

## **A Breath of Fresh Air: CFTC Proposes Voluntary Carbon Credit Market Guidance**

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After two years of examining carbon markets, the Commodity Futures Trading Commission (CFTC) proposed measures focused on improving integrity, transparency and enforcement in voluntary carbon credit markets (VCCMs). VCCMs are viewed by many as an increasingly important way to combat climate change.

On December 4, the CFTC issued proposed guidance (Proposed Guidance) outlining certain factors a CFTC-regulated exchange, or designated contract market, should consider when addressing requirements of the Commodity Exchange Act (CEA) and CFTC regulations that are relevant to the VCCM contract design and listing process. Under the Proposed Guidance, exchanges are supposed to consider these factors when designing VCCM contract specifications and listing with the goal of product standardization. In the CFTC's view, product standardization will result in increased transparency and liquidity, more accurate pricing, and improved market integrity.

The Proposed Guidance also addresses certain requirements under the CFTC's Part 40 Regulations relating to the submission and CFTC approval process for new derivative contracts and contract amendments.

The CFTC's proposed guidance comes one day after the International Organization of Securities Commissions (IOSCO) launched a 90-day

public consultation on a set of best practices for national regulators to apply with respect to standardizing terminology in VCCMs, setting forth requirements regarding company disclosure of carbon credits, and establishing uniform anti-fraud and market manipulation safeguards for trading platforms, which list credits.

CFTC Chairman Rostin Benham, who has focused on climate change for many years, applauded the Proposed Guidance as “a clear statement that the CFTC will do its part to elevate the standard setting efforts [for VCCMs] already underway.”

The Proposed Guidance’s comment period ends on February 16, 2024.

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