

## News : Questioning carbon offset benefits, seven US senators ask CFTC to set clear rules

By Maya Weber

Published on - Wed, 19 Oct 2022 15:57:41 EST

- Consider standards to drive **GHG emission** reductions
- Some energy sector interests discourage new rules

Seven **US** senators are encouraging the **Commodity Futures Trading Commission** to bolster regulation of carbon offsets to cut back on faulty corporate claims of **emissions** reductions and consider environmental justice risks of growth in offset markets.

The effort, led by Senators Cory Booker, Democrat-**New Jersey** , and Elizabeth Warren, Democrat-**Massachusetts** , comes as the commission recently solicited comments on its future role in relation to climate risk. The feedback it received surfaced some division, even among energy interests, over how far and how quickly the commission should wade into the regulation of those markets.

Booker, Warren, and the other senators, in an Oct. 13 letter to the **CFTC** , favored a regulatory approach, asking the **CFTC** to develop qualifying standards for offsets that effectively cut **greenhouse gas emissions** and can serve as underlying commodities for derivatives in the future. They also urged the **CFTC** to create a registration framework for offsets.

"These rules should include a clear definition of a **carbon credit** and a robust standard for auditing, and they must take into account the environmental justice risk of growth in the offset market," the lawmakers wrote.

In seeking public input on the commission's role, **CFTC** Chairman Rostin Behnam has said he views the derivatives markets the commission regulates as affected by the voluntary carbon markets, creating an imperative for the **CFTC** to assess the credibility and integrity of the markets.

The **CFTC** 's request for information, which closed Oct. 7, drew notes of caution from some energy-sector interests, such as the Commercial Energy Working Group and **American Petroleum Institute** . The groups said the **CFTC** should avoid overstepping its authority with new regulations and quashing the evolution of voluntary markets. Instead, the organizations encouraged the **CFTC** to focus on the enforcement of abusive behavior in environmental commodity markets.

But one major market player, **BP** America, took a different tone, as it encouraged the **CFTC** to ensure its regulations encourage market participation and depth. To increase transparency in overseeing the exchanges, the company said it was open to a registration framework. And in considering the possibility of new disclosure and reporting requirements, the **American Public Gas Association** asked the **CFTC** to avoid imposing new costs and burdens that may ultimately be borne by consumers.

### Senators' viewpoint

In the senators' letter Oct. 13, Booker and Warren warned that the purchase of offsets has allowed many multinational companies to make bold pledges about reaching net-zero carbon **emissions** "when in fact they are taking little action to address the climate impacts of their industry."

Other signatories to the letter included Senate Democrats Edward Markey of **Massachusetts** , Richard Blumenthal of **Connecticut** , Jeffrey Merkley of **Oregon** , and Kirsten Gillibrand of **New York** , as well as Senator Bernie Sanders, Independent-**Vermont** .

The lawmakers said extensive research indicates systemic and persistent issues with offsets, such as inflated climate benefits. And they warned that relying on offsets rather than direct **emissions** disproportionately harms frontline and environmental justice communities.

While some parties have encouraged the **CFTC** to collaborate with voluntary initiatives underway to agree upon standards for the market and drive global harmonization, the lawmakers instead argued the **CFTC** should take concrete steps to implement rules.

"Voluntary standards and safeguards have done little to alleviate these issues," the senators wrote.

As the **CFTC** weighs its role, the two Republican commission members, Summer Mersinger and Caroline Pham, previously have cautioned the **CFTC** against stretching into areas beyond its statutory authority.

Repeating that warning, two members of the **US House of Representatives** , Representatives Byron Donalds, Republican-**Florida** , and Don Bacon, Republican-**Nebraska** , in September urged the **CFTC** to abandon its effort.

"Although the request is being presented as a neutral fact-finding endeavor designed to reduce risk and ensure financial integrity, the supplemental information subsections suggest the **CFTC** is seeking justification to expand its jurisdictional scope and take part in the Biden administration's Green New Deal push," they wrote.

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