

# Issue Overview: Carbon Market Oversight



On January 15, 2009, the U.S. Climate Action Partnership (USCAP) issued the *Blueprint for Legislative Action* – a detailed framework for legislation to address climate change. The *Blueprint* includes a broad, multi-sector cap-and-trade program as the core of effective climate change legislation.

Because it unleashes the innovation and competitive forces of our market economy, cap and trade offers the least costly means of reaching the greenhouse gas (GHG) emission reduction targets that are critically important for protecting our environment, businesses and consumers. These forces will reduce costs and spur ongoing investment in new, sustainable technologies. But, a carbon market can only achieve these goals if it:

- is designed to function efficiently from the ground up;
- includes effective means to prevent excessively high prices and volatility; and
- has strong and independent oversight to prevent market manipulation, irresponsible risk taking, excessive leverage and other problems.

To address these issues, USCAP's *Blueprint* calls for a market with:

- the strong underpinnings of a sound GHG registry, fully bankable allowances, and ample liquidity from a broad, multi-sector scope;
- cost containment measures to limit price spikes – including ample use of high quality offsets and releasing additional offsets or allowances to prevent prices that could cause economic harm; and
- an independent Carbon Market Board to implement these measures in a manner that prevents market gaming and price manipulation.

USCAP recognizes that the recent financial turmoil sheds new light on the challenges of effectively regulating financial markets and market players. Pragmatic reforms in those areas should help in assuring effective oversight of the carbon market.

We believe effective carbon market oversight, which would build on the lessons learned in the oversight of other commodity and financial markets by the Commodities and Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), is warranted. This oversight could be provided by the CFTC or some other existing or new entity.

We look forward to working with Congress, the Administration and stakeholders to develop detailed provisions for effective carbon market oversight.

To learn more about the USCAP *Blueprint for Legislation Action*, please visit [www.us-cap.org](http://www.us-cap.org).

*The U.S. Climate Action Partnership is a non-partisan coalition composed of 25 major corporations and five leading environmental organizations that have come together to call on the federal government to quickly enact strong national legislation requiring significant reductions of greenhouse gas emissions. USCAP has issued a landmark set of principles and recommendations to underscore the urgent need for a policy framework on climate change.*