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Chairman Rostin Behnam
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**RE: Request for Information on Climate-Related Financial Risk
(Questions 22, 23, and 24)**

Dear Chairman Behnam,

Thank you for the opportunity to respond to the Commodity Futures Trading Commission's request for information.¹ For context, CarbonPlan is a nonprofit research organization dedicated to improving the transparency and scientific integrity of carbon removal and climate solutions through open data and tools. Our comments are informed by extensive research on carbon market quality standards, as well as analysis of the use of carbon credits in corporate climate commitments and existing market disclosure practices.²

As detailed below, we believe there are significant shortcomings in the voluntary carbon markets' quality standards. We urge the CFTC to consider developing objective labeling standards to distinguish carbon credits that deliver carbon removal services, and also to require transparent reporting of the duration of any carbon storage backing carbon credits — both of which are needed to efficiently allocate capital in support of net-zero climate goals. We also believe that the scale of the markets' quality control problem justifies a formal regulatory framework that requires carbon credit issuers to attest to the veracity of the marketing standards they already employ, and provides for the possibility of regulatory investigation and enforcement actions when circumstances warrant.

¹ U.S. Commodity Futures Trading Commission, Request for Information on Climate-Related Financial Risk, 87 Fed. Reg. 34,856 (June 8, 2022).

² Sadie Frank and Danny Cullenward, Climate-related financial risk and corporate net-zero commitments, CarbonPlan (Nov. 1, 2021); Sadie Frank et al., Why carbon offset disclosure matters, CarbonPlan (Feb. 8, 2022).

Before responding directly to the CFTC’s carbon-credit-related questions, we first want to highlight an important shift in market sentiment that developed since the CFTC’s June 2022 convening. At the convening, many panelists and moderators affiliated with the Integrity Council for the Voluntary Carbon Markets (ICVCM) asserted that the ICVCM’s work will resolve concerns about carbon credit quality.³ Some even suggested the ICVCM would offer a framework for the CFTC and other financial regulators around the world to adopt.⁴

A brief word about the ICVCM is in order. Its predecessor effort, the Taskforce on Scaling Voluntary Carbon Markets, focused on the potential to rapidly increase market volumes, but was scaled back over concerns about current market quality standards.⁵ In its place, the ICVCM adopted a new motto: “Build integrity and scale will follow.”⁶

The ICVCM is focused on the development of market standards, which consist of its “Core Carbon Principles” and a process for evaluating programs that seek to earn the ICVCM’s voluntary certification for their carbon credits.⁷ This work has been led by an Expert Panel that one ICVCM Governing Board member called “world class” in her remarks to the CFTC in June.⁸ Just a few weeks later, the ICVCM released its draft market standards in July.⁹

³ See Appendix. In addition to the four ICVCM Governing Board members quoted in the Appendix, a fifth ICVCM Governing Board member (Mark Kenber) spoke on other matters and a sixth moderator (Dr. Nathaniel Keohane) is the President of C2ES, an non-governmental organization that serves as Secretariat for the ICVCM. As indicated in the Appendix, the leadership of two major carbon credit registries (Verra and the American Carbon Registry) also expressed their support for the ICVCM.

⁴ As ICVCM Governing Board member and panelist Sonja Gibbs put it: “When [the ICVCM’s public consultation is] finished ... we should have grounds for widespread acceptance in the markets. And at that point, ideally, regulators — the CFTC, IOSCO, others — will be able to look at these standards and say, ‘Okay, this is something that we can adapt and use for appropriate market regulation, in due course.’” CFTC, Voluntary Carbon Markets Convening Transcript (June 2, 2022) (hereinafter “Transcript”) at 80-81.

⁵ Camila Hodgson, Carney task force confronts concerns over carbon credits market, *Financial Times* (Jan. 27, 2021); Jess Shankleman and Akshat Rathi, Wall Street’s Favorite Climate Solution is Mired in Disagreements, *Bloomberg* (June 21, 2021); Camila Hodgson and Billy Nauman, Carbon offsets: a license to pollute or a path to net zero emissions?, *Financial Times* (Aug. 30, 2021); Jess Shankleman and Natasha White, Carney’s Bid to Grow Carbon Market Rejigged Amid Controversy, *Bloomberg* (Mar. 16, 2022).

⁶ ICVCM, About us.

⁷ We note that a futures contract that anticipates trading ICVCM-approved credits from Verra’s carbon credit registry is already listed with the CFTC. See CME Group, CBL Core Global Emissions Offset (C-GEO) Futures, NYMEX Submission No. 22-045 (Feb. 9, 2022).

⁸ Transcript at 48 (quoting ICVCM Governing Board member Sonja Gibbs); see also ICVCM, Meet the team: Expert Panel (list of Expert Panel members and biographies).

⁹ ICVCM, Core Carbon Principles, Assessment Framework and Assessment Procedure: Draft for public consultation (July 2022).

Despite the broad backing the ICVCM enjoyed at the CFTC's convening in June, its draft standards now face major pushback from the same organizations that promoted their imminent release as a consensus-oriented *fait accompli*. For example, Verra's CEO (and ICVCM Governing Board member) David Antonioli initially told the CFTC that the ICVCM would answer any lingering credit quality concerns by establishing "a threshold level of performance that carbon credits will meet and give the market the confidence it needs to invest in them."¹⁰ But following the release of the ICVCM's draft market standards in September, Verra blasted the ICVCM's work as "on the wrong track" and in need of a substantial "course correction."¹¹

Verra's reaction portends the continued absence of consensus over voluntary carbon market quality standards. For one thing, Verra's dominant market share gives it enormous influence with the ICVCM process, even beyond its CEO's seat on the ICVCM Governing Board: Verra issues two out of every three credits in the voluntary carbon markets today.¹² Thus, pushback from Verra puts pressure on the ICVCM to compromise on its standards or risk losing traction with the largest incumbent actor in the voluntary market.

Worse still, Verra doesn't appear to be looking for a compromise. As we discussed in a detailed commentary, Verra's preferred "course correction" would require the ICVCM to skip a review of credit quality standards — the overarching market credibility issue in deep and profound dispute, which the ICVCM was specifically set up to address — and look exclusively at the adequacy of carbon credit registries' governance processes instead.¹³

This is nothing less than a demand that the ICVCM recognize Verra's credits as a privilege of incumbency, and it should be seen by financial regulators as an overt rejection of the prospect of independent review. We hope the ICVCM will maintain its independence and support the Expert Panel's efforts to evaluate credit quality, but only time will tell how the ICVCM responds to pushback from the market incumbents it presumed to evaluate.

¹⁰ Transcript at 56-57.

¹¹ Verra, Course Correction Needed: ICVCM's Draft Core Carbon Principles and Assessment Framework on Wrong Track (Sept. 21, 2022); see also Lisa Martine Jenkins, The fight to define the carbon offset market's future, *Protocol* (Oct. 4, 2022).

¹² UC Berkeley Carbon Trading Project, Voluntary Registry Offsets Database, Version 5 (Apr. 2022).

¹³ Danny Cullenward et al., Verra's broadside against the Integrity Council props up the status quo, CarbonPlan (Sept. 29, 2022). Other registries, such as the American Carbon Registry, have also echoed Verra's preference for replacing a mechanism for the ICVCM to review credit quality with the outcomes adopted by the International Civil Aviation Organization's CORSIA offsetting program. American Carbon Registry, ACR Provides Comments to ICVCM (Sept. 27, 2022); but see Steffan Kallbekken and David G. Victor, A cleaner future for flight — aviation needs a radical redesign, *Nature* 609: 673-75 (2022) (critiquing the CORSIA offset program).

What is now clear is that the comity on display at the CFTC's June 2022 convening no longer holds, and likely masked fundamental disagreement as to whether key carbon market stakeholders will voluntarily accept any degree of independent oversight in a market that has thus far evaded any meaningful regulatory supervision.

22. Are there way[s] in which the Commission could enhance the integrity of voluntary carbon markets and foster transparency, fairness, and liquidity in those markets?

Yes. The Commission and other federal regulators should consider developing explicit, objective definitions for two key criteria that are essential to the long-term health and integrity of carbon markets — (1) whether a carbon credit reflects the physical climate service of atmospheric carbon dioxide removal (a binary variable), and (2) the durability of any carbon storage promised by a carbon credit (a term measured in years). These interventions would be helpful because the absence of clear definitions is contributing to the mis-pricing of assets and the presence of clear definitions would help steer capital in support of net-zero targets.

For context, there are two broad categories of climate services credited in carbon markets: greenhouse gasses emission reductions and atmospheric carbon removal.¹⁴ If a project developer proposes to build a wind farm instead of a coal plant, for example, then its carbon credits would reflect a claim that the project has reduced emissions of carbon dioxide into the atmosphere, relative to what would have happened without the wind farm.¹⁵ Alternatively, if a project developer proposes to pull carbon dioxide out of the atmosphere, such as through reforestation or technology-based approaches like direct air capture with geologic storage, then the project would claim a carbon removal outcome.¹⁶

Distinguishing atmospheric carbon removal outcomes from other climate projects is essential for net-zero climate goals, which require adherents to balance residual greenhouse gas

¹⁴ We note that the Securities and Exchange Commission has appropriately recognized these two broad categories in its proposed climate disclosure regulation. See SEC, The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Federal Register 21,334 (Apr. 11, 2022) at 21,465 (proposing a definition of “carbon offsets” to be codified at 17 C.F.R. § 229.1500(a)). For the same reasons discussed here, we have also encouraged the SEC to require registrants to separately report carbon offsets that represent carbon removal and avoided emission climate services. See Sadie Frank and Danny Cullenward, Comments to the Securities and Exchange Commission on carbon offset disclosure, CarbonPlan (June 24, 2022).

¹⁵ Some analysts distinguish between “avoided emissions” (e.g., building a wind farm instead of a coal power plant to prevent emissions that would otherwise happen) and “emission reductions” (e.g., improving the efficiency of an industrial process to reduce emissions that are already happening). While this level of technical precision can be useful, the more important distinction for policy is between these two categories and the separate physical service of “carbon removal” that is required for net-zero emission targets.

¹⁶ See generally Jennifer Wilcox et al. (eds) (2022), Carbon Dioxide Removal Primer.

emissions with carbon dioxide removal strategies.¹⁷ Despite the need for long-duration carbon removal to achieve net-zero targets, the majority of credits in today's voluntary carbon markets reflect emission reduction claims. As a result, current practices frustrate the ability of markets to align capital toward potentially higher-value removal services because today's standards do not distinguish between emission reduction and atmospheric carbon removal outcomes.

For those credits that do represent carbon removal, only a tiny minority claim to store carbon on a timescale that is comparable to the impact of fossil CO₂ emissions.¹⁸ Because fossil CO₂ emissions have extremely long-term climate consequences,¹⁹ any claims that carbon removal "compensates" for or otherwise "offsets" ongoing residual emissions are contingent on a strategy to achieve comparably durable timeframes for the carbon storage that results.²⁰ In contrast, current market standards assert the physical climate equivalence of a wide range of temporary carbon storage durations with ongoing fossil CO₂ emissions — despite the effectively permanent impact of those emissions, and contrary to long-standing scientific understanding of the physical climate system.²¹ The lack of clear definitions and adequate disclosure of durability terms creates problematic incentives for buyers as well as barriers to high-quality credit procurement.²²

¹⁷ Sam Fankhauser et al. (2022), The meaning of net zero and how to get it right, *Nature Climate Change* 12: 15-21; Science-Based Targets initiative, SBTi Corporate Net-Zero Standard, Version 1.0 (Oct. 2021) at 11 ("Companies must neutralize any [residual] emissions by permanently removing carbon from the atmosphere.").

¹⁸ Lucas Joppa et al. (2021), Microsoft's million-tonne CO₂-removal purchase — lessons for net zero, *Nature* 597: 629-32 at 632 (describing the outcome of two corporate credit procurement processes) ("Few options were available for permanent removal. Only about 2 million tonnes' worth was judged reliable enough to purchase, of the around 170 million tonnes offered.").

¹⁹ David Archer, et al. (2009), Atmospheric Lifetime of Fossil Fuel Carbon Dioxide, *Annual Review of Environment and Resources* 37: 117-34; Raymond T. Pierrehumbert, Short-Lived Climate Pollution, *Annual Review of Environment and Resources* 42: 341-79.

²⁰ Zeke Hausfather, Let's Not Pretend Planting Trees is a Permanent Climate Solution, *The New York Times* (June 4, 2022); Miko U.F. Kirschbaum (2006), Temporary Carbon Sequestration Cannot Prevent Climate Change, *Mitigation and Adaptation Strategies for Climate Change* 11: 1151-64; Grayson Badgley et al. (2022), California's forest carbon offsets buffer pool is severely undercapitalized, *Frontiers in Forests and Global Change* 5: 930426.

²¹ Myles Allen et al. (2022), Net Zero: Science, Origins, and Implications, *Annual Review of Environment and Resources* 47: 19.1-19.39 at 19.28 ("The scientific fact, understood at least since the 1970s, is that fossil fuel emissions have a near-permanent impact on atmospheric CO₂ concentrations through their impact on ocean chemistry, such that cumulative CO₂ emissions since preindustrial times cause an effectively permanent warming that can be reversed only by active CO₂ removal.").

²² Joppa et al. (2021), *supra* note 18 at 632 ("Companies need better economic incentives to promote the most effective forms of CO₂ removal Today's pricing on a per-tonne basis encourages companies to buy the lowest-quality carbon offsets. It does not monetize the durability of carbon storage, the risk of premature release, or the social equity or environmental benefits of removal.").

Put simply, the suggestion that all tons are the same is both incorrect as a scientific matter, as well as a fundamental barrier to accurate market price formation.²³ To address these shortcomings, voluntary carbon markets need a robust, objective definition of carbon removal and a requirement to report the duration of carbon storage claimed by a carbon credit.

23. Are there aspects of the voluntary carbon markets that are susceptible to fraud and manipulation and/or merit enhanced Commission oversight?

Yes. Carbon credits typically claim to represent “additional” climate benefits that go beyond a business-as-usual baseline scenario. The challenge with substantiating additionality is that it depends on a counterfactual — what would have happened without the carbon project — that by definition does not occur and therefore cannot be directly observed.

In the voluntary markets, carbon credit registries — such as Verra, Gold Standard, the American Carbon Registry, the Climate Action Reserve, and others — set their own standards for additionality and baseline scenarios. As explained further below, substantial evidence documented over decades and in programs operating around the world indicates widespread concerns with non-additional crediting outcomes due to problems with these standards. This is precisely why Verra’s proposal to deflect the ICVCM’s efforts to address these issues in its forthcoming standards is so concerning — and why the CFTC should take particular notice of the shift in market sentiment expressed after its June 2022 convening.²⁴

There is a substantial degree of subjectivity involved in determining thresholds for additionality, including when so-called “standardized” approaches set common rules all projects must follow.²⁵ Because additionality turns on counterfactual baseline scenarios that by definition do not occur and therefore cannot be observed, properly establishing and enforcing reasonable standards is extremely difficult. Financial incentives take an already-difficult problem and make

²³ We note that these distinctions should be made at the credit level, rather than at the level of projects or methodologies, to provide buyers with the ability to select the climate services they are purchasing and align those purchases with net-zero targets. Nearly half of the credits in the voluntary carbon market come from forest-sector projects, where claims typically involve a mixture of avoided emissions (e.g., not cutting down trees) and carbon removal (e.g., trees continuing to grow and sequester CO₂ from the atmosphere). Credit-level labeling is feasible because crediting methodologies already require projects to calculate this information separately. See Frank et al., *supra* note 2.

²⁴ See Cullenward et al., *supra* note 13.

²⁵ Lambert Schneider (2009), Assessing the additionality of CDM projects: practical experiences and lessons learned, *Climate Policy* 9: 242-54 (discussing project-level additionality standards widespread throughout the voluntary carbon markets); Barbara Haya et al. (2020), Managing uncertainty in carbon offsets: insights from California’s standardized approach, *Climate Policy* 20: 1112-26 (discussing the second-generation “standardized approach” to additionality more commonly found in newer programs).

it harder: project developers have every reason to exaggerate baselines and make unreasonable claims, while carbon credit registries earn fees based on the volume of credits transacted and therefore face economic costs when tamping down on concerning behaviors.²⁶

Prominent academic studies of key carbon market segments find that many credits are non-additional, often with a substantial majority or more falling short. These results have been reported across the global Clean Development Mechanism compliance program (standards from which remain in active use throughout the voluntary carbon markets);²⁷ renewable energy projects in India;²⁸ voluntary tropical forest REDD projects;²⁹ U.S. forest projects participating in California's compliance market;³⁰ and industrial gas destruction projects,³¹ to name just a few of the well-studied and problematic market segments.³²

²⁶ Danny Cullenward and David G. Victor, *Making Climate Policy Work* (Polity Press, 2020) at 87-102.

²⁷ Martin Cames et al. (2016), How additional is the Clean Development Mechanism?, *Öko-Institut e.V.* (finding that 85% of Clean Development Projects reviewed have a low likelihood of being fully additional and not over-credited).

²⁸ Raphael Calel et al. (2021), Do Carbon Offsets Offset Carbon?, CESifo Working Paper 9368 at 1 (finding that “at least 52% of approved carbon offsets were allocated to projects that would very likely have been built anyway” and that “the sale of these offsets to regulated polluters has substantially increased global carbon dioxide emissions”).

²⁹ Thales P. West et al. (2020), Overstated carbon emission reductions from voluntary REDD+ projects in the Brazilian Amazon, *Proceedings of the National Academy of Sciences* 117: 24188-94 (reviewing all Brazilian Verra REDD projects from 2008-2017) at 24190 (“In all projects that established crediting baselines using historical trends, we find that the crediting baselines significantly overstate deforestation in comparison to the counterfactual estimates based on synthetic controls.”).

³⁰ Grayson Badgley et al. (2022), Systematic overcrediting in California's forest carbon offsets program, *Global Change Biology* 28: 1433-45 at 1442 (“Our median results indicate that nearly a third of credits we analyzed do not reflect real climate benefits and are, instead, the consequence of methodological shortcomings.”); Shane R. Coffield et al. (2022), Using remote sensing to quantify the additional climate benefits of California forest carbon offset projects, *Global Change Biology*, in press, at *15 (“In comparing carbon accumulation rates, harvest patterns, and species composition between project areas and similar private forestlands, we did not find evidence that IFM project carbon stocks are systematically at risk of being managed down to baseline levels, nor that carbon being added in IFM projects is additional to what might have been added in the absence of offset credit incentives.”).

³¹ Lambert Schneider (2011), Perverse incentives under the CDM: an evaluation of HFC-23 destruction projects, *Climate Policy* 11: 851-64 at 851 (finding that “the claimed emission reductions may partly not be real and that the CDM provides perverse incentives to generate more HFC-23.”); Lambert Schneider and Anja Kollmuss (2015), Perverse effects of carbon markets on HFC-23 and SF6 abatement projects in Russia, *Nature Climate Change* 5: 1061-63 at 1061 (“Our results suggest that perverse incentives can substantially undermine the environmental integrity of project-based mechanisms and that adequate regulatory oversight is crucial.”).

³² For additional references, see UC Berkeley Carbon Trading Project, Repository of Articles on Offset Quality (last updated May 16, 2022).

Many carbon credit registries advertise that they require third-parties to “verify” project outcomes, but verification doesn’t address concerns with additionality. Verification processes check whether projects are following applicable rules, not whether those rules are robust; and by definition verification cannot establish what would have happened in a project’s baseline scenario, which never comes to pass and therefore cannot be directly observed. Thus, while important, the process-oriented focus of registry verification systems is no substitute for a substance-focused and financially disinterested review of quality outcomes.

We want to emphasize that carbon credit registries are responsible for deciding whether and when to adjust additionality and baseline scenario standards in response to critical feedback. In our experience, most major registries have a track record of dismissing independent academic research that draws unflattering conclusions, with few examples of registries responding constructively or proactively once signs of trouble are detected. We believe that these patterns reflect, in part, the unregulated nature of today’s markets. Carbon credit registries are not subject to independent regulatory oversight, have financial incentives to promote credit issuance, and face competition from other carbon credit registries that might be willing to do anything a particular registry decides to avoid.

The recent tensions in voluntary efforts at self-regulation, including the ICVCM efforts offered to the CFTC as a mechanism for policy coordination, indicate that enhanced independent oversight is needed. This is particularly true in light of registry arguments that oversight efforts should focus on process-oriented box-checking, not substantive reviews of credit quality.

24. Should the Commission consider creating some form of registration framework for any market participants within the voluntary carbon markets to enhance the integrity of the voluntary carbon markets? If so, what would a registration framework entail?

Yes. We think the most important focus of regulatory oversight should lie with organizations that set carbon-credit standards — specifically, the carbon credit registries that develop and maintain methodologies under which projects can earn credits. Administratively, this focus also offers practical benefits because the voluntary market is highly concentrated. Although one should expect new entrants over time, Verra enjoys a 2/3 market share today with another three or four registries responsible for most of the remaining issuance volume.

We are concerned by the lack of any apparent willingness among the incumbent carbon credit registries to openly address quality concerns in legacy market segments, including when substantial peer-reviewed evidence raises concerns with market practices. We suggest that the apparent inability of key ICVCM stakeholders to agree even on whether the ICVCM’s Expert Panel should review the quality of incumbent registry standards is evidence that continued self-regulation is not in the best interest of the voluntary carbon markets going forward.

We respectfully suggest that a registration framework should require carbon credit registries to attest to the truth and accuracy of claims that credits achieve specific quality standards, such as the marketing statements already made by registries that their credits are additional, permanent, and verifiable. To the extent that tailoring of these attestations would be relevant to the CFTC's jurisdictional authority or other practical agency considerations, they could be applied as a precondition to trading carbon credits in the futures and derivatives markets.

We also respectfully suggest that regulation should encompass the capacity for government regulators to independently investigate and review registries' carbon credit methodologies for consistency with applicable marketing attestations and general quality control standards. If credible evidence emerges that carbon credit standards are not achieving their stated goals, then it may be necessary for regulators to independently investigate those concerns and consider enforcement actions where appropriate.

As discussed above in response to Question 22, we also believe that two objective criteria require formal regulatory definitions — (1) whether a carbon credit reflects the physical climate service of atmospheric carbon dioxide removal (a binary variable), and (2) the durability promised for any credited carbon storage (a term measured in years). Clarification on these technical matters will be especially important to enable standardized contracts to distinguish and reasonably price different outcomes across these critical variables, which is necessary to efficiently allocate capital in support of net-zero climate targets.

Thank you for the opportunity to submit comments.



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Appendix: Voluntary Carbon Market Convening statements in support of the Integrity Council for the Voluntary Carbon Markets (ICVCM)

Kelly Kizzier, Bezos Earth Fund; Member, ICVCM Governing Board:

“I think these have just been mentioned, but to mention them again they include the Integrity Council for the Voluntary Carbon Market, which focuses on establishing Core Carbon Principles in an assessment framework for VCM projects, and the Voluntary Carbon Market Integrity Initiative, which focuses on the role of carbon credits in real and meaningful company climate actions. These and others are certainly a good place for financial regulators to look when considering their next steps.”³³

“I think we are at time and we don't have questions, I really want to thank you for having me and to all these excellent panelists. I think what we are hearing is that to allay the confusion and to bring it all together we do need to look to initiatives like the Integrity Council or to the VCMI or to the net zero initiatives to really try and help us understand what high quality is and what does it mean to make a high-quality claim.”³⁴

Sonja Gibbs, Managing Director and Head of Sustainable Finance, Institute for International Finance; Member, ICVCM Governing Board:

“[W]ith this private market-led, well-supported [ICVCM], these standards should come into a well-accepted being, right? When they are finished, when we get the consultation done, get the responses in, we should have grounds for widespread acceptance in the markets. And at that point, ideally, regulators — the CFTC, IOSCO, others — will be able to look at these standards and say, ‘Okay, this is something that we can adapt and use for appropriate market regulation, in due course.’”³⁵

“As Stephen [Donofrio] has set out, voluntary carbon markets have faced challenges around fragmentation and perceptions of quality, and this is where the Integrity Council for the Voluntary Carbon Market, the ICVCM, comes into it. The explicit purpose of this council is to ensure that voluntary carbon markets accelerate a just transition to 1.5 degrees Centigrade by setting out a definitive set of global threshold standards, making a global benchmark for carbon credit quality, and they draw on the best possible science and expertise available so that high-quality carbon credits can channel finance to genuine and

³³ CFTC, Voluntary Carbon Markets Convening Transcript (June 2, 2022) (hereinafter “Transcript”) at 34.

³⁴ Transcript at 89.

³⁵ Transcript at 80-81.

additional greenhouse gas reductions and removals that go above and beyond what could otherwise be achieved.”³⁶

David Antonioli, CEO of Verra; Member, ICVCM Governing Board:

“And I think that on the supply side, just to echo what Sonja was saying, the ICVCM really will hopefully create a threshold level of performance that carbon credits will meet and give the market the confidence it needs to invest in them.”³⁷

“[T]he creation of these two important bodies, the Integrity Council for the Voluntary Carbon Markets and the Voluntary Carbon Markets Integrity Initiative, [is] exactly what you are suggesting, which is we are coming together to define what is a threshold level of performance that you need on the supply side, from the standard-setting perspective, and the kinds of credits that we issue, and what are some credible claims that you need to have in order to have consistency in respect of what the companies that are using the carbon credits and, ideally, are on a trajectory to meet that net zero target, what they are doing and how they are using those credits.”³⁸

Kristen Gorguinpour, Vice President of Programs, Climate Action Reserve:

“So, thinking about the quality initiatives, particularly on the supply side, I think the [Climate Action] Reserve's perspective is that they are vital, these initiatives, for kind of maintaining the integrity of the program that the current standards have established to date, and thinking about how these standards will really kind of shine the light on more of the opaque processes and credit issuance processes that are not necessarily following the bigger standards approach to crediting.”³⁹

Mary Grady, Executive Director, American Carbon Registry:

“The biggest concern that we feel is out there is the emergence of this new era of Carbon Cowboys that see the market as a way to make a lot of money, and they are coming in and they are quick and they have got venture funding. They do not have the same kind of climate[-based] motives. They do not have [...] transparent governance or processes. And so, we are really hopeful that the initiatives such as the ICVCM are going to be helpful to deliver that sense of quality and assurance to the market.”⁴⁰

³⁶ Transcript at 44-45.

³⁷ Transcript at 56-57.

³⁸ Transcript at 82-83.

³⁹ Transcript at 68-69.

⁴⁰ Transcript at 88.

Bella Rozenberg, Head of Regulatory and Legal Practice Group, International Swaps and Derivatives Association:

“And the last area that I think it is important to focus on is establishing good governance throughout the market value chain. ISDA is actually involved in the work of the Integrity Council for Voluntary Carbon Markets, ICVCM, which was convened last year and is responsible for the development of blueprints for this market. We support the work of ICVCM and join in their commitment to set and enforce definitive global threshold standards, drawing on the best expertise available in order to ensure high-quality VCCs. And again, the work of ICVCM is very important for us, as an organization that is going to be drafting standard documentation for voluntary carbon markets. It is important for us to reference carbon credits of the highest standards and quality.”⁴¹

Jeff Swartz, Vice President for Low Carbon Strategy, Regulatory Affairs and Partnerships BP; Member, ICVCM Governing Board

“So, there is a need for the CFTC to work with other regulators around the world, to encourage best practice, and to try and harmonize those regulations wherever possible. And I think the work of the Integrity Council on Voluntary Carbon Markets will be really key here, because the Integrity Council is going to come out with some very key recommendations later this year, and I am sure, as the Commissioners have heard already today, there is going to be a lot of interesting work that can help guide them in their work, from the Integrity Council, going forward.”⁴²

⁴¹ Transcript at 230.

⁴² Transcript at 291-292.