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Carbon Markets Update – Q3 2023

Client Alert | October 24, 2023

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.

Worldwide Carbon Markets Continue to Grow

In May, the World Bank published its 2023 State and Trends of Carbon Pricing. Almost a quarter of the world's emissions are now covered by carbon credits, up from just 7% a decade ago. The voluntary market remains the primary driver behind carbon credit market activity.

But regulatory mechanisms are becoming increasingly common, with several nations implementing new carbon regulations this year and many more teeing up for future rollouts. While the United States federal government has recently favored funding green supply chains, the European Union and the rest of the world are increasingly adopting carbon trading schemes and carbon taxes.

The World Bank noted that carbon offset prices and issuances fell relative to the prior year. Some of this is likely due to concerns and criticisms about carbon offsets, tougher economic conditions, and supply bottlenecks. Additionally, standardizing contracts within the marketplace appears to be increasing liquidity and putting downward pressure on carbon trading. Among regulatory carbon markets, prices for the EU emissions trading system ("ETS") fell mid-year before bouncing back, for example, while both New Zealand's and Korea's ETS prices remain low. Within the voluntary carbon market, buyers tended to prefer newer vintages over old ones and renewable energy projects over nature-based credits. Prices for credits are expected to rise once again.

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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, Energy, or Tax practice groups, or the following authors:

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