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CFTC Withdraws Voluntary Carbon Credit Derivatives Listing Guidance

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The Commodity Futures Trading Commission (CFTC) withdrew its guidance on the listing of voluntary carbon credit derivative contracts (VCCs) on September 10, 2025. This decision marks a significant shift in the regulatory landscape for environmental commodities and reflects the current administration's broader deregulatory posture toward energy transition and environmental, social, and governance (ESG)-related initiatives.

The original guidance aimed to provide clarity for exchanges seeking to list VCC-backed contracts and promote transparency, comparability, and environmental integrity. Its withdrawal removes a key regulatory tool that could have facilitated broader market development in this area and provided greater access to these instruments for corporations seeking to offset emissions to accomplish their desire to voluntarily reduce their carbon footprint.

The 2024 guidance outlined standards and expectations – principles specifically aimed at the listing of these derivative products on designated contract markets (DCMs) – designed to reduce the purported increased susceptibility of VCCs to manipulation. Additionally, the agency in the rule encouraged the adoption of industry standards in VCC contract terms and emphasized the need for DCMs to provide complete documentation and analysis to demonstrate compliance.

In withdrawing the guidance, the CFTC explained that the existing regulatory framework under Section 5c of the Commodity Exchange Act and CFTC Regulations in Parts 38 and 40 (the Uniform Framework) already provides a sufficient structure for listing VCCs by DCMs and swap execution facilities. The CFTC further noted that the 2024 guidance's narrow focus on derivative contracts based on VCCs could cause confusion and lead to inconsistent application of the Uniform Framework.

As a result of the withdrawal, DCMs now rely solely on the CFTC's general framework under the Commodity Exchange Act (CEA), including Core Principles 3 and 4, to evaluate VCC derivatives. This shift arguably signals an agency preference for regulatory neutrality but potentially introduces ambiguity for market participants navigating a complex asset class with which they may not have material experience.

Core Principle 3 requires that listed contracts must not be readily susceptible to manipulation. For VCC derivatives, this entails rigorous assessment of the underlying carbon credits, including their quantification methodologies, permanence, and additionality. Core Principle 4 mandates that exchanges implement systems to monitor trading and prevent price distortion. In the absence of specific guidance, DCMs must interpret these principles in the context of environmental commodities.

For industrials, the removal of specific, clear standards applying the core principles to the VCC context could reduce ESG planning and potentially limit the number of available emissions offset strategies. With this regulatory change, industrials may pause to reassess their decarbonization efforts and consider the potential reputational risks associated with these changes.

A sustainable carbon offset market – both domestically and globally – requires greater degrees of transparency, comparability, and equivalency. These elements are essential for enabling market participants to evaluate offset projects on a level playing field. Without them, at least until robust markets form around VCCs, corporations may face continued and increased uncertainty around these products.

Ultimately, it remains to be seen whether the withdrawal of the VCC guidance represents a step backward in the energy transition by hindering the growth of VCCs or whether, as the CFTC rationalized, it presents an opportunity for new and creative contract structures to develop to meet end-users' needs.

Baker Donelson attorneys [Paul B. Turner](#) and [Peyton H. Lacoste](#) are available to assist with any questions regarding this development.