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December 17, 2014

Christopher J. Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street NW  
Washington, D.C. 20581

RE: CFTC Interpretation Embedded Volumetric Optionality, RIN 3038-AE24

Dear Secretary Kirkpatrick,

The American Petroleum Institute (“API”), on behalf of its members, submits the following comments on the Commodity Futures Trading Commission (the “Commission” or “CFTC”) on its proposed interpretation concerning forward contracts with embedded volumetric optionality.

API is a national trade association representing more than 600 oil and natural gas companies. API’s members transact in physical and financial, exchange-traded and over-the-counter markets primarily to hedge or mitigate commercial risks associated with their core business. API members enter into derivative transactions to facilitate physical transactions and to offset related exposures to price risk in such physical markets. Because API members rely on the integrity of markets under the Commission’s jurisdiction, it appreciates the opportunity to comment.

API acknowledges the Commission’s effort and thanks the Commission for clarifying the fourth and fifth elements of the Products release and for proposing to modify the seventh element to further clarify its interpretation. API supports the removal of the reference to the “exercise or non-exercise” of the embedded volumetric optionality, the removal of the reference to physical factors or regulatory requirements being “outside the control of the parties,” and the clarification of the phrase “physical factors” to include any fact or circumstance that could reasonably influence supply of or demand for the nonfinancial commodity under the contract. We believe that the proposed interpretation provides adequate guidance for the industry to move forward.

Should you have any questions or concerns regarding this comment, please direct them to James Crandall at (202) 682-8357 or [crandallj@api.org](mailto:crandallj@api.org).

Sincerely,  
James Crandall  
Policy Analyst,  
American Petroleum Institute