

**Form of Part [7] to the
Schedule to an ISDA Master Agreement
for UK Emissions Allowance Transactions (incorporating options)
(Version 1: 16 July, 2021) (For use during the First Trading Period)**

Part [7]. UK Emissions Allowance Transactions

(a) Scope

The provisions of this Part [7] apply solely in respect of Transactions that are identified in the related Confirmation as UK Emissions Allowance Transactions or as otherwise being subject to the terms of this Part [7] and (ii) specify in the related Confirmation the First Trading Period as the applicable "Specified Trading Period" (each such Transaction, an "**UK Emissions Allowance Transaction**").¹

(b) ISDA Definitions

The definitions and provisions contained in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (the "**2006 ISDA Definitions**"), are incorporated into this Part [7]. In the event of any inconsistency between those definitions and provisions and this Part [7], this Part [7] will govern.

(c) Multiple Delivery Dates

If the Confirmation for a UK Emissions Allowance Transaction specifies more than one Delivery Date and, in respect of each such Delivery Date:

- (i) a Payment Date;
- (ii) an Allowance Purchase Price;
- (iii) the Specified Trading Period; and
- (iv) the Number of Allowances,

is specified in, or is otherwise capable of being determined as provided in that Confirmation then, for the purposes of this Part [7] only the relevant UK Emissions Allowance Transaction shall be deemed to consist of a number of UK Emissions Allowance Transactions: each one corresponding with one of the specified Delivery Dates, and having the Payment Date, Allowance Price, Specified Trading Period and Number of Allowances specified or otherwise determined as provided in that Confirmation in respect of that Delivery Date.

(d) Terms

In respect of each UK Emissions Allowance Transaction:

- (i) Physical Settlement**
 - (1) Settlement**

¹ Parties should specify the First Trading Period as the Specified Trading Period for all UK Emissions Allowance Transactions to be governed by the terms of this Part [7].

- (A) For purposes of an Allowance Forward Transaction, on the Payment Date, Buyer shall pay to Seller an amount equal to the Allowance Purchase Price multiplied by the Number of Allowances and on the Delivery Date Seller shall deliver to Buyer the Allowances to be Delivered and Buyer shall accept the Allowances to be Delivered, subject to and in accordance with the terms and conditions of this Agreement and the related Confirmation.
- (B) For purposes of an Allowance Option Transaction, in respect of each Exercise Date, on the relevant Payment Date Receiving Party shall pay to Delivering Party an amount equal to the Allowance Strike Price multiplied by the number of Allowances to be Delivered and on the relevant Delivery Date Delivering Party shall deliver to Receiving Party the Allowances to be Delivered, and Receiving Party shall accept the Allowances to be Delivered, subject to and in accordance with the terms and conditions of this Agreement and the related Confirmation.

(2) Delivery

- (A) Any obligation of Delivering Party to deliver Allowances pursuant to a UK Emissions Allowance Transaction shall be discharged by the completed transfer of those Allowances from a UK ETS Account of Delivering Party under and in accordance with the UK ETS. A transfer of Allowances shall be considered to be completed for the purpose of a delivery obligation pursuant to a UK Emissions Allowance Transaction when the relevant Allowances are received at the Specified UK ETS Account of Receiving Party, whereupon risk of loss related to the Allowances or any portion thereof transfers from Delivering Party to Receiving Party.
- (B) If a transfer of Allowances is completed after 4:00 p.m., London time, on a Delivery Business Day or at any time on any day other than a Delivery Business Day, then those Allowances will be deemed to have been delivered at 10:00 a.m., London time, on the next following Delivery Business Day. If a transfer of Allowances is completed before 10:00 a.m., London time, on a Delivery Business Day, then those Allowances will be deemed to have been delivered at 10:00 a.m., London time, on that day.

(3) Netting

If on any date Allowances of the same Specified Trading Period would otherwise be deliverable in respect of two or more UK Emissions Allowance Transactions by each party to the other, then, on such date, each party's obligation to make delivery of any such Allowances will be automatically satisfied and discharged and, if the aggregate amount of Allowances that would otherwise have been deliverable by one party exceeds the aggregate amount of Allowances that would otherwise have been deliverable by the other party, replaced by an obligation upon the party by which the larger aggregate amount would have been deliverable to deliver to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

(4) Settlement Disruption Event

(A) Notification of Settlement Disruption Event

Upon the occurrence of a Settlement Disruption Event, either party may notify the other party in writing of the commencement of the Settlement Disruption Event and the UK Emissions Allowance Transaction(s) affected by that Settlement Disruption Event. Where the notification is from the party affected by the Settlement Disruption Event, to the extent available to such party, it shall also provide details of the Settlement Disruption Event and a non-binding estimate of the extent and the expected duration of its inability to perform its obligations due to the Settlement Disruption Event.

(B) Effect of Settlement Disruption Event

If a Settlement Disruption Event occurs, the obligations of both parties which would otherwise be required to be performed with respect to the UK Emissions Allowance Transaction(s) affected by the Settlement Disruption Event will be suspended for the duration of the Settlement Disruption Event and, subject to [7](d)(i)(4)(D) (*Continuing Settlement Disruption Event*) below, will not be required to be performed until the Settlement Disruption Event is overcome or ceases to exist. During the continuation of the Settlement Disruption Event, the party affected by the Settlement Disruption Event shall continue to use all reasonable endeavours to overcome the Settlement Disruption Event.

(C) Settlement Disruption Event Delayed Performance

Subject to Part [7](d)(i)(4)(D)(*Continuing Settlement Disruption Event*) below, upon the Settlement Disruption Event being overcome or ceasing to subsist, both parties will be required, as soon as reasonably practicable but not later than the second Delivery Business Day following the date upon which the Settlement Disruption Event has been overcome or ceases to exist, to resume full performance of their obligations under this Agreement in respect of the relevant UK Emissions Allowance Transaction(s) (including, for the avoidance of doubt, any suspended obligations).

(D) Continuing Settlement Disruption Event

In respect of a UK Emissions Allowance Transaction affected by a Settlement Disruption Event, where the Settlement Disruption Event continues:

- (I) during the period ending 9 Delivery Business Days after the original date that, but for the Settlement Disruption Event, would have been the Delivery Date for a UK Emissions Allowance Transaction; or
- (II) if such 9 Delivery Business Day period would end after the Compliance Deadline on or immediately following the original date that, but for the Settlement Disruption Event, would have been the Delivery Date for a UK Emissions Allowance Transaction, during the period ending on that Compliance Deadline; or
- (III) if such 9 Delivery Business Day period would end after the day that is 3 Delivery Business Days preceding the End of Trading Period

Compliance Deadline on or immediately following the original date that, but for the Settlement Disruption Event, would have been the Delivery Date for a UK Emissions Allowance Transaction, during the period ending on the day that is 3 Delivery Business Days preceding that End of Trading Period Compliance Deadline,

then on that 9th Delivery Business Day, Compliance Deadline or day that is 3 Delivery Business Days preceding the End of Trading Period Compliance Deadline (as the case may be), an [Additional Termination Event][Illegality]² shall be deemed to have occurred in respect of which the relevant UK Emissions Allowance Transaction is the sole Affected Transaction, both parties are Affected Parties[, no Waiting Period will apply]³ and, if an Early Termination Date results from that Termination Event, then, for purposes of determining any amount payable under Section 6(e) in respect of that Early Termination Date: (i) if "Payment on Termination for Settlement Disruption" is specified to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction, it will be deemed that the requirement to perform the suspended obligations resumed on the Early Termination Date; or (ii) if "Payment on Termination for Settlement Disruption" is specified to be inapplicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction, it will be deemed that the parties had no further delivery or payment obligations in respect of the UK Emissions Allowance Transaction after the occurrence of the Settlement Disruption Event (other than in respect of any payment due by one party in connection with delivery obligations already performed by the other party); provided, however, that (i) Delivering Party shall promptly refund to Receiving Party any amount that may have been paid by Receiving Party in respect of the UK Emissions Allowance Transaction that is an Allowance Forward Transaction or a Call and (ii) Receiving Party shall promptly refund to Delivering Party any amount that may have been paid by Delivering Party in respect of a UK Emissions Allowance Transaction that is a Put (in each case, other than in respect of delivered Allowances) together with interest on that amount in the same currency as that amount for the period from (and including) the date that amount was paid to (but excluding) the date of termination of such UK Emissions Allowance Transaction, at the rate certified by the party required to refund the amount to be a rate offered to such party by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by that party for purposes of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in the relevant market.

(5) Suspension Event

(A) Notification of Suspension Event

² If the form of Master Agreement in which this Part[7] is included is a 1992 ISDA Master Agreement (Multicurrency-Cross Border) the parties should specify "Additional Termination Event" or, if the form of Master Agreement which the Confirmation supplements is an ISDA 2002 Master Agreement the parties should specify "Illegality".

³ Include if the form of Master Agreement in which this Part [7] is included is an ISDA 2002 Master Agreement.

Upon the occurrence of a Suspension Event, the party affected by the Suspension Event shall, as soon as reasonably practicable, notify the other party in writing of the commencement of the Suspension Event. To the extent available to the party affected by the Suspension Event, it shall also provide details of the Suspension Event including a non-binding estimate of the duration of its inability to perform its obligations due to the Suspension Event.

(B) Effect of Suspension Event

Where a Suspension Event occurs, the obligations of both parties which would otherwise be required to be performed with respect to the UK Emissions Allowance Transaction(s) affected by the Suspension Event will be suspended for the duration of the Suspension Event and, subject to Part [7](d)(i)(5)(D)(*Continuing Suspension Event*) below, will not be required to be performed until the Suspension Event ceases to exist.

(C) Suspension Event Delayed Performance

Subject to Part [7](d)(i)(5)(D)(*Continuing Suspension Event*) below, upon the Suspension Event ceasing to exist, both parties will be required to resume full performance of their obligations under this Agreement in respect of the relevant UK Emissions Allowance Transaction (including, for the avoidance of doubt, any suspended obligations) as soon as possible but no later than the day that is the earlier of: (i) the tenth Delivery Business Day following the date on which the Suspension Event ceases to exist; and (ii) 3 Delivery Business Days prior to the End of Trading Period Compliance Deadline (the "**Delayed Delivery Date**").

In the event that the Allowances to be Delivered are delivered to Receiving Party on or before the Delayed Delivery Date following the occurrence of a Suspension Event as contemplated by Part [7](d)(i)(5)(B)(*Effect of Suspension Event*) above, Receiving Party agrees to pay Delivering Party on the Delayed Payment Date:

- (I) for the purposes of an Allowance Forward Transaction, an amount equal to the sum of: (X) Allowance Purchase Price multiplied by the Number of Allowances delivered on or before the relevant Delayed Delivery Date; and (Y) the Cost of Carry Amount; or
- (II) for the purposes of an Allowance Option Transaction, an amount equal to the sum of: (X) the Allowance Strike Price multiplied by the Number of Allowances delivered on or before the relevant Delayed Delivery Date; and (Y) the Cost of Carry Amount.

For the avoidance of doubt, the Cost of Carry Amount shall be identified in the relevant VAT Invoice sent to Receiving Party.

(D) Continuing Suspension Event

Where: (I) a Suspension Event continues to exist on the Long-Stop Date, then an [Additional Termination Event]/[Illegality]⁴ shall be deemed to have occurred in respect of which the relevant UK Emissions Allowance Transaction is the sole Affected Transaction [,]/[and] both parties are Affected Parties [and no Waiting Period will apply].⁵ The parties agree that the Long-Stop Date will be the Early Termination Date for the purposes of the relevant UK Emissions Allowance Transaction. For purposes of determining any amount payable under Section 6(e) in respect of that Early Termination Date, it will be deemed that the parties had no further delivery or payment obligations in respect of the UK Emissions Allowance Transaction after the occurrence of the Suspension Event (other than in respect of any payment due by one party in connection with delivery obligations already performed by the other party); provided, however, that (i) Delivering Party shall promptly refund to Receiving Party any amount that may have been paid by Receiving Party in respect of the UK Emissions Allowance Transaction that is an Allowance Forward Transaction or a Call and (ii) Receiving Party shall promptly refund to Delivering Party any amount that may have been paid by Delivering Party in respect of a UK Emissions Allowance Transaction that is a Put (in each case, other than in respect of delivered Allowances) together with interest on that amount in the same currency as that amount for the period from (and including) the date that amount was paid to (but excluding) the date of termination of such UK Emissions Allowance Transaction, at the rate certified by the party required to refund the amount to be a rate offered to such party by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by that party for purposes of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in the relevant market.

(ii) Failure to Deliver

If Delivering Party fails to deliver the Allowances to be Delivered on the Delivery Date, such failure shall not constitute an Event of Default (as defined in the Agreement) in respect of Delivering Party, but the following provisions shall apply.

(1) Failure to Deliver by Delivering Party

If the failure to deliver occurs other than as a result of the failure of Receiving Party to comply with the Requirements under the UK ETS as specified below, the existence of an Illegality, the existence of a Settlement Disruption Event, the existence of a Suspension Event or an abandonment of the UK ETS as described in Part [7](d)(iv)(1), the Payment Date will be postponed and Receiving Party may, by

⁴ If the form of Master Agreement in which this Part[7] is included is a 1992 ISDA Master Agreement (Multicurrency-Cross Border) the parties should specify "Additional Termination Event" or, if the form of Master Agreement which the Confirmation supplements is an ISDA 2002 Master Agreement the parties should specify "Illegality".

⁵ Include if the form of Master Agreement in which this Part [7] is included is an ISDA 2002 Master Agreement.

notice to Delivering Party, require Delivering Party to remedy such failure, and the following provisions shall apply.

(A) Failure to Deliver Remedied

If Delivering Party delivers the Allowances to be Delivered on or before the Final Delivery Date:

- (X) in respect of an Allowance Forward Transaction, Receiving Party shall pay to Delivering Party on the Payment Date an amount equal to the Allowance Purchase Price multiplied by the Number of Allowances and, in respect of an Allowance Option Transaction, Receiving Party shall pay to Delivering Party on the Payment Date an amount equal to the Allowance Strike Price multiplied by the number of Allowances to be Delivered (and, in each case, for purposes of determining the Payment Date, the date of actual delivery shall be deemed to be the Delivery Date); and
- (Y) Delivering Party shall pay to Receiving Party on the Payment Date (determined in accordance with Part [7](d)(ii)(1)(A)(X) above) interest on an amount equal to the number of Allowances that were required to be delivered on the Delivery Date (but which were not delivered on such date) multiplied by either the Allowance Purchase Price (in respect of an Allowance Forward Transaction) or the Allowance Strike Price (in respect of an Allowance Option Transaction) for the period from (and including) the original Delivery Date to (but excluding) the date of actual delivery at the Default Rate.

(B) Failure to Deliver Not Remedied

If the failure is not remedied on or before the Final Delivery Date:

- (X) if "Excess Emissions Penalty" is specified not to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction, or if "Excess Emissions Penalty" is specified to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction and an EEP Risk Period is specified in that Confirmation but the Delivery Date does not fall within that EEP Risk Period, Receiving Party may, by written notice to Delivering Party, terminate the parties' obligations under "Physical Settlement" above and Delivering Party shall pay to Receiving Party an amount determined in accordance with paragraph (1) of Receiving Party's Replacement Cost (if a positive number) on the first succeeding Business Day, adjusted to take into account any amount previously paid (which, for the avoidance of doubt, shall not include any Premium paid by the Buyer in respect of an Allowance Option Transaction) by Receiving Party to Delivering Party in respect of the relevant UK Emissions Allowance Transaction; or

- (Y) if "Excess Emissions Penalty" is specified to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction and, if an EEP Risk Period is specified in the Confirmation for the relevant UK Emissions Allowance Transaction, the Delivery Date falls within that EEP Risk Period for the relevant UK Emissions Allowance Transaction, Receiving Party may, by written notice to Delivering Party, terminate the parties' obligations under "Physical Settlement" above and Delivering Party shall pay to Receiving Party an amount determined in accordance with paragraph (2) of Receiving Party's Replacement Cost (if a positive number) on the first Business Day following the day on which Receiving Party is able to effect a Buy-In (which may be a Buy-In, on any such date, of less than the entire number of Undelivered Allowances) if and to the extent that paragraphs (2)(A)(I) or (2)(A)(II)(X) of Receiving Party's Replacement Cost apply, or the first Business Day following the day on which Receiving Party is able to effect a purchase of Allowances in accordance with paragraph (2)(A)(II)(Y) of Receiving Party's Replacement Cost, if and to the extent that paragraph applies, in either case adjusted to take into account any amount previously paid (which, for the avoidance of doubt, shall not include any Premium paid by the Buyer in respect of an Allowance Option Transaction) by Receiving Party to Delivering Party in respect of the UK Emissions Allowance Transaction; or
- (Z) if "Failure to Deliver (Alternative Method)" is specified to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction:
- (aa) Delivering Party shall pay to Receiving Party, on the first succeeding Business Day, an amount determined in accordance with paragraph (3) of Receiving Party's Replacement Cost (if a positive number), adjusted to take into account any amount previously paid (which, for the avoidance of doubt, shall not include any Premium paid by the Buyer in respect of an Allowance Option Transaction) by Receiving Party to Delivering Party in respect of the relevant UK Emissions Allowance Transaction, and upon payment of such amount, Delivering Party's obligation to deliver to Receiving Party the Allowances to be Delivered shall be fully discharged and terminated; and
- (bb) if "Excess Emissions Penalty" is specified to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction, Delivering Party shall pay to Receiving Party the amount, if any, determined in accordance with the provisions of Part [7](d)(xi)(*Failure to Deliver (Alternative Method) – EEP Applicable*) below on the date determined in accordance with those provisions.

(2) Failure to Comply by Receiving Party

If the failure to deliver occurs as a result of the failure of Receiving Party to comply with the Requirements under the UK ETS as specified below, the Payment Date will be postponed and Delivering Party may, by notice to Receiving Party, require Receiving Party so to comply, and the following provisions shall apply.

(A) Failure to Comply Remedied

If Receiving Party complies on or before the Final Compliance Date:

- (X) Delivering Party shall deliver to Receiving Party the Allowances to be Delivered and, in respect of an Allowance Forward Transaction, Receiving Party shall pay to Delivering Party on the Payment Date an amount equal to the Allowance Purchase Price multiplied by the Number of Allowances and, in respect of an Allowance Option Transaction, Receiving Party shall pay to Delivering Party on the Payment Date an amount equal to the Allowance Strike Price multiplied by the number of Allowances to be Delivered (and, in each case, for purposes of determining the Payment Date, the date of actual delivery shall be deemed to be the Delivery Date); and
- (Y) Receiving Party shall pay to Delivering Party on the Payment Date (determined in accordance with Part [7](d)(ii)(2)(A)(X) above) interest on an amount equal to the number of Allowances that were required to be delivered on the Delivery Date (but which were not delivered on that date) multiplied by the Allowance Purchase Price or Allowance Strike Price, as applicable, for the period from (and including) the original Delivery Date to (but excluding) the date of actual delivery at the Default Rate.

(B) Failure to Comply Not Remedied

If Receiving Party fails to comply on or before the Final Compliance Date, Delivering Party may, by written notice to Receiving Party, terminate the parties' obligations under "Physical Settlement" above and Receiving Party shall pay to Delivering Party an amount equal to Delivering Party's Replacement Cost (if a positive number) on the first succeeding Business Day, adjusted to take into account any amount previously paid (which for the avoidance of doubt, shall not include any Premium paid by the Buyer in respect of an Allowance Option Transaction) by Receiving Party to Delivering Party in respect of the relevant UK Emissions Allowance Transaction.

(3) EEP Amount

Subject to the paragraph below, if "Excess Emissions Penalty" is specified to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction and as a result of Delivering Party's failure to deliver the Allowances to be Delivered (in whole or in part) on the Delivery Date Receiving Party becomes liable to pay any EEP Amount, then Receiving Party shall

provide to Delivering Party, upon its reasonable request, evidence to the reasonable satisfaction of Delivering Party:

- (A) that Receiving Party has incurred an EEP Amount consequent on Delivering Party's failure to deliver the Allowances to be Delivered (in whole or in part); and
- (B) the extent to which the requirement for Receiving Party to pay any EEP Amount results from Delivering Party's failure to make such delivery; and
- (C) that Receiving Party could not have used Allowances to which it had title in any UK ETS Account(s) in the Registry in order to avoid or reduce its liability to pay any EEP Amount which it claims from Delivering Party as part of Receiving Party's Replacement Cost.

Delivering Party's obligation to pay any EEP Amount in accordance with "Failure to Deliver" under Part [7] of the Schedule to this Agreement is subject to Receiving Party's overriding obligation to use its reasonable endeavours to avoid becoming liable for such EEP Amount or, when liable, to mitigate the payment obligation in relation to such EEP Amount and to allocate any such EEP Amount pro rata between all counterparties of Receiving Party that have failed to deliver Allowances to Receiving Party provided, however, that where Receiving Party confirms it has been unable to avoid becoming liable for any EEP Amount, it shall be for Delivering Party to show that it has been as a result of Receiving Party failing to use its reasonable endeavours to do so.

(iii) Partial Settlement

If, on the Delivery Date, Delivering Party delivers to Receiving Party fewer Allowances than the Allowances to be Delivered (such shortfall the "**Allowance Shortfall**"), Receiving Party's obligation to pay pursuant to Physical Settlement above shall be reduced by an amount equal to the Allowance Shortfall multiplied by either the Allowance Purchase Price (in respect of an Allowance Forward Transaction) or the Allowance Strike Price (in respect of an Allowance Option Transaction), and the provisions of "Failure to Deliver" above will apply in respect of the Allowance Shortfall (with references to Number of Allowances (in the case of an Allowance Forward Transaction) and Allowances to be Delivered (in the case of an Allowance Option Transaction) being read as references to the Allowance Shortfall).

(iv) Abandonment of UK ETS

- (1) If before the Delivery Date the UK ETS is, as a result of official written public pronouncement by a Relevant Authority, no longer scheduled to proceed or is to be discontinued, either party may, by written notice to the other party, terminate the relevant UK Emissions Allowance Transaction, in which case neither party shall have any further delivery or payment obligations under or in respect of that UK Emissions Allowance Transaction (other than in respect of any payment due by one party in connection with delivery obligations already performed by the other party) and, for the avoidance of doubt, a payment shall not be due under Section 6(e) of the Agreement or otherwise in respect of such termination.

- (2) In the event of a termination in accordance with sub-clause (1) Delivering Party shall promptly refund to Receiving Party any amount that may have been paid by Receiving Party in respect of the UK Emissions Allowance Transaction that is an Allowance Forward Transaction or a Call and Receiving Party shall promptly refund to Delivering Party any amount that may have been paid by Delivering Party in respect of a UK Emissions Allowance Transaction which is a Put together with interest on that amount in the same currency as that amount for the period from (and including) the date that amount was paid to (but excluding) the date of termination of the UK Emissions Allowance Transaction in accordance with sub-clause (1), at the rate certified by the party required to refund the amount to be a rate offered to such party by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by that party for purposes of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in the relevant market.

(v) Invoicing

On or after the Delivery Date, Delivering Party shall send to Receiving Party a valid VAT invoice (which must be a valid VAT invoice to the extent required in the VAT jurisdiction of the Delivering Party) setting forth the number of Allowances delivered, or that would have been delivered but for the provisions of Part [7](d)(i)(3)(*Netting*), above, and the Allowance Purchase Price(s) or Allowance Strike Price(s), as applicable, stating the total amount payable by Receiving Party and stating the amount of VAT, if any, properly chargeable thereon in the VAT jurisdiction of the Delivering Party (a "**VAT Invoice**").

(vi) Requirements under the UK ETS

Each party agrees with the other that, so long as either party has or may have any obligation under a UK Emissions Allowance Transaction, it shall:

- (1) ensure that on a Delivery Date or Delayed Delivery Date (as the case may be) it has one or more UK ETS Accounts (which must include, in the case of the Receiving Party, its Specified UK ETS Account) validly registered in accordance with Applicable Rules; and
- (2) conduct its affairs so as not to give any Relevant Authority cause to block, suspend, refuse, reject or cancel the transfer (whether in whole or in part) of Allowances requested to be made pursuant to any UK Emissions Allowance Transaction.

(vii) No Encumbrances

In respect of each delivery of Allowances, Delivering Party shall deliver Allowances, free and clear of all liens, security interests, claims and encumbrances or any interest in or to them by any person (the "**No Encumbrance Obligation**").

Where a party is in breach of the No Encumbrance Obligation, the following shall apply:

- (1) This Agreement and all other Transactions agreed by the parties under this Agreement shall continue unaffected.
- (2) Without prejudice to any defences available to Delivering Party (including, but not limited to, any defences of statutes of limitation or similar), following written notice

of that breach from Receiving Party to Delivering Party (irrespective of how long after the relevant Delivery Date such notice is provided) and subject to Part [7](d)(vii)(4) below, Receiving Party shall:

- (A) determine the Encumbrance Loss Amount arising from that breach either on the date such notice is deemed to be received or as soon as reasonably practicable thereafter; and
- (B) shall notify Delivering Party of such Encumbrance Loss Amount due, including detailed support for its calculation.

Receiving Party is not required to enter into replacement transactions in order to determine the Encumbrance Loss Amount.

- (3) By no later than the third (3rd) Business Day after the later of (i) receipt of a valid invoice in connection with such Encumbrance Loss Amount and (ii) receipt of the above-mentioned notice including detailed support of Receiving Party's calculation of the Encumbrance Loss Amount, Delivering Party shall pay the Encumbrance Loss Amount to Receiving Party, which amount shall bear interest at the Default Rate. Upon payment of the Encumbrance Loss Amount by Delivering Party, the parties shall have no further obligations in respect of that UK Emissions Allowance Transaction and that breach. Receiving Party acknowledges that its exclusive remedies in respect of such breach are those set out in this Part [7](d)(vii)(*No Encumbrances*).
- (4) Where a breach of the No Encumbrances Obligation is caused by the transfer of an Affected Allowance, Delivering Party shall be liable for the Encumbrance Loss Amount if, at the date it first acquired, received or purchased such Affected Allowance, it was not acting in good faith; otherwise, Delivering Party shall only be liable for the Encumbrance Loss Amount (without prejudice to any other defences available to Delivering Party including, but not limited to, any defences of statutes of limitation or similar), if:
 - (A) Receiving Party, whether or not the holder of such Affected Allowance, who is subject to a claim of the Original Affected Party, has, in order to resist or avoid any Encumbrance Loss Amount from arising, used its best endeavours to defend such a claim in respect of that Affected Allowance and was unsuccessful (other than for reasons of its own lack of good faith); or
 - (B) Receiving Party, whether or not the holder of such Affected Allowance, who acted in good faith in respect of its purchase of such Affected Allowance and who is subject to a claim of a third party (other than the Original Affected Party) in respect of that Affected Allowance, has used all reasonable endeavours to mitigate the Encumbrance Loss Amount.

(viii) Value Added Taxes

- (1) All amounts referred to in this Part [7] or in a Confirmation for a UK Emissions Allowance Transaction are exclusive of any applicable Value Added Taxes ("VAT") which are or may become chargeable in respect of the supply or supplies for which

such sums form the whole or part of the consideration for VAT purposes, and any such VAT shall be payable in addition to any such other consideration in accordance with the provisions set out below.

- (2) Receiving Party shall either (A) subject to receipt of an appropriate VAT Invoice in respect of such supply or supplies stating *inter alia* the amount of VAT properly chargeable thereon (the "**VAT Amount**"), pay to Delivering Party a sum equal to the VAT Amount on the Payment Date; or (B) where, under the provisions of the applicable VAT legislation, Receiving Party is required to self-assess and account for any VAT chargeable in respect of such supply under the reverse charge mechanism, account for such VAT.
- (3) On each date on which a UK Emissions Allowance Transaction is entered into, Receiving Party represents to Delivering Party that:
 - (A) for VAT purposes, Receiving Party receives the services supplied pursuant to the UK Emissions Allowance Transaction in connection with an establishment of Receiving Party in that party's VAT Jurisdiction; and
 - (B) it is a taxable person for the purposes of section 3 of the Value Added Tax Act 1994 or Article 9 of the European Community Directive 2006/112/EC (as appropriate) and receives such supply for the purposes of a business carried on by it.
- (4) Subject to each party's obligations relating to VAT, each party shall cause all royalties, Taxes, duties, and other sums (including any environmental tax or levy) legally payable by that party arising in connection with a UK Emissions Allowance Transaction to be paid, and shall reimburse the other party to the extent that party is required to pay any such royalties, Taxes, duties or other sums for which the first party is primarily liable.

(ix) No Consequential Loss

Except to the extent included in any amount payable under Section 6(e) of the Agreement, any payment in respect of Receiving Party's Replacement Cost or Delivering Party's Replacement Cost, or any payment in respect of Encumbrance Loss Amount, neither party is liable to the other, whether in contract, tort (including negligence and breach of duty) or otherwise, for any business interruption or loss of use, profits, contracts, production or revenue or for any consequential or indirect loss or damage of any kind however arising.

(x) Other Fees and Expenses

All costs, fees and charges assessed or imposed by a Relevant Authority in connection with the transfer of Allowances pursuant to a UK Emissions Allowance Transaction shall be the responsibility of the party upon whom such costs, fees and/or charges are allocated by the Relevant Authority.

(xi) Failure to Deliver (Alternative Method) - EEP Applicable

If "Failure to Deliver (Alternative Method)" and "EEP" are specified to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction, then, with regard to that UK Emissions Allowance Transaction, in the event that Receiving Party **incurs** an Excess Emissions Penalty directly caused by Delivering

Party's failure to deliver the Allowances to be Delivered on a Delivery Date falling within the EEP Risk Period other than as a result of the failure of Receiving Party to comply with the Requirements under the UK ETS as specified above, the existence of an Illegality, the existence of a Settlement Disruption Event or the existence of a Suspension Event (the "**EEP Non-delivery**" and the amount of such Excess Emissions Penalty so caused, the "**Indemnifiable EEP**"), then Delivering Party shall pay to Receiving Party, in addition to the Receiving Party's Replacement Cost (if any), an amount equal to the amount of the Indemnifiable EEP paid by Receiving Party (the "**EEP Payment**"), provided that such EEP Payment shall not exceed the product of the RPRC Shortfall for that UK Emissions Allowance Transaction and the maximum per Allowance rate of Excess Emissions Penalty applicable at the relevant time.

Delivering Party's obligation to pay the EEP Payment in respect of the EEP Non-delivery shall be conditional upon Receiving Party demonstrating to the reasonable satisfaction of Delivering Party:

- (a) that Receiving Party has incurred and paid the EEP Payment consequent on a shortfall of Allowances as at the Compliance Deadline immediately succeeding the Delivery Date (the "**Deadline Shortfall**");
- (b) the extent to which Receiving Party's liability to make the EEP Payment resulted from Delivering Party's EEP Non-delivery;
- (c) the extent to which Receiving Party's liability to make the EEP Payment would have been incurred notwithstanding Delivering Party's EEP Non-delivery; and
- (d) the extent to which Receiving Party's liability to make the EEP Payment arose due to any third party's failure(s) to deliver any Allowance to be Delivered to Receiving Party in accordance with the terms of any agreements between Receiving Party and such third party.

Receiving Party agrees to provide all other information to Delivering Party in order for Delivering Party to make a commercially reasonable assessment of the extent to which the Deadline Shortfall was directly caused by its EEP Non-delivery.

In the event that the Deadline Shortfall is directly caused by the failure of a number of parties (including Delivering Party and Receiving Party), then Delivering Party's liability shall be to pay the EEP Payment in respect of its proportionate share of the Deadline Shortfall as determined by the parties in a commercially reasonable manner. In no circumstances shall Receiving Party seek to claim an EEP Payment from Delivering Party such that when aggregated with all the other claims made by Receiving Party to other parties in respect of its liability to make the EEP Payment and the liability caused by Receiving Party's own action or inaction, it is more than Receiving Party's liability to make the EEP Payment.

If Delivering Party disputes in good faith the amount of the EEP Payment claimed by Receiving Party, Delivering Party shall so notify Receiving Party stating the reasons for the dispute and the obligation to pay the EEP Payment shall be suspended until such dispute is resolved. The parties shall seek to settle the dispute regarding the EEP Payment as soon as reasonably possible.

Once the amount of the EEP Payment is agreed or any dispute in relation thereto resolved, Delivering Party shall pay such determined EEP Payment to Receiving Party within two (2) Business Days against Receiving Party's VAT Invoice in respect thereof.

(e) Defined Terms and Interpretation

Terms used in this Part [7] and not otherwise defined, will have the meanings specified below:

Administrator Event:	Means the suspension of some or all of the processes of the Registry in accordance with Applicable Rules by the Relevant Authority (i) where the Registry is not operated and maintained in accordance with the provisions of Applicable Rules, or any other applicable law, or (ii) for technical reasons, including (without limitation) for the purpose of carrying out scheduled or emergency maintenance, or (iii) where the Relevant Authority considers that a security breach has occurred or there is a significant risk that a security breach will occur.
Affected Allowance:	Means an Allowance which is or is alleged to have been the subject of an Unauthorised Transfer as confirmed by any Relevant Authority or any other authority having power pursuant to Applicable Rules to block, suspend, refuse, reject, cancel or otherwise affect the transfer (whether in whole or in part) of Allowances.
Aircraft Operator Holding Account:	Has the meaning given to such term in the ETS Order.
Allowance:	Means, in respect of a UK Emissions Allowance Transaction, an allowance to emit one tonne of carbon dioxide equivalent created under Article 18 the ETS Order which is valid for meeting emissions related commitment obligations under the UK ETS and relates to the Specified Trading Period. For the avoidance of doubt, Allowance shall not include "Kyoto units" as such term is defined in the Greenhouse Gas Emissions (Kyoto Protocol Registry) Regulations 2021 as amended from time to time.
Allowance Forward Transaction:	Means a UK Emissions Allowance Transaction identified as an Allowance Forward Transaction in the related Confirmation.
Allowance Option Transaction:	Means a UK Emissions Allowance Transaction identified as an Allowance Option Transaction in the related Confirmation. An Allowance Option Transaction shall be an Option Transaction for purposes of the 2006 ISDA Definitions.
Allowance Purchase Price:	Means, in respect of a UK Emissions Allowance Transaction which is an Allowance Forward Transaction, the amount specified or otherwise determined as provided in the related Confirmation.

Allowance Shortfall:	Has the meaning given to such term in Part [7](d)(iii)(<i>Partial Settlement</i>).
Allowance Strike Price:	Means, in respect of a UK Emissions Allowance Transaction which is an Allowance Option Transaction, the price per Allowance specified or otherwise determined as provided in the related Confirmation.
Allowances to be Delivered:	Means, in respect of a UK Emissions Allowance Transaction that is: (1) an Allowance Forward Transaction, a number of Allowances equal to the Number of Allowances; or (2) an Allowance Option Transaction and in respect of an Exercise Date, a number of Allowances equal to the number of Options exercised or deemed exercised on that Exercise Date multiplied by the Option Entitlement.
Applicable Rules:	<p>Means any applicable law or regulation, or binding judgment or decision of any competent court, tribunal or Relevant Authority, in respect of the UK ETS, including (without limitation):</p> <ol style="list-style-type: none"> (1) the ETS Order; (2) the Climate Change Act 2008; (2) the Finance Act 2020 (and any relevant regulations made thereunder); (3) Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council, as it forms part of UK domestic law; (4) Commission Implementing Regulation (EU) 2018/2067 of 19 December 2018 on the verification of data and on the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council, as it forms part of UK domestic law; (5) Commission Delegated Regulation (EU) 2019/331 of 19 December 2018, as it forms part of UK domestic law; and (6) Commission Implementing Regulation (EU) 2019/1842 of 31 October 2019, as it forms part of domestic law, <p>each as amended from time to time.</p>
Authorised Person:	Has the meaning given to such term in the ETS Order.
Authorised Representative:	Has the meaning given to such term in the ETS Order.

Buyer:	Means, in respect of a UK Emissions Allowance Transaction, the party specified as such in the related Confirmation.
Buy-In:	Means the purchase of Allowances by Receiving Party in accordance with the procedures described in paragraph (2) of the definition of Receiving Party's Replacement Cost in this Part [7](e)(<i>Defined Terms and Interpretation</i>).
Buy-In Period:	Has the meaning given to such term in the definition of Receiving Party's Replacement Cost in this Part [7](e)(<i>Defined Terms and Interpretation</i>).
Calculation Agent:	Means, in respect of a UK Emissions Allowance Transaction, the party specified as such in the related Confirmation.
Call:	Means a type of an Allowance Option Transaction entitling, but not obligating, Buyer to purchase Allowances from Seller at the Allowance Strike Price per Allowance.
Close-out Cost of Carry Amount:	Means an amount in GBP equal to: (a) the Close-out Cost of Carry Rate; multiplied by: (b)(i) in respect of an Allowance Forward Transaction, the Allowance Purchase Price; or (ii) in respect of an Allowance Option Transaction, the Allowance Strike Price; multiplied by: (c) the Close-out Cost of Carry Delay, divided by (d) 360.
Close-out Cost of Carry Delay:	Means the number of days in the period from (and including) the scheduled Payment Date to (but excluding) the date that would be the Payment Date if delivery had been made on the Final Delivery Date or Final Compliance Date (as the case may be).
Close-out Cost of Carry Rate:	Means a rate equal to the Floating Rate that would be determined for the period from the scheduled Payment Date to the Early Termination Date, if the Reset Date were the date that would be the Payment Date if delivery had been made on the Final Delivery Date or Final Compliance Date (as the case may be) and the applicable Floating Rate Option were "GBP-SONIA-COMPOUND".
Compliance Deadline:	Means, in respect of a UK Emissions Allowance Transaction, 30th April in each calendar year in respect of the preceding calendar year or such later date in each year as may be determined in accordance with the UK ETS for the surrender of Allowances pursuant to the UK ETS.
Cost of Carry Amount:	Means an amount in GBP equal to: (a) the Cost of Carry Rate multiplied by: (b)(i) in respect of an Allowance Forward Transaction, the

Allowance Purchase Price multiplied by the Number of Allowances delivered on or before the Delayed Delivery Date following the occurrence of a Suspension Event; or

- (ii) in respect of an Allowance Option Transaction, the Allowance Strike Price multiplied by the Number of Allowances delivered on or before the Delayed Delivery Date following the occurrence of a Suspension Event;

multiplied by: (c) the Cost of Carry Delay, divided by 360.

Cost of Carry Delay:	Means the number of days in the period from (and including) the scheduled Payment Date to (but excluding) the Delayed Payment Date.
Cost of Carry Rate:	Means a rate equal to the Floating Rate that would be determined for a Calculation Period commencing on (and including) the scheduled Payment Date and ending on (but excluding) the Delayed Payment Date, if the Reset Date were the last day of that Calculation Period and the applicable Floating Rate Option were "GBP-SONIA-COMPOUND".
Deadline Shortfall:	Has the meaning given to such term in Part [7](d)(xi)(<i>Failure to Deliver (Alternative Method) – EEP Applicable</i>).
Delayed Delivery Date:	Has the meaning given to that term in Part [7](d)(i)(5)(B)(<i>Effect of Suspension Event</i>).
Delayed Payment Date:	Has the meaning given to that term in the definition of Payment Date in this [7](e)(<i>Defined Terms and Interpretation</i>).
Delivering Party:	Means, in respect of a UK Emissions Allowance Transaction that is: (1) an Allowance Forward Transaction, the Seller; (2) an Allowance Option Transaction which is a Call, the Seller; or (3) an Allowance Option Transaction which is a Put, the Buyer.
Delivering Party's Delivery Business Day Location:	Means, in respect of a UK Emissions Allowance Transaction, the place specified as such in the Confirmation for the relevant UK Emissions Allowance Transaction or, if a place is not so specified: (i) the place specified in the Annex to this Part [7] as the Delivery Business Day Location for Delivering Party; or (ii) if no such place is specified, the place in which Seller's address for purposes of receiving notices connected with the relevant UK Emissions Allowance Transaction is located; or (iii) if no such address has been given, the place in which Delivering Party has its registered office.
Delivering Party's Replacement Cost:	Means in respect of a failure of Receiving Party to accept delivery of a number of Allowances (the " DPRC Shortfall "), an

amount equal to:

- (i) (1) the Allowance Purchase Price or Allowance Strike Price, as applicable, as set out in the Confirmation for the relevant UK Emissions Allowance Transaction plus, in those circumstances in which the relevant termination of the parties' obligations under "Physical Settlement" occurs following a Suspension Event, the Close-out Cost of Carry Amount; less
 - (2) the price (per Allowance) Delivering Party, acting in a commercially reasonable manner, does or would, in the determination of the Calculation Agent, receive in an arm's length transaction concluded on the Final Compliance Date for an equivalent number of Allowances to be delivered on the Final Compliance Date or, if later, the Delivery Business Day on which Allowances would be delivered in accordance with prevailing market practice under a spot transaction concluded on the Final Compliance Date; multiplied by:
- (ii) the DPRC Shortfall; plus
- (iii) interest at the Default Rate for the period from (and including) the Delivery Date to (but excluding) the date of termination in accordance with Part [7](d)(ii)(2)(B)(*Failure to Comply Not Remedied*) on an amount equal to the product of the DPRC Shortfall and an amount equal to the excess, if any, of the Allowance Purchase Price or Allowance Strike Price, as applicable, over the price determined pursuant to paragraph (i)(2) above.

Delivery Business Day: Means, in respect of a UK Emissions Allowance Transaction, any day, which is not a Saturday or Sunday, on which commercial banks are open for general business in both Delivering Party's Delivery Business Day Location and the Receiving Party's Delivery Business Day Location.

Delivery Date: Means, in respect of a UK Emissions Allowance Transaction, the date or dates specified as such in the related Confirmation (subject to any adjustment in accordance with Part [7](d)(i)(5)(*Suspension Event*)).

DPRC Shortfall: Has the meaning given to such term in the definition of Delivering Party's Replacement Cost in this Part [7](e)(*Defined Terms and Interpretation*).

EEP Amount: Means an amount (expressed as an amount per Allowance) that Receiving Party determines, acting in good faith and using

commercially reasonable procedures, to be its total losses and costs which result from Delivering Party's failure to deliver the Shortfall to the extent that those losses and costs are not reflected elsewhere in the definition of Receiving Party's Replacement Cost and to the extent that those losses and costs relate to:

- (1) any Excess Emissions Penalty which Receiving Party must pay to the Relevant Authority in accordance with the terms of the UK ETS; and/or
- (2) if "EEP Equivalent" is specified to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction, any amount which Receiving Party must pay to a third party in respect of any such penalty payable to any other party (including a Relevant Authority) by that third party as a result of Delivering Party's failure to deliver the Shortfall.

EEP Non-delivery: Has the meaning given to such term in Part [7](d)(xi)(*Failure to Deliver (Alternative Method) – EEP Applicable*).

EEP Payment: Has the meaning given to such term in Part [7](d)(xi)(*Failure to Deliver (Alternative Method) – EEP Applicable*).

EEP Risk Period: Means, in respect of a UK Emissions Allowance Transaction and any Delivery Date, a period of time prior to the first succeeding Compliance Deadline, as specified in the related Confirmation.

:

Encumbrance Loss Amount: An amount reasonably determined by Receiving Party in good faith to be its total losses and costs in connection with a UK Emissions Allowance Transaction including, but not limited to, any loss of bargain, cost of funding or, at the election of Receiving Party but without duplication, loss or costs incurred as a result of its terminating, liquidating, obtaining or re-establishing any hedge or related trading position. Such amount includes losses and costs in respect of any payment already made under a UK Emissions Allowance Transaction prior to the delivery of the written notice by Receiving Party and Receiving Party's legal fees and out-of-pocket expenses but does not include any Excess Emissions Penalty or any amount which Receiving Party must pay to a third party in respect of any such penalty payable to any other party (or Relevant Authority) by that third party. The parties agree that in circumstances where there was a breach of the No Encumbrances Obligation by

Delivering Party caused by the transfer of an Affected Allowance, Receiving Party shall be entitled to include in such amount any losses arising out of or in connection with any claim, demand, action or proceeding brought against Receiving Party by a third party consequent upon the transfer by Receiving Party of an Affected Allowance transferred to it by Delivering Party under a UK Emissions Allowance Transaction.

End of Trading Period Compliance Deadline:	Means, in respect of a UK Emissions Allowance Transaction, the Compliance Deadline scheduled to fall in April 2031.
ETS Order:	Means the Greenhouse Gas Emissions Trading Scheme Order 2020, as amended from time to time.
Excess Emissions Penalty:	Has the meaning given to it in the ETS Order.
Expiration Date:	Means, in respect of a UK Emissions Allowance Transaction which is an Allowance Option Transaction, the date specified as such in the related Confirmation (or determined pursuant to a method specified for such purpose) or, if that date is not a Business Day, the next following day that is a Business Day.
Final Compliance Date:	Means, the date that is the second Delivery Business Day after notice is given under Part [7](d)(ii)(2)(<i>Failure to Comply by Receiving Party</i>) requiring Receiving Party to comply with Part [7](d)(vi)(<i>Requirements under the UK ETS</i>) or, if earlier, the Compliance Deadline on or immediately following the relevant Delivery Date.
Final Delivery Date:	Means, the date that is the second Delivery Business Day after notice is given under Part [7](d)(ii)(1)(<i>Failure to Deliver by Delivering Party</i>) requiring Delivering Party to remedy a failure to deliver or, if earlier, the Compliance Deadline on or immediately following the relevant Delivery Date.
First Trading Period:	Means, in respect of Allowances, the period beginning on 1 January 2021 and ending on 31 December 2030.
Indemnifiable EEP:	Has the meaning given to such term in Part [7](d)(xi)(<i>Failure to Deliver (Alternative Method) – EEP Applicable</i>).
Long-Stop Date:	Means, in respect of a Suspension Event that occurs with respect to a delivery or acceptance obligation that would otherwise be required to be performed within a calendar year, 31 March in the following year.
Multiple Exercise:	Means: (1) If "Multiple Exercise" is specified to be applicable to a

UK Emissions Allowance Transaction which is an American Allowance Option Transaction or a Bermuda Allowance Option Transaction, Buyer may exercise all or less than all the unexercised Options on one or more Business Days during the Exercise Period but (except as set forth below) on any such Business Day may not exercise less than the Minimum Number of Options or more than the Maximum Number of Options and, if a number is specified as "Integral Multiple" in the related Confirmation, the number of exercised Options must be equal to, or be an integral multiple of, the number so specified. Except as set forth below, any attempt to exercise on any such Business Day:

- (A) more than the Maximum Number of Options will be deemed to be an exercise of the Maximum Number of Options (the number of Options exceeding the Maximum Number of Options being deemed to remain unexercised);
- (B) less than the Minimum Number of Options will be ineffective; and
- (C) an amount of Options not equal to or an integral multiple of the Integral Multiple will be deemed to be an exercise of a number of Options equal to the next lowest integral multiple of the Integral Multiple (the number of Options exceeding that number being deemed to remain unexercised).

(2) Notwithstanding the foregoing, on any such Business Day, Buyer may exercise any number of Options that does not exceed the Maximum Number of Options if it exercises all the Options remaining unexercised. On the Expiration Date, Buyer may exercise any number of Options remaining unexercised.

(3) "Minimum Number of Options" means, in respect of an Allowance Option Transaction to which Multiple Exercise is applicable, the number specified as such in the related Confirmation.

(4) "Maximum Number of Options" means, in respect of an Allowance Option Transaction to which Multiple Exercise is applicable, the number specified as such in the related Confirmation.

No Encumbrance Obligation: Has the meaning given to such term in Part [7](d)(vii)(*No Encumbrances*).

Notice of Exercise: Means, in respect of a UK Emissions Allowance Transaction which is an Allowance Option Transaction, an Option notice given by Buyer to Seller (which may be given orally (including by telephone) unless the parties specify otherwise in the related

Confirmation) of its exercise of the right or rights granted pursuant to the Allowance Option Transaction during the hours specified in the relevant Confirmation on a Seller Business Day during the Exercise Period, which shall be irrevocable once effective. If the Notice of Exercise is received on any Seller Business Day after the latest time so specified, the Notice of Exercise will be deemed to have been received on the next following Seller Business Day, if any, in the Exercise Period. Buyer may exercise the right or rights granted pursuant to the Allowance Option Transaction only by giving a Notice of Exercise.

- Number of Allowances: Means, in respect of a UK Emissions Allowance Transaction, the number specified as such in the related Confirmation.
- Number of Options: Means, in respect of a UK Emissions Allowance Transaction which is an Allowance Option Transaction, the number specified as such in the related Confirmation, being the number of Options comprised in the relevant Allowance Option Transaction.
- Operator Holding Account: Has the meaning given to such term in the ETS Order.
- Option: Means, in respect of an Allowance Option Transaction, each unit into which the Option Transaction is divided for purposes of exercise or settlement.
- Option Entitlement: Means, in respect of a UK Emissions Allowance Transaction which is an Allowance Option Transaction, the number of Allowances per Option specified as such in the related Confirmation. In the event that no Option Entitlement is specified in the related Confirmation, the Option Entitlement in respect of any Allowance Option Transaction shall be one Allowance per Option.
- Original Affected Party: Means the person from whose account the Unauthorised Transfer of the Affected Allowance occurred.
- Payment Date: Means, in respect of a UK Emissions Allowance Transaction, the date specified as such or otherwise determined pursuant to a method specified in the related Confirmation, provided that, in the case of delayed delivery pursuant to Part [7](d)(i)(5)(*Suspension Event*), the Payment Date shall be determined accordingly from the Delayed Delivery Date (such Payment Date being the "**Delayed Payment Date**").
- Potential Exercise Date: Means, in respect of a UK Emissions Allowance Transaction which is a Bermuda Allowance Option Transaction, each date specified as such in the related Confirmation or, if that date is not a Business Day, the next following day that is a Business Day.

Premium:	Means, in respect of a UK Emissions Allowance Transaction which is an Allowance Option Transaction, the amount specified or otherwise determined as provided in the related Confirmation. If a Premium per Allowance is specified in the related Confirmation, the Premium shall be the product of the Premium per Allowance, the Number of Options and the Option Entitlement.
Put:	Means a type of Allowance Option Transaction entitling, but not obligating, the Buyer to sell Allowances to Seller at the Allowance Strike Price per Allowance.
Receiving Party:	Means, in respect of a UK Emissions Allowance Transaction that is: (1) an Allowance Forward Transaction, the Buyer; (2) an Allowance Option Transaction which is a Call, the Buyer; or (3) an Allowance Option Transaction which is a Put, the Seller.
Receiving Party's Delivery Business Day Location:	Means, in respect of a UK Emissions Allowance Transaction, the place specified as such in the Confirmation for the relevant UK Emissions Allowance Transaction or, if a place is not so specified: (i) the place specified in the Annex to this Part [7] as the Delivery Business Day Location for Receiving Party; or (ii) if no such place is specified, the place in which Receiving Party's address for purposes of receiving notices connected with the relevant UK Emissions Allowance Transaction is located; or (iii) if no such address has been given, the place in which Receiving Party has its registered office.
Receiving Party's Replacement Cost	<p>Means:</p> <p>(1) if "Excess Emissions Penalty" is specified not to be applicable in the Annex to this Part [7] or the Confirmation for the relevant UK Emissions Allowance Transaction, or if "Excess Emissions Penalty" is specified to be applicable and if an EEP Risk Period is specified in the Annex to this Part [7] or in the Confirmation for the relevant UK Emissions Allowance Transaction but the Delivery Date falls outside the EEP Risk Period then, in respect of a failure to deliver a number of Allowances (the "RPRC Shortfall"), an amount equal to:</p> <p>(A) (I) the price (per Allowance) that Receiving Party, acting in a commercially reasonable manner, does or would, in the determination of the Calculation Agent, pay in an arm's length transaction concluded on the Final Delivery Date for an equivalent number of Allowances to be delivered on the Final Delivery Date or, if later, the Delivery Business Day on which Allowances would be delivered in accordance with prevailing market practice under a spot</p>

transaction concluded on the Final Delivery Date; less

(II) the Allowance Purchase Price or Allowance Strike Price, as applicable, as set out in the Confirmation for the relevant UK Emissions Allowance Transaction plus, in those circumstances in which the relevant termination of the parties' obligations under "Physical Settlement" occurs following a Suspension Event, the Close-out Cost of Carry Amount; multiplied by:

(B) the RPRC Shortfall; plus

(C) interest at the Default Rate for the period from (and including) the Delivery Date to (but excluding) the date of termination in accordance with Part [7](d)(ii)(1)(B)(*Failure to Deliver Not Remedied*) on an amount equal to the product of the RPRC Shortfall and an amount equal to the excess, if any, of the price determined pursuant to paragraph (1)(A)(I) above over the Allowance Purchase Price or the Allowance Strike Price, as applicable; or

(2) if "Excess Emissions Penalty" is specified to be applicable in the Annex to this Part [7] or the Confirmation for a UK Emissions Allowance Transaction and, if an EEP Risk Period is specified in the Annex to this Part [7] or in the Confirmation for the relevant UK Emissions Allowance Transaction, the Delivery Date falls within the EEP Risk Period for the relevant UK Emissions Allowance Transaction, then, in respect of a failure to deliver a number of Allowances (the "**Undelivered Allowances**"), an amount equal to the sum of:

(A) either:

(I) if in one or more arm's length transactions Receiving Party is able, using its reasonable endeavours, to purchase a number of Allowances to be delivered during the period from (but excluding) the Final Delivery Date to (and including) the Compliance Deadline on or immediately following the Delivery Date (the "**Buy-In Period**"), which in respect of each such individual purchase of Allowances, when aggregated with other such purchases, amounts to a purchase of a number of Allowances equal to the number of Undelivered Allowances:

(X) (1) the price (per Allowance) at which Receiving Party is able so to purchase the

relevant number of Allowances; less (2) (A) the Allowance Purchase Price or Allowance Strike Price, as applicable, for the Undelivered Allowances set out in the relevant Confirmation plus, (B) in those circumstances in which the relevant termination of the parties' obligations under "Physical Settlement" occurs following a Suspension Event, the Close-out Cost of Carry Amount; multiplied by:

(Y) the number of Allowances to which such purchase relates; plus

(Z) interest at the Default Rate for the period from (and including) the Delivery Date to (but excluding) the date of termination in accordance with Part [7](d)(ii)(1)(B)(*Failure to Deliver Not Remedied*) on an amount equal to the product of the number of Undelivered Allowances and an amount equal to the excess, if any, of the price determined pursuant to paragraph (2)(A)(I)(X)(1) above over the Allowance Purchase Price or Allowance Strike Price, as applicable; or

(II) if in one or more arm's length transactions Receiving Party, using its reasonable efforts, is unable to purchase a number of Allowances equivalent to the Undelivered Allowances to be delivered during the Buy-In Period:

(X) in respect of the number of Allowances for which Receiving Party is able to effect a Buy-In during the Buy-In Period, an amount for such Allowances calculated in accordance with paragraph (I) above; and

(Y) in respect of a number of Allowances equal to the number of Undelivered Allowances minus the number of Allowances referred to in (II)(X) above (the "**Shortfall**"), the sum of:

(a) (I) the price (per Allowance) at which Receiving Party, using its reasonable efforts and in an arm's length transaction, is able to purchase as soon as reasonably possible for delivery after the Compliance Deadline a number of Allowances equal to the Shortfall; less

(II) the Allowance Purchase Price or Allowance Strike Price, as

applicable, for the Undelivered Allowances set out in the relevant Confirmation plus, in those circumstances in which the relevant termination of the parties' obligations under "Physical Settlement" occurs following a Suspension Event, the Close-out Cost of Carry Amount; plus

(III) the EEP Amount; multiplied by:

(b) the Shortfall; plus

(c) interest at the Default Rate for the period from (and including) the Delivery Date to (but excluding) the date Receiving Party is or would be able to purchase Allowances in accordance with paragraph (II)(Y)(a)(1) above on an amount equal to the product of the number of Undelivered Allowances and an amount equal to the excess, if any, of the price determined pursuant to paragraph (II)(Y)(a)(1) above over the Allowance Purchase Price or the Allowance Strike Price, as applicable; and

(B) such reasonable costs and expenses which Receiving Party incurs as a direct result of Delivering Party's failure to deliver the Shortfall to the extent that those costs and expenses are not reflected in paragraphs (A)(I) or (A)(II) above; or

(3) if "Failure to Deliver (Alternative Method)" is specified to be applicable in the Annex to this Part [7] or the Confirmation for a UK Emissions Allowance Transaction, then, in respect of a failure to deliver a number of Allowances (the number of Allowances not so delivered being the "**RPRC Shortfall**"), an amount equal to:

(A) (I) the price (per Allowance) Receiving Party, acting in a commercially reasonable manner, does or would, in the determination of the Calculation Agent, pay in an arm's length transaction concluded in accordance with prevailing market practice on the Final Delivery Date to purchase a number of Allowances equivalent to the RPRC Shortfall for delivery on the first Delivery Business Day on which transactions concluded on the Delivery Date would be settled in accordance

with prevailing market practice; less

(II) the Allowance Purchase Price or Allowance Strike Price, as applicable, as set out in the Confirmation for such UK Emissions Allowance Transaction plus, in those circumstances in which the relevant termination of the parties' obligations under "Physical Settlement" occurs following a Suspension Event, the Close-out Cost of Carry Amount; multiplied by:

(B) the RPRC Shortfall; plus

(C) interest at the Default Rate for the period from (and including) the Delivery Date to (but excluding) the Final Delivery Date on an amount equal to the product of the Allowance Purchase Price or the Allowance Strike Price, as applicable, and the RPRC Shortfall.

Registry:	Has the meaning given to such term in the ETS Order.
Registry Operation:	Means the establishment of and continuing functioning of the Registry.
Regulator:	Has the meaning given to such term when construed in accordance with Articles 9 to 13 of the ETS Order.
Registry Administrator:	Has the meaning given to such term in the ETS Order.
Relevant Authority:	Means any authority having power pursuant to Applicable Rules to administer the UK ETS, including (without limitation): (1) any Regulator, including any Authorised Person; (2) the UK ETS Authority; and (3) the Registry Administrator.
RPRC Shortfall:	Has the meaning given to such term in the definition of Receiving Party's Replacement Cost in this Part [7](e)(<i>Defined Terms and Interpretation</i>).
Seller:	Means, in respect of a UK Emissions Allowance Transaction, the party specified as such in the related Confirmation.
Seller Business Day:	Means, in respect of a UK Emissions Allowance Transaction which is an Allowance Option Transaction, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the city in which Seller is located for purposes of receiving notices.

Settlement Disruption Event: Means an event or circumstance beyond the control of the party affected that cannot, after the use of all reasonable efforts, be overcome and which makes it impossible for that party to perform its obligations either to deliver or to accept Allowances in accordance with the terms of a UK Emissions Allowance Transaction.

For the avoidance of doubt, the inability of a party to deliver Allowances as a result of insufficient Allowances in the relevant UK ETS Account, whether caused by the low or non-allocation of Allowances by a Registry Administrator or the failure of a party to procure sufficient Allowances to meet its delivery obligations, shall not constitute a Settlement Disruption Event. This is not an exhaustive list of events which will not constitute a Settlement Disruption Event and is provided for the avoidance of doubt only.

If an event or circumstance which would otherwise constitute or give rise to a Settlement Disruption Event also constitutes a Suspension Event, it will be treated as a Suspension Event and will not constitute a Settlement Disruption Event.

Shortfall: Has the meaning given to such term in the definition of Receiving Party's Replacement Cost in this Part [7](e)(*Defined Terms and Interpretation*).

Specified Trading Period: Means in respect of an Allowance and a UK Emissions Allowance Transaction, the period as specified in the Confirmation for the relevant UK Emissions Allowance Transaction.

Specified UK ETS Account: Means, in respect of a party and a UK Emissions Allowance Transaction, the Account (if any) specified as such in respect of such party (i) in the Confirmation for the relevant UK Emissions Allowance Transaction; or (ii) where no such accounts are specified in accordance with (i), in the Annex to this Part [7].

Suspension Event: Means any date a party to the Agreement is unable to perform its delivery or acceptance obligations under and in accordance with a UK Emissions Allowance Transaction and the UK ETS through the Registry as a result of the occurrence of any of the following events:

(i) absence of Registry Operation (other than by reason of the occurrence of an Administrator Event); or

(ii) the occurrence of an Administrator Event.

Trade Date: Means, in respect of a UK Emissions Allowance Transaction, the date specified in the related Confirmation.

Trading Account:	Means a trading account opened under paragraph 14(4)(a) of Schedule 5A to the ETS Order.
UK ETS:	Has the meaning given to such term in Article 16(1) of the ETS Order.
UK ETS Account:	Means an Operator Holding Account, an Aircraft Operator Holding Account or a Trading Account, each in the Registry.
UK ETS Authority:	Has the meaning given to such term in the ETS Order.
Unauthorised Transfer:	Means the transfer by debiting of any Allowance from an account holder's UK ETS Account and the crediting of a UK ETS Account of another person, where such transfer is not initiated by or on behalf of the account holder of the first UK ETS Account or such account holder's Authorised Representative.
Undelivered Allowances:	Has the meaning given to such term in the definition of Receiving Party's Replacement Cost in this Part [7](e)(<i>Defined Terms and Interpretation</i>).
VAT:	Has the meaning given to such term in Part [7](d)(viii)(<i>Value Added Taxes</i>).
VAT Amount:	Has the meaning given to such term in Part [7](d)(viii)(<i>Value Added Taxes</i>).
VAT Invoice:	Has the meaning given to such term in Part [7](d)(v)(<i>Invoicing</i>).
VAT Jurisdiction:	Means, in respect of a party and a UK Emissions Allowance Transaction, the place specified as such in the related Confirmation or, if a place is not so specified, the place specified in the Annex to this Part [7] as the VAT Jurisdiction for such party.
Written Confirmation:	Means, in respect of a party and a UK Emissions Allowance Transaction which is an Allowance Option Transaction, if "Written Confirmation" is specified to be applicable or if demanded by Seller (which demand, notwithstanding any provisions regarding notice applicable to the Allowance Option Transaction, may be given orally (including by telephone)), Buyer shall execute a written confirmation (including by facsimile transmission) confirming the substance of the Notice of Exercise and deliver the same to Seller. Buyer shall cause such executed written confirmation to be received by Seller within one Seller Business Day following the date that the Notice of Exercise or Seller's demand, as the case may be, becomes effective.

ANNEX

UK Emissions Allowance Transaction Accounts and Elections

Part A

Specified UK ETS Account Details of Party A

Account	Account number
(1)	[●]
(2)	[●]
(3)	[●]
(4)	[●]
(5)	[●]

Cash Account: []

Part B

Specified UK ETS Account Details of Party B

Account	Account number
(1)	[●]
(2)	[●]
(3)	[●]
(4)	[●]
(5)	[●]

Cash Account: []

Part C

Delivery Business Day Location and VAT Jurisdiction for Party A

Delivery Business Day Location:	[]
VAT Jurisdiction:	[]

Part D

Delivery Business Day Location and VAT Jurisdiction for Party B

Delivery Business Day Location:	[]
VAT Jurisdiction:	[]

Part E

Elections for Party A and Party B

Payment on Termination for Settlement Disruption:	[Applicable/Not Applicable/As specified in the relevant Confirmation]
Excess Emissions Penalty	[Applicable/Not Applicable/As specified in the relevant Confirmation]
EEP Risk Period	[Not Applicable/As specified in the relevant Confirmation]

EEP Equivalent	[Applicable/Not Applicable/As specified in the relevant Confirmation]
Failure to Deliver (Alternative Method)	[Applicable/Not Applicable/As specified in the relevant Confirmation]