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

18th August 2023

Dear Chairman Benham

Re: CFTC Second Voluntary Carbon Markets Convening

Thank you for the opportunity to participate in the second Voluntary Carbon Markets (VCMs) Convening and to submit further comments on behalf of Sylvera.

Sylvera is a data company which makes it possible for companies and governments to confidently invest in real climate action. We provide science-based ratings, assessments and subsidiary data products for sustainable finance activity, including carbon credits. Last month we announced that we had raised a $57m series B round of fundraising, and are using this new investment to expand our footprint in the US.

In response to your invitation for further comments on the VCMs, we would like to highlight 5 points, which we set out in more detail below:

1. Credit quality is a spectrum
2. Independent due diligence
3. Comprehensive disclosures
4. Realistic claims
5. International interoperability

1. Credit quality is a spectrum

Historically, the market has assumed that 'a tonne is a tonne', or in other words, all credits reliably represent one tonne of emissions removal or avoidance and can be treated equally. The emergence of carbon credit ratings has revealed the huge range of credit quality in the market and the high proportion of low quality credits.

The availability of our data and the market's growing focus on quality have led to a quality bifurcation in the market, where developers either target projects which deliver emissions reductions and removals at the lowest cost, or very high quality credits which can attract high

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prices from corporate buyers. We have therefore also observed a liquidity crunch in high quality credits, and consequently seen growing numbers of buyers move upstream in the value chain in order to ensure high quality supply.

In order to help the market price quality accordingly and incentivise ever rising standards of credit quality, ***policy and regulation should explicitly recognise and factor in this view of credit quality as a spectrum with material consequences***. Our recent publication on this topic provides further detail of the variations in credit quality across the market.

2. Independent due diligence

In order to address supply-side integrity, or the quality of carbon credits, regulators and buyers need to not only explicitly recognise that quality is a spectrum but also ***embrace two complementary and self-reinforcing solutions: the ICVCM's CCPs and carbon credit ratings.***

The CCPs set a quality floor, seeking to exclude 'junk' credits from the market and providing a roadmap for Standards to develop more robust methodologies. Alongside this approach, independent science-based rating data at the level of individual projects tackle the high level of heterogeneity in the market.

3. Comprehensive disclosures

Alongside variable credit quality, the other key integrity issue facing VCMs is on the demand-side, related to the use of carbon credits and associated claims made by corporate buyers. Again, much work has been done by market initiatives such as VCMI, but this aspect of market integrity is still stymied by a lack of transparency.

In the short term, a focus of regulators should be to require comprehensive disclosures from credit buyers. This should include details of (i) how many credits were bought and retired, (ii) the individual projects which issued the credits, (iii) the standards, methodologies and registries which issue the credits, (iv) the marketplace through which the credit was traded, and (v) what if any independent due diligence, such as carbon credit ratings, informed the purchase decisions.

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4. Realistic claims

In the longer term, to ensure steady demand and a functioning market, market participants need clarity on acceptable claims related to carbon credit use. This guidance also needs to be consistent with the developing rules and norms of international carbon markets under Article 6 of the Paris Agreement, and the blurring of boundaries with compliance markets.

Regulators have an important role to play in building confidence in VCMs through signaling the direction of travel for acceptable corporate climate claims.

5. International interoperability

We welcome a role for regulators globally, including the CFTC, to ensure the proper functioning and high integrity of voluntary carbon markets (VCMs), and value the global leadership demonstrated by the CFTC in this area. ***We recommend that international interoperability of VCM regulation should be a priority for any regulatory intervention, due to the global nature of these carbon markets.***

Thank you for your consideration of these comments, and for your interest in supporting a market so essential for the global transition to net zero. We continue to be enthusiastic to support your ongoing work.

Yours sincerely,

Samuel Gill

Allister Furey, CEO

Samuel Gill, President