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Christopher Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission  
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**Submitted electronically via [comments.cftc.gov](https://comments.cftc.gov).**

BP America, Inc. (bp),<sup>1</sup> is pleased to submit comments in response to the Commodity Futures Trading Commission (CFTC) Second Voluntary Carbon Markets Convening.

## About bp

bp is transforming into a global integrated energy company with a significant footprint in the US. In the US, bp employs more than 30,000 people and supports more than 275,000 American jobs. Since 2005, bp has invested more than \$145 billion in the US; and in 2022 alone, our operations contributed more than \$70 billion to the US economy. We have a larger economic footprint in the US than anywhere else in the world.

We are transforming bp so we can deliver the secure, affordable, lower carbon energy the world increasingly wants and needs.

bp's experience in carbon markets dates as far back as 2001. bp's low carbon trading function plays a vital role in connecting bp and our customers to carbon pricing through our activity in the world's compliance and voluntary carbon markets.

We market compliance credits and verified carbon units (VCUs) to be used for voluntary offsetting purposes, as well as source VCUs from carbon offsetting projects certified by International Carbon Reduction and Offsetting Accreditation (ICROA)-approved third party standards around the globe.

The Commission's Second Voluntary Carbon Markets Convening highlighted important concerns with the voluntary carbon market (VCM) that affect growth in liquidity and price formation. We believe that regulators have an important role to play in preventing fraud and providing more clarity around what constitutes a high integrity carbon credit.



bp respectfully offers the following comments.

**The CFTC should support increased transparency and integrity in the VCM.**

bp supports the CFTC's role in promoting fair and orderly trading in the futures and derivatives markets, including those markets arising from VCMs, and in protecting them from fraud and manipulation. bp agrees the CFTC has a role to play in ensuring the integrity, resilience, and vibrancy of the VCM.

We also support the role of the CFTC to facilitate reforms that protect all participants in carbon markets, including VCU end users, market participants, regulated exchanges, VCU Registries, Project Developers, and Project Verifiers.

We would recommend that the CFTC clarify as soon as possible what constitutes misconduct in VCU trading on regulated exchanges. Without this clarification, market participants may be discouraged from trading on these exchanges as it is unclear if making or taking an exchange product exposes the buyer, seller, or exchange to enforcement risk. We recommend that the CFTC seek to preserve the integrity of VCU futures trading by protecting the VCU buyer and seller on regulated exchanges from the underlying risk of VCU product quality. We would encourage the CFTC to explore ways it could engage with the VCM Registries to improve the overall quality of the market.

**The CFTC should make sure its regulated exchanges are accountable for ensuring their listed derivative contracts are fit for purpose and properly managed.**

bp supports efforts by the CFTC to ensure derivative contracts in the VCM are fit for purpose and are properly and transparently managed by derivatives exchanges. We believe that derivative contracts in the VCM should be designed to align with benchmarks for carbon credit quality, such as those established by the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) or the Integrity Council for the Voluntary Carbon Market (ICVCM). We also support efforts by the CFTC's Enforcement Division to ensure that the transparency and assurance of the quality of voluntary carbon credits listed on regulated exchanges is enforced.

bp believes that the credibility of the regulated exchanges and the VCM Registries (e.g., Verra, American Carbon Registry) has a direct effect on the credibility of the market. We support efforts by the CFTC to engage proactively with both its regulated exchanges and with VCM Registries to identify ways the CFTC can use its authority to improve the overall integrity of the VCM. It is our view that the VCU Registries will need to take a more active role in deciding what constitutes high integrity VCUs, especially those that seek to be assessed by the ICVCM.



Regulated exchanges should leave existing product specifications unchanged to prevent influencing the value of existing Open Interest and prevent penalizing or rewarding any existing market participants. New exchange products should be created and listed alongside existing futures contracts. It is our view that VCU buyers are currently exposed to over-crediting with VCU projects as there is no established remediation process for a VCU buyer if they purchase VCUs on regulated exchanges and those VCUs stem from VCM projects that may have been over-credited because of incorrect baselines.

bp supports the CFTC driving the market toward higher quality carbon credits by ensuring its regulated exchanges are held accountable as the gatekeeper for the viability of the products they list. bp appreciates the work the regulated exchanges have done to develop innovative futures products that enable market participants to manage their risks. However, the value of these futures products has largely been driven by the quality of VCUs that are eligible for delivery. As a result, market participants have become more cautious of the reputational risk that comes with involvement in these exchange products when the integrity of the VCUs are potentially in doubt.

bp supports regulated exchanges developing new futures products with more stringent and clear standards for product eligibility. The CORSIA market will require more robust criteria for VCU eligibility from 2024 and the ICVCM has recently issued clear guidance for what constitutes a high-integrity carbon credit through its Core Carbon Principles (CCPs). The CFTC should set guidance for the regulated exchanges to follow on VCU quality, and these exchanges should then collaborate with VCM registries, project developers and certifiers to ensure VCM products evolve over time.

### **The CFTC Should Continue to Work with Global Standards-Setting Organizations to Ensure Its Guidelines for the U.S. Market Remain Consistent.**

bp sees a need for greater market standardization to help the VCM reach the scale necessary to meet the goals of the Paris Agreement. bp currently participates in the following initiatives and trade associations that are looking to develop and strengthen the compliance and VCU markets:

- Integrity Council for Voluntary Carbon Markets (ICVCM)
- International Carbon Reduction & Offset Alliance (ICROA)
- International Emissions Trading Association (IETA)
- Natural Climate Solutions Alliance (NCSA) convened by the World Economic Forum and World Business Council for Sustainable Development
- Oil and Gas Climate Initiative (OGCI) Natural Climate Solutions Working Group

bp is encouraged by the CFTC's efforts to coordinate with global standards-setting organizations to enhance transparency and integrity in carbon markets.

Further, we applaud Chairman Behnam's coordination with the global community on standardization of guidelines/principles through his board membership as Vice Chair of the



International Organization of Securities Commission (IOSCO). We look forward to the CFTC's planned guidance for standards in the VCM by the end of the year.

## Conclusion

Thank you for allowing bp this opportunity to describe its business and interest in voluntary carbon markets. Please feel free to contact me or you may contact Jeff Swartz at [jeff.swartz@bp.com](mailto:jeff.swartz@bp.com) or Jeff Stein at [jeffrey.stein@bp.com](mailto:jeffrey.stein@bp.com) if you would like to further discuss these comments.

Sincerely,

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