

Public Statements & Remarks

Opening Statement of Acting Chairman Rostin Behnam before the Energy and Environmental Markets Advisory Committee

June 03, 2021

Good morning and welcome to the CFTC's Energy and Environmental Markets Advisory Committee (EEMAC or Committee) meeting. I want to thank Commissioner Berkovitz for his leadership, and extend a special thanks to Abigail Knauff who serves as the EEMAC's Secretary, and to Dena Wiggins who serves as the EEMAC's chairwoman. I also want to thank and acknowledge the EEMAC members and invited speakers, including our very own CFTC staff, who will participate on the panels today. And of course, a special thanks to the all the CFTC staff who help us bring these meetings together.

As you can imagine, I am pleased and excited that today's meeting will examine how derivatives markets can facilitate the transition to a low-carbon economy and will include an update on recent events in the energy markets. With panels dedicated to domestic and international cap-and-trade carbon markets, exchange-listed carbon derivatives, and an exploration of the underlying markets, I believe the EEMAC is taking a critical step at a time when anticipation and opportunity are building exponentially.

The financial markets, particularly the derivatives markets overseen by the CFTC, are used for hedging a myriad of risks in the traditional commodity as well as interest rate, foreign exchange, credit, and equity markets. They also serve as powerful information resources for hedgers and investors alike when it comes to price discovery, market transparency--and, perhaps most importantly for our purposes today-- facilitating the allocation of capital towards sustainable investments and to financial, agricultural, and industrial sectors as they manage the impact of physical risks and transition towards a lower carbon economy.

In as much as Commissioner Berkovitz and I have prioritized addressing the impact of climate change on the derivatives and larger financial markets, I would be remiss if I did not take this opportunity to note that this is not the first time the EEMAC examined the promise and transition to a low-carbon economy. And I do this not to suggest that there is anything repetitive about the today's agenda; rather I would like to take the opportunity to honor our past CFTC Commissioner Bart Chilton.

We lost Bart a little over two years ago, just as leaders across domestic and international regulators and financial institutions were building the momentum needed for the industry, public, and policymakers to recognize that the impact of climate change can no longer be compartmentalized as an environmental issue. Today's EEMAC could not come at a more appropriate time. We are at an inflection point in the climate discussion, and I am confident that today's meeting will further advance our understanding of the critical action needed to address climate risk.

Commissioner Chilton, Chaired the first meeting of the expanded EEMAC in May of 2009, which featured panelists from our own Division of Market Oversight providing "An Overview of Environmental Markets: CFTC & A Carbon-Constrained World."^[1]

Even before that, in 2008, Commissioner Chilton used his signature flair to deliver statements and speeches lauding efforts by legislators, markets, and market participants to address the increasingly critical need to incorporate climate related market risk into our financial markets and to protect our environment. He intrigued us with titles such as “The Start of Something Green,”[2] “It’s Not Easy Being Green ... Markets, in the US,”[3] “Banquet of Consequences,”[4] “‘Green CAT’ Markets; You Gotta Show Some Guts,”[5] and one that inspires me, “The Most Important Thing.”[6]

In June of 2008, Bart asked his New York City audience, “What is the most important thing you have never done?” To avoid a cliffhanger, and ever the statesman, Bart moved beyond his own life and thought about the U.S. and the world and concluded that, as a nation, we had failed to address climate change.

There is now a common understanding that climate change not only presents systemic risk, sub-systemic shocks, and wide-ranging ripple effects to the U.S. financial system and larger economy. It presents opportunities as we work to ensure decisive and cohesive leadership over the markets and institutions charged with monitoring and managing risk, capital, and asset allocation, especially as the physical risks of the sudden and extreme weather events associated with climate change have an increasingly profound impact on our most vulnerable communities. Bart would be so pleased that we have convened today, almost 13 years later to take the steps needed to replace the “never” with “ever.”

For my part, in support of the Commission and industry efforts, I have spent the last several years as sponsor of the Commission and industry efforts, I have spent the last several years as sponsor of the CFTC’s Market Risk Advisory Committee or “MRAC” within which is housed the Climate Related Financial Market Risk Subcommittee. Last September, the Subcommittee released the report *Managing Climate Risk in the U.S. Financial System* (<https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf>), [7] the first of-its-kind effort from a U.S. government entity. I followed its release with testimony (<https://www.cftc.gov/PressRoom/SpeechesTestimony/opabehnam16>) before the House Select Committee on the Climate Crisis[8] and presentations in other venues focused on climate-related market risk and incorporating sustainability resilience into our financial systems.

More recently, in March, I announced the establishment of the Climate Risk Unit or “CRU” within the CFTC.[9] The CRU will be comprised entirely of staff across our offices and divisions, and will focus on the role of the derivatives markets--and the CFTC as a market regulator--in understanding, pricing, and addressing climate-related risk. To the extent that new products and market developments must accurately, uniformly, transparently, and fairly factor climate-related risks into pricing and related market functions, the Commission needs to engage early in order to ensure coordination within the larger financial regulatory space--domestically and abroad--and to provide other support.

The CFTC’s unique mission focused on risk mitigation and price discovery puts us on the front lines as we will increasingly need to use our wide-ranging and flexible authorities to prepare for and address the impact of climate change, and more specifically, the transition to a low carbon economy.

In thinking about the future of the CRU as a resource for the Commission, and the current administration’s “all of government” approach, the goal is really to dedicate the resources we have—and that includes our advisory committees—towards raising risk management awareness and visibility within our markets and the broader economy so that we can identify where the holes are; where we need to be most vigilant in both our support and leadership as regulators.

At the heart of the EEMAC, the MRAC, the Climate Report, the CRU, all the remarks you will hear today, and the legacy of CFTC Commissioner Bart Chilton is the concept of partnerships. In speaking about climate change and financial markets and market structures, and what role policy makers should and could play.

As the remit of our new administration supports a firm commitment to full participation in the global effort, I am fully prepared for the CFTC to be an active player, partner, and leader. To that end, I want to end these remarks by again, thanking Commissioner Berkovitz, Abigail Knauff, Dena Wiggins, and the esteemed members and guests of the EEMAC. I look forward today’s discussion.

[1] CFTC, Energy and Environmental Markets Advisory Committee Meeting, May 13, 2009, <https://www.cftc.gov/PressRoom/Events/oeaevent051109> (<https://www.cftc.gov/PressRoom/Events/oeaevent051109>).

[2] (https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement060321#_ftnref2) Bart Chilton, CFTC, Statement of Commissioner Bart Chilton Regarding NYMEX Emissions Trading – The Start of Something Green (Mar. 17, 2008), <https://www.cftc.gov/PressRoom/SpeechesTestimony/barthymexstatement031708> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/barthymexstatement031708>).

[3] (https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement060321#_ftnref3) Bart Chilton, CFTC, It's Not Easy Being Green... Markets, in the US, Remarks of CFTC Commissioner Bart Chilton before the Carbon Roundtable, New York, New York (Apr. 10, 2008), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-9> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-9>).

[4] (https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement060321#_ftnref4) Bart Chilton, CFTC, Banquet of Consequences, Speech by Bart Chilton, Commissioner Commodity Futures Trading Commission before the Environmental Markets Association 12th Annual Fall Conference, Seattle, Washington (Nov. 19, 2008), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-17> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-17>).

[5] (https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement060321#_ftnref5) Bart Chilton, CFTC, "Green Cat" Markets: You Gotta Show Some Guts, Speech of CFTC Commissioner Bart Chilton before the Chicago Climate Exchange & Chicago Climate Futures Exchange, Sixth Annual Meeting, Chicago, Illinois (June 11, 2009), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-23> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-23>).

[6] (https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement060321#_ftnref6) Bart Chilton, CFTC, The Most Important Thing, Speech Commissioner Bart Chilton of the Commodity Futures Trading Commission before the Finance IQ, Second Carbon Trading Conference, New York, New York (June 25, 2008) <https://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-14> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/opachilton-14>).

[7] (https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement060321#_ftnref7) *Managing Climate Risk in the U.S. Financial System, Report to the CFTC's Market Risk Advisory Committee by the Climate-Related Market Risk Subcommittee* (Sept. 2020), <https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf> (<https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf>).

[8] (https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement060321#_ftnref8) Rostin Behnam, CFTC, Creating a Climate Resilient America: Strengthening the U.S. Financial System and Expanding Economic Opportunity, Testimony of Commissioner Rostin Behnam before the House Select Committee on the Climate Crisis (Oct. 1, 2020), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opabeenam16> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/opabeenam16>).

[9] (https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement060321#_ftnref9) Press Release Number 8368-21, CFTC, CFTC Acting Chairman Rostin Behnam Establishes New Climate Risk Unit (Mar. 17, 2021), <https://www.cftc.gov/PressRoom/PressReleases/8368-21> (<https://www.cftc.gov/PressRoom/PressReleases/8368-21>).

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