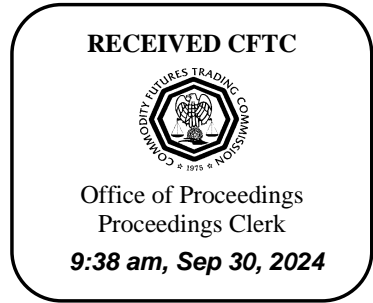


UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION



In the Matter of:)
)
Jason Steele,)
)
Respondent.) **CFTC Docket No. 24-36**

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTION 6(d) OF THE COMMODITY EXCHANGE ACT, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS**

I. INTRODUCTION

The Commodity Futures Trading Commission (“Commission”) has reason to believe that Jason Steele (“Steele” or “Respondent”) has, for conduct occurring in or after 2019 to at least December 2023 (the “Relevant Period”), violated Sections 6(c)(1), 6(c)(1)(A), and 9(a)(2) of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 9(1), 9(1)(A), 13(a)(2), and Regulation 180.1(a)(1)–(4), 17 C.F.R. § 180.1(a)(1)–(4) (2023), of the Commission Regulations (“Regulations”). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Respondent admits the facts set forth below, acknowledges that his conduct violated the Act and Regulations and consents to the entry of this Order Instituting Proceedings Pursuant to Section 6(d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”) and acknowledges service of this Order.¹

¹ Respondent agrees to the use of the findings of fact and conclusions of law in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party or claimant, including but not limited to, a proceeding in bankruptcy or receivership, and agrees that they shall be taken as true and correct and be given preclusive effect without further proof. Respondent does not consent, however, to the use of this Order, or the findings or conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party or claimant, other than: a proceeding in bankruptcy or receivership, or a proceeding to enforce the terms of this Order. Respondent does not consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

II. FINDINGS

The Commission finds the following:

A. Summary

During the Relevant Period, Respondent was employed as the Chief Operating Officer of a Washington, D.C.-based carbon credit project developer that was among the largest voluntary carbon credit project developers in the world (“Carbon Project Developer”). During the Relevant Period, the Carbon Project Developer developed projects intended to reduce carbon emissions, such as by installing more-efficient cookstoves in sub-Saharan Africa, Asia, and Central America, and then, based on this reduction, sought and received issuances of carbon credits from carbon credit registries that the Carbon Project Developer could and did sell to other participants in the voluntary carbon credit market, including to counterparties in the United States. During the Relevant Period, Respondent engaged in a fraudulent scheme of reporting false and misleading data to at least one carbon credit registry, third-party reviewers, and others. Respondent did so with the goal of obtaining carbon credits for the Carbon Project Developer far beyond what the Carbon Project Developer was entitled to receive.

The fraudulent scheme during the Relevant Period involved causing the Carbon Project Developer to report false and misleading data and other information to at least one carbon credit registry based in the United States (the “Carbon Credit Registry”) and to third-party validation and verification bodies (“VVBs”) in connection with the Carbon Credit Registry’s process for the verification and issuance of carbon credits. The false and misleading data that Respondent caused to be submitted to the Carbon Credit Registry was published on the Carbon Credit Registry’s website as part of its public registry. After the Carbon Project Developer reported the false and misleading information, including from the United States—information such as data relating to usage and energy savings versus the baseline scenario² for the Carbon Project Developer’s cookstoves projects—the Carbon Credit Registry issued to the Carbon Project Developer millions more carbon offset credits than the Carbon Project Developer was entitled to receive.

* * *

In accepting Respondent’s Offer, the Commission recognizes Respondent’s entry into a formal cooperation agreement (“Cooperation Agreement”) with the Division of Enforcement (“Division”), which sets forth the terms of Respondent’s agreement to cooperate with the Commission and the Division in connection with any investigation, litigation, or proceeding to which the Commission is a party relating to the subject matter of this Order and/or as described in the Cooperation Agreement.

² “A baseline scenario is the predicted or assumed outcome in the absence of the incentives created by carbon credits, holding all other factors constant.” See Commission Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts, RIN 3038-AF40, at 10 n.39 (pre-print version, approved Sept. 19, 2024) (publication forthcoming) (“Commission Guidance”).

B. Respondent

Jason Steele is the former Chief Operating Officer at the Carbon Project Developer. Steele resides in Virginia and has never been registered with the Commission.

C. Facts

1. Market Background

A voluntary carbon credit, or VCC, is a tradeable intangible instrument that is issued by a carbon crediting program.³ VCCs are designed to represent real reductions or removals of greenhouse gas emissions from the atmosphere, which market participants can trade on the voluntary carbon market and use in efforts to offset greenhouse emissions to meet emissions reductions goals. One VCC typically represents greenhouse gas emissions reduced by, or removed from, the atmosphere equivalent to one metric ton of carbon dioxide.

Like other carbon credits, VCCs are commodities traded in both spot and derivatives markets.⁴ VCCs are available for sale and trading in spot voluntary carbon markets, over-the-counter as well as on spot trading platforms. In the spot market, market participants such as project developers can trade credits with a wide range of other market participants, such as end-users (e.g., companies who purchase VCCs as part of emission-reduction strategies) and intermediaries such as brokers. In the derivatives markets, market participants may trade derivatives such as VCC futures, and such derivatives may provide reference prices for spot and other derivatives trades.

The issuance of VCCs typically involve three categories of participants: (1) the developer (e.g., the Carbon Project Developer) of a mitigation project or activity that is intended to reduce or remove greenhouse gas emissions from the atmosphere (“project developer”); (2) a crediting program (e.g., the Carbon Credit Registry) that, among other things, issues VCCs for mitigation projects or activities that satisfy the crediting program’s standards; and (3) third-party VVBs that validate and verify the mitigation project or activity.

To develop a mitigation project or activity and ultimately be issued VCCs, a project developer must first select the crediting program with which it seeks to certify its mitigation project or activity. The crediting program will certify the project if the project appears to satisfy the crediting program’s standards for issuing VCCs. Generally, once the crediting program determines that the mitigation project or activity satisfies the crediting program’s standards for issuing VCCs, the project or activity will be certified, and VCCs will be issued based on the calculated amount of reductions.

³ Carbon credit markets include both voluntary markets and mandatory (or compliance) markets such as cap-and-trade programs, emissions trading systems and allowance trading systems, which are established and regulated by national, regional, or international governmental bodies. *See* Commission Guidance, RIN 3038-AF40, at 8-9.

⁴ Derivatives on environmental commodities have been trading on CFTC-regulated exchanges for decades, including derivative contracts on mandatory emissions program instruments, which began trading in 2005, and greenhouse gas emissions-related instruments, such as the Carbon Financial Instrument futures contract, which were first listed in 2007. *See* Commission Guidance, RIN 3038-AF40, at 14-15. Derivatives such as futures and options on both voluntary and mandatory carbon credits have been listed by DCMs. *Id.*

The crediting program typically operates or makes use of a registry, which serves as a central repository for tracking certified mitigation projects and allows market participants to issue, retire, cancel, and/or trade VCCs. Registries also publicly report key information (based on information provided to the crediting program by the project developer and information indirectly provided by the project developer via VVBs) concerning the supply and project specifications of VCCs, thereby assisting market participants in making informed evaluations and comparisons of VCC supply and quality.

2. The Carbon Project Developer's Cookstove Projects

During the Relevant Period, the Carbon Project Developer actively developed a variety of projects, including projects implementing more efficient cookstoves. The Carbon Credit Registry issued VCCs to the Carbon Project Developer in connection with these projects.

The Carbon Project Developer's cleaner cookstove projects involved implementing improved cookstoves in countries in sub-Saharan Africa, Central America, and Southeast Asia (the "Cookstove Projects"). The Cookstove Projects together accounted for a significant portion of the world's supply of carbon credits relating to cookstoves. The Carbon Project Developer served as a project developer for its Cookstove Projects, maintaining responsibility for managing on-the-ground project development and implementation and arranging project financing.

For a Cookstove Project to be eligible to generate VCCs, the project developer must select or create a methodology pursuant to which the project will be implemented and VCCs quantified. During the Relevant Period, the Carbon Project Developer helped create a particular methodology, referred to herein as Methodology-1, for calculating emissions reductions generated from its Cookstove Projects. Methodology-1 included a formula designed to calculate the project's emissions reductions (and thus carbon credits) based on certain inputs such as numbers of stoves in use and the project's efficiency versus the baseline scenario. The Carbon Project Developer reported that information to VVBs and the Carbon Credit Registry, and these data, among others, were considered when determining how many VCCs would be issued by the Carbon Credit Registry for Cookstove Projects and listed on the public registry.

The Carbon Credit Registry made public certain information provided to it by the Carbon Project Developer and/or VVBs about the Cookstove Projects, including project descriptions; the number of VCCs that have been issued for a particular project; and validation, verification, and monitoring reports. The Carbon Credit Registry also published information, including the Carbon Project Developer's representations that information submitted to the Carbon Credit Registry was accurate, truthful, and comported with the applicable methodology. After the Carbon Project Developer provided such information (either to the Carbon Credit Registry or to the VVBs, who also reported information to the Carbon Credit Registry), the Carbon Credit Registry issued VCCs to the Carbon Project Developer for its Cookstove Projects. The Carbon Project Developer sold some of these VCCs, including to counterparties in the United States such as in Delaware and California, and retained a significant number of others.

3. The Fraud

During the Relevant Period, Respondent, while Chief Operating Officer of the Carbon Project Developer, intentionally participated in the Carbon Project Developer repeatedly and intentionally providing false and misleading information to the Carbon Credit Registry, to VVBs, and to others, including from the United States, for the purpose of presenting a misleading impression of the quality of the Cookstove Projects, wrongfully increasing the number of carbon credits a project would produce. Respondent at times knew of, directed, or directly participated in such efforts. Carbon Project Developer personnel, including Respondent, referred internally to the fraudulent falsification of data provided to the Carbon Credit Registry and VVBs euphemistically as “manag[ing]” the data.

Respondent, in coordination with others, participated in the Carbon Project Developer falsely and misleadingly reporting higher levels of use and efficiency to the Carbon Credit Registry and to VVBs, and others relating to its Cookstove Projects, and millions more VCCs were issued for those projects and listed on the public registry than was warranted.

III. LEGAL DISCUSSION

A. Voluntary Carbon Credits Are Commodities

Carbon credits are encompassed in the definition of “commodity” in Section 1a(9) of the Act, and are subject to the applicable provisions of the Act and Regulations.⁵ 7 U.S.C. § 1a(9); *see also, e.g.*, Commission Guidance, RIN 3038-AF40, at 14-15 (discussing environmental commodities such as voluntary carbon credits).

B. Manipulative or Deceptive Device or Contrivance in Violation of Section 6(c)(1) of the Act and Regulation 180.1(a)(1)–(3)

Section 6(c)(1) of the Act, 7 U.S.C. § 9, and Regulation 180.1, 17 C.F.R. § 180.1 (2023), prohibit the use or attempted use of any manipulative or deceptive device, untrue or misleading statements or omissions, or deceptive practice, in connection with any swap or contract of sale of any commodity in interstate commerce, or for future delivery. Specifically, Regulation 180.1(a)(1)–(3) makes it:

[U]nlawful . . . , directly or indirectly, in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, to intentionally or recklessly: (1) [u]se . . . or attempt to use . . . any manipulative device, scheme, or artifice to defraud; (2) [m]ake, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading; (3) [e]ngage, or attempt to engage, in any act, practice,

⁵ Section 1a(9) of the Act defines “commodity” to include listed agricultural products and “all other goods and articles, except onions . . . and motion picture box office receipts (or any index, measure, value, or data related to such receipts), and all services, rights, and interests (except motion picture box office receipts, or any index, measure, value or data related to such receipts) in which contracts for future delivery are presently or in the future dealt in.”

or course of business, which operates or would operate as a fraud or deceit upon any person.

To establish fraud or manipulation in violation of Section 6(c)(1) of the Act and Regulation 180.1(a)(1)–(3), the Commission must establish that Respondent: (1) attempted to engage or engaged in prohibited fraudulent or manipulative conduct (i.e., employed a manipulative device, scheme, or artifice to defraud; made a material misrepresentation, misleading statement or deceptive omission; or engaged in a business practice that would operate as a fraud); (2) with scienter; and (3) in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity. *CFTC v. McDonnell*, 332 F. Supp. 3d 641, 717 (E.D.N.Y. 2018); *In re McVean Trading*, CFTC No. 17–15, 2017 WL 2729956, at *10 (June 21, 2017) (consent order); *see also CFTC v. S. Tr. Metals, Inc.*, 894 F.3d 1313, 1325 (11th Cir. 2018).

Respondent violated Section 6(c)(1) of the Act and Regulation 180.1(a)(1)–(3), among other ways, by intentionally and recklessly engaging in fraud in connection with contracts of sale⁶ of VCCs, a commodity in interstate commerce.⁷ Respondent’s fraudulent conduct included, among other things, intentionally participating in the providing of falsified or misleading data regarding the use of, and energy saved by, the Cookstove Projects, and then intentionally causing the reporting of false or misleading information such as this data to the Carbon Credit Registry, VVBs, and others for the purpose of misrepresenting the quality of the Cookstove Projects and increasing the number of VCCs issued to the Carbon Project Developer for those projects under the relevant methodologies. The Carbon Project Developer could and did sell these deceptively obtained VCCs for revenue.

C. False, Misleading, or Inaccurate Reports Concerning Voluntary Carbon Credits, in Violation of Sections 9(a)(2) and 6(c)(1)(A) of the Act, and Regulation 180.1(a)(4)

Section 9(a)(2) of the Act, 7 U.S.C. § 13(a)(2), makes it unlawful for any person “knowingly to deliver or cause to be delivered for transmission through the mails or interstate commerce by telegraph, telephone, wireless, or other means of communication false or misleading or knowingly inaccurate reports concerning crop or market information or conditions that affect or tend to affect the price of any commodity in interstate commerce.”⁸

⁶ Section 1a(13) of the Act, 7 U.S.C. § 1a(13), defines “contract of sale” to include “sales, agreements of sale, and agreements to sell.”

⁷ The Act defines “in interstate commerce” broadly. 7 U.S.C. §§ 1a(30) (interstate commerce), 2(b) (transaction in interstate commerce).

⁸ *See, e.g., In re Coinbase Inc.*, CFTC No. 21-03, 2021 WL 1101461 (Mar. 19, 2021) (consent order) (holding that Coinbase violated Regulation 180.1(a)(4), when it provided transactional information to reporting services of the volume and level of liquidity of digital assets that was false, misleading, or inaccurate); *In re Glencore International AG, Glencore Ltd., and Chemoil Corporation*, CFTC No. 22-16, 2022 WL 1963727 (May 24, 2022) (consent order) (holding that Glencore violated Regulation 180.1(a)(4) (2021), when it caused bids, offers, and trades, as well as

Section 6(c)(1)(A) of the Act, 7 U.S.C. § 9(1)(A), and Regulation 180.1(a)(4), 17 C.F.R. § 180.1(a)(4) (2023), similarly prohibit intentionally or recklessly, directly or indirectly, making false or misleading reports of market information. Specifically, Regulation 180.1(a)(4) in relevant part makes it:

unlawful . . . directly or indirectly, in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, to intentionally or recklessly . . . (4) [d]eliver or cause to be delivered, or attempt to deliver or cause to be delivered, for transmission through the mails or interstate commerce, by any means of communication whatsoever, a false or misleading or inaccurate report concerning . . . market information or conditions that affect or tend to affect the price of any commodity in interstate commerce, knowing, or acting in reckless disregard of the fact that such report is false, misleading or inaccurate.

Respondent violated Sections 6(c)(1)(A) and 9(a)(2) of the Act and Regulation 180.1(a)(4) by knowingly, and intentionally or recklessly, directly or indirectly, delivering or causing to be delivered, for transmission through the mails or interstate commerce, false or misleading or inaccurate reports concerning the relevant projects' performance and compliance with the purported methodologies, validation processes, and verification processes relating to the quality and supply of the VCCs relating to those projects, to the Carbon Credit Registry, a registry that verifies and reports quantities and aspects of carbon credits to the public on its website; to VVBs; and to market participants. Such carbon credit market information is the type of market information that affects or tends to affect the price of VCCs, a commodity in interstate commerce. The Carbon Project Developer's reported data and other information, which the Carbon Credit Registry published, constituted false, misleading, or knowingly inaccurate reports because, among other things, they reflected false or misleading information designed to result in more VCCs being issued than the projects in fact warranted. Respondent knew that these reports contained false, misleading, or knowingly inaccurate information.

IV. FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Respondent violated Sections 6(c)(1), 6(c)(1)(A), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 13(a)(2), and Regulation 180.1(a)(1)-(4), 17 C.F.R. § 180.1(a)(1)-(4) (2023).

V. OFFER OF SETTLEMENT

Respondent has submitted the Offer in which he knowingly and voluntarily:

A. Consents to the resolution of this matter in an administrative proceeding;

information concerning market activity and views of supply and demand, that was false, misleading or inaccurate, to be provided to Platts, a price reporting agency).

- B.** Acknowledges service of this Order;
- C.** Admits to all of the findings made in this Order and acknowledges that his conduct violated the Act and Regulations;
- D.** Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- E.** Waives:
 - 1.** The filing and service of a complaint and notice of hearing;
 - 2.** A hearing;
 - 3.** All post-hearing procedures;
 - 4.** Any and all rights or defenses that Respondent has or might have for the matter to be adjudicated in a federal district court in the first instance, including but not limited to any associated right to a jury trial;
 - 5.** Judicial review by any court;
 - 6.** Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
 - 7.** Any and all claims that Respondent may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412, and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2023), relating to, or arising from, this proceeding;
 - 8.** Any and all claims that Respondent may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat. 847, 857-74 (codified as amended in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and
 - 9.** Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;
- F.** Agrees for purposes of the waiver of any and all rights under the Equal Access to Justice Act, specified in paragraph E.7 above, that Respondent is not the prevailing party in this action;

- G.** Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer;
- H.** Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
- 1.** Makes findings by the Commission that Respondent violated Sections 6(c)(1), 6(c)(1)(A), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 13(a)(2), and Regulation 180.1(a)(1)–(4), 17 C.F.R. § 180.1(a)(1)–(4) (2023);
 - 2.** Orders Respondent and his successors and assigns to cease and desist from violating Sections 6(c)(1), 6(c)(1)(A), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 13(a)(2), and Regulation 180.1(a)(1)–(4), 17 C.F.R. § 180.1(a)(1)–(4) (2023); and
 - 3.** Orders Respondent and his successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VI of this Order.

Upon consideration, the Commission has determined to accept the Offer.

VI. ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A.** Respondent and his successors and assigns shall cease and desist from violating Sections 6(c)(1), 6(c)(1)(A), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 13(a)(2), and Regulation 180.1(a)(1)–(4), 17 C.F.R. § 180.1(a)(1)–(4) (2023);
- B.** Respondent and his successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:

1. Public Statements

Respondent agrees that neither Respondent nor any of Respondent's successors and assigns, agents, or employees under Respondent's authority or control shall take any action or make any public statement on behalf of Respondent or any of Respondent's affiliates denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondent's: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondent and Respondent's successors and assigns shall comply with this agreement, and shall undertake all steps necessary to ensure that all of

his agents and/or employees under his authority or control understand and comply with this agreement.

2. Cooperation with the Commission

Respondent shall cooperate fully and expeditiously with the Commission, including the Division, in accordance with the terms set forth in the Cooperation Agreement, and with any other governmental agency in this action, in any investigation, civil litigation, or administrative proceeding related to the subject matter of this action, or any current or future Division investigation or Commission action related thereto. As part of such cooperation, Respondent agrees to:

- a.** preserve and produce to the Commission in a responsive and prompt manner, as requested by Division staff, all relevant, non-privileged documents, information, and other materials wherever located in the appropriate possession, custody, or control of Respondent;
- b.** utilize his knowledge and skill to explain transactions, interpret information and terminology, or identify new and productive lines of inquiry;
- c.** prepare for and appear for interviews and testimony at such times and places as requested by Division staff;
- d.** respond completely and truthfully to all inquiries and interviews, when requested to do so by Division staff;
- e.** identify and authenticate relevant documents, executing affidavits or declarations, and testify completely and truthfully at depositions, trial, and other judicial proceedings when requested to do so by Division staff;
- f.** enter into tolling agreements, when requested to do so by Division staff, during the period of cooperation;
- g.** waive any defense based on the statute of limitations applicable to any charges brought in connection with this action;
- h.** accept service by mail, electronic mail, or facsimile transmission of notices or subpoenas for documents and/or testimony;
- i.** appoint Respondent's attorney as identified in the Offer to receive service of such notices and subpoenas;

- j. waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules in connection with requests or subpoenas of Division staff; and
- k. serve by hand delivery or by next-day mail all written notices and correspondence required by or related to this agreement or the Cooperation Agreement to the Director of the Division of Enforcement, Commodity Futures Trading Commission, 1155 21st Street, NW, Three Lafayette Centre, Washington, DC 20581, with a copy by email to the Deputy Director of the Division of Enforcement, Eastern Regional Office, unless otherwise directed in writing by Division staff.

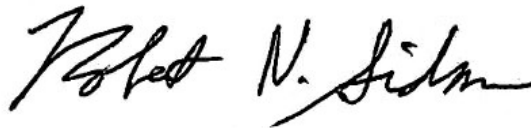
3. Change of Address/Phone

Until such time as Respondent satisfies in full the obligations set forth in this Order, Respondent shall provide written notice to the Commission by certified mail of any change to his telephone number and mailing address within ten calendar days of the change.

* * *

The provisions of this Order shall be effective as of this date.

By the Commission.



Robert N. Sidman
Deputy Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 30, 2024