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The Navigator

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Letter from the editor

2025 was an unprecedented year for carbon management, climate, and energy policy. At this time last year, I was still responsible for leading the US Department of Energy's CDR portfolio. The US was primed to invest tens of billions of dollars into CDR, industrial and power decarbonization, and clean manufacturing, through projects anchored in community benefits and environmental justice. When I transitioned from that role a short while later, policy reversals and the partial rescission of federal climate funding were already underway. Yet developments in DC did not reflect the broader policy innovation and acceleration that defined 2025.

When I (re)joined Carbon Direct in April 2025, businesses and investors around the world were already anticipating and shaping transformative developments in climate and energy policy. Across geographies and jurisdictions, private-sector momentum reached critical tipping points, underscoring a central lesson of the year: policy is not monolithic, but evolves through dynamic, often unexpected interactions with the private sector over the long term. Even as I prepare to send this issue to our design team, policy continues to surprise: President Trump announced that [the US will withdraw](#) from the IPCC and UNFCCC, alongside dozens of other international bodies.

To date, *The Navigator* has given our experts the opportunity to zoom out and analyze the greatest scientific and market developments in the climate sector, alongside our look at the latest policy news. In this January 2026 issue, I had the privilege of serving as guest editor to assemble a compendium of analyses solely focused on policy—spanning state, federal, and international developments.

In these pages, you'll find state-level policymakers who both grappled with new energy challenges and continued to push familiar frameworks to reduce emissions and drive economic development. Legislatures across the US saw a nearly tenfold increase in proposed bills intended to address a myriad of economic, equity, and environmental concerns introduced by the proliferation of data centers and other large electrical loads ([page 7](#)). State agencies and legislatures also made meaningful progress in attaining permitting primacy for geological carbon storage and CO₂ pipelines ([page 10](#)). At the federal level, the OBBA has significantly diminished and complicated the tax credit landscape ([page 15](#)), proposed rulemakings signaled rollbacks of emissions regulations across sectors ([page 13](#)), and executive orders elevated AI, coal, critical minerals, and nuclear as administrative priorities ([page 12](#)).

→ continue





At the global scale, 2025 saw strong developments in carbon market implementation and enhancement. African nations strengthened their national carbon market frameworks, advanced more ambitious NDCs, and launched robust frameworks for Article 6 transfers ([page 19](#)). Across Asia, governments built on more mature compliance markets by covering new sectors, tightening caps, and clarifying the role of Article 6 credits ([page 20](#)). In the Americas, COP30 elevated nature-based solutions and interoperability in compliance markets, while carbon tax reform proved to be a winning political strategy ([page 21](#)). In Europe, the EU approved a 2040 emissions target and opened the door for the use of international carbon credits, while the EU and UK advanced government-backed standards for CDR credits at differing speeds ([page 22](#)). Australia assumed the role of COP31 President of Negotiations and published a 2035 NDC, supported by a portfolio of strategies and implementation roadmaps ([page 23](#)). Meanwhile, international organizations for aviation and maritime shipping experienced distinct political and implementation challenges, even as the UNFCCC Article 6.4 Supervisory Body successfully adopted a standard for addressing non-permanence and reversal risk ([page 18](#)).

As we kick off 2026, our team will continue to monitor all of these policy dynamics and developments, but we also have our own predictions and expectations for what the private sector can expect from policymakers. States will continue to drive decarbonization through utility regulation, permitting reform, and market-based policies ([page 25](#)). Federally, legal guidance on OBBB tax credit modifications will relieve financing uncertainties, FERC will increasingly serve as a regulatory backstop as large load electricity consumption increases, and federal funding recipients should have greater clarity on the status of their awards ([page 26](#)). Internationally, we expect additional Article 6.4 methodologies will be approved, CORSIA will need to demonstrate its efficacy and functionality to retain key members, and the EU's CBAM will set an important precedent for the eligibility of carbon credits in non-EU compliance markets ([page 27](#)).

Thank you for reading this special issue of *The Navigator*. Our objective remains to share accurate and timely analysis as policy continues to evolve. We hope these quarterly publications can serve as a practical resource to inform investment, project development, and market activity. As always, please don't hesitate to reach out to Carbon Direct if there is anything more we can do to help you navigate the most important developments ahead.

Rory Jacobson

Editor and Head of Policy

Acronyms and abbreviations

BECCS: bioenergy with carbon capture and storage
CBAM: Carbon Border Adjustment Mechanism
CCUS: carbon capture, utilization, and storage
CDR: carbon dioxide removal
CLCPA: Climate Leadership and Community Protection Act (New York)
CO₂: carbon dioxide
COP: Conference of the Parties
CORSIA: Carbon Offsetting and Reduction Scheme for International Aviation
CRCF: Carbon Removals and Carbon Farming (European Union)
DAC: direct air capture
DACCS: direct air capture with carbon capture and storage
DC: District of Columbia
DOE: Department of Energy (United States)
EO: Executive Order
EPA: Environmental Protection Agency (United States)
ERCOT: Electric Reliability Council of Texas
ETS: emissions trading scheme
EU: European Union
EV: electric vehicle
FEOC: foreign entity of concern
FERC: Federal Energy Regulatory Commission (United States)
GHG: greenhouse gas
GHGRP: Greenhouse Gas Reporting Program (United States)

GX-ETS: Green Transformation Emissions Trading Scheme (Japan)
HFC: hydrofluorocarbon
IMO: International Maritime Organization
IRA: Inflation Reduction Act
IRS: Internal Revenue Service
ITC: Investment Tax Credit
ITMO: Internationally Transferred Mitigation Outcome
K-ETS: Korea Emissions Trading Scheme
LDCE: Louisiana Department of Conservation and Energy
MW: megawatts
NDC: nationally determined contribution
OBBB: One Big Beautiful Bill Act
PACM: Paris Agreement Crediting Mechanism
PROMARNAT: Sectoral Program for Environment and Natural Resources (Mexico)
SAF: sustainable aviation fuel
SBCE: Brazilian Emissions Trading System (Sistema Brasileiro de Comércio de Emissões)
SEMARNAT: Ministry of Environment and Natural Resources (Mexico)
SGF: sectoral growth factor
UIC: Underground Injection Control
UK: United Kingdom
UNFCCC: United Nations Framework Convention on Climate Change
US: United States
VCM: voluntary carbon market

Credits

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Given the highly collaborative nature of Carbon Direct, many people contributed insights to this report beyond the list below. The following team members contributed substantially to developing this report.

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State policy roundup

State legislatures are the new data center battleground

Rory Jacobson

Thad Woody

BOTTOM LINE: Data center siting, zoning, and resource management policy is likely to remain under the control of state and local governments. Data center developers and hyperscalers should continue to follow developments at the state and utility commission levels for decisions on cost allocation, environmental compliance, transparency and data disclosure, and generation mix. As state-commissioned studies evaluate the impacts of data center operations and associated tax incentives, data center developers, operators, and investors should focus on the durability of tax incentives, prepare for disclosure mandates, and monitor the attitudes of communities near potential host sites.

Many key decisions on rates, demand-response, and interconnection now rest with public utility commissions as they review rate cases and distribution network upgrades. Data center proponents and community-based organizations alike should actively engage with utility commissions and local zoning boards. National organizations, regulators, and utilities should engage with the Federal Energy Regulatory Commission (FERC) [as it begins work on national regulations](#) for interconnection and demand response.

Although the federal government has recently, in many instances, taken an [unabashedly pro-AI and data center stance](#), [state legislatures](#) and regulatory commissions have responded in more complex and cautious ways. Across the US, state legislatures saw rapid growth in bills, both introduced and passed, that address data centers and other large electrical loads.

In 2025 alone, electricity demand for data centers in the US was expected to increase by [approximately 20%](#). By 2024, data centers already comprised 4% of US electricity consumption, and some estimates project this demand to [more than double by 2030](#). Accordingly, state legislators now face pressure from their constituents to address rising electricity costs from new power demand and interconnection infrastructure. The impacts of data centers expand beyond electricity: water use, labor, economic development, and other environmental impacts are

all burgeoning concerns for policymakers and civil society. Nearly 200 bills addressing or assessing concerns regarding large loads and data centers were introduced at the state level in 2025—a multifold increase from the 2024 legislative session.

Legislatures across the US introduced a record number of bills reflecting diverse regional priorities, interests, and responses to the surging role of AI and digital infrastructure. The objectives of legislation are not homogeneous: they reflect regional concerns related to data centers and aim to alleviate [opposition from local communities](#). Some introduced legislation simply establishes policy to [study the impacts](#) of data centers on the grid, local economies, and the environment (e.g., [NJ A5446](#), [ND H 1579](#), [LA SR 195](#), [IN H1001](#)). However, many of these laws also incorporate disclosure processes, directing data center developers and

operators to share details on resource consumption and economic activity with state authorities and, in some instances, the public.

State legislators are also targeting [grid reliability](#). In June 2025, Texas passed [SB 6](#), directing the Public Utility Commission of Texas to develop regulations that require large loads (>75 MW) to maintain on-site generation capable of meeting 50% of a facility's load. Additionally, the law grants ERCOT the authority to mandate curtailment capabilities for noncritical large loads during intentional blackouts.¹ Ultimately, legislation passed across the US during the 2025 state legislative sessions reflects a diverse set of priorities: managing local opposition, ensuring grid stability, balancing economic development, and addressing environmental and resource concerns.

¹ Intentional blackouts, or “firm load shed events,” are events that grid operators trigger when demand exceeds supply to prevent widespread grid failure, temporarily reducing or disconnecting noncritical loads to stabilize the system.

STATE POLICY ROUNDUP

Permitting progress for CO₂ storage and pipelines

Rory Jacobson

BOTTOM LINE: The trajectory of state-level policy for carbon management infrastructure remains complex. However, a few distinct state-level legislative and regulatory advancements in 2025 give project developers and investors a clearer picture of which jurisdictions offer the most expeditious and transparent permitting regulations. Developers should consider not only whether a state has primacy over permitting processes and determinations, but also the capacity of implementing agencies to manage a surge of applications, especially as demand on these authorities intensifies.

Carbon management infrastructure—including CO₂ transportation and storage wells—has seen significant progress in permitting processes and regulatory clarity at the state level. Specifically, EPA approval of state primacy applications for Class VI Underground Injection Control (UIC) permitting rapidly accelerated in 2025, and state CO₂ transport laws opened new geographies for project developers. While all states have managed budget constraints, regulatory advances in Arizona, California, Louisiana, and West Virginia, expanded opportunities for project developers.

States granted primacy before 2025

Louisiana, North Dakota, Wyoming

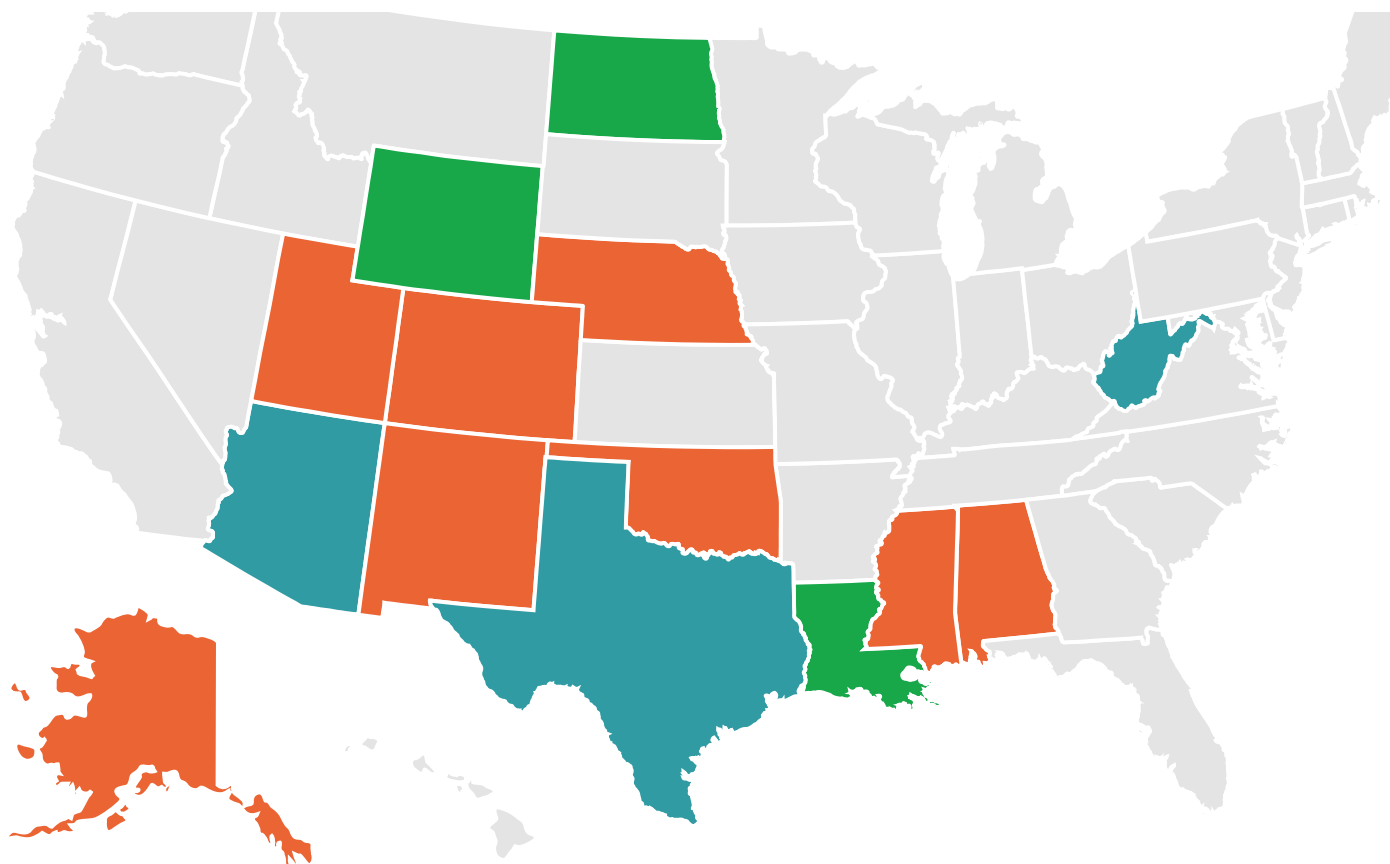
States granted primacy in 2025

Arizona, Texas, West Virginia

States currently pursuing primacy

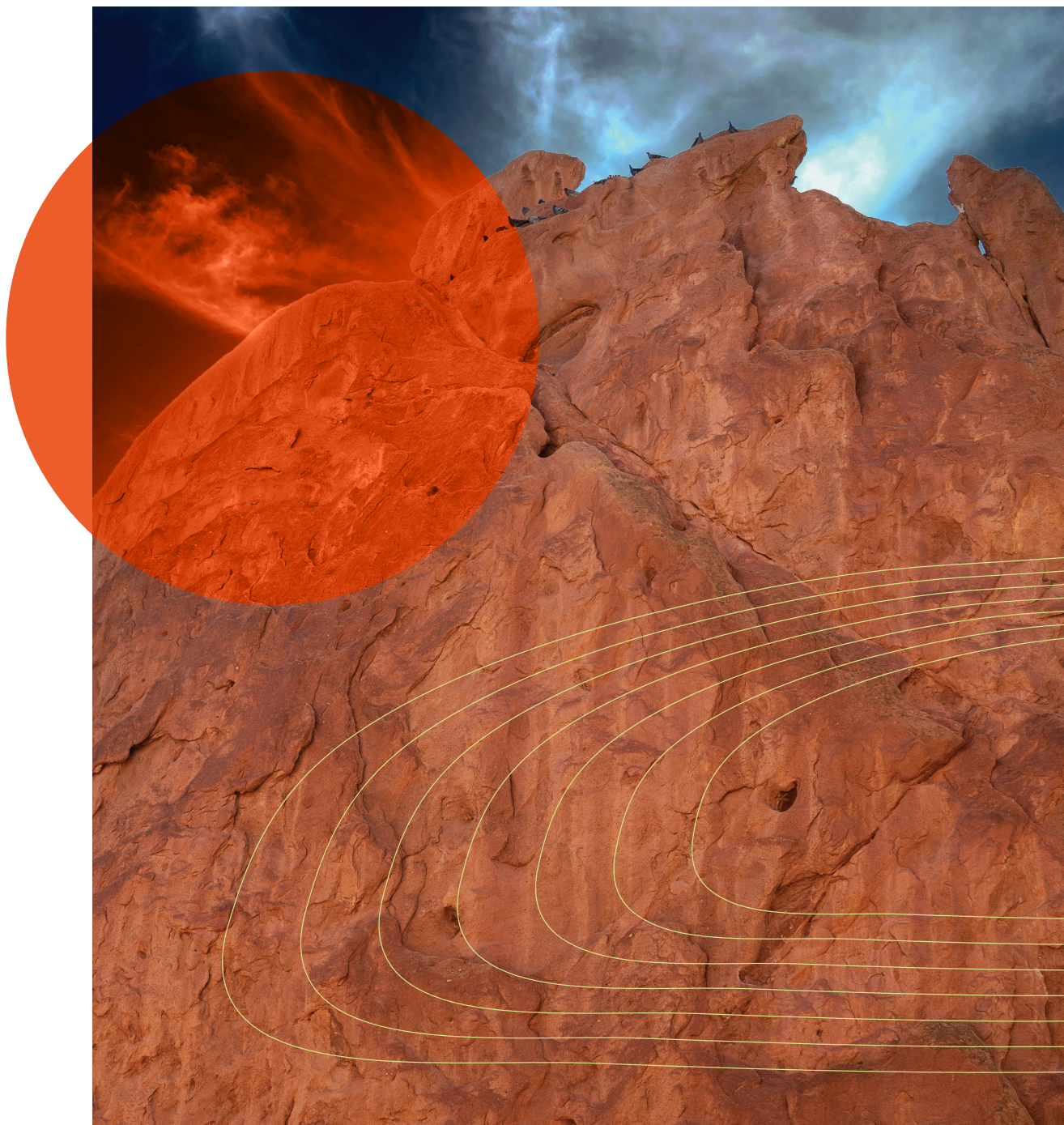
Alabama, Alaska, Colorado, Mississippi, Nebraska, New Mexico, Oklahoma, Utah

STATES WITH CLASS VI WELL PRIMACY



The EPA Water Office made unprecedented progress [awarding funds to support state and tribal governments](#) to develop Class VI UIC primacy. This funding, combined with timely EPA review, drove a rapid increase in [state Class VI primacy applications and approvals](#), giving states primary authority to manage and review Class VI permit applications. In 2025, the EPA approved applications from Arizona, Texas, and West Virginia, doubling the number of states authorized to oversee this crucial permitting process. By reducing the EPA's administrative burden, state agencies may be able to review more Class VI UIC permits without compromising environmental safeguards and public input.

However, despite initial enthusiasm, Class VI primacy has not been universally embraced by all states. In October 2025, Louisiana Governor Landry [issued an executive order](#) directing the Louisiana Department of Conservation and Energy (LDCE) to pause the review of Class VI primacy applications. Specifically, the executive order directs the LDCE to assess the economic benefits, safety implications, and community engagement aspects of the permitting process. In contrast, California advanced [SB 614](#), which ends a multiyear moratorium on CO₂ pipelines, incorporating them into the Elder California Pipeline Safety Act of 1981 and requiring compliance with the updated federal safety regulations from the US Department of Transportation's Pipeline and Hazardous Materials Safety Administration.



US federal CDR policy falters, and states suck it up

Thad Woody

BOTTOM LINE: As the DOE cancels funding for CDR research, development, and demonstration, state governments play an increasingly vital role in scaling CDR. State policy advocates should build on the strong legislative support that proposed CDR bills have received in previous years, reintroduce bills in 2026, and develop extensive education efforts with state agencies and governors' offices. Coastal states led the early wave of CDR legislation; however, policy advocates can draw on successful local and regional campaigns in other areas of the country and expand outreach.

In 2025, state legislation supporting CDR research, development, and deployment declined in both volume and scope compared to previous years. While many state climate action plans and roadmaps still incorporate CDR, legislation to explicitly fund the development and deployment of CDR pathways has slowed. In previous legislative sessions, [New York State legislators introduced a bill](#) to authorize and establish a state-run CDR purchasing program. California considered similar legislation but [ultimately vetoed the bill](#).

Governor Newsom's veto of [SB 643](#) was a surprise to many tracking this bill. Despite support in both the California Senate and the Assembly, he rejected it, citing concerns the bill duplicated existing innovation funding for CDR and was not accounted for in the state's budget. Had this bill been enacted into law, it would have set progressive targets for CDR as part of the state's net-zero commitments and authorized a US\$50 million annual fund to procure durable CDR through competitive California Air Resources Board grants. At the same time, Gov. Newsom signed [SB 614](#), a bill supporting new CO₂ pipelines in the state.

[SB 905](#), signed into law in 2022, remains California's cornerstone policy on CDR. More recently, [SB 1207](#) acts as the primary driver for CDR project deployment, offering opportunities to establish new offset methodologies within the state's cap-and-invest program. SB 1207 mirrors the cap-and-invest framework that New York State Governor Hochul introduced in 2023, and authorized through New York's [Climate Leadership and Community Protection Act](#) (CLCPA).

New York's CLCPA demonstrates some of the challenges of cap-and-invest policies at the state level. The CLCPA demonstrated that drafting and publishing offset protocols for compliance markets is slow and difficult, especially when crediting innovative CDR pathways. Additionally, revolving funds from GHG emissions taxes often straddle multiple technologies and lack clear investment priorities. As a result, CDR pathways are often forced to compete against more commercially mature or cheaper mitigation approaches. State legislators and policymakers should continue to propose and advocate for policies that specifically and explicitly support CDR developers.

While proposed funding for CDR projects at the state level may have declined in 2025, many states are still actively studying opportunities for CDR deployment within their states. Similar to California's [Getting to Neutral](#) report, many states like Massachusetts and Colorado are mapping cost-effective and resource-efficient technologies and pathways to optimize social welfare and climate impacts. Although legislators passed fewer bills to fund emerging CDR technologies, this may change in 2026 as [federal funding cuts to major engineering and infrastructure efforts](#) could push states to play a larger role in supporting CDR deployment.



US federal policy roundup

Short orders for coal, nuclear, and data centers

Rory Jacobson

BOTTOM LINE: Although the pace of new EOs has slowed, it's clear that the Trump Administration is utilizing EOs to provide preferential treatment for coal, oil, and gas market participants. Enforcement of these EOs has been limited. White House and agency staff have also failed to meet deadlines. States should proactively develop legal defense strategies for their key climate policies, as the administration may seek to prevent enforcement of these state-level laws. Industry leaders and investors will need to monitor EO implementation to evaluate the potential risks to or benefits for the specific energy projects and technologies these EOs target.

During the first few months of the second Trump Administration, the US experienced an influx of executive orders (EOs), unprecedented since the Carter administration (1977–1981). Many of these EOs have sought to reprioritize the country's energy policy framework by shifting support away from renewable energy technologies toward fossil energy technologies and critical minerals. In 2025, the White House rolled back environmental and public health regulations, enhanced domestic extraction and processing capacity, bolstered AI competitiveness, and revitalized coal consumption and exports.

There are a few key trends in 2025 that define the administration's energy and administrative policy approach:

- [Terminating or rescinding diversity, equity, and inclusion and environmental justice-related policies](#) (January 20, 2025)
- [Limiting states' rights to develop emissions-based policies to drive the deployment of clean energy technologies](#) (April 8, 2025)
- [Emphasizing US fossil energy extraction and production](#) (April 9, 2025)

- [Reinventing the US's role in critical mineral and rare earth element extraction and processing](#) (April 24, 2025)
- Prioritizing nuclear energy [development](#), [testing](#), [deployment](#), and [regulation](#) (May 23, 2025)
- [Streamlining and expediting data center development](#) (July 23, 2025)

The chronological sequence of President Trump's EOs provides insight into the administration's long-term priorities. Early in his second term, President Trump prioritized "energy dominance," a term clarified in subsequent EOs and OBBB directives. This policy framework prioritizes domestic fossil energy production by limiting federal regulatory authority and opening new geographies for extraction. The newly established [National Energy Dominance Council](#) is intended to coordinate federal policy across key White House and Cabinet leadership. This is consistent with the direction and objective of [Unleashing American Energy](#), which intends to reduce regulatory barriers to extracting rare earth elements, critical minerals, and domestic fossil fuel production.

Counterintuitively, these EOs seek to increase rare earth element and critical mineral production while simultaneously eliminating EV mandates and repealing state EV incentives, which are key domestic markets for these resources.

Finally, the Trump Administration has targeted any climate policies at both federal and state levels that could limit fossil fuel production. Specifically, [one EO](#) directs the US Attorney General to evaluate pathways to take legal action against states prioritizing clean energy policies. [Another EO](#) attempts to "reinvigorate" America's coal industry by designating coal as a "mineral," entitling it to additional benefits like primacy rights over surface rights and prioritizing extraction on federal lands.

Together, these EOs signal a clear pivot toward maximizing domestic fossil fuel production and mineral extraction while rolling back climate, environmental justice, and clean energy policies. The administration's approach prioritizes short-term energy and industrial objectives, often at odds with the very markets, like EVs, that could sustain domestic demand for critical minerals.

Deregulation derby

Rory Jacobson

Thad Woody

BOTTOM LINE: You cannot manage what you do not measure; when information disappears, businesses and markets are left flying blind. This appears to be the approach the Trump administration has embraced in the context of GHG management and mitigation. Repeal of foundational programs like the GHGRP, which has tracked facility-level emissions for nearly two decades, would mean that emitters across the US could lose the opportunity to demonstrate their emissions reductions. Revisiting the Endangerment Finding further opens the door to rolling back GHG regulations across the power, transportation, and industrial sectors. Businesses operating in the US should actively engage in the public comment processes and coordinate through sector coalitions to provide consistent and collective responses to federal deregulation efforts. Changes to one program rarely stay isolated: rolling back GHGRP data collection requirements would likely have effects on other areas, including eligibility for tax credits that rely on verified emissions data.

The first year of Trump's second term saw sweeping federal climate policy rollbacks, including administrative reversals and targeted deregulatory actions affecting every major sector. Many of these actions aim to eliminate pollution control and mitigation regulations, federal climate data programs, and foundational national findings related to climate change. Project developers, manufacturers (including in the auto industry), investors, and businesses face unprecedented uncertainty about compliance strategies, investment risks, and market signals.

Of the many regulatory rollbacks the Trump administration has announced, the EPA's proposed rollback of the [historic 2009 Endangerment Finding](#) is perhaps the most troubling. It threatens the entire statutory and regulatory foundation for GHG emissions standards across all sectors. The administration proposes repealing the EPA's authority to regulate GHG emissions under the Clean Air Act. This has direct implications for auto, power, and other industrial sectors. We could see a suite of regulations repealed or significantly limited, creating widespread regulatory and market uncertainty.

Consistent with efforts to reconsider the Endangerment Finding, the EPA has targeted several key programs that require reporting of pollution controls at GHG-emitting facilities. First, the Trump Administration [proposed repealing the Biden Administration's Power Plant Rule](#), which would have required all coal-fired electricity generation facilities operating beyond 2039 and new natural gas power plants to adopt CCS as a "best system of emissions reduction." [Utilities are now recalibrating transition plans](#), delaying the arrival of net-zero energy. In October 2025, the [EPA proposed](#) to minimize and delay restrictions on the use of hydrofluorocarbons (HFCs) in several sectors, including mobile refrigeration, supermarket systems, semiconductor manufacturing, and certain refrigerated laboratory equipment. While specific HFCs have different global warming potentials, the warming potential of these refrigerants is dozens to hundreds of times greater than CO₂ on a 100-year timeframe, posing significant climate risks if left unaddressed.

Finally, the Trump Administration has proposed to reconsider the Greenhouse Gas Reporting Program

(GHGRP). The GHGRP is an EPA-administered annual reporting program that collects data on dozens of GHG-emitting source categories, which combined release more than 25,000 tonnes of CO₂ per year. Established under the [FY2008 Consolidated Appropriations Amendment](#), the GHGRP has served as a crucial, standardized, government-backed program that transparently characterizes the emissions profile of US industries. This repeal will have implications for US trade, including liquified natural gas, steel, and fertilizer exports to Europe and Japan.

The GHGRP is also the primary pathway for receiving tax credits, such as 45Q, under existing IRS guidance. In late December, the [IRS announced a safe harbor](#) for filers to prove compliance and claim 45Q, but many questions remain about reporting requirements under Subpart RR of the UIC program.

Regulation	Scope	Implications	Industry reactions
<u>Power Plant Emissions Standards</u>	All existing, new, modified, and reconstructed fossil fuel-fired power plants	Fossil-fueled power plants will no longer be held to stricter standards, meaning many gas-fired plants and some coal-fired plants may persist longer.	Coal and merchant gas generators welcomed the rollback; utilities with aggressive net-zero commitments were more critical of the policy whiplash.
<u>Corporate Average Fuel Economy Standards & Tailpipe Emissions Rules</u>	Passenger cars and light trucks produced between now and 2031	Softer year-over-year fuel economy improvements slow efficiency gains when steep reductions are needed for net-zero pathways.	Reactions are mixed. Some legacy automakers welcome looser rules; EV-focused automakers say it puts them at a global disadvantage.
<u>Greenhouse Gas Reporting Program (GHGRP)</u>	Approximately 8,000 facilities across sectors, including power, industry, oil and gas, and landfills	The GHGRP underpins many climate tools: disclosure frameworks, state cap-and-trade programs, and tax credit eligibility (e.g., 45Q).	The program enjoys broad support across sectors since GHGRP doesn't directly regulate; however, small oil and gas producers were quite vocal in their opposition.
<u>Mercury and Air Toxics Standards</u>	Large coal- and oil-fired electric generating units with a capacity of more than 25 MW	Repealing the 2024 update allows higher mercury limits and larger particulate emissions.	Coal-heavy utilities celebrated "regulatory relief," but utilities with cleaner portfolios expressed concern over the rollbacks.
<u>Securities and Exchange Commission (SEC) Climate Disclosure Rule</u>	Publicly traded companies would have been required to disclose their scope 1 and scope 2 emissions and climate-related risks that have a material impact on business strategy, results of operation, or financial condition.	Rollback makes it harder for investors to distinguish climate leaders from laggards and slows the integration of climate risk into financial decision-making.	Large issuers and business groups welcomed the rollback, criticizing the original rule as overly costly and intrusive; companies already reporting in Europe were less concerned. Before being rolled back by the Trump-appointed majority on the SEC, the rule was already in peril as litigation to strike it down was moving through the courts.
<u>Methane Waste Emissions Charge</u>	Larger upstream and midstream oil and gas facilities such as production sites, gathering and processing plants, and certain pipelines.	Methane is a short-lived but potent GHG, so reducing leaks has a climate benefit and allows companies to bring more of their product to market.	Small, independent producers strongly supported the repeal; larger companies, many of which face scrutiny from investors and international customers, opposed the rollbacks.

One bill, wide ripples: the OBBB effect

Rory Jacobson

Thad Woody

BOTTOM LINE: In 2025, the Republican-led Congress used narrow majorities not to chart a new energy policy vision so much as to dismantle the old one. Through the coordinated and swift passage of a [sweeping reconciliation bill](#), lawmakers clawed back large pools of clean energy and climate funding, canceled nascent programs, and clipped several tax incentives that had underpinned the Democrats' decarbonization goals. The speed and coordination of that repeal effort stood in sharp contrast to the absence of follow-on lawmaking: there was no comprehensive replacement framework for industrial decarbonization, transmission build-out, or climate resilience, just a patchwork of cuts. Congressional activity largely shifted to messaging hearings and bills that bolstered the administration's deregulatory agenda, from power-sector rules to environmental review. The result: a year defined more by subtraction than by substantive, durable climate or energy policymaking.

The 119th Congress, which convened on January 3, 2025, delivered a turbulent but narrowly focused year. Lawmakers passed a significant omnibus piece of legislation, the [One Big Beautiful Bill Act \(OBBB\)](#), followed by the longest government shutdown in US history.

While Republicans held control of the government trifecta in 2025, the OBBB remains the only law passed by Congress with significant implications for energy and climate. The bill adds at least US\$3.3 trillion to the national debt. It sharply restructures key energy investment, production, and manufacturing tax credits by substantially limiting the scope of project eligibility. It also rescinds a large balance of unobligated funding that was appropriated to federal agencies to support clean energy grant, loan, and financing programs.

Many clean energy incentives created or enhanced under the IRA will phase out early or be repealed altogether. Further, many clean energy tax credits include ambiguous language restricting projects connected to "foreign entities of concern" (FEOCs),



complicating supply chains and creating new problems for developers of clean energy projects. The law also introduces a complex matrix of new definitions, such as "prohibited foreign entities," which includes both "specified foreign entities" and "foreign-influenced entities."

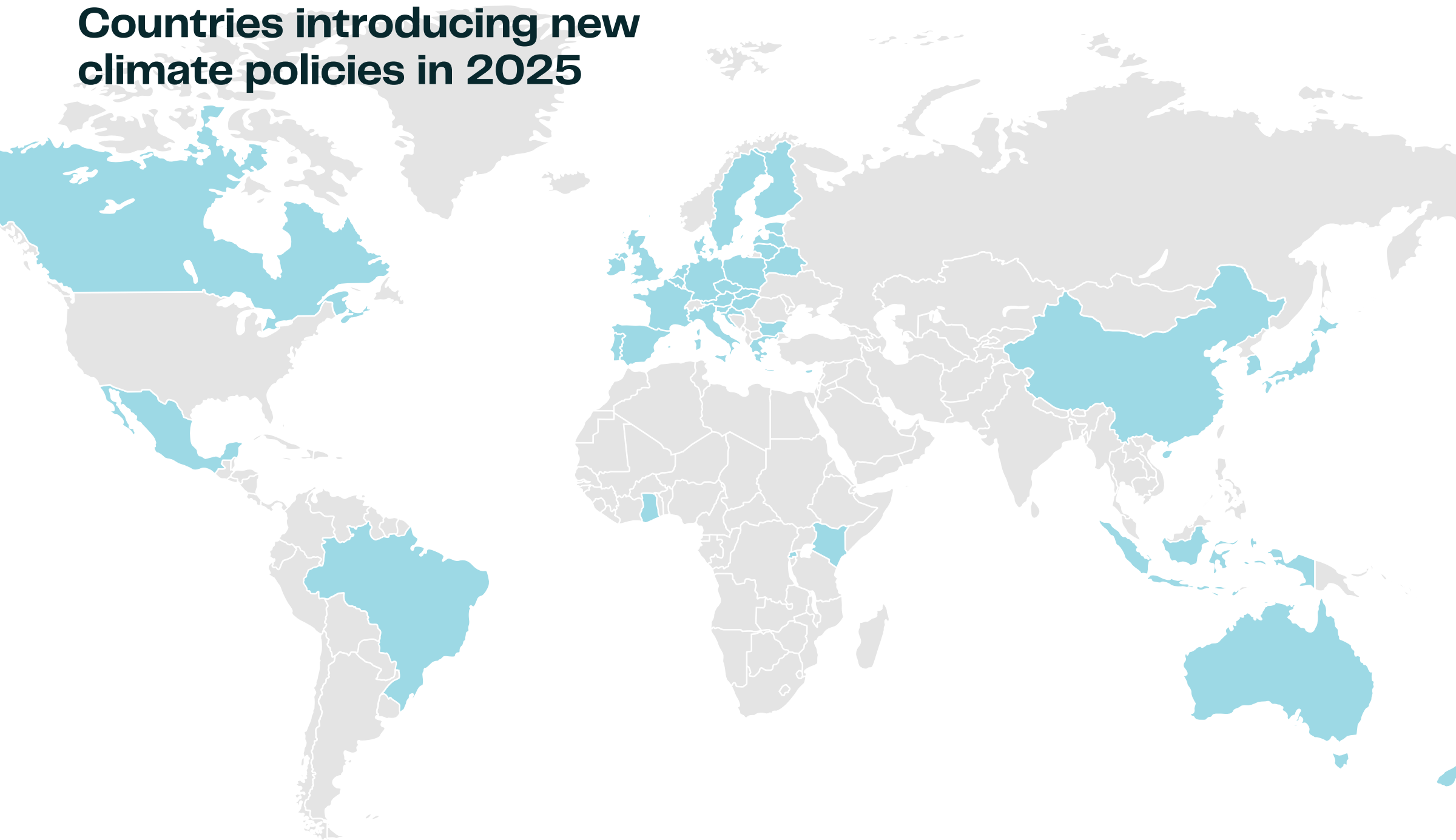
Beyond clean energy tax credits, the reconciliation package also repeals and rescinds several other

IRA provisions. This includes a full rescission of all unobligated IRA appropriated balances at the DOE's Loan Programs Office and several other programs, including the Tribal Energy Loan Guarantee Program, the Greenhouse Gas Reduction Fund, and Transmission Facility Financing.

As 2025 drew to a close, Congress once again considered permit reform. In mid December, the House approved [H.R. 4776, the Streamlining Permitting and Efficient Environmental Decisions Act](#), mostly along party lines, with 11 Democrats joining the Republican majority to advance the bill. The bill would amend the National Environmental Policy Act, allowing agencies to skip environmental reviews of projects already reviewed by states or tribal governments, limit judicial review, and limit future post-approval permit revocations. Passage in the Senate remains unlikely, as some Democratic Senators have raised concerns about carveouts that would explicitly hamper renewable energy and transmission development priorities. Concerns have also been raised on recent actions by the Administration to [abruptly freeze](#) offshore wind projects.

Global policy roundup

Countries introducing new climate policies in 2025



Global stage and international developments

Chimdi Obieniu

BOTTOM LINE: The second Trump administration has created new headwinds for multilateral climate policy, visible in the US pushback on the IMO Net-Zero Framework and the lack of federal-level US representation at COP30. In spite of this, momentum continues on the global stage. In Belém, Brazil announced the [Open Coalition on Compliance Carbon Markets](#), with 18 signatory countries spanning six continents, representing a commitment to finally integrating this fragmented global network. CORSIA, today's leading example of international cooperation, has expanded its lists of [eligible crediting programs](#) and carbon credit [insurance providers](#) in time to serve rising demand. Article 6 of the Paris Agreement also grows in influence, with new PACM methodological standards complemented by an accelerating number of authorizations under the Article 6.2 framework for cross-border transactions. Overall, the underlying political and financial drivers for multilateral carbon markets remain strong, and countries continue to use these mechanisms to mobilize finance and accelerate decarbonization.

While over 100 countries are participating in CORSIA, the framework hasn't led to much carbon credit procurement on behalf of airlines since 2021. Under the Pilot Phase (2021–2023) and Phase One (2024–2026), offsetting obligations begin only after international aviation emissions exceed a baseline defined as 85% of 2019 levels.

After a prolonged post-COVID aviation slump, in December the International Civil Aviation Authority announced a [2024 Sectoral Growth Factor \(SGF\)](#) of about 15%—the first time it has exceeded the baseline. Consequently, airlines are required to retire CORSIA-eligible credits to offset their 2024 emissions. There is plenty of time to do this before the Phase One compliance deadline (January 2028). However, an even higher SGF is expected for 2025 and 2026, meaning airlines are finally being forced to contemplate real carbon costs.

In contrast to CORSIA's steady advance, adoption of the proposed International Maritime Organization (IMO) Net-Zero Framework was delayed in October 2025 amid [strong opposition](#) and diplomatic pressure from the US. [As drafted](#), the mechanism would require large ocean-going vessels to meet declining carbon-intensity targets or pay remediation fees into an IMO decarbonization fund. Companies that outperform the targets would generate surplus compliance units that could be banked or transferred to other ships to cover their deficits. This architecture is fundamentally different from CORSIA, which is anchored in absolute emissions and credits from external carbon projects rather than in-sector performance (although there are incentives for SAF consumption). While the IMO framework is not dead in the water, hopes are not high for a different outcome when it's revisited in 2026.

The UNFCCC Article 6.4 Supervisory Body adopted a standard on how Paris Agreement Crediting Mechanism (PACM) methodologies must address

non-permanence and reversal risk from CDR projects. The initial drafts proposed potentially indefinite monitoring periods for projects that could not demonstrate permanent storage, prompting significant pushback from proponents of nature-based CDR. The [adopted standard](#) calmed immediate debate by shelving final rules on these elements, leaving them to be determined on a methodology-specific basis. Despite the inevitable tension between stakeholders, the ambitious proposals show that PACM is geared toward ensuring quality rather than maximizing supply. This bodes well for international carbon credit trade, given that Article 6.4 rules may soon become the basis of international standardization and interoperability between regulatory carbon markets. [Negotiations at COP30](#) reaffirmed broad support for the Article 6 rulebook and rejected proposals that could have undermined the Article 6.4 Supervisory Body's previous adoption of crediting standards.

² The Middle East region is not covered in this 2025 policy roundup. Future issues of *The Navigator* will address policy developments in the region as they emerge.

Africa trades up: Article 6 sparks continental carbon markets

Rory Jacobson

While many African countries have long hosted voluntary carbon credit projects, governments across the continent are now taking a more active role in shaping the market infrastructure and policy behind these transactions.

Rwanda emerged as an early leader through the development of its [National Carbon Market Framework in 2023](#), which facilitates the transfer of carbon credits to other countries under Article 6.

Contingent on the anticipated finance from these transactions, in 2025, Rwanda issued a new, more [ambitious NDC](#) committing to a 53% reduction in GHG emissions by 2035 relative to business-as-usual levels.

Ghana pursued a similar strategy, positioning Article 6 carbon credit transfers as a mechanism to help close the financial gap associated with achieving its NDC. While [Ghana's 2021 NDC](#) offers

less insight into the relative emissions reductions pledged, analysis indicates that Ghana is navigating a [significant financial shortfall \(US\\$9.3-15.5 billion\)](#) in funds needed to deliver on its 2030 climate targets. In December 2025, Ghana announced [a deal with the World Bank and Standard Chartered](#) to deploy clean cook stoves, which would offer enhanced returns through the carbon credits transacted under Article 6.

Kenya continued to stand out as a leading voice on climate policy, with President Ruto and Special Envoy for Climate Change, Ali Daud Mohamed, advancing efforts to regulate the country's national carbon market. In July 2025, the government unveiled draft [Climate Change \(Carbon Registry\) Regulations](#) to establish a digital national carbon registry aligned with Article 6 and capable of recording, tracking, and managing ITMOs for bilateral and multilateral trading.

The [Africa Climate Summit](#), launched in 2023, has created a platform for continental collaboration on climate action and carbon markets. The second

BOTTOM LINE: In 2025, African governments moved decisively from hosting voluntary carbon projects to actively shaping national and continental carbon market infrastructure. Rwanda, Ghana, and Kenya emerged as early leaders by developing Article 6-aligned frameworks to mobilize climate finance, support more ambitious NDCs, and enable ITMO transactions. Reinforced by the Africa Climate Summit and the Africa Carbon Markets Initiative, these efforts signal a maturing pipeline of regulated, internationally transferable credits. As more countries establish national registries and authorization systems, Africa is poised to play a growing role in supplying high-quality credits to global compliance markets while advancing its own development and climate priorities.

Summit, held in 2025, brought together heads of state, climate envoys, and private sector actors to discuss mitigation strategies, financing, and the expansion of carbon markets across Africa. Leaders and climate envoys at the Summit also highlighted the importance of operationalizing Article 6, emphasizing the role of ITMOs in supporting continental carbon market development and aligning climate action with African priorities.

The [Africa Carbon Markets Initiative](#), launched at COP27, has worked to translate Africa's tremendous mitigation potential into market opportunities by serving as a coordinator, advocate, and adviser. Now, the opportunities seeded at COP27 are coming to fruition as nations develop their own carbon credit registries and begin to explore bilateral transactions through Article 6. As more governments develop national carbon credit frameworks—particularly for Article 6 transactions—this new supply is likely to help countries like Singapore and Switzerland achieve more ambitious NDCs.

Asia's carbon markets shift into high gear

Rory Jacobson

BOTTOM LINE: More than ever, the policy developments of 2025 demonstrate that Asia's carbon markets—voluntary and compliance—are heterogeneous and regional. Businesses operating in Asia should prepare for a significant increase in availability of nature-based credits from Indonesia at competitive costs, gauge the potential demand for eligible credits under the fourth phase of the K-ETS, track guidance on emissions reporting and compliance under the GX-ETS, and recognize that China remains both a major source of embodied emissions and supplier of low-carbon technologies.

Asia demonstrated exceptional progress in carbon market policies in 2025, including key developments on national Article 6 frameworks and compliance markets. Several nations are also developing more involved approaches to strengthen participation in and oversight of the VCM.

South Korea launched a brokerage platform to improve market liquidity and accelerate emissions reductions. The platform is expected to increase market participation and complement the nation's emissions trading scheme (K-ETS). However, there is still [concern regarding the underlying quality](#) of international credits in the market, as many credits originate from the Clean Development Mechanism under the Kyoto Protocol and are widely viewed as overcredited and of low quality. Concurrently, South Korea's Ministry of Climate, Energy, and Environment approved the emissions cap for the [fourth phase \(2026–2030\) of its ETS](#), and generally signals increased ambition through lowered emissions benchmarks.

Indonesia ended a 4-year moratorium on international carbon credit trading. The ban was intended to refocus the nation on progress toward its NDC. Indonesia's new approach includes a [mutual recognition agreement with Verra](#), allowing projects enrolled under the Verified Carbon Standard to be recognized in the national registry. This integration will provide consistent quality, data sharing, and uniform methodologies.

Japan is preparing to transition its own national ETS from a voluntary to a compliance-based system. In its initial voluntary phase, the [Green Transformation ETS \(GX-ETS\)](#) brought together approximately 800 of the nation's largest emitters—representing 50% of domestic emissions—to develop decarbonization plans that align with Japan's NDC. However, in 2026, the [GX-ETS will transition to a mandatory program](#) and utilities and material manufacturing sectors are expected to incur the [most significant compliance costs](#). Japan's new compliance ETS requires all entities with more than 100,000 tonnes in annual direct emissions (together comprising 60% of the country's total emissions) to participate. The system

will allocate emissions allowances based on annual guidance, and covered emitters may use J-Credit (domestic) and [Joint Crediting Mechanism](#) credits to meet a portion of their emissions reduction obligation (currently up to 10%).

China's 2025 policy moves reinforced how its decarbonization strategy is linked to its industrial strategy. Beijing tightened implementation of its "[dual control](#)" on energy intensity and total emissions while layering in targeted carbon-intensity benchmarks for steel, cement, and petrochemicals to keep emissions from heavy industry in check. On the power side, China continued to add [record levels](#) of wind and solar capacity, backed by mandates to improve grid flexibility. New guidance on CCUS demonstration projects and "[near-zero-carbon](#)" industrial parks signaled growing interest in carbon management alongside renewables and electrification.

The Americas don't wait for Washington: countries set new market ambitions

Thad Woody

Across the Americas, 2025 underscored that decarbonization momentum is not confined to Washington, DC. Governments in Brazil, Canada, Mexico, and elsewhere moved ahead with policies that blend industrial competitiveness, climate ambition, and new tools for carbon management.

Brazil formally launched the Brazilian Emissions Trading System (SBCE), its nationwide compliance carbon market, ahead of [hosting COP30 in Belém](#).

The system separates a regulated market for large emitters from a voluntary segment, under a single framework that links domestic decarbonization with international demand for high-quality credits. At [COP30](#), Brazil invoked the [Tupi-Guarani concept of mutirão](#), which calls for self-organization and cooperation in times of crisis. Mutirão guided negotiations focusing on forest protection, adaptation finance, and integration between national systems like SBCE and UNFCCC-recognized carbon market mechanisms. That positioning strengthened Brazil's role as a convener for tropical forest preservation and carbon market coalitions.

Canada continued to operationalize an industrial strategy built around refundable investment tax credits. Canada's [Carbon Capture, Utilization, and Storage Investment Tax Credit \(CCUS ITC\)](#) now offers up to 60% support for DAC equipment, 50% for other capture assets, and 37.5% for transport and storage spending on eligible projects placed in service before 2031, with rates stepping down thereafter. In parallel, the country's [Clean Hydrogen ITC](#) provides a credit up to 40% for low-carbon intensity and meeting labor requirements. While industrial emitters remain subject to federal or equivalent provincial [carbon pricing backstops](#), the government has terminated the consumer-facing carbon tax, shifting the political focus toward large emitters and investment incentives. Together, these incentives underwrite Canada's broader carbon management agenda championed by Prime Minister Mark Carney and others, which positions CCUS, hydrogen, and durable removals as central to maintaining industrial competitiveness while honoring national climate targets.

BOTTOM LINE: For corporations with footprints in the Americas, the policies of 2025 signal a polycentric decarbonization landscape. Brazil's integrated carbon market, Canada's generous ITCs, and Mexico's PROMARNAT all create new entry points for high-quality mitigation, removals, and climate resilience, independent of federal headwinds in the US.

Mexico's Ministry of Environment and Natural Resources ([SEMARNAT](#)) published the Sectoral Program for Environment and Natural Resources 2025-2030 ([PROMARNAT](#)), embedding climate and nature into a "sustainable humanism" development vision. PROMARNAT establishes objectives and indicators across biodiversity, water, pollution control and climate resilience, and crucially expands economic instruments like targeted subsidies, mixed public/private funds, and other market-based schemes for carbon capture and watershed conservation. Companies that adopt green technologies, participate in restoration, or invest in low-carbon infrastructure can gain preferential access to federal programs and benefits from new certification and climate risk frameworks.

Europe's carbon chessboard

Chimdi Obieniu

Europe's climate policy in 2025 reflected a clear tension with deepening ambition and market integration for carbon credits on one hand, and a partial retreat from corporate sustainability reporting on the other.

In November, the European Parliament and Council of the EU both adopted positions [approving an EU 2040 climate target of 90% below 1990 net emissions, with up to 5% of those reductions coming from international carbon credits starting in 2036.](#)

The now inevitable introduction of correspondingly adjusted credits into the EU's climate law reinforces the global carbon accounting framework under Article 6.2 of the Paris Agreement. Legislated eligibility criteria are vital to ensure environmental integrity, give certainty to project developers targeting EU demand, and guide entities looking to follow the EU's lead. The European Commission's original proposal simply stated that credits must be of "high quality." With 230 million tonnes of GHG mitigation and global climate leadership on the line, the final negotiations will need to settle on more [concrete quality criteria](#).

BOTTOM LINE: In 2025, European policymakers laid the groundwork for potentially transformative mechanisms, focusing more on architecture rather than delivery. Integrating CDR and operationalizing CBAM are fundamental for the EU ETS to drive industrial decarbonization while funding climate innovation. Against tough headwinds and despite backward steps on corporate reporting, the continued political appetite for climate legislation is encouraging and underscored by Germany's approval of a CDR support package of €476 million. These policies will come under real market and diplomatic stress in 2026. Covered emitters and trading partners should treat 2026 as a stress test year: pressure from major trading partners may shape CBAM implementation, first-cut data will emerge on SAF supply compliance under ReFuelEU Aviation and the UK SAF Mandate, and the EU is expected to move from design to execution by launching a procurement program for CRCF credits. We explore these dynamics in more detail in our [2026 outlook](#).

The EU and UK are moving at different speeds on CDR standards. Carbon Direct responded to consultations from the EU and the UK on their standards for domestic BECCS, DACCS, and [biochar projects](#). The EU's Carbon Removal and Carbon Farming (CRCF) framework is further along, with the first approved methodologies planned for early 2026. To expand the impact of these methodologies and increase demand for CRCF credits, the EU Commission announced an [EU Buyers' Club](#), intended to aggregate voluntary demand for credits and establish a strong demand signal. The UK will not finalize methodologies under its Greenhouse Gas Removals Standard before 2027. However, the government clearly intends to align with the CRCF framework where possible, while improving upon any shortcomings it sees in the EU system. Eventually, the ETS for both regions will integrate CDR delivered under approved methodologies. The UK is further ahead on this front and announced high-level details in July, such as a 200-year minimum carbon storage threshold for ETS-eligible credits. Details on the EU integration are pending a review, due by July 2026.

Corporate environmental transparency regulation has seen a retraction, with the Omnibus package proposing significant reductions in the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive, in terms of both legal sustainability reporting requirements and the number of companies subject to them. While the EU will ultimately adopt both of these directives, and shortly, these changes have had mixed reception. In contrast, a simplification of the Carbon Border Adjustment Mechanism (CBAM) sailed through the legislative process with minimal fuss. With the introduction of costs in 2026, tougher fights lay ahead, but more likely with trading partners abroad than with companies at home.

The Pacific becomes a priority: Australia to be President of Negotiations for COP31

Rory Jacobson

Oceania showed strong climate ambition in 2025, with Australia advancing sector-specific emission reduction plans, carbon removal strategies, and positioning the Pacific region at the center of COP31. However, progress was not universal: New Zealand's significant cut to climate finance highlights persistent challenges for smaller island states and underscores uneven regional momentum.

As Australia prepares to assume the role of President of Negotiations at COP31, which will be hosted in Türkiye, we expect an enhanced international focus on the Pacific region. The Australian government's statement on its agreement with Türkiye indicates an intention to elevate the climate policy priorities of the Pacific region in COP31 negotiations. This international opportunity builds on Australia's strong 2025 policy developments, including a new emissions reduction target (62-70% emission reductions relative to 2005 by 2035). This target was

reflected in Australia's 2035 NDC and accompanied by a national Net-Zero Plan and six sector-specific emission reduction plans.

The Australian government recognizes carbon management and CDR as central to achieving its 2035 target. Australia's national science agency, the Commonwealth Scientific and Industrial Research Organisation, released a roadmap outlining the nation's capacity and opportunity to develop and deploy novel CDR approaches. Australia is also supporting point-source carbon capture for difficult-to-decarbonize sectors. The Department of Climate Change, Energy, the Environment, and Water announced a second round of the Carbon Capture Technologies Program, which will provide AU\$52 million in grants for demonstrations and trials.

New Zealand significantly reduced its 2025 budget for climate finance assistance from NZ\$250 million to NZ\$100 million. This is particularly important as small island states in the region face significant adaptation and mitigation finance shortfalls, and New Zealand's International Development Cooperation

BOTTOM LINE: Adaptation and climate finance, with a focus on island nations, will remain a key priority for the Oceania region, despite near-term budget reductions. CDR is increasingly a policy priority for the region. As CDR developers and buyers continue to seek opportunities to scale the global market, the region is rapidly developing a policy support mechanism to accelerate the deployment of engineered and hybrid projects. Finally, as it is now confirmed that Australia will assume the role of President of Negotiations at COP31, it's likely the Pacific region will leverage this opportunity to elevate the importance of climate finance, including loss and damage, blue carbon and ocean stewardship, and carbon markets.

program has historically focused on providing climate finance to the region. Similar to Australia, the New Zealand government is also exploring opportunities to scale CDR approaches and has initiated a process to incorporate non-forestry CDR into its ETS.



Outlook for 2026

States push the decarbonization agenda

Thad Woody

BIG PICTURE: State policy choices in 2026 will do more than fill gaps left by federal rollbacks. They will define the operational reality for decarbonization. Utility rules for data centers will determine whether AI-driven load growth accelerates clean investment or simply entrenches fossil generation, with rate, design, and cost allocation shaping who pays and who benefits. State clean energy standards and climate targets, especially as they shift from goal-setting to enforcement and equity, will anchor long-term expectations for utilities, regulators, and investors, providing some stability against federal policy swings. Finally, permitting reforms will decide whether high-quality projects can be constructed and placed into service on time and within budget. The emerging patchwork of “fast but fair” models and new constraints will strongly influence where capital flows and how quickly emissions reductions materialize.

Data center electricity demand drives state action

States are scrambling to keep up with the surge in data center and AI-driven electricity demand, and 2025 has turned into a breakout year for targeted legislation. In legislatures across the country, nearly 200 bills were introduced to align data center growth with grid reliability, climate, and affordability goals, with a strong focus on electric utility regulation. In the year to come, we can expect the trend to continue with more proposals to create distinct utility rate classes for large loads like data centers, requirements for data centers to shoulder more of the transmission and distribution costs they impose, and protections for residential customers so that they are not cross-subsidizing new loads.

Gathering momentum on decarbonization at the state level

As the federal government steps back from climate action, states are quietly becoming the main drivers of long-term climate ambition. A total of 28 states plus DC now have [mandatory renewable portfolio standards](#), and 16 states have established a broader 100% clean energy standard. In 2026, we can expect many of these states to focus less on setting brand-new standards and to instead strengthen near-term obligations, utility planning requirements, and equity provisions. Even as federal climate policy whiplash creates uncertainty, these state laws and bills signal continued momentum toward decarbonizing the power sector and locking in durable emissions limits that will shape investment decisions well into the 2030s.

States rewrite the playbook for clean energy permits

As the growth of wind and solar deployment in Texas has shown, permitting and other regulations surrounding clean energy infrastructure are just as important as incentives, if not more so. State-level permitting and regulatory battles are becoming a defining feature of the post-IRA landscape. Several states are moving to streamline approvals for clean energy, transmission, and large load customers, even as others tighten guardrails around carbon pipelines and industrial projects. Governors from both parties are pressing for greater state discretion and faster federal coordination, signaling continued experimentation with “fast but fair” permitting models that pair shorter review clocks with clearer standards for community engagement and environmental protection. Over the next year, we should expect more states to test reforms that either accelerate or constrain large energy and carbon management projects, deepening the patchwork that project developers must navigate.

Uncertainty on US federal policy shapes project decisions

Rory Jacobson

Thad Woody

BIG PICTURE: Federal climate and energy policy in 2026 will be defined less by new statutes and more by how existing ones are interpreted and implemented. The clean energy tax landscape is increasingly governed by complex fine print. FEOC requirements, evolving 45Q and 45V rules, and shrinking IRS capacity all raise the risk that credits exist “on paper” but are hard to use in practice. At the same time, ongoing DOE terminations of previously awarded grants and cooperative agreements are reshaping the federal funding pipeline. Developers can no longer treat awarded dollars as guaranteed. Finally, the fight over who pays for grid improvements, whether they are transmission capacity enhancements or upgrades to transformers and other local distribution infrastructure, is a longstanding one. The fight over who decides, FERC or state level commissions, is newer, and will only intensify as the electricity market heats up in response to growing demand from new loads like data centers. If FERC is able to set national standards for interconnection, this will drastically improve the pace at which new generation and load can come online.

Guidance delays threaten the efficacy of energy tax credits

Following the passage of the OBBB, it’s unlikely, but not impossible, that the US will see another major legislative opportunity for tax credit enhancements in 2026. The Treasury Department and the IRS now face the task of issuing modifications to key energy tax credits, with most of the attention on the FEOC provision attached to many energy tax credits (see [October 2025 edition](#) of *The Navigator* for a detailed review of these provisions). IRS staffing fell 25% in 2025, further constraining capacity for this work.

Moreover, as the EPA considers repealing the GHGRP, the IRS could face additional pressure if forced to revise existing guidance for credits such as 45Q and 45V. These credits have historically relied on EPA-verified emissions data to confirm tax credit eligibility and compliance. With reduced staffing and complex provisions, including on supply chains, final guidance may not arrive until late 2026.

Without sufficient guidance, US businesses may struggle to claim energy tax credits in the near term, even those credits that are maintained or enhanced under the OBBB. As tax season rapidly approaches, businesses should engage with the administration and tax law experts to confirm eligibility under the OBBB’s new requirements.

DOE review puts federal awards at risk

The Trump administration’s DOE has initiated an ongoing process to review federal financial assistance awards and terminate those awards that are not “consistent with Federal law and this Administration’s policies and priorities and program goals and priorities.” There is no indication that the DOE award terminations announced in 2025 will be the end of this review and termination process. In May of 2025, the DOE announced a first round of terminations, including 24 projects with a federal cost share of US\$3 billion. This was followed by another announcement in early October, which

included the termination of 321 financial awards with a federal cost share of US\$7.56 billion. As final appropriations from the Bipartisan Infrastructure Law are made available to DOE and other federal agencies, the Trump administration will likely be under increased pressure from Congress to distribute funds to qualified projects.

Federal grid rules may backstop state authority

The fight over interconnection and transmission policy for large loads took center stage at FERC in 2025. FERC, pursuant to a [directive by Secretary of Energy Chris Wright](#), will set rules for interconnecting data centers and other large loads to the transmission system in order to relieve clogs on both the generation and load sides of the queue. On the other hand, state public service and public utility commissions are pushing back hard against anything that looks like federal preemption over siting authority, cost allocation, or resource mix.

Global carbon market rules enter a critical year

Chimdi Obieniu

BIG PICTURE: For years, VCM stakeholders have banked on latent regulatory demand and international standardization to bolster the market; it's time to test this thesis. The arrival of correspondingly adjusted credits will validate a long-forecast demand boom through CORSIA, and CBAM has the potential to drive adoption of global carbon pricing. Meanwhile, the availability of UNFCCC-backed methodologies offers a route to international alignment on how to define high-quality carbon credits. As new mechanisms arrive, such as [Brazil's emissions trading scheme](#) (perhaps the most hotly anticipated after COP30), common standards will become key to a future where carbon credits are traded confidently across borders and recognized in regulatory schemes across jurisdictions. While the spectre of the Trump administration still looms over international efforts to tackle emissions, the US is only one country among many.

Article 6 supply grows, perception and pricing come into focus

The pipeline of correspondingly adjusted credits available on the VCM will continue to expand, as project host countries establish the necessary legal and market infrastructure. After a slow start, this means more supply to serve demand from CORSIA, countries looking to meet their NDCs with international credits (soon to include the EU), and other regulatory or corporate mechanisms that set Article 6.2 authorization as a core eligibility requirement. A clearer picture will emerge of how corresponding adjustments impact credit perception and pricing, and how those dynamics vary by project type and location. Meanwhile, the Article 6.4 Supervisory Body will spin out more methodologies, building on its first approval in October: [A6.4-AMM-001 \(Flaring or use of landfill gas\)](#). The Supervisory Body's consideration of new CDR methodologies will revive industry debate over non-permanence thresholds, which it quieted in November by leaving the [standard](#) open-ended.

2026 could make or break CORSIA

As more CORSIA-eligible emission units come online, forward-thinking airlines could move early on procurement to avoid a credit crunch as the Phase One compliance deadline in January 2028 approaches. On the other hand, continuation of the sector's wait-and-see attitude may indicate that airlines don't anticipate consequences for non-compliance, which would call the long-term credibility of the scheme into question. On that note, the European Commission is required to assess by July whether CORSIA is operating effectively. If the Commission determines that it is not, it may [expand the EU ETS](#) to cover flights leaving Europe. In their advocacy strategies, airlines will weigh the cost of a functional CORSIA against the regional mechanisms that may take its place.

CBAM confronts an international carbon credit conundrum

Are the longstanding opponents of CBAM going to get their way, as we saw with the defeat of the proposed IMO Net-Zero Framework? Now is the time to find out, as imported goods in regulated sectors will be associated with a carbon price (linked to the EU ETS), starting in 2026. The EU has always said that imported goods will face lower costs if their manufacturers already pay a carbon price at home. If CBAM goes ahead, this will push countries to establish carbon pricing mechanisms to protect their exporting industries, ensuring emissions are paid for domestically rather than abroad. An interesting element to track is whether the EU will allow those carbon credits to be used to comply with foreign carbon pricing schemes to reduce CBAM obligations. Such recognition could influence the design of new regulations across the globe, and has already been [proposed by Singapore](#).



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