

## **Extra Credit Projects: SEC Settles Charges Against Carbon Offset Project Developer for US\$250 Million Offering Fraud**

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On 2 October 2024, the Securities and Exchange Commission (SEC) [announced settled charges](#) against one of the largest carbon credit project developers (the “Developer”), for fraudulently altering data concerning its business and making material misrepresentations in the offering of equity to institutional investors in the United States. The SEC’s order found that the Developer violated Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.

The projects at issue involved the installation of energy-efficient cookstoves throughout communities in Africa, Asia, and Central America, which purportedly would lead to far less carbon dioxide emissions released into the atmosphere. The SEC order finds that from about 2017 to December 2023, the Developer and its former executives submitted false, misleading, and inaccurate data to the carbon credit registry and third-party reviewing bodies that verify the carbon mitigation project and issue voluntary carbon units, also known as carbon credits. The data manipulation led to the allocation of millions more carbon credits than the Developer was entitled to receive.

As part of its offering, the Developer disseminated misleading offering materials, including “teasers,” offering memoranda, financial projections, and due diligence questionnaires, that reflected manipulated data. Accordingly, the order alleges the Developer deceived investors with respect to its past and future ability to profitably and sustainably originate carbon credits. Ultimately, this offering culminated in a private equity fund manager purchasing a US\$250 million stake in the Developer’s equity on behalf of two of its private funds.

The US Attorney’s Office for the Southern District of New York and the Commodity Futures Trading Commission filed parallel actions against the Developer and its affiliates. The enforcement actions are an important reminder of the integrity issues facing the emerging voluntary carbon credit market, which has seen substantial growth over the past decade.

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