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## VIA ELECTRONIC SUBMISSION

Christopher Kirkpatrick  
Secretary of the Commission  
US Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: Request for Information on Climate-Related Financial Risk (FR Doc No: 2022-12302); Extension of Comment Period (FR Doc No 2022-15621)**

Dear Mr. Kirkpatrick:

Please accept these comments from bp America, Inc. in response to the Commodity Futures Trading Commission's ("CFTC" or "Commission") June 8, 2022, Request for Information on Climate-Related Financial Risk ("RFI").<sup>1</sup>

### **I. Background**

bp is a global integrated energy company with a significant footprint in the United States, where bp employs more than 12,000 people and supports about 245,000 jobs. Between 2005 and 2021, bp invested more than \$130 billion in the United States, and in 2021 alone, our operations contributed about \$60 billion to the nation's economy. We have a larger economic footprint in the United States than anywhere else in the world, and we are transforming bp to produce energy that is secure, affordable, and lower carbon.

Through BP Energy Company ("BPEC") and BP Products North America ("BPPNA"), bp participates in both the voluntary carbon markets as well as compliance carbon markets. BPPNA has a low carbon trading business which plays a vital role in connecting bp and our customers to the world's compliance and voluntary carbon markets and other evolving product

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<sup>1</sup> Request for Information on Climate-Related Financial Risk, 87 FR 34856 (June 8, 2022), Extension of Comment Period, 87 FR 43501 (July 21, 2022).

markets. BPEC is a swap dealer (“SD”) provisionally registered with the CFTC and transacts derivatives to manage financial risks both in its own portfolio and for its customers.

## II. Comments

bp appreciates the breadth of questions raised in the RFI. bp’s comments are primarily focused on the questions related to the evolution of Voluntary Carbon Markets (VCMs).

bp was glad to participate in the Commission’s Voluntary Carbon Markets Convening on June 2<sup>nd</sup> and applauds the Commission for following the Convening with this RFI.<sup>2</sup> bp supports the CFTC’s role in promoting responsible innovation, ensuring the financial integrity of transactions subject to the Commodity Exchange Act, and avoiding systemic risk in the markets it regulates. bp supports the CFTC’s role in regulating futures and derivative products that are tied to the global voluntary carbon market.

bp believes the CFTC has and will continue to play an important role in supporting the growth of VCMs through its jurisdiction overseeing futures and derivatives markets—this is especially relevant as futures and derivatives products for VCMs continue to emerge. bp believes the CFTC should focus on simultaneously enhancing its oversight role in derivatives and futures markets while allowing these markets to become deeper and more liquid.

VCMs are valuable tools in accelerating the energy transition. As the physical market for VCM products continues to develop, corresponding futures and derivatives markets will also grow. As with other commodity markets, futures and derivatives products may be useful risk management tools.

As the Commission states in the RFI, futures and derivative markets the CFTC regulates will “facilitate risk management and price discovery.”<sup>3</sup> In order to perform these functions effectively, however, futures and derivatives markets must develop liquidity and scale to provide reliable and transparent pricing. Risk management tools generally start with a view on valuation and pricing, so ensuring price integrity is essential to developing an effective risk management framework. Consequently, the CFTC should consider ensuring its regulations encourage market participation and market depth.

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<sup>2</sup> Attached to these comments are the Prepared Remarks of Jeff Swartz, Vice President, Low Carbon Strategy, Regulatory Affairs & Partnerships, from the June 2 Voluntary Carbon Markets Convening.

<sup>3</sup> RFI at 34858.

The CFTC can encourage market participation through its role in preventing fraud and manipulation while still allowing these relatively nascent VCM futures and derivatives markets to evolve. As the market continues to develop, we recommend the Commission continue to oversee the exchanges, like Intercontinental Exchange and CME Group, in implementing the compliance measures ultimately adopted by global initiatives and trade associations like the Taskforce for Scaling Voluntary Carbon Markets (TSVCM) and the Integrity Council for Voluntary Carbon Markets (IC-VCM) consultation group.

The exchanges have provided a measured approach to introducing risk controls like margin requirements that help manage risk exposure while allowing these markets to grow. In its role regulating the exchanges, we recommend the Commission ensure sufficient transparency exists in the financial markets to discharge its mission to prevent fraud and manipulation and ensure fair and orderly trading. It could do so through a registration framework for companies that wish to list a product or participate in exchange trading. Increased transparency will promote greater investor confidence, which will lead to greater price discovery and prevent fraud and manipulation.

Finally, bp encourages the CFTC to coordinate with global regulators to harmonize regulation of products that will support the energy transition as well as the associated futures and derivatives markets. There is a need for greater market standardization to help these markets reach a larger scale, so coordination with global regulators on a harmonized governance framework is essential.

### **III. Conclusion**

bp welcomes the opportunity for continued and constructive dialogue with the CFTC and other stakeholders on this RFI. Should you have any questions, please contact me at [Downey.Magallanes@bp.com](mailto:Downey.Magallanes@bp.com) or Jeffrey Stein at [Jeffrey.Stein@bp.com](mailto:Jeffrey.Stein@bp.com).

Respectfully submitted,

/s/ Downey Magallanes

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and  
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## ATTACHMENT

### PRESENTATION FOR CFTC VOLUNTARY CARBON MARKET DISCUSSION – JUNE 2, 2022 Jeff Swartz, Vice President, Low Carbon Strategy

Good afternoon, Chairman Behnam and Commissioners Johnson, Goldsmith Romero, Mersinger and Pham. Thank you for inviting bp to participate in today's Voluntary Carbon Markets Convening.

First let me state that bp is committed to constructive dialogue with the Commission relating its potential role in promoting fair and orderly trading in the futures and derivatives markets that arise from the voluntary carbon markets. I am here today to discuss our Low Carbon Trading business and the challenges and opportunities we see in voluntary carbon markets.

#### I would like to begin by highlighting bp's net zero aims and use of voluntary offsets towards those aims

bp's ambition is to be a net zero company by 2050 or sooner and to help the world get to net zero. We are not waiting to get into action. We have set short-term targets and aims for 2025 and 2030 and, since February 2022, our aim's to be net zero across our operations, production and sales by 2050 or sooner.

We support the use of carbon offsets or credits/allowances by companies, countries and society in enabling the world to get to net zero and meeting the Paris goals. Effective compliance and voluntary markets for high quality carbon credits are important to finance these activities. We expect that global demand for carbon credits is likely to grow as more companies use them to achieve their climate related goals. So, we intend to continue to offer carbon credits and offsetting solutions to our customers to help them meet their goals.

We do not plan to rely on offsetting to meet our 2030 net zero aims. We consider that it makes sense to account for carbon credits directly related to our business, for example where carbon credits are bundled with the energy we sell and looking ahead we plan to do so.

bp participates in both the voluntary carbon markets as well as compliance carbon markets, some of which allow for the use of offsets to achieve their policy objectives. Within bp's trading and shipping business, we have a low carbon trading business which plays a vital role in connecting bp and our customers to carbon pricing through our activity in the world's compliance and voluntary carbon markets. Our experience in carbon markets dates as far back as 2001.

- BP Products North America (“BPPNA”) offers compliance offsetting and voluntary offsetting products and sources carbon credits from carbon offsetting projects certified by third party standards around the globe.
- BP Energy Company (“BPEC”), which is a provisionally registered swap dealer with the CFTC, offers physical and financial products to the market to mitigate risks, including compliance offsetting and voluntary offsetting products. BPEC’s swap dealer business includes developing structured financing and hedging solutions for companies in need of innovative deal structures. It is here that bp must tap into less liquid markets and, many times, must warehouse some risk in its own portfolio due to lack of liquidity in those markets.

**I would now like to share bp’s views on voluntary carbon credits**

As part of its net zero advocacy, bp participates in the following initiatives and trade associations that are looking to develop and strengthen the compliance and voluntary offset markets:

- Integrity Council for Voluntary Carbon Markets (ICVCM)
- International Carbon Reduction & Offset Alliance (ICROA)
- International Emissions Trading Association (IETA)
- Natural Climate Solutions Alliance (NCSA) convened by the World Economic Forum and World Business Council for Sustainable Development
- Oil and Gas Climate Initiative (OGCI)

bp has also participated in the CFTC’s Climate-Related Market Risk Subcommittee and supported the Report entitled, Managing Climate Risk in the US Financial System. We appreciate Chairman Behnam’s leadership in sponsoring the Report, which not only outlines the risks to the US financial system posed by climate change, but also certain regulatory gaps in the emerging markets that are designed to address climate risks.

Given this experience, bp supports the CFTC’s role in promoting fair and orderly trading in the futures and derivatives markets, including those markets arising from voluntary carbon markets and in protecting these markets from fraud and manipulation. bp applauds the Commission’s decision to seek public comments on carbon offsets markets that encourages market transparency. We see a need for the CFTC’s to (1) regularly review the integrity of established exchanges for financial instruments arising from the voluntary carbon markets to help ensure market integrity and increased liquidity, and (2) increase transparency to promote greater investor confidence in the voluntary carbon market which will lead to greater price discovery and prevent fraud and manipulation.

bp, however, would caution against adopting forms of regulation that would have the effect of limiting market participation.

**Finally, I would like to share with you bp's asks for standardization, transparency and market integrity:**

- (1) bp supports the CFTC's role in regulating futures and derivative products that are tied to the global voluntary carbon market. As stated, there is a need for greater market standardization in order to help these markets reach a larger scale, and bp would encourage the CFTC to coordinate with global regulators in order to harmonize efforts to enhance transparency and integrity.
- (2) In its role in regulating exchanges, the CFTC should ensure sufficient transparency exists in the financial markets tied to the voluntary carbon market in order to discharge its mission to prevent fraud and manipulation.

**Conclusion**

Thank you for allowing bp this opportunity to describe its business and interest in voluntary carbon markets. I look forward to the discussion.