This Week's Climate Policy Update | July 29 - August 2, 2024

August 1, 2024

Reading Time : **2 min**

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On Wednesday, July 31, the Senate Energy and Natural Resources Committee approved a permitting and grid development package, spearheaded by Chair Joe Manchin (I-WV) and Ranking Member John Barrasso (R-WY). The bipartisan bill paves the way for renewable energy projects, oil and gas leases, and grid improvements, as well as reversing the Biden administration's pause on liquefied natural gas export permits. This legislative progress aligns with the U.S. Department of Energy's allocation of $30 million in initial funding to the Appalachian hydrogen hub, which aims to significantly reduce carbon dioxide emissions through hydrogen fueling stations and carbon storage sites. However, environmental groups are pushing back against the Manchin-Barrasso permitting bill as well as newly proposed exemptions to the 45V hydrogen tax credits by Senate Democrats, arguing that these changes would undermine carbon-reduction goals. Simultaneously, the Biden administration is investing $575 million in federal grants to enhance climate resilience in coastal communities, indicating a comprehensive approach to addressing both immediate and long-term climate challenges through legislative, financial and infrastructural measures.

Carbon markets have received notable attention recently on state, national and international levels. California's announcement to extend its successful carbon cap-and-trade program beyond 2030 resonates with New York's potential statewide cap-and-invest program, which now aims to include the electricity sector in an attempt to improve local air quality. These efforts also align with various state-level initiatives such as Minnesota's natural gas innovation plan and Wisconsin's energy rebate program, all of which collectively demonstrate a multifaceted approach to reducing emissions and promoting clean energy. On the national level, House Representative Paul Tonko (D-NY) introduced legislation to establish a national carbon compliance market similar to that of the European Union (EU). Simultaneously, a group of nine Democratic members of Congress urged the Commodities Futures Trading Commission to finalize its proposed rigorous guidance on carbon credit trading. Furthermore, on July 30, an international standard setter for greenhouse gas abatement plans—the Science Based Targets Initiative—released new draft guidance on the use of carbon credits. The guidance expands the allowed use of carbon credits to demonstrate a company's scope 3 emissions reductions under certain conditions. Environmental advocates continue to question the viability of offsetting certificates as legislators, regulators and standard setters propose plans to build integrity. These developments emphasize the importance of market-based mechanisms to address climate change, reflecting a broader trend toward carbon pricing and regulation.

While carbon pricing remains unpopular in national legislatures, green incentives such as tax credits established under the Inflation Reduction Act (IRA) have succeeded in the U.S. as a form of industrial policy. This approach has prompted arguments amidst free trade discussions at the World Trade Organization (WTO). On July 26 the United States blocked China's challenge to the IRA, and accused China of trade "hypocrisy" for its own substantial support for clean energy initiatives while targeting U.S. measures. The association of climate action with economic protectionism in disputes at the WTO illuminates the undercurrents of geopolitics and major-power competition that permeate climate trade policy in its current form.

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