}_{i,t}$$

$$\text{Price Return}_t = \frac{\text{Price Level}_t}{\text{Price Level}_{t-1}} - 1$$

$$\text{Price Return Level}_t = \text{Price Return Level}_{t-1} \times (1 + \text{Price Return}_t)$$

### 3.5.5) Collateral Yield Calculation

The yield earned on the cash collateral is determined daily as the product of the prior trading day's weighted composite of overnight rates based on the currency exposure in the index and the ACT-360 day-count difference between the calculation days. Note that the Euro Short Term Rate is used for EUR currency exposure.

$$CollateralYield_t = \frac{DayCount_{t-1,t}}{360} \times CompositeRate_{t-1}$$

$$CompositeRate_t = OvernightRate_t = EuroShortTermRate_t$$

### 3.5.6) Rolling Futures

On the last Index Calculation Day of November after the daily returns are calculated against the existing index basket's component and weight, the index rebalancing occurs and is reflected on the next trading day. During the November index rebalancing, the existing index basket's futures are rolled such that the existing maturity and vintage is extended by a year with the number of units for the new index basket calculated as described above. Daily returns computed on the first trading day of December are calculated against the component and weight featured in the new index basket after rebalancing.

### 3.6) Index History

The index history starts on July 31, 2014. The index has a base value of 100 on that date.

### 3.7) Settlement Conventions

The IHS Markit Carbon EUA Index is calculated using the assumption of T+0 settlement days.

### 3.8) Foreign Exchange Rates

Foreign exchange spot rates are sourced from WM and Reuters. The index calculation uses the foreign exchange mid rates at 4:00 PM London time. If the rebalancing day is a non-trading day, the 4:00 PM London time foreign exchange rates from the previous trading day are used.

### 3.9) Calendar

The IHS Markit Carbon EUA Index is calculated on all trading days featured in the NYSE calendar.

### 3.10) Data Publication and Access

The table below summarizes the publication of the IHS Markit Carbon EUA Index in the Indices section of the IHS Markit website <http://www.markit.com/indices> for registered users and on the FTP server. Each Index Level published by the Index Administrator shall be rounded as defined as per below.

Frequency	File Type	Access
Daily	Underlying File – Security Level	FTP Server
	Indices File – Index Level	FTP Server / IHS Markit Website / Bloomberg (Index Levels Only)
Annually	End of Period Components	FTP Server / IHS Markit Website

Below are the access codes for the different vendors and IDs of the Index as well as Index Currency and Rounding convention:

Index	Bloomberg Ticker	RIC	Index Currency	Rounding (d.p.)
Total Return Index	GLCEUA	.GLCEUA	USD	4

## 4) Governance and Regulatory Compliance

IHS Markit Benchmark Administration Limited (IMBA UK) is the Index Administrator of the IHS Markit Carbon EUA Index. Information on IMBA UK's governance and compliance approach can be found [here](#). This document covers:

- Governance arrangements, including external committees
- Input data integrity
- Conflicts of interest management
- Market disruption and Force Majeure
- Methodology changes and cessations
- Complaints
- Errors and restatements
- Reporting of infringements and misconduct
- Methodology reviews
- Business continuity

More details about IMBA UK can be found on the [Administrator's website](#)

## 5) Appendix A: Changes to the IHS Markit Carbon EUA Index

Effective Date	Change
1 December 2022	Publication Schedule: Every month, the last publication day for the Index will be the last index Calculation Day of that month
23 August 2021	Launch of the IHS Markit Carbon EUA Index

## 6) Appendix B: Contracts included in the IHS Markit Carbon EUA Index

Constituent	Effective Date	Contract
EUA 1 Year	1 December 2022	Vintage 23 December 23 expiry
EUA 1 Year	1 December 2021	Vintage 22 December 22 expiry

## 7) Further Information

### 7.1) Contractual and Content Issues

For contractual or content issues please contact:

Markit Indices GmbH Friedrich-Ebert-Anlage 35-37 60327 Frankfurt am Main Germany E-mail: <a href="mailto:indices@ihsmarkit.com">indices@ihsmarkit.com</a> Web: <a href="http://www.ihsmarkit.com">http://www.ihsmarkit.com</a>
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### 7.2) Technical Issues and Client Support

For technical issues and client support please contact:

E-mail:	<a href="mailto:indices@ihsmarkit.com">indices@ihsmarkit.com</a>		
Phone:	Asia Pacific	Japan:	+81 3 6402 0127
		Singapore:	+65 6922 4210
	Europe	General:	+800 6275 4800
		UK:	+44 20 7260 2111
	USA	General:	+1 877 762 7548

For any general index inquiries, please contact IHS Markit indices support group at [indices@ihsmarkit.com](mailto:indices@ihsmarkit.com).

### 7.3) Licenses and Data

Markit Indices GmbH owns all IHS Markit Carbon EUA Index data, database rights, indices and all intellectual property rights therein. A license is required from Markit Indices GmbH to create and/or



distribute any product that uses, is based upon, or refers to the IHS Markit Carbon EUA Index or the IHS Markit Carbon EUA Index's data.

#### **7.4) Ownership**

Markit Indices GmbH is a wholly-owned subsidiary of IHS Markit Limited.

#### **7.5) Other Index Products**

Markit Indices GmbH owns, manages, compiles and publishes the iTraxx credit derivative indices and the iBoxx indices.