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Environmental Markets Movin' on up

Despite shifting policies on environmental markets and renewable technology generally from the current administration, business is booming in both areas. We've been sifting through reports and stats from Q1 corporate tallies and by and large, environmental markets are expanding at a fairly brisk pace this year. Nodal Exchange chief Paul Cusenza tells us that all Nodal markets, from power to environmental markets to natural gas continue to expand nicely. Markets have clearly decided that there is indeed a lot of societal value to be had and go figure, there is money to be made.

"It was right around this time last year, the administration put out an order aimed at stopping all the state compliance programs; they said the (environmental market) requirements were getting in the way of progress. That day, prices in environmental contracts did drop ... but they came back within 24 hours. People quickly realized that they (the administration) had no control over state programs. States will do what they want. And, the programs are effective."

Yesterday the firm announced that environmental futures and options on the exchange posted a volume of 211,847 lots in Q1 2026 and ended March with open interest of 448,391 lots, up 7% from a year earlier. Carbon futures and options across CCA, RGGI and WCA products posted a volume of

63,133 lots in Q1, up 70% from a year earlier. Renewable energy certificate (REC) futures and options ended the month with open interest of 377,482 lots, up 16% from a year earlier.

"These are very robust markets. Whether voluntary or otherwise." He noted that the Texas REC market is still has the largest voluntary market in the world.

And this year, go figure, we don't bear a lot about killing these markets from the administration. "That conversation has disappeared."

We read a SP Global analysis recently that caught us by surprise. It noted that globally, the share of companies with net zero targets for scope three finance emissions "is rising slowly, reaching 22% in '25. And a higher share of banks, 31%, have policies restricting coal financing. And further, that upward of 40% of assessed financial institutions offer sustainable finance products to corporate clients, a sizeable increase since '23. *None of this came as a surprise to Cusenza.*

"Look, there's still a lot of people who are very supportive of the environmental markets, and they know it's the right thing. Just because the administration voices its opinion, doesn't mean that's where the majority of the people are, right? To the contrary ... more people are aligned with the sense that we need to do something to stop the weather volatility." Indeed.

As for the current atmosphere, he added that rather than focusing on war, governments could be helping each other with clean energy, "and that would help us, longer-term, globally. This is a global issue, not just a US matter. Weather volatility is extremely costly to our economy and everybody else's."

On the subject of war, all energy markets, domestic and global, are indeed impacted, but here in the US, a bit less so – largely because the US is a net exporter of pretty much everything. In Europe, for example, it's a different story, in terms of oil, gas or power. He noted that here in the US we are still seeing a far greater impact on power or gas prices, due more to the weather than the war. It really does set us apart. It's a key point lately at the various energy industry conferences Cusenza has attended. He says that while the themes tend to stay the same – such as prices and how to hedge them properly – the context is very different. "The factors that influence price do vary and change. A year ago I had to talk about the fate of **environmental markets (due to new federal policies) and to assure people that the environmental markets are still here.** That was new at the time. So, there are new themes, but it's still generally along the lines of hedging prices and managing price risk – that is still the hot topic." He noted, too, that there's lots of buzz at these industry events about the use of AI and the rise of data centers, the rise in power demand and how this will impact prices generally, near and long term. "The demand outlook is significant and the pressure on prices will only increase going forward. Today it doesn't take much to impact prices, a slight change in supply or demand in the US market can be very disruptive." He told us a short story to illustrate the current scene in power capacity and demand and what we can likely expect. "It's lunch time and I've got 100 lunches available. Everybody wants to eat. Well, if I've got 100 lunches available and there's 80 people, the price isn't so bad, it's manageable. Now imagine that 80 people increases to 100 people. It's still manageable, right? Now it goes to 105 people. Not much change. But five people aren't gonna eat. Prices go up. So, just a small difference is what will cause a big price disruption." *For those of us in PJM, don't we know it ...*