April 30, 2026

Submitted electronically

Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Prediction Markets, RIN 3028-AF65

Dear Mr. Kirkpatrick:

Pursuant to the Advanced Notice of Proposed Rulemaking ("ANOPR") issued by the Commodity Futures Trading Commission ("Commission" or "CFTC") on March 12, 2026,[1] in the above-referenced proceeding, the American Gas Association ("AGA") respectfully submits these comments. AGA appreciates the opportunity to provide these comments and supports the Commission's efforts to ensure the CFTC-regulated markets function efficiently for the benefit of all market participants, including commercial end-users such as natural gas utilities. Natural gas utilities or local distribution companies ("LDCs") rely on derivative markets to hedge risk and energy stakeholders can use prediction markets to aid in forecasting demand. Commission rules and policies significantly impact innovation and the products that come to market that energy stakeholders use to manage financial risk. Accordingly, AGA supports efficient regulation that strikes a balance between fostering market innovation and protecting markets from negative unintended consequences.

I. IDENTITY AND INTERESTS

AGA, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 79 million residential, commercial and industrial natural gas customers in the U.S., of which 94 percent — more than 74 million customers — receive their gas from AGA members. AGA is an advocate for natural gas utility companies and their customers and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international natural gas companies, and industry associates. Today, natural gas meets one-third of the United States' energy needs.[2]

AGA member companies provide natural gas service to retail customers under rates, terms, and conditions that are regulated at the local level by a state commission or other regulatory authority with jurisdiction. AGA's member companies engage in financial risk management transactions in markets regulated by the Commission, such as the futures and derivatives markets. Many gas utilities use a variety of financial tools, such as futures contracts traded on CFTC-regulated exchanges and over-the counter energy derivatives, to hedge the commercial risks associated with providing natural gas service, including volatility in natural gas commodity prices.

[1] *Prediction Markets*, 91 Fed. Reg. 12516 (March 16, 2026).
[2] For more information, please visit www.aga.org.

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Therefore, AGA and its members have a direct and vital interest in CFTC rules and policies that impact energy derivatives markets.

II. BACKGROUND

The CFTC is the federal agency responsible for regulating energy derivatives markets. LDCs are end-users as contemplated by the legislative history of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").[3] LDCs use a variety of financial tools on CFTC-registered exchanges such as futures contracts, derivatives, and swaps traded to hedge financial risk. LDCs primarily trade such instruments to protect consumers from natural gas price volatility.

The Commission oversees prediction markets pursuant to the Commodity Exchange Act ("CEA") because contracts traded on prediction markets may fall within the definition of the term "swap" and the contracts may also be contracts for the future delivery of a commodity (futures contracts) that are covered by the CEA. While the term "event contract" is not defined in the CEA, the Commission has used this term since at least 2008,[4] and describes event contracts to be a type of derivative contract, typically with a binary payoff structure, based on the outcome of an underlying occurrence or event. It is a type of swap which is an option whose payoff is either a fixed amount or zero. The CEA defines a "swap" as "any agreement, contract, or transaction that provides for any purchase, sale, payment, or delivery … dependent on the occurrence, nonoccurrence, or the extent of the occurrence of an event or contingency associated with a potential financial, economic, or commercial consequence."[5] In short, an event contract is a type of swap or futures contract that is regulated by the CEA.

On March 12, 2026, the Commission issued the ANOPR to consider the scope of contracts that fall within its jurisdiction, specifically event contract derivatives traded on prediction markets. The Commission is seeking information and comments on statutory core principles and Commission regulations that apply to prediction markets, the types of event contracts that may be prohibited as contrary to the public interest, cost-benefit considerations related to prediction markets, and other topics. The ANOPR was published in the *Federal Register* on March 16, 2026, and established April 30, 2026 as the comment deadline.[6] Simultaneously, on March 12, 2026, the Commission issued a Staff Advisory addressing oversight of event contract listing and trading.

III. COMMENTS

AGA appreciates the opportunity to provide these comments in response to the ANOPR as the Commission evaluates its regulatory framework to further shape oversight of prediction market event contracts in light of the significant increase in the number of such contracts listed for trading in prediction markets. The Commission's ANOPR seeks comment on the types of event contracts that may be prohibited as against public interest and regulatory cost-benefit consideration, amongst other things. AGA offers several recommendations, herein, to ensure the Commission maintains efficient regulations that promote a balance between fostering market innovation and the need to regulate such markets. AGA recommends certain safeguards to ensure event contracts do not harm LDCs and their consumers and align with the CFTC's core mission to foster open, transparent, competitive sound markets while preventing fraud, manipulation, and abusive trading practices.

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[3] Public Law 111–203, 124 Stat. 1376 (2010).
[4] Concept Release on the Appropriate Regulatory Treatment of Event Contracts, 73 Fed. Reg. 25669 (May 7, 2008), "for ease of reference and to avoid classification issues, these financial agreements are referred to herein as event contracts." p. 25669.
[5] 7 U.S.C. § 1a(47)(A)(ii).
[6] *Id.*

A. The Unique Market Risks Associated with Event Contracts Call for Enhanced Oversight.

The CFTC has established core principles for Designated Contract Markets ("DCMs") and swaps to ensure market integrity, prevent manipulation, protect customers' funds, and maintain system safeguards, as mandated by the Dodd-Frank Act.[7] In the ANOPR, the Commission references Core Principle 4 and asks if prediction markets pose any challenges to prevent market manipulation, price distortions, amongst other things. Core Principle 4 states that a DCM "shall have the capacity and responsibility to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlements process through market surveillance, compliance, and enforcement practices and procedures."[8] Without proper oversight and regulations, trading event contracts in prediction markets pose challenges, *e.g.*, market manipulation and the distortion of commodity prices, in this case energy and natural gas prices.

The ANOPR notes that there are financial risks where event outcomes are controlled by a small set of individuals.[9] In the energy sector, for example, natural gas pipeline operators, electric transmission operators, and policymakers are routinely privy to nonpublic information concerning new energy infrastructure projects, power outages, natural gas flows, storage levels, and scheduled maintenance of facilities. Trading event contracts on prediction markets by these informed individuals that have insight into how likely an event is to occur could lead to market manipulation, unfairness, and the misuse of nonpublic information. This is because these individuals have control over the outcome and have the ability to make that action happen. Therefore, insider information risk must be considered in the types of event contracts allowable for trading in prediction markets, or if surveillance is strong enough to prevent market price manipulation. The Commission should continue to prohibit the misuse of nonpublic information and for prediction markets to have clear prohibitions against the trading on material nonpublic information consistent with the Commission's core principles to maintain market integrity.

The ANOPR states that event contracts are now commonly based on economic indicators, weather events, political events, international events, scientific and cultural events, current events, and sporting events.[10] Notably, trading of weather-driven event contracts and political events, among others, directly affects the natural gas markets and energy demand, making these contracts effectively proxies for commodity exposure. For example, weather-related event contracts may serve legitimate forecasting and hedging functions, but where settlement is tied to narrow, localized, or operationally sensitive events, such contracts may create incentives to trade on nonpublic information or to influence related physical and derivatives markets. To maintain market integrity, the CFTC should continue to prohibit trading on the basis of material nonpublic information,[11] this would include trading by those that are, for example, aware of operational issues including transmission outages and pipeline disruptions, *etc*.

B. Tradable Contracts Pertaining to Regulatory and Policy Events Are Contrary to the Public Interest and Should Be Prohibited.

CEA § 5c(c)(5)(C) grants the Commission the authority to prohibit CFTC-registered entities from listing for trading or making available for clearing particular types of event contracts, if the Commission determines that such contracts are contrary to the public interest. The Commission may determine that such event contracts are

[7] 7 U.S.C. § 7.
[8] ANOPR at 12519.
[9] *Id* at 12522.
[10] *Id* at 12517.
[11] CEA § 6(c)(1) and CFTC Regulation 180.1.

contrary to the public interest if the contract involves: (i) activity that is unlawful under any Federal of State law; (ii) terrorism; (iii) assassination; (iv) war; (v) gaming or (vi) other similar activity determined by the Commission, by rule or regulation, to be contrary to the public interest.[12] AGA urges the Commission to restrict CFTC-registered entities from listing event contracts related to regulatory and policy events because such event contracts are contrary to the public interest.

Event contracts specifically related to the outcome of administrative decisions are contrary to the public interest. For instance, if an event contract exists on the outcome of a major anticipated decision by a federal or state agency, it could create an incentive for those with insider information to act on or leak information related to the event for financial gain. Furthermore, individuals with a position in the prediction market may even try to manipulate the regulatory process and go as far as to advocate for or against a regulatory outcome for reasons unrelated to the project itself but as a way to buttress their trading position. Such a prohibition would include event contracts on whether a project will receive (or not receive) required approvals from, among others, the Federal Energy Regulatory Commission, the Department of Energy, the Environmental Protection Agency, the Army Corps, and state regulatory entities for infrastructure projects.[13] Such event contracts could destabilize the permitting process and add volatility to and disrupt the energy and financial markets, inflicting high costs on LDCs and their customers. These types of event contracts would undermine the integrity of the regulatory process and, as a general rule, federal and state agencies should avoid even the appearance of impropriety. For these reasons, AGA opposes event contracts that are based on regulatory or policy outcomes and requests that the Commission determine these types of contracts contrary to the public interest and prohibit their trading in prediction markets.

C. Tradable Contracts Pertaining to National Security and Critical Infrastructure Events Are Contrary to the Public Interest and Should be Prohibited.

As mentioned above, CEA §5c(c)(5)(C) lists terrorism as one of the six activities for which the Commission may determine an event contract is contrary to the public interest and has the authority to ban such contracts from being tradable in prediction markets. As such, AGA recommends that the Commission consider event contracts threatening the national security and critical energy infrastructure contrary to the public interest and prohibit them from being tradable in prediction markets.

An act of terrorism targeting critical energy infrastructure could disrupt service for millions of energy consumers. In recent years, the energy sector has seen an uptick in physical and cyber threats to energy infrastructure. This includes physical threats such as attempts to interfere with the operation of valves and plots to bomb pipeline infrastructure.[14] In addition to the physical threats, energy infrastructure has been the target of cyber threats as well. For example, in May 2021, Colonial Pipeline Company – the largest refined oil products pipeline in the United States – shut down its pipeline system in response to a ransomware attack that was later described as the largest cyberattack on an oil pipeline in U.S. history. The cyberattack created widespread disruptions of U.S. fuel supplies along the East coast. Moreover, malicious actors have misused available

[12] 7 U.S. Code § 7a-2.
[13] Additionally, many of these regulatory decisions are subject to judicial review and as such it be also inappropriate to have event contracts related to judicial decisions.
[14] *See* The Rise of the Climate Anti Hero, New York Magazine (Nov. 4, 2024) available at https://nymag.com/intelligencer/article/climate-change-activists-protests-art-antiheroes.html (last visited April 30, 2026) and *United States v. Ryan Blake McKinney*, Case No. 1:22-mj-086-SH (Jan. 27, 2023) available at https://storage.courtlistener.com/recap/gov.uscourts.txwd.1160788/gov.uscourts.txwd.1160788.1.0.pdf (last visited April 30, 2026).

operations information and available maps to plan and facilitate actions that disrupt the operation of energy pipeline infrastructure. Due to these physical and cyber threats in recent years, it is possible that terrorism-related event contracts could come to market.

The Commission should not allow individuals to use the prediction markets to benefit from the failure of a specific pipeline and profit from disruption and should classify it as contrary to the public interest under CEA § 5c(c)(5)(C). AGA recommends the Commission include any event contracts concerning the planning, timing, and operations of critical energy infrastructure or critical energy infrastructure information under this classification and prohibit such event contracts from being traded in prediction markets. Prohibiting trading of such event contracts would aid in protecting against physical and cyber-attacks.

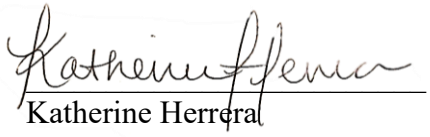
IV. CONCLUSION

The American Gas Association respectfully requests that the Commission consider these comments in this proceeding as it considers its regulatory framework over prediction markets.

Respectfully submitted,



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