

Pulse Check: Carbon Markets and CCUS

Video

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Anna Karakitsos, a senior government affairs advisor in Bracewell's Policy Resolution Group, discusses the future of carbon credits and carbon capture utilization and sequestration under a new Trump administration.

Transcript:

Voluntary carbon markets, or VCMs, are platforms where individuals, companies and organizations can buy carbon credits to offset their greenhouse gas emissions. Unlike compliance markets, which are regulated by government policies, VCMs allow companies to take voluntary proactive steps toward climate action even when they're not legally required to. They also support a wide range of environmental projects that may not otherwise receive funding, and they play a role in bridging the gap in global emissions' reduction efforts while regulatory frameworks develop.

Because they're a newly evolving system, voluntary carbon markets do face some challenges. There is a determined need for robust standards to ensure high-quality credits that avoid the potential of double counting, and to ensure the credits represent genuine carbon reduction. While the current administration has made an effort to build confidence in the viability of voluntary carbon markets, we suddenly find ourselves facing an incoming president with a drastically different opinion.

So to look into the future, we look to the past.

Donald Trump has long been skeptical of climate action and he views many climate initiatives as unnecessary regulations that stymie economic growth. We expect to see him cut federal subsidies for green initiatives like VCM-related clean energy and emission reduction projects, and redirect those funds toward

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infrastructure like roads and bridges rather than climate programs. This will slow the expansion and credibility of VCMs in the US by limiting funding for high-quality carbon projects and weakening verification standards. And that impacts the supply of credits, particularly those from emerging technologies, which makes it more challenging for companies to meet their carbon-neutral commitments.

So, in what scenario could President Trump support VCMs? If it gives us a leg up against China. And VCMs do present an opportunity for the United States to strengthen our competitive stance against China, not just in environmental leadership and clean technology innovation, but also market-influencing global sustainability standards. We could also influence global trade practices by leveraging them in international trade negotiations and integrate carbon-related trade mechanisms or standards with major trade partners like the EU, who are also tightening their carbon standards.

But the question remains, can Donald Trump be swayed to support VCMs as a way to strengthen our competitive stance in the international trade world? Like so many things about him, that remains to be seen.