

Commodity Futures Trading Commission's VCM Convening IETA & ICROA Response

15 June 2022

Comments submitted at:

<https://comments.cftc.gov/PublicComments/CommentForm.aspx?id=7276>

The [International Emissions Trading Association \(IETA\)](#) and the [International Carbon Reduction and Offset Alliance \(ICROA\)](#) appreciate the opportunity to provide information, data, and expert opinion to the U.S. Commodity Futures Trading Commission's (CFTC) following the CFTC's convening on voluntary carbon markets on 2 June. IETA and ICROA are encouraged to see more activity in the U.S. to recognize the potential role of the voluntary carbon market (VCM) in decarbonizing the economy through to 2050, and we support CFTC's inquiry into pressing VCM issues, including integrity, transparency, and best practices.

Created in 2008, ICROA represents the interests of service providers in promoting emissions reductions and offsetting to the highest standards of environmental integrity and in support of the Paris Agreement. ICROA provides an Accreditation Program and supports organizations through advocacy and action-oriented activities to advance best practices in the voluntary carbon market. We are a non-profit initiative housed within the International Emissions Trading Association.

IETA represents a broad and diverse group of stakeholders, with nearly 250 members worldwide – with many multi-national companies headquartered in the U.S. – including carbon offset project developers, assurance providers, standards, investors, banks and financial institutions, law firms, funds, and businesses who invest in projects and purchase credits to meet climate targets.

IETA and ICROA members collectively have vast and broad experience in the carbon and climate space, and many have set ambitious climate targets, or are helping others meet both compliance and voluntary objectives. We thank the CFTC for its interest in ensuring, where appropriate, that VCMs grow in a responsible way with appropriate supervision, and necessary guidance and guardrails. Below we provide high-level comments discussing VCM risks and opportunities for CFTC consideration, informed by our collective knowledge and experience.

High-level VCM Considerations:

The Voluntary Carbon Market (VCM) enables non-state actors to take meaningful action ahead of and beyond regulation and contributes to closing global climate policy gaps. It channels finance to mitigation and adaptation projects through a transparent, third-party verified and results-based approach. For corporate buyers, offsetting unabated emissions puts an internal price on carbon that helps plan and deliver decarbonization strategies aligned to the Paris Agreement. The VCM helps finance mitigation in countries where costs and a lack of the required expertise are barriers to achieving more ambitious emissions reductions. Carbon finance through the VCM helps governments and the private sector achieve greater climate ambition and therefore accelerates the transition to net zero emissions. [Research](#) carried out by Imperial College in partnership with ICROA to measure and value the impact of investing in offsetting beyond reducing emissions finds that each ton

of carbon reduced has additional benefits – such as poverty alleviation, infrastructure development and nature conservation – worth over \$660¹ per tonne of CO₂ offset.

Over the past 15 years, the VCM has evolved to become a robust and cost-effective mechanism based on carbon crediting programs. ICROA has developed [criteria](#) for reviewing and endorsing these programs. Those that meet the criteria are approved and listed in ICROA's [Code of Best Practice](#) as eligible for offsetting. Service providers that are successfully [audited](#) annually against the Code's requirements are [accredited](#) by ICROA, a stamp of quality. Further, ICROA works with all members across IETA to build knowledge on VCM, such as how they relate to [Article 6 of the Paris agreement](#).

ICROA-IETA also works closely with key initiatives such as the Integrity Council for Voluntary Carbon Markets ([IC-VCM](#)) and the Voluntary Carbon Market Integrity Initiative ([VCMI](#)). The VCMI is focused on demand-side integrity by defining a sensible way forward for corporate climate action claims that ensure the highest level of quality, integrity and impact. IETA forms part of the Executive Secretariat of the IC-VCM and supports the Board of Directors and Distinguished Advisory Group in establishing Core Carbon Principles (CCPs) which intend to establish a threshold standard for high-quality carbon credits that can be used by corporates to compensate for emissions.

High-quality carbon credits enable critical finance, but in order to raise ambition, they must be created and used with integrity. On the supply side, carbon credits must deliver real and measurable climate impact through additional emissions reductions or removals. On the demand side, offsets cannot be a substitute for science-aligned carbon mitigation. End-users of offsets need to follow the mitigation hierarchy with long-term decarbonization plans where offsetting helps address residual emissions beyond a science-aligned pathway. Offsetting along the way helps achieve more ambition and requires appropriate transparency and disclosure. See ICROA's Code and recent high level [guidance on corporate climate action](#) for further details.

Once again, IETA and ICROA appreciate this important opportunity to record our comments. We welcome the CFTC to reach out directly with any questions or follow-up requests related to the comments shared above by contacting IETA Managing Director Katie Sullivan, at sullivan@ieta.org, or ICROA Programme Director, Antoine Diemert, at diemert@ieta.org. We look forward to submitting more detailed comments to support CFTC's [Request for Information on Climate-Related Financial Risk](#) by the 8 August deadline.

¹ Imperial College London, ICROA. Unlocking the Hidden Value of Carbon Offsetting, 2019. http://s3-eu-west-1.amazonaws.com/ncp-cdn/downloads/ICROA_Unlocking_the_Hidden_Value_of_Carbon_Offsetting.pdf