# CFTC and Howden Spearhead Innovations in Voluntary Carbon Markets



**CFTC and Howden Advance Voluntary Carbon Markets with Regulatory and Insurance Innovations**

**Washington, DC** – Rostin Behnam, Chairman of the Commodity Futures Trading Commission (CFTC), recently discussed voluntary carbon markets (VCMs) in a speech titled "Climate in the Center of Economy." He emphasized the importance of robust VCMs for meeting global greenhouse gas emission reduction targets.

**CFTC's Role in VCMs**

The CFTC has undertaken various initiatives to regulate VCMs effectively. These include establishing the Climate Risk Unit (CRU), hosting the VCM Convening, and working with the International Organization of Securities Commissions (IOSCO) on climate finance. The CRU consists of staff from across the CFTC's divisions, focusing on climate-related market risks and developing relevant products and standards.

Chairman Behnam highlighted the need for an inclusive approach involving farmers, ranchers, manufacturers, commercial end-users, and investors to develop the VCMs. He also stressed the necessity of using CFTC’s anti-fraud and anti-manipulation authority to ensure the integrity of these markets and to establish guidelines for high-quality carbon offsets. The agency plans to finalize regulatory guidance on VCMs and carbon credits in the coming months.

**Howden's Carbon Credits Policy**

In a significant move for the VCM, London-based insurance group Howden introduced the first carbon credits Warranty and Indemnity (W&I) insurance policy. This policy covers carbon credits from Mere Plantations' reforestation project in Ghana, which rehabilitates degraded forests.

Howden's insurance policy aims to enhance the credibility and value of carbon credits, assuring buyers that their credits meet stringent standards. This initiative is seen as a milestone, potentially attracting more investment into the VCM by providing guarantees against risks.

Charlie Pool, Head of Carbon Insurance at Howden, believes that insurance can improve the governance of carbon markets, encouraging project development. Uniserve, a UK logistics company, is the first to purchase these insured credits, showing confidence in the market's integrity.

**Market Impact**

The carbon credit insurance market is projected to grow substantially. Industry estimates suggest that the market could reach $1 billion in annual gross written premiums by 2030 and potentially expand to $10-30 billion by 2050. The global compliance carbon markets are valued at over $900 billion, with the VCM valued at $2 billion in 2022.

The incorporation of insurance mechanisms like Howden's W&I policy could balance risk and innovation, boost market confidence, assess project risks, and encourage risk-taking, thus supporting global carbon emission reduction efforts.