

**Confirmation of OTC
Physically Settled
UK Emissions Allowance Option
(For use in respect of the first Trading Period)**

Heading for Letter¹

[Letterhead of Party A]

[Date]

UK Emissions Allowance Transaction

[Name and Address of Party B]

Heading for [Telex/Facsimile/Email]²

[Telex/Facsimile/Email]

Date:

To: [Name and [Telex Number/Facsimile Number/Email Address]] of Party B

From: [Party A]

Re: UK Emissions Allowance Transaction

Dear _____ :

The purpose of this [letter agreement/telex/facsimile/email] (this "Confirmation") is to confirm the terms and conditions of the UK Emissions Allowance Transaction entered into between us on the Trade Date specified below (the "Transaction").

The definitions and provisions contained in the 2006 ISDA Definitions, as published by International Swaps and Derivatives Association, Inc. ("the 2006 ISDA Definitions"), are incorporated into this Confirmation. In the event of any inconsistency between this Confirmation, the Agreement (as defined below) and the 2006 ISDA Definitions, this Confirmation will govern.

This Confirmation constitutes a "Confirmation" as referred to in, and supplements, forms part of and is subject to, the [ISDA Master Agreement/ISDA 2002 Master Agreement]³ dated as of [date], as amended

¹ Include if applicable.

² Delete as applicable.

³ Include if applicable. If the parties have not yet executed, but intend to execute, an ISDA Master Agreement, include, instead of this paragraph, the following: "This Confirmation evidences a complete and binding agreement between you and us as to the terms of the UK Emissions Allowance Transaction to which this Confirmation relates. In addition, you and we agree to use all reasonable efforts promptly to negotiate, execute and deliver an agreement in the form of an ISDA Master Agreement, with such modifications as you and we will in good faith agree. Upon the execution by you and us of such an agreement, this Confirmation will supplement, form part of, and be subject to that agreement. All provisions contained in or incorporated by reference in that agreement upon its execution will govern this Confirmation except as expressly modified below. Until we execute and deliver that agreement, this Confirmation, together with all other documents referring to an ISDA Master Agreement (each a "Confirmation") confirming transactions (each, a "Transaction") entered into between us (notwithstanding anything to the contrary in a Confirmation), shall supplement, form a part of, and be subject to, an agreement in the form of the 1992 ISDA Master Agreement (Multicurrency – Cross Border) if any Confirmation dated prior to the date of this Confirmation refers to that ISDA Master Agreement and otherwise the 2002 ISDA Master Agreement as if we had executed an agreement in such form (but without any Schedule except for the election of [English law][the laws of the State of New York] as the governing law, a Form of Part [7] to the Schedule to an ISDA Master Agreement for UK Emissions Allowance Transactions (version 1: 16 July, 2021) (For use in respect of the First Trading Period) as published by ISDA [and [specify currency] as the Termination Currency]) on the Trade Date of the first such Transaction between us. In the event of any inconsistency between the provisions of that agreement and this Confirmation, this Confirmation will prevail for purposes of this UK Emissions Allowance Transaction."

and supplemented from time to time (the "Agreement"), between [Name of Party A] ("Party A") and [Name of Party B] ("Party B"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The terms of the Allowance Option Transaction to which this Confirmation relates are as follows:

1. **General Terms:**

Trade Date: []

Option Style: [American][European][Bermuda]

Option Type: [Put][Call]

Seller: [Party A][Party B]

Buyer: [Party A][Party B]

Specified Trading Period: First Trading Period

Number of Options: []

[Option Entitlement: [] Allowance(s) per Option]⁴

Allowance Strike Price: [[GBP]]⁵

Business Days: [●]

Premium: [[(Premium per Allowance:)]]⁶

Premium Payment Date: [, subject to adjustment in accordance with the [Following] Business Day Convention]

Buyer's VAT Jurisdiction: []

Seller's VAT Jurisdiction: []

⁴ The default Option Entitlement is one Allowance per Option. It is only necessary to specify an Option Entitlement if an Option Entitlement other than one Allowance per Option is desired.

⁵ This should be expressed as Strike Price per Allowance.

⁶ If Premium per Allowance is specified, the Premium shall be the product of the Premium per Allowance, the Number of Options and the Option Entitlement.

2. **Procedures for Exercise:**⁷

[Commencement Date: []⁸

[Potential Exercise Dates: []⁹

[Earliest Exercise Time: [][a.m./p.m.] (local time in)]¹⁰

[Latest Exercise Time: [][a.m./p.m.] (local time in)]¹¹

[Expiration Date: []]

[Expiration Time: [][a.m./p.m.] (local time in)]¹²

Multiple Exercise: [Applicable][Not Applicable]

[Minimum Number of Options: []]¹³

[Maximum Number of Options: []]¹⁴

[Integral Multiple: []]¹⁵

[Written Confirmation: [Applicable][Not Applicable]]

Seller's location, telephone or
facsimile number for purpose
of giving notice:¹⁶

Buyer's location, telephone or
facsimile number for purpose
of giving notice:¹⁷

⁷ This template does not provide for Automatic Exercise. At the close of the Exercise Period, the Buyer will have to determine to whether to exercise the Option.

⁸ Include if a Transaction is an American Option. If no Commencement Date is specified, the Commencement Date shall be the Trade Date.

⁹ Include if a Transaction for a Bermudan Option.

¹⁰ Specify the city in which Seller, or if applicable, Seller's Agent is located for purposes of receiving notices.

¹¹ Include if a Transaction for an American Option or Bermudan Option. Specify the city in which Seller, or if applicable, Seller's Agent is located for purposes of receiving notices.

¹² Specify the city in which Seller, or if applicable, Seller's Agent is located for purposes of receiving notices.

¹³ Include if a Transaction provides for Multiple Exercise.

¹⁴ Include if a Transaction provides for Multiple Exercise.

¹⁵ Include if a Transaction provides for Multiple Exercise.

¹⁶ Specify city in which Seller is located for purposes of receiving notices.

¹⁷ Specify city in which Buyer is located for purposes of receiving notices.

3. **Settlement Terms:**

Physical Settlement: Applicable

Settlement Currency: []

Payment Date: [The fifth Business Day following the later of the Delivery Date and the date on which the relevant VAT invoice is delivered to the Receiving Party][The later of (a) the twentieth day of the month following the end of the month in which the Delivery Date occurs, or if such day is not a Business Day, the first following day that is a Business Day; and (b) the fifth Business Day following the date on which the relevant VAT invoice is delivered to the Receiving Party]¹⁸, subject to the provisions of "Failure to Deliver" in Part [7] of the Schedule to the Agreement.

Party A's Delivery Business Day Location: []

Party B's Delivery Business Day Location: []

Delivery Date: [Two] Delivery Business Days following each Exercise Date

Payment on Termination For Settlement Disruption: [Applicable][Inapplicable]¹⁹

Excess Emissions Penalty: [Applicable][Not Applicable]²⁰

[EEP Risk Period: []]

[EEP Equivalent: [Applicable]]²¹

[Failure to Deliver (Alternative Method): [Applicable]]²²

[EEP: [Applicable]]

[EEP Risk Period: []]²³

4. **Calculation Agent:**

[Buyer][Seller] save that for the purposes of determining the Delivering Party's Replacement Cost the Calculation Agent shall be the Delivering Party and for the purposes of determining the Receiving Party's Replacement Cost the Calculation Agent shall be the Receiving Party.

¹⁸ Delete as applicable.

¹⁹ Please see Part 7(d)(i)(4)(D) of the Form of Part [7] to an ISDA Master Agreement for UK Emissions Allowance Transactions.

²⁰ Please see part 7(d)(ii)(1)(B) of the Form of Part [7] to an ISDA Master Agreement for UK Emissions Allowance Transactions.

²¹ [The election of whether "EEP Equivalent" is applicable or not applicable may be made only if "Failure to Deliver (Alternative Method)" does not apply.]

²² [Please see Part 7(d)(ii)(1)(A) of the Form of Part [7] to an ISDA Master Agreement for UK Emissions Allowance Transactions. This is presumed not to apply.]

²³ ["EEP Risk Period" must be specified if both "Failure to Deliver (Alternative Method)" and "EEP" are applicable.]

5. **Account Details:**

Account for payments to Party A:

UK ETS Account of Party A:

Account for payments to Party B:

UK ETS Account of Party B:

6. **Offices:**

(a) The Office of Party A for the Transaction is []; and

(b) The Office of Party B for the Transaction is [].

Closing

Please confirm your agreement to be bound by the terms of the foregoing by executing a copy of this Confirmation and returning it to us [by facsimile].

Yours sincerely,

[PARTY A]

By: _____

Name:

Title:

Confirmed as of the date first above written:

[PARTY B]

By: _____

Name:

Title: