

# Release Number 8994-24

## CFTC Charges Former CEO of Carbon Credit Project Developer with Fraud Involving Voluntary Carbon Credits

In First CFTC Actions for Fraud in the Voluntary Carbon Credit Market, CFTC Also Files and Settles Charges Against Project Developer and Former COO

October 02, 2024

**WASHINGTON, D.C.** — The Commodity Futures Trading Commission today filed a complaint in the U.S. District Court for the Southern District of New York against **Kenneth Newcombe** of California, the former chief executive officer and majority shareholder of a Washington, D.C.-based carbon credit project developer, charging fraud and false, misleading, or inaccurate reports relating to voluntary carbon credits. The CFTC also issued orders filing and settling charges against Washington, D.C.-based **CQC Impact Investors LLC** (CQC) and against **Jason Steele**, CQC's former chief operating officer. These are the first CFTC actions for fraud in the voluntary carbon credit market.

“Last month, I highlighted the CFTC’s final guidance for designated contract markets that list derivatives on voluntary carbon credits as the underlying commodity as a critical step in support of the development of high-integrity voluntary carbon markets,” said Chairman Rostin Behnam. “Today’s actions show strong enforcement is another critical step in ensuring the integrity of these markets.”

“With the first enforcement actions charging fraud in connection with the issuances and sales of voluntary carbon credits, the CFTC demonstrates its commitment to vigorously fight fraud in its markets, whether long-established or new and evolving, such as the carbon credit markets,” said Director of Enforcement Ian McGinley. “Today’s action also exemplifies the value the Division of Enforcement and the CFTC place in substantial cooperation in the division’s investigations and appropriate remediation, as reflected here in a reduction in penalty for CQC.”

### **Newcombe Complaint**

The complaint against Newcombe alleges from at least 2019 to at least in or about Dec. 2023, Newcombe, while CEO and majority shareholder of a carbon credit project developer, engaged in a fraudulent scheme that involved reporting false and misleading information to at least one carbon credit registry and third-party reviewers, among others. The complaint alleges Newcombe did so in order to present a misleading impression of the quality of the project developer's emissions-reduction projects to obtain carbon credits far beyond what the company was entitled to receive, and which the carbon credit project developer could and did sell to others.

The CFTC seeks civil monetary penalties, disgorgement of ill-gotten gains, restitution, permanent trading and registrations bans, and a permanent injunction against further violations of the Commodity Exchange Act (CEA), as charged.

### **CQC Order**

The CQC order finds from in or after 2019 to at least Dec. 2023, CQC engaged in a deceptive scheme relating to projects it developed purportedly intended to reduce carbon emissions, such as by installing more efficient cookstoves or LED light bulbs in sub-Saharan Africa, Asia, and Central America. Based on information CQC reported to at least one carbon credit registry and third-party reviewers, among others, CQC sought and received issuances of carbon credits that CQC could and did sell to other participants in the voluntary carbon credit market. As found in the order, CQC fraudulently reported false, misleading, and inaccurate information in connection with the verification and issuance of carbon credits, which resulted in the issuances of millions more carbon offset credits than CQC was entitled to receive. According to the order, CQC's fraudulent conduct involved certain of the company's former executives, supervisors, and operations and compliance personnel.

The order requires CQC to pay a \$1 million civil monetary penalty, cease and desist from violating the applicable provisions of the CEA and CFTC regulations, and comply with certain conditions and undertakings, including the cancelation or retirement of voluntary carbon credits sufficient to address the violative conduct. CQC admitted the findings of the order and acknowledged that its conduct violated the CEA and CFTC regulations.

The order recognizes CQC's substantial cooperation with the Division of Enforcement and CQC's representations of its remediation, such as terminating, replacing or separating from individuals responsible for the violative conduct, and notes CQC's substantial cooperation and appropriate remediation is further reflected in the form of a reduced civil monetary penalty.

### **Jason Steele Order**

The Steele order finds, while COO of the project developer, he intentionally participated in the project developer's providing false and misleading information to at least one carbon credit registry and third-party reviewers, among others, 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. Steele admitted the findings of the order and acknowledged that his conduct violated the CEA and CFTC regulations.

The order recognizes Steele entered into a formal cooperation agreement with the Division of Enforcement.

### **Parallel Criminal and Civil Actions**

Today, in separate actions, the U.S. Attorney's Office for the Southern District of New York and the Securities and Exchange Commission announced filing parallel matters for related conduct.

The Division of Enforcement thanks and acknowledges the assistance of the U.S. Attorney's Office for the Southern District of New York, the Federal Bureau of Investigation, and the SEC.

The Division of Enforcement also thanks the Division's Environmental Fraud Task Force.

The Division of Enforcement staff members responsible for this case are Meredith Borner, Nicole Buseman, Jonathan G. Coppola, Trevor Kokal, Gates S. Hurand, R. Stephen Painter, Jr., Lenel Hickson, Jr., and Manal M. Sultan.

\* \* \* \* \*

Customers and other individuals can report suspicious activities or information, such as possible violations of commodity trading laws, to the Division of Enforcement via a toll-free hotline 866-FON-CFTC (866-366-2382), file a tip or complaint

(<http://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm>) online, or contact

the Whistleblower Office (<http://www.whistleblower.gov/>). Whistleblowers may be eligible to receive between 10 and 30 percent of the monetary sanctions collected paid from the CFTC Customer Protection Fund, which is financed through monetary sanctions paid to the CFTC by violators of the CEA.

The CFTC also notes its June 20, 2023 Whistleblower Office Alert

(<https://www.cftc.gov/PressRoom/PressReleases/8723-23>) seeking tips related to carbon market misconduct.

**-CFTC-**

---