

16 February 2024

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

Ref: CFTC “**Commission Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts**” |  
**Docket Number 2023-28532**

Dear Mr. Kirkpatrick,

The TIC Council Americas is pleased to provide comment on the proposed “**Commission Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts**,” Docket Number 2023-28532. We and our members support all efforts by the Commission to promote trust, transparency, and accuracy in the voluntary carbon market (VCM).

The TIC Council is a global association representing over 90 international independent third-party testing, inspection, certification and verification organizations. Testing, Inspection and Certification (TIC) companies serve a diverse range of industry sectors and is integral to the implementation of countless standards, regulations, and legislative requirements. The TIC sector represents an estimated one million employees across the world with annual sales of approximately USD 200 billion.

Firstly, the TIC Council Americas applauds the Commission’s efforts to build upon private sector initiatives aiming to promote greater standardization and transparency in the VCM. We agree that voluntary carbon credit (VCC) derivative contracts represent a novel set of products that could potentially pose a significant risk of fraud, manipulation, price distortion, and disruptions to VCMs if greater diligence is not required by CFTC-regulated exchanges.

Over the past few years, there have been reports of misrepresentation, “greenwashing”, and fraud within the VCM—highlighting the risk to potential investors and need for greater due diligence. Recently, a study published by Nature Sustainability found that cookstove projects that generate carbon credits are significantly overstating their climate benefits—by more than 900 percent.<sup>1</sup>

Separately, Kroll, a risk advisory firm, reports that there has been growing demand by both small-medium enterprises and large companies for more rigorous due-diligence amid the proliferation of unaccredited third-parties with dubious credentials.<sup>2</sup> In the absence of traceability schemes that require periodic auditing and re-certification for due-diligence purposes, many tree-planting projects that generate carbon-credits are facing increasing scrutiny. In 2020, a study from Bangor University in Wales revealed that less than two percent of the trees planted in a Thai mangrove restoration program had survived after planting.<sup>3</sup> Similarly, a study published

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<sup>1</sup> Gill-Wiehl, Annalise, et. al., “Pervasive over-crediting from cookstove offset methodologies,” Nature Sustainability, 23 January 2024, [Pervasive over-crediting from cookstove offset methodologies | Nature Sustainability](#)

<sup>2</sup> Kroll, 2023 Fraud and Financial Crime Report, <https://www.kroll.com/-/media/kroll-images/pdfs/2023-fraud-and-financial-crime-report.pdf>

<sup>3</sup> Wodehouse, DCJ, “Towards Successful Community Mangrove Management and Rehabilitation”, Bangor University, [2020\\_Wodehouse\\_DCJ\\_PhD.pdf \(bangor.ac.uk\)](#)

in Nature Sustainability noted that large-scale tree-planting programs did not increase tree coverage in Northern India.<sup>4</sup>

Kroll's report highlights how a complicated VCM ecosystem that is characterized by varying principles, protocols, standards, and registries has increased the need for specialized expertise to identify quality VCCs.<sup>5</sup> With over 30 applicable carbon offset standards internationally, the TIC sector is the only industry with comprehensive knowledge of the ecosystem and well positioned to provide the level of quality assurance and transparency necessary for a well-regulated derivatives contracts market (DCM).<sup>6</sup> Third-party conformity assessment bodies have extensive experience verifying greenhouse gas statements to the ISO 14064-3 standard as well as certifying carbon credit programs to well-accepted requirements, such as the Gold Standard and the Voluntary Carbon Standard (as accredited verification and validation bodies).<sup>7,8</sup> While VCMs remain fragmented, with differing standards and registries, the TIC sector can provide an important level of transparency for investors by assessing the quality of VCCs before they are listed in DCMs—reducing price discovery costs and risk—and tracking the status of the underlying project through continuous auditing and re-certification.

The TIC sector already plays an important role in certifying the quality of an array of commodities in accordance with rules in place for many DCMs. Grading certificates, which demonstrate the quality and authenticity of the assets underlying futures contract, are prerequisites in many commodity exchanges that carefully define quality standards for traded commodities—from petroleum to metals to grains and other bulk agricultural products.<sup>9</sup> For VCCs, grading certificates would be based on specific criteria for assessing the quality and attributes of carbon credits, including the project's additionality, permanence, transparency, and social co-benefits. In the absence of harmonized standards, the Commission should explore providing guidance that encourages DCMs to adopt rules requiring grading certificates for VCCs—facilitating the comparison of credits across different projects.

The Integrity Council for the Voluntary Carbon Market's (ICVCM) Core Carbon Principles underline the importance of robust third-party validation and verification for VCCs.<sup>10</sup> As explained in NIST Special Publication 2000-01, ABC's of Conformity Assessment, conformity assessment provided by the TIC sector can enhance marketplace confidence in a product's quality and consistency.<sup>11</sup> In the case of VCCs, conformity assessment activities by an accredited body quantify emission sequestrations and verify claims. To bring trust, consistency, and a level playing field to the VCM—and to support its ultimate success as a market mechanism to incentivize carbon sequestration—the program must involve independent third parties who can both verify that a crediting program has up-to-date, robust, and transparent processes that reflect best practices and validate that whether credited mitigation projects meet a recognized program's rules and standards.

The TIC Council Americas looks forward to working with agencies, investors, and industry stakeholders in the development of guidance which incorporates independent third-party testing, inspection, and certification.

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<sup>4</sup> Coleman, Eric, "Limited effects of tree planting on forest canopy cover and rural livelihoods in Northern India", Nature Sustainability, November 2021, [Limited effects of tree planting on forest canopy cover and rural livelihoods in Northern India | Nature Sustainability](https://www.nature.com/articles/s41561-021-01000-0)

<sup>5</sup> Kroll, 2023 Fraud and Financial Crime Report, <https://www.kroll.com/-/media/kroll-images/pdfs/2023-fraud-and-financial-crime-report.pdf>

<sup>6</sup> As per the International Trade Centre (ITC) Standards Map App,

<https://standardsmap.org/en/identify?products=Carbon%20offsets&origin=>

<sup>7</sup> Verification and Validation Bodies (VVBs), Gold Standard, <https://globalgoals.goldstandard.org/verification-validation-bodies/#>

<sup>8</sup> Validation and Verification, Verra, <https://verra.org/validation-verification/>

<sup>9</sup> Grades and Standards, Agricultural Market Services, USDA, <https://www.ams.usda.gov/grades-standards/grain-standards>

<sup>10</sup> Core Carbon Principles, The Integrity Council for the Voluntary Carbon Market, [CCP-Book-FINAL-27Mar23.pdf \(icvcm.org\)](https://www.icvcm.org/CCP-Book-FINAL-27Mar23.pdf)

<sup>11</sup> [ABC's of Conformity Assessment \(nist.gov\)](https://www.nist.gov/publications/abc-s-conformity-assessment)

We appreciate the opportunity to give feedback on “Commission Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts.” Should you have any questions, please don’t hesitate to contact Kelvin Coleman at [kcoleman@tic-council.org](mailto:kcoleman@tic-council.org) or Benjamin Johnson at [bjohnson@tic-council.org](mailto:bjohnson@tic-council.org).

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