coinbase DERIVATIVES

March 28, 2025

VIA CFTC Electronic Portal

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: CFTC Regulation 40.6(a) Certification: Listing of Natural Gas Futures Supplemental to Coinbase Derivatives, LLC Submission #2025-08

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), Coinbase Derivatives, LLC (the "Exchange") hereby submits supplemental information to its Natural Gas Futures contract (the "Contract" or "NGS") previously filed with the Commission on March 14, 2025. The purpose of the supplemental filing is to provide additional information regarding compliance with CFTC Core Principles 3 and 5 and to modify the position limit, as detailed in Appendix A.

Certification

The Exchange is not aware of any substantive opposing views to the Rule Amendments. The Exchange certifies that the Rule Amendments comply with the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at: https://www.coinbase.com/derivatives/filings.

If you have any questions or require further information, please contact the undersigned at Jane.Downey@coinbase.com.

Sincerely,

/s/ Jane Downey
Chief Regulatory Officer

Attachment: Appendix A

Appendix A

Core Principle 3 -- Contracts Not Readily Subject to Manipulation

The Natural Gas Future is based on the long-established and highly liquid NYMEX Henry Hub Natural Gas Futures contract NG. The NG contract offers transparent pricing and is traded on a central limit order book. With daily trading volumes of more than 600k contracts and open interest of over 1.6m contracts[1], it would be difficult to manipulate the price of the underlying contract.

Core Principle 5 -- Position Limits or Accountability

The Contract shall be subject to a position limit of no more than 15,000 NGS Contracts with a reportable level of 200 Contracts. The position limit is lower, comparable to limits imposed on the NG contract.

I. Natural Gas Futures Contract Overview

The Natural Gas Futures Contract offers Participants the opportunity to trade one of the world's most liquid energy commodities in a smaller contract size and in easily understandable increments. The Natural Gas Futures Contract is cash settled against the prevailing market price for NYMEX Henry Hub Natural Gas future (NG).

II. Cash Market Summary

Natural Gas Production:
The Exchange utilized data from the U.S. Energy Information Administration (EIA) to estimate domestic natural gas production. In 2024, U.S. dry natural gas production averaged approximately 103 billion cubic feet per day (Bcf/d)[2]. The primary production regions supplying the Henry Hub delivery point include the Permian Basin, the Haynesville Shale, and offshore Gulf of Mexico production, which collectively contribute a significant portion of the Gulf Coast's supply.

Natural Gas Flows to Henry Hub:
Henry Hub, located in Erath, Louisiana, serves as the central delivery and pricing point for natural gas futures contracts. It is an interconnection point for multiple interstate and intrastate pipelines, allowing for extensive market liquidity. Industry estimates indicate that daily inflows to Henry Hub range between 1.8 Bcf/d and 2.5 Bcf/d, depending on seasonal demand fluctuations and regional production trends[3]. On a 30-day monthly basis, this equates to approximately 54 Bcf to 75 Bcf of natural gas.

Natural Gas Storage:
The Gulf Coast region, including Louisiana, contains significant underground storage capacity. The EIA reports that working gas storage capacity in Louisiana exceeds 600 Bcf, with salt dome storage facilities providing rapid withdrawal capabilities. The Exchange

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[1] https://www.cmegroup.com/markets/energy/natural-gas/natural-gas.volume.html
[2] https://www.eia.gov/naturalgas/monthly/
[3] https://www.eia.gov/todayinenergy/detail.php?id=64184#:~:text=The%20monthly%20average%20Henry%20Hub,over%20the%20prior%20five%20years.

estimates that a substantial portion of this storage capacity is commercially available for delivery at Henry Hub. Based on historical storage utilization patterns, the Exchange conservatively estimates that 30% to 40% of available storage capacity contributes to the deliverable supply calculation.

III. Analysis of Deliverable Supply

The Exchange assessed the deliverable supply for Henry Hub Natural Gas futures by evaluating key factors, including daily production, pipeline flows, and available storage capacity. Deliverable supply is based on the volume of natural gas physically available and accessible for delivery at Henry Hub, considering market liquidity and infrastructure constraints.

Pipeline Deliverability to Henry Hub

Henry Hub is a highly interconnected pricing hub, with access to nine interstate and four intrastate pipelines (EIA, Henry Hub Interconnectivity Report, 2024). These pipeline systems facilitate the movement of natural gas from major production regions, including the Permian Basin, Haynesville Shale, and offshore Gulf of Mexico fields. Estimated daily pipeline inflows to Henry Hub range from 1.8 Bcf/d to 2.5 Bcf/d, with variations driven by seasonal demand, maintenance schedules, and pricing differentials (Platts, Pipeline Flow Data, 2024). On a monthly basis, inflows range between 54 Bcf and 75 Bcf.

Storage Availability for Delivery

Henry Hub has access to multiple underground storage facilities, particularly in Louisiana's salt dome caverns, which allow for rapid injections and withdrawals. The total working gas storage capacity in Louisiana exceeds 600 Bcf, with key storage operators providing high-cycle storage services that enhance deliverability (EIA, Underground Natural Gas Storage Report, 2024). Historical utilization patterns indicate that approximately 30% to 40% of available storage capacity is actively used for commercial trading and deliverability. Applying this range to Louisiana's total working gas storage, the Exchange estimates that 180 Bcf to 240 Bcf of stored gas may contribute to deliverable supply.

Total Deliverable Supply Estimate

To determine a conservative estimate of deliverable supply, the Exchange uses pipeline inflows and excludes available storage inventories. Based on monthly pipeline inflows the Exchange estimates that the total deliverable supply for Henry Hub Natural Gas futures ranges between 54 Bcf and 75 Bcf per month.

Using an average between the lower and upper bound, we reach an estimate of 65 Bcf (67.6 million MMBtu) or 67,600 NGS contracts per month.

Twenty-five percent (25%) of the deliverable supply would be 16,900 NGS contracts.

The Exchange position limit of the NGS contract is 15,000 contracts.