



February 16, 2024

Submitted via: <https://comments.cftc.gov>

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

**Re: Commodity Futures Trading Commission (CFTC) Request for Comment on Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts**

Dear Chairman Behnam,

Context Labs is pleased to submit these comments in response to the US Commodity Futures Trading Commission's (CFTC's) proposed guidance on the listing of voluntary carbon credit derivative contracts. The voluntary carbon market has an essential role to play in allocating capital to effective climate change mitigation activities, but in 2023 scandals exposing a range of fraudulent and low-quality credits shook the integrity of the market. CFTC's proposal, in addition to its Environmental Fraud Task Force and whistleblower hotline announced last summer, are necessary first steps in providing oversight of market actors, protecting consumers, and encouraging climate mitigation investment.

Context Labs is an enterprise technology company dedicated to sourcing, organizing, and contextualizing the world's climate information. The company enables data to become trusted, shared, and utilized to inform markets. We take disparate, disconnected data from any source — including satellites, drones, ground sensors, and other operational assets — to uncover the ground truth of an activity's actual carbon intensity. The data is then ingested, deconstructed, and contextualized using artificial intelligence, machine learning and blockchain technologies to make it fully auditable and impossible to manipulate. This trusted emissions data supports the production of carbon credits with provenance direct to the source of the mitigation activity. Our near-real time emissions quantification is being used by leaders in difficult-to-decarbonize industries to produce carbon credits and achieve net-zero goals.

Context Labs' technology can ingest billions of data points per day to create a "digital twin" of a physical asset that accounts for various monitors and perspectives. Our platform is designed to seamlessly incorporate sensors positioned across different atmospheric levels. Leveraging these sensors, we employ a reconciliation process that operates both from the top down and the bottom up. To guarantee precision in our classifications, we gather data as proximate to the source as feasible, establishing a direct link to the measurement, thereby relying on empirical evidence. Carbon credits based on the resulting data are fully auditable and traceable through retirement.

In its proposal, CFTC accurately diagnoses the flaws in the global voluntary carbon market, principally that they are plagued by a lack of transparency and standardization resulting in the creation

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of low-quality carbon credits. Such credits raise concerns about additionality, permanence, double counting, tracking, and robust quantification among others. Absent regulatory oversight, the market continues to be fractured and segmented, with self-appointed organizations acting in an oversight capacity, but without real enforcement authority.

While the Commission is right to point out the market's current weaknesses, we suggest that requiring exchanges to simply consider each of the potential vulnerabilities in a carbon credit will not adequately prevent flawed credits from listing. Additionality, for example, often forces an offset project to prove a counter-factual about what "would have happened" in its absence. There are voices in the climate change debate that will argue about the additionality of any carbon project that generates credits. Permanence is similarly difficult to define; some project types consider 50 years to be permanent, others consider the threshold 10,000 years.

Rather than a top-down review of a carbon credit against the Commission's proposed criteria, **the key to ensuring a credit represents real emissions reductions is robust quantification of carbon itself from the bottom-up.** If a project can prove what happened, when it happened and how it happened through accessible and trusted data, top-level concepts such as additionality and permanence can be evaluated appropriately by buyers. Technology exists right now to make this emissions data available for carbon projects across sectors.

The challenge for the Commission is then to establish criteria for the verification of data standing behind a carbon credit. At a minimum, emissions data must be independently collected using objective quantification methods. Because no single sensor can be the sole source of truth, multiple sources should support mitigation claims. Most importantly, the data trail should be immutable, auditable, and accessible by third parties including exchanges and CFTC.

Despite a difficult 2023, many analysts predict enormous growth in the voluntary carbon market in the years ahead. It is essential that CFTC wield its oversight and enforcement authority to shield that growth from fraud and manipulation. However, the Commission's guidance for evaluation of specific credits need not be a checklist of potential flaws. Instead, CFTC should recommend that exchanges require robust quantification of emissions with full transparency and auditability of the data.

Context Labs appreciates the opportunity to comment on this important issue. Our staff would be glad to demonstrate our technology and elaborate on how it can help serve CFTC's goals.

Sincerely,

A handwritten signature in blue ink, appearing to read "Daniel Harple".

Dan Harple  
Chief Executive Officer

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