



Xpansiv Limited
500 Fifth Avenue
55th Floor
New York, New York 10110

February 16, 2024

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC

Via the CFTC Comments Portal: <https://comments.cftc.gov>

RE: Xpansiv Ltd. Public Comment on Commission Guidance Regarding the Listing of Voluntary Carbon Credit Derivatives Contracts, RIN 3038-AF40 – Proposed Guidance

Dear Mr. Kirkpatrick,

Xpansiv Limited (“Xpansiv”) welcomes this opportunity to provide responsive comments to the Commodity Futures Trading Commission (“CFTC”) Commission Guidance Regarding the Listing of Voluntary Carbon Credit Derivatives Contracts (“Proposed Guidance”).¹ Xpansiv supports an open and ongoing dialogue among market participants and regulators regarding efforts to help scale effective, transparent, and high integrity markets for voluntary carbon credits (“VCC”) and other environmental commodities.

Xpansiv’s role as the leading market infrastructure provider for environmental registries and spot commodity trading gives it a unique perspective to comment. Although our spot markets are not directly regulated, we have modelled our transparent, rules-based marketplaces on the same core principles underscored by the Commission in its Proposed Guidance.

We have been fortunate to have participated in the growth and maturation of the VCC market (VCM) by developing infrastructure and a centralized spot marketplace that enable reliable transactions, T+0 settlement, transparent, market-driven price discovery and liquidity formation, as well as data analytics and environmental claims management for all stakeholders.

In 2020, Xpansiv introduced standardized spot trading contracts with the first of its CBL Global Emissions Offset™ (“GEO®”) standard spot contract. The spot CBL GEO, and subsequent standardized contracts for other key market segments, underlie the most actively traded set of

¹ Commodity Futures Trading Commission, *Commission Guidance Regarding the Listing of Voluntary Carbon Credit Derivatives Contracts*, US Federal Register, Volume 88, No. 247, (December 27, 2023), available at www.cftc.gov.

VCC-linked futures contracts, which began trading on a regulated derivatives exchange in 2021.²

Standardized spot and futures contracts form the basis for a more sophisticated VCC market built on market data and price discovery benchmarks. We hope these and other similar experiences enable Xpansiv to make useful contributions to the current VCM dialogue.

Introduction

Xpansiv operates market infrastructure for the global VCM and other environmental markets. We maintain the world's leading spot market exchange and the underlying registry technology and portfolio management system for spot carbon and renewable energy credits as well as other environmental commodities.

Our end-to-end platform supports seamless account access, enabling market participants to buy and sell VCCs, take physical delivery of those assets via same-day (T+0) settlement, manage their multi-asset portfolios across multiple environmental registries, and optimize their climate action goals and strategic pricing objectives using robust, exchange market data.

Our registry infrastructure is used by the largest standards bodies (e.g., Verra, Climate Action Reserve, and ACR)³ and our spot market has more than 700 global participants, including leading corporate sustainability teams, project developers, and financial intermediaries.

Although our cash markets are not directly regulated by the Commission, we operate them following the Commodity Exchange Act's Core Principles where appropriate. We believe the Core Principles are fundamental to ensure trust, robust, transparent price discovery, risk management, and liquidity formation on centralized marketplaces.

Xpansiv's rules-based markets and infrastructure enable stakeholders to deliver transparent, credible, and auditable environmental claims to address the growing global demand for assurance and accountability on climate action and sustainability performance.

Based on its market position and experience, Xpansiv respectfully offers the following general comments on the Commission's Proposed Guidance.

General Comments

A. VCCs are Traded in a Well-Developed Commodity Market Structure

The VCM is developing following the same path as other mature commodity markets. The VCM began almost 25 years ago as a mechanism to meet corporate demand for VCCs as tools for managing sustainability and carbon neutrality commitments. A number of voluntary carbon

² <https://xpansiv.com/cme-group-announces-first-trades-of-geo-futures/>

³ 84% of the voluntary carbon credits issued in 2022 were managed on Xpansiv's registry infrastructure.

standards bodies emerged to devise and govern various carbon credit methodologies to enable project developers to register, validate, and verify the achievement of emission reductions entitled to VCC issuance.

The VCM has matured in a compressed timeframe. Until about 2019, the buying and selling of VCCs was facilitated by brokers and other intermediaries, which required market participants to find each other and negotiate VCC prices based on often opaque, fragmented pricing.

As interest in the market increased, online, centralized marketplaces and other technology systems were introduced to enable buyers and sellers to conduct more efficient price discovery based on a variety of VCC characteristics, including project regions, methodologies, and vintages. Xpansiv's CBL electronic spot market was one of the earliest platforms to enable market participants to conduct price discovery in such a transparent and centralized manner.

The VCM today has transparent, spot and futures markets for centralized price discovery, liquidity formation, and risk management, and, with the emergence of standardized contracts, prices that are utilized as references for over-the-counter trading as well.

B. Fraud and Market Manipulation Considerations

In our discussions with market participants, concerns and confusion emerged about the fraud and market manipulation provisions in the Commission's proposed guidance. These concerns extended to the Commission's perceived reach into the VCC cash market, potential DCM responsibilities, and definitions of fraud and market manipulation, specifically with respect to VCCs.

The VCM differs from other commodity spot markets in It may be that carbon market participants do not have the same level of engagement with or knowledge of the role of DCMs as in other markets, so additional clarification from the Commission would be beneficial to VCM participants.

As self-regulatory organizations, DCMs have significant fraud and market manipulation responsibilities for their contract markets. Market manipulation responsibilities largely cover market/product analysis to support listing contracts that are not readily susceptible to manipulation, abusive trading practices directly within their contract markets, or with respect to intentional efforts to influence or distort prices on the DCM.

DCM anti-fraud measures are focused on false statements as well as ensuring commodities delivered via contracts meet their defined specifications. DCMs typically designate outside parties, for example, terminal operators, to undertake inspections of commodities marked for delivery via the DCM. As with other contracts, DCM rules and procedures for VCC-linked contracts should provide appropriate redress mechanisms with respect to non-compliant deliveries.

We think it would be helpful for the Commission to clarify that its anti-fraud and market manipulation oversight with respect to VCC derivatives is consistent with those relevant to all listed commodity markets.

Further, all cash commodity markets have standing customs and idiosyncrasies related to their trading practices. The Proposed Guidance reflects certain idiosyncrasies related to VCC certification, issuance, and trading.

The VCM itself has developed mechanisms to address delivery failures due to force majeure and other conditions, changes to project certifications and labels, as well as over issuance. These mechanisms reflect the complexity of project methodologies, evolving science, monitoring techniques, and technology, as well as climate impacts.

We agree with the market stakeholders we have spoken with that it would be helpful for the Commission to clarify that these sorts of reversals, recalculations, and rescissions, carried out through VCC market protocols would not, in and of themselves, be considered fraudulent or market manipulation.

Moreover, it would be unlikely that DCMs would have the same level of visibility into VCC certification and issuance to be able to surveil the projects themselves. DCMs should instead be able to rely on the expertise and information from the VCC's corresponding standards bodies and registries.

Lastly, we think it is relevant that existing VCM standardized contracts that underlie the actively traded futures on US DCMs are composed of multiple project types, methodologies, and vintages.⁴ This composition was developed to enable the contracts to track key VCC market segments, but it has an additional benefit of insulating the contracts from delivery risk as well as undue market impact arising from malfeasance at an individual project.

C. Proposed DCM Considerations for VCC Contracts and Core Competencies

We believe the Commission's Proposed Guidance is appropriately focused on the proper functioning of the markets and entities it regulates and on promoting consideration of core principles to the broader VCC ecosystem.

In our view, this can best be accomplished by maximizing transparency across the entire VCC lifecycle. Such transparency will enable market stakeholders, including DCMs, to carry out the proper review of methodologies, rulebooks, operational procedures, and other factors at, for

⁴ These contracts are Xpansiv's CBL Global Emissions Offset™, Nature-based Global Emissions Offset™, and Core Global Emissions Offset™. The Global Emissions Offset, or GEO®, contract's eligibility criteria also extends to multiple registries. Eligibility criteria is defined in the Standard Instruments Program, which is available at this link: <https://xpansiv.com/wp-content/uploads/2023/12/CBL-Standard-Instruments-Program-V6-8Dec2023.pdf>

example, spot marketplaces and standards organizations that factor into the development of robust VCC-linked futures, futures options, and other derivative contracts.

Like all markets, the VCC market relies on key stakeholders with important and distinct core competencies to ensure it functions properly and delivers underlying commodities that meet contract eligibility criteria. VCC market operators, for example, rely on standards organizations to develop and implement standards, programs, and methodologies used to certify credit issuance from VCC projects and to monitor ongoing project conformance. Standards organizations, in turn, rely on qualified, independent validation, and verification bodies to assure projects meet all rules and requirements of the standards programs.

We believe DCMs should carefully consider standards organizations' rules, policies, and procedures related to new programs and methodologies. DCMs should gain a detailed understanding that these processes and procedures conform with VCC best practices and are compatible with the efficient operation of derivatives markets.

Attention should be paid to disclosure and notification procedures related to rule revisions, changes to project status and labels, as well as other actions that have potential market impact.

DCMs will rely on the standards and registry operators they select for their derivatives contracts to define concepts such as additionality as well as for monitoring and enforcing ongoing project conformance with program standards and requirements.

It is impracticable for DCMs to replicate these capabilities and responsibilities, which are properly carried out by competent standards and project monitoring organizations.

Moreover, proper reliance on standards organizations and registries is consistent with current DCM market practice. In the contract design phase, DCMs undertake extensive research into the composition of the underlying commodity and its related cash market.

In tangible physical commodity markets, DCMs rely on designated third parties to inspect commodities at specified delivery points to ensure they meet eligibility requirements for contract delivery. DCMs can provide mechanisms for settling disputes that involve claims that a substandard commodity was delivered through a futures contract. It would be reasonable to expect that a DCM would apply its rules for tangible physical commodities to intangible physical commodities, including VCCs.

D. The VCC Market is Heterogeneous

The Commission's Proposed Guidance appears to reflect an understandable inclination toward standardization. We have made important contributions to standardizing the market with the development and launch of our portfolio of Global Emissions Offset (GEO) standardized contracts and corresponding Standardized Instrument Program.

Nonetheless, at this point in the market's development, we believe it is important to support the market's diversity of standards, methodologies, and project types. This heterogeneity reflects creativity and innovation in developing new approaches, leveraging novel project technologies, e.g., carbon capture utilization and storage (CCUS) and rapidly improving satellite monitoring of nature projects. It further enables the preference of companies to use their particular mix of project-specific and standardized instruments to support their emissions programs and goals. For example, Company A's preference for new-vintage, nature-based removal credits can be equally valid to Company B's preference for older, hydro or wind renewable energy credits. Given adequate due diligence, the market adage "a ton is a ton" holds across the VCM.

It is standard for DCMs to reserve sole discretion to determine whether or not specific credits, projects or accounts are eligible to meet their delivery standards and they can prohibit certain credits/accounts after the contracts are listed, at any time throughout the term of the contract.

For VCC-linked contracts, we see significant benefit to implementing such changes in alignment with actions taken by recognized organizations, for example, cash market operators, standards, or registries. We believe this approach would ensure greater predictability and confidence in VCC-linked derivatives markets.

E. Support for Market Innovation

We have been active participants and supporters of many of the important initiatives to establish integrity frameworks for VCC projects as well as environmental claims. We also stand behind established standards organizations and registries, which have led integrity efforts from the market's early days as well as new standards bringing additional innovation to it.

As a neutral market infrastructure provider and marketplace operator, we also anticipate providing access to credits from existing and new standards based on credible methodologies, which, in some cases, might not conform to emerging integrity paradigms. In these instances, we would rely on the expertise and judgement of the standards as well as that of experienced companies that are confident, based on their robust, expert due diligence, that the credits deliver a ton of emissions reduction, avoidance, or removal, despite their lack of conformance with super-accreditation frameworks.

The VCM has a demonstrated record of innovation, which we believe should be supported by, or at least not constrained by the Commission's Proposed Guidance. The VCM community is highly attuned to the integrity of the credits they purchase and standardized spot and futures contracts they use. The market's demonstrated capacity to "vote with its wallet" is a powerful motivator for market operators to list instruments that deliver the emission's benefits that enable credible emissions claims to corporate buyers and other key stakeholders.

Furthermore, the VCC market is in a constant state of improvement and expansion. It is possible that bedrock principles of today's VCCs will be revised to better support new claims paradigms,

such as Beyond Value Chain Mitigation, in which companies buy credits to finance the corresponding projects' environmental and social development activities and goals, but do not claim the credits in their net-zero or emissions accounting.⁵

Questions

Below we address the specific questions included in the Proposed Guidance.

- 1. In addition to the VCC commodity characteristics identified in this proposed guidance, are there other characteristics informing the integrity of carbon credits that are relevant to the listing of VCC derivative contracts? Are there VCC commodity characteristics identified in this proposed guidance that are not relevant to the listing of VCC derivative contracts, and if so, why not?**

As a market operator, we rely on the methodologies, governance procedures, and independent measurement, reporting, and verification procedures of standards organizations to inform VCC integrity. It is our view that the VCC commodity characteristics in the Commission's Proposed Guidance fully reflect current criteria for high-integrity credits.

- 2. Are there standards for VCCs recognized by private sector or multilateral initiatives that a DCM should incorporate into the terms and conditions of a VCC derivative contract, to ensure the underlying VCCs meet or exceed certain attributes expected for a high-integrity carbon credit?**

From an underlying product class perspective, the Core Carbon Principles ("CCP") developed by the ICVCM, or CORSIA eligibility criteria developed by the UN ICAO, are useful benchmarks for the market's definition of high integrity carbon credits. It is our view that the Proposed Guidance related to VCC commodity characteristics are in alignment with ICVCM CCPs and CORSIA. Aligning terms and conditions of VCC derivatives with ICVCM CCPs or CORSIA eligibility criteria will be advantageous in designing contracts that enable price discovery, liquidity formation, and risk management in corresponding market segments. Incorporation of ICVCM CCP and CORSIA program elements will likely also engender acceptance of the instruments by market participants.

We have experienced this first hand. Xpansiv long planned to launch a standardized VCM instrument but only moved forward when UN ICAO released its robust CORSIA framework. Our incorporation of CORSIA elements, including much of its eligible registry and project type criteria, into our CBL Global Emissions Offset (GEO) standardized

⁵ <https://sciencebasedtargets.org/beyond-value-chain-mitigation>

contract design enhanced its credibility among market participants, not only in CORSIA's core aviation constituency, but market wide.⁶

While CORSIA and the CCPs provide important guidance for a DCM when it reviews registries, programs, and methodologies, we do not believe DCMs should be limited to only programs approved by these initiatives. There might be additional sources of guidance that develop in the future such as compliance markets that utilize VCCs.

3. In addition to the criteria and factors discussed in this proposed guidance, are there particular criteria or factors that a DCM should consider in connection with monitoring the continual appropriateness of the terms and conditions of a VCC derivative contract?

We agree with the CFTC's Proposed Guidance on the necessity, within limits, of monitoring the factors that can change the eligibility of VCCs, programs, and methodologies with respect to the terms and conditions of VCC derivatives.

Any ongoing monitoring will rely significantly on predictable rules and procedures as well as communications protocols of relevant external parties, including standards and registries, to ensure DCMS, and other market participants, are updated promptly on significant changes relevant to the proper functioning of derivatives markets.

For this reason, we suggest DCMs pay careful attention from the initial phase of designing contracts to transparency and notification procedures at standards organizations and other stakeholders whose actions have the potential for market impact. These actions include rulebook revisions, changes to the status of projects, project credits and labels, and, potentially, account suspensions.

4. In addition to the criteria and factors discussed in this proposed guidance, are there particular criteria or factors that a DCM should consider, which may inform its analysis of whether or not a VCC derivative contract would be readily susceptible to manipulation?

Notwithstanding strong existing DCM requirements for preventing manipulation within their markets, DCMs should analyze standard factors including supply adequacy, factors that could impair delivery, or conformance with eligibility requirements, and remediation procedures that account for VCC market idiosyncrasies, e.g., vintages.

⁶ Xpansiv pared CORSIA's universe of participating registry and project types for the GEO to address operational and liquidity concerns as well as to accommodate market participant demand for a more selective, higher quality pool of deliverable credits.

- 5. Should the VCC commodity characteristics that are identified in this proposed guidance as being relevant to the listing by a DCM of VCC derivative contracts, also be recognized as being relevant to submissions with respect to VCC derivative contracts made by a registered foreign board of trade under CFTC regulation 48.10?**

It is our view that the integrity of the VCC market is contingent on consistent minimum standards with flexibility to accommodate the heterogeneity of VCCs. As the VCC commodity characteristics identified in the CFTC Guidance reflect these minimum standards, we support the view that they should also be relevant for VCC derivatives by registered foreign boards of trade.

- 6. Is there particular information that DCMs should take into account when considering, and/or addressing in a VCC derivative contract's terms and conditions, whether a crediting program is providing sufficient access to information about the projects or activities that it credits? Are there particular criteria or factors that a DCM should take into account when considering, and/or addressing in a contract's terms and conditions, whether there is sufficient transparency about credited projects or activities?**

As a market operator, we rely on crediting programs' publicly accessible methodologies, governance procedures, and independent measurement, reporting, and verification procedures. It is our view that the terms and conditions of VCC contracts should cover eligible crediting programs that provide reasonable access, transparency, and timeliness to the above mentioned procedures with a goal of providing certainty, reliability, and confidence to market participants.

- 7. Are there particular criteria or factors that DCMs should take into account when considering, and/or addressing in a VCC derivative contract's terms and conditions, whether the procedures that a crediting program has in place to assess or test for additionality provide a reasonable assurance that GHG emission reductions or removals will be credited only if they are additional?**

VCC crediting programs broadly consider additionality to be a foundational principle underpinning the concept of what constitutes an emission reduction. It is our view that crediting programs bear the responsibility of what is considered additional and that market operators should encourage crediting programs they collaborate with to follow accepted best-practices regarding additionality. We also recognize that methodologies for assessing additionality will adapt over time, and that market best practices must keep up with the best available science.

Generally speaking, we do not analyze additionality methodologies developed and used by standards organizations. Instead, we are careful to review the standards procedures and criteria for following best practices, in this case concerning additionality, when developing a methodology and what procedures they have to ensure ongoing

compliance by corresponding projects. Procedures for revising methodologies, including public review and notices, are also key considerations.

- 8. In this proposed guidance, the Commission recognizes VCCs as additional where they are credited for projects or activities that would not have been developed and implemented in the absence of the added monetary incentive created by the revenue from carbon credits. Is this the appropriate way to characterize additionality for purposes of this guidance, or would another characterization be more appropriate? For example, should additionality be recognized as the reduction or removal of GHG emissions resulting from projects or activities that are not already required by law, regulation, or any other legally binding mandate applicable in the project's or activity's jurisdiction?**

We agree with the characterization of additionality recognized in the Proposed Guidance and consider it to be in line with the market consensus. The question touches on the point raised above that the Proposed Guidance not be overly prescriptive to ensure DCMs are able to follow evolving VCC market developments, including revised or broadened definitions of key criteria.

Additionality is considered a bedrock principle of the current VCC market. It is possible, however, that scenarios may emerge that call for flexibility.

Such a scenario is currently being discussed around forestry, where a project, region, or country with low rates of deforestation are perversely incentivized by the current market paradigm to loosen their forest protection regimes to bolster additionality claims and create more favorable baselines for credit issuance.

If a new class of VCCs was developed with less restrictive additionality criteria to support climate finance from well-maintained forests, in this example, it would be useful if the CFTC proposed guidance was sufficiently flexible to enable DCMs to list contracts covering this new project type.

- 9. Are there particular criteria or factors that DCMs should take into account when considering, and/or addressing in a VCC derivative contract's terms and conditions, a crediting program's measures to avoid or mitigate the risk of reversal, particularly where the underlying VCC is sourced from nature-based projects or activities such as agriculture, forestry or other land use initiatives?**

We believe DCMs should assess the crediting standards' reversal risk rules and procedures when designing a contract, including current requirements for buffer pools and other safeguards, as well as procedures to ensure the ongoing viability of reversal risk mitigation measures in the face of changing conditions. We do not think DCMs have, or need to develop, the core competency to assess whether risk reversal measures are properly developed by standards.

10. How should DCMs treat contracts where the underlying VCC relates to a project or activity whose underlying GHG emission reductions or removals are subject to reversal? Are there terms, conditions, or other rules that a DCM should consider including in a VCC derivative contract in order to account for the risk of reversal?

As discussed in the previous answer, crediting programs themselves often have mechanisms in place such as standard-wide buffer pools that serve the purpose of replacing credits which may be cancelled or reversed. To that end, market operators should consider the risk of cases where reversals affect supply of a contract and develop terms and conditions that clarify liability in such cases.

11. Are there particular criteria or factors that a DCM should take into account when considering, and/or addressing in a contract's terms and conditions, whether a crediting program applies a quantification methodology or protocol for calculating the level of GHG reductions or removals associated with credited projects or activities that is robust, conservative and transparent?

The quantification of emissions reductions and reversals is a process that relies on robust scientific methods, which over the course of time may change as new scientific knowledge is produced. To that end, market operators should consider structuring contracts with crediting programs that have processes in place to ensure that their quantification methodologies are in line with the best-available science on an ongoing basis.

12. In addition to a crediting program's decision-making, reporting, disclosure, public and stakeholder engagement, and risk management policies, are there other criteria or factors that a DCM should take into account when considering, and/or addressing in a VCC derivative contract's terms and conditions, whether the crediting program can demonstrate that it has a governance framework that effectively supports the program's transparency and accountability?

The Proposed Guidance addresses many key responsibilities that crediting programs bear with regard to governance. We would further recommend DCMs consider transparency and responsiveness of crediting programs with respect to significant changes to project or credits status. Specifically, when listing credits from a crediting program or registry, including whether the registry has a readily available rulebook, its policies concerning transparency around its rulemaking, including publicly available updates relating to major status changes to projects or its broader rulebook. These changes can have a material impact on a VCC and its eligibility for delivery into spot and futures contracts. It is important the changes are made and publicized in a neutral, transparent, timely, and consistent manner conforming to a published protocol.

- 13. In addition to the factors identified in this proposed guidance, are there other factors that should be taken into account by a DCM when considering, and/or addressing in a VCC derivative contract's terms and conditions, whether the registry operated or utilized by a crediting program has processes and procedures in place to help ensure clarity and certainty with respect to the issuance, transfer, and retirement of VCCs?**

The modern VCM provides unparalleled transparency into the issuance, transference, and retirement of VCCs. With internet access, anyone can visit the public websites of registries to review project documentation, see how many VCCs have been issued from a project, how many are outstanding, how many have been retired, and, in many instances, by whom. This transparency is an important feature of VCM registries, nonetheless, it may or may not be essential to the integrity of project credits or the VCC market. This is shown by other commodity and financial markets, which have no similar transparency.

- 14. Are there particular criteria or factors that a DCM should take into account when considering, and/or addressing in a VCC derivative contract's terms and conditions, whether it can be demonstrated that the registry operated or utilized by a crediting program has in place measures that provide reasonable assurance that credited emission reductions or removals are not double-counted?**

We encourage the Commission to propose that DCMs examine policies, procedures, and technology systems at registries as part of their due diligence review to ensure best practices are being followed to prevent double counting.

Also, as discussed above, DCMs reserve discretion to disallow commodities from delivery into their listed contracts. This discretion could be used in the context of suspected or actual instances of double counting.

It might be useful to note that double counting risk does not exist for credits issued by leading registries. Credits are issued and managed over their entire lifecycle following platform-enforced policies and procedures that eliminate double counting.

- 15. Should the delivery procedures for a physically-settled VCC derivative contract describe the responsibilities of registries, crediting programs, or any other third-parties required to carry out the delivery process?**

We think such a description is necessary to enable buyers and sellers to trade VCC-linked spot and futures contracts with a clear understanding of the delivery mechanism, the responsibilities of all parties involved in the delivery process and the chain of custody of VCCs being transferred in the delivery process. In our Standard Instruments Program, we describe the delivery procedures for VCCs used to settle transactions in our standardized spot and corresponding futures contracts.

16. Certain private sector and multilateral initiatives recognize the implementation by a crediting program of measures to help ensure that credited mitigation projects or activities meet or exceed best practices on social and environmental safeguards, as a characteristic that helps to inform the integrity of VCCs issued by the crediting program. When designing a VCC derivative contract, should a DCM consider whether a crediting program has implemented such measures?

We support the various private sector and multilateral initiatives to ensure VCC performance and appropriate claims. As mentioned above, we designed our GEO contract on the CORSIA framework. We see benefits to considering whether a crediting program has implemented such measures. Nonetheless, we also see the potential for contracts that do not conform to existing guidelines issued under various private sector and multilateral initiatives. We believe they are useful for DCMs to consider, but they should not be a requirement of contracts that otherwise meet the Core Principles.

17. Certain private sector and multilateral initiatives recognize the implementation by a crediting program of measures to help ensure that credited mitigation projects or activities would avoid locking in levels of GHG emissions, technologies or carbon intensive practices that are incompatible with the objective of achieving net zero GHG emissions by 2050, as a characteristic that helps to inform the integrity of VCCs issued by the crediting program. When designing a VCC derivative contract, should a DCM consider whether a crediting program has implemented such measures?

As discussed above, the global net-zero GHG emissions markets are diverse and highly innovative. Whereas we understand the benefit of the eligibility criteria considered in this question, we would suggest its application be left to the discretion of the DCM. This would enable DCMs to list contracts that support the evolving markets for lower carbon and methane-intensity fuels, for example, which can contribute positively to the global energy transition by encouraging greater use of the underlying lower-intensity commodity. In this scenario of increased market adoption, the underlying commodity might not meet an immediate test of limiting direct emissions from its consumption. As a market operator, we rely on periodic methodology updates as new science and data come to light. Further, we rely on market participants to express their views on the integrity and effectiveness of various VCCs, and other environmental commodities, to fulfil their net-zero goals through their use of the contracts.

Xpansiv respectfully submits these comments for consideration and thanks the Commission for the opportunity. Please direct follow up questions and inquiries to policy@xpansiv.com.

Yours sincerely,

/s/ John Melby

Chief Executive Officer