



AMERICAN PUBLIC GAS ASSOCIATION

October 4, 2022

Christopher Kirkpatrick
Secretary of the Commission,
Commodity Futures Trading Commission (CFTC)
Three Lafayette Centre,
1155 21st Street NW,
Washington, DC 20581

Submitted via CFTC Comments Portal to <https://comments.cftc.gov/>

Re: Comments in Response to the “Climate-Related Financial Risk RFI”

Dear Mr. Kirkpatrick:

The American Public Gas Association (“APGA”) appreciates the opportunity to respond to the request for information (“RFI”) published by the Commodity Futures Trading Commission (“CFTC” or “Commission”). This RFI asks important questions to inform the Commission of possible financial risks, specifically asking for responses on the following:

1. Data
2. Scenario Analysis and Stress Testing
3. Risk Management
4. Disclosure
5. Product Innovation
6. Voluntary Carbon Markets
7. Digital Assets
8. Greenwashing
9. Financially Vulnerable Communities
10. Public-Private Partnerships/Engagement
11. Capacity and Coordination

APGA appreciates this effort to get answers from stakeholders, to ensure the CFTC limits any effects directly or indirectly to registered entities, registrants, and other market participants as well as the derivatives markets and the underlying commodities markets themselves. Impacts that need to be avoided could be heightened market volatility, disruptions of historical price correlations, and challenges to existing risk management assumptions.

APGA fully supports the Commission’s goal to promote responsible innovation, ensure the financial integrity of all transactions subject to the Commodity Exchange Act (“CEA”), and avoid systemic risk. As well, it is important the CFTC answer recommendations provided from the Financial Stability Oversight Council (“FSOC”) 2021 Report on Climate-Related Financial Risk. APGA understands the information gathered from this RFI can inform potential future actions, such as new or amended guidance, interpretations, policy statements, regulations, or other efforts. APGA cannot respond to all the questions posed in the RFI but does believe it is critical to offer general input for consideration on a few of the topic

areas. This will ensure CFTC understands the public gas utility perspective as it considers any future action.

APGA is the trade association for more than 730 communities across the U.S. that own and operate their retail natural gas distribution entities. They include not-for-profit gas distribution systems owned by municipalities and other local government entities, all locally accountable to the citizens they serve. Public gas systems focus on providing safe, reliable, and affordable energy to their customers and support their communities by delivering fuel to be used for cooking, clothes drying, and space and water heating, as well as for various commercial and industrial applications, including electricity generation.¹

Through the RFI, the Commission inquires about the types of data needed to evaluate climate-related financial risk exposures of registered entities, registrants, and other participants in the derivative markets. Bias can be present in any analysis. Accordingly, APGA asks that the CFTC acknowledge this fact and be mindful of the impacts such bias may have in shaping its actions. For instance, climate forecasts can be influenced by many factors, some of which are included in one study but excluded in others. To ensure that any financial risk is appropriately quantified, CFTC should base decisions on representative analyses. APGA also encourages CFTC to maintain full transparency in all its actions, which will allow the public to better understand the data sources the Commission ultimately relies on to inform its decision-making.

Additionally, with regards to the disclosure questions within the RFI, APGA offers the following general input. Community aid and quality service are the mandates for APGA members. A not-for-profit public gas system gives a community local control over how gas is provided to homes and businesses. Instead of being made in a distant city, decisions are made at the community-level by people who appreciate local issues and who are primarily focused on service, safety, reliability, and costs. Public gas systems are regulated by their consumer-owners through locally elected governing boards or appointed officials, which are accountable to the citizen ratepayers they serve and removable by them. With any new requirements, the CFTC must weigh the burden of reporting requirements for all entities in the energy supply chain, including public gas utilities. The CFTC specifically asks about disclosures and greenhouse gas (“GHG”) emissions. APGA hopes the CFTC will take a pragmatic approach to this recommendation from the FSOC. APGA members could face additional costs from overly burdensome requirements, directly and indirectly. Broad reporting requirements may add additional burden and cost, so the CFTC should carefully consider the impacts to entities both regulated and not regulated by them. APGA’s members operate as not-for-profits and must pass reasonable costs onto their customers through the natural gas rates set by the communities that govern them. Any increase in the total amount to provide energy is ultimately borne by American families and business owners. Accordingly, any future action by the CFTC should not directly or indirectly impose new requirements on APGA members, including higher commodity costs that would be felt by their customers.

APGA supports efforts to reduce emissions, such as voluntary carbon markets; however, transparency, fairness, and liquidity should be inherent in these markets. In particular, the CFTC should recognize those activities that truly reduce emissions across the life cycle. For instance, APGA believes the use of renewable natural gas (“RNG”) is critical in our country’s clean energy future. When used in transportation, natural gas vehicles fueled with RNG have GHG emissions reduced up to 382%.²

Finally, the RFI raises several questions related to impacts on financially vulnerable communities. APGA would contend that natural gas is a clean and affordable fuel. CFTC policies should not prejudice members of such communities from having access. More importantly, the pipeline assets and the workforce of APGA’s members deliver net zero carbon gases now, like RNG, and can potentially provide low-carbon hydrogen in the future. These efforts are in concert with public gas utilities’ focus on emissions reductions

¹ For more information, please visit www.apga.org.

² For reference, visit <https://ngvamerica.org/environment/>.

in several ways, including enhanced leak detection. The CFTC must ensure that its actions do not have unintended consequences, especially, possibly limiting access to clean and affordable energy for financially vulnerable households and communities.

APGA understands CFTC must protect entities under its jurisdiction. However, we ask any action recognize the important efforts of public gas utilities, in partnership with the entire natural gas value chain, to provide sustainable energy in an affordable and environmentally-conscious manner.

Thank you for the review and consideration of these responses. If you have any questions regarding this submission, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink that reads "Dave Schryver". The signature is written in a cursive, flowing style.

Dave Schryver
President & CEO
American Public Gas Association