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Carbon Markets Update – Q1 2023

Client Alert | April 4, 2023

Over the last few years, market conditions have changed so dramatically that today, no matter its products or services, every company is also in the environmental business. Prompted by the real-world impacts of climate change, many consumers now demand environmental action from corporations and prefer to buy products marketed as environmentally friendly. Many companies therefore market their products as “net-zero” or “carbon neutral”—and make pledges to be, as a business, “net-zero” by a certain date. In support of these pledges, companies often buy carbon credits from voluntary carbon markets to offset or mitigate their carbon emissions voluntarily.

Voluntary carbon markets present opportunity, but also create financial, regulatory, and litigation risks. Because the voluntary markets are often fragmented, suffer from a lack of transparency and, above all, are not subject to any statutory common standards, there is a lack of trust in the credits issued under these system, which also limits the tradability of the credits.

This quarterly newsletter aggregates the knowledge and experience of Gibson Dunn attorneys around the globe as we help our clients across all sectors navigate the ever-changing landscape of voluntary carbon markets.

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This Q1 2023 edition of the newsletter explores the question companies must ask when they buy credits on the voluntary carbon market: *can we trust that we are getting what we paid for?* A recent survey of more than 500 corporate sustainability officers around the world found that 40% of participants did not use carbon offsets because they did trust them, while many companies that do buy carbon credits seek trustworthy credits by only buying from government or certified providers, working with rating agencies, or engaging in their own due diligence.

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Gibson Dunn’s lawyers are available to assist in addressing any questions you may have regarding these developments. To learn more about these issues, please contact the Gibson Dunn lawyer with whom you usually work, any member of the firm’s Environmental, Social and Governance (ESG), Environmental Litigation and Mass Tort, Global Financial Regulatory, or Energy practice groups, or the following authors:

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