

## ESG

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## ESG Country Updates

## Singapore

- Singapore is offering refiners and petrochemical companies rebates of up to 76% for its carbon tax, to help them ease cost stress and remain competitive with other countries. This would lower the final costs to between S\$6/tCO<sub>2</sub>e to S\$10/tCO<sub>2</sub>e for a proportion of the companies' emissions, compared to the current headline carbon tax of S\$25/tCO<sub>2</sub>e. The tax concessions may provide a significant buffer for refiners' profit margins amid growing competition with newer plants in China and the Middle East, reflecting the economic realities of balancing sustainability and business needs.

## China

- The China Development Bank has strengthened financial support for green and low-carbon industries, and it has already issued over 200 bn yuan of green loans up till May this year. Its cumulative issuance of carbon-reduction loans through a carbon-reduction credit facility has exceeded 110 bn yuan. Moving forward, it aims to expand support for green transformation in key sectors including energy, water resources and transportation as part of efforts to meet its carbon neutrality goals.
- China's Three Gorges Renewables Group Co Ltd will be investing in a 79.8 bn yuan (US\$10.99 billion) integrated new energy project in north China's Inner Mongolia region, to begin construction in September this year and electricity will be on the grid by June 2027. The large-scale project will include 8GW of solar power installations, 4GW of wind power, 4GW of coal-fired power as well as 5GWh energy storage. The investment is part of the government's plan to build 455GW of desert renewables projects by 2030. There are challenges to connect all of its clean energy to the electricity network, and China has increasingly turned to coal to backstop wind and solar when renewable energy is unavailable.

## Malaysia

- Solarvest Holdings Bhd has partnered with GreenRock Energy to develop 1GW of green energy projects in Taiwan and Malaysia in the next five years, against the backdrop of complex local green energy policies. As of March 2024, Solarvest has achieved a 1.2GW project track record regionally, with 440MW of projects under construction and 348MW of solar assets.
- Malaysia is developing a 1,000MW solar farm that will supply green energy for the Johor-Singapore Special Economic Zone (SEZ). A full agreement on the Johor-Singapore SEZ will be signed in September, nine months after Malaysia and Singapore signed the initial MoU. This aims to improve the cross-border flow of goods and increase investments between both countries.

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### Indonesia

- Indonesia may be lifting its current moratorium on post-2020 carbon credit issuances by the end of the year, with new supply expected to flow in 1Q 2025. The ban was implemented in 2022 that suspended carbon credit exports, with some international trades permitted but subject to complex conditions to ensure that the carbon budget is not depleted by foreign buyers.

### Rest of the world

- The RE100 global corporate initiative is urging Japan to set a target in the upcoming energy plan to triple installed renewable capacity from 121GW in 2022 to 363GW by 2035. Japan is currently working on its next basic energy plan, which is a key long-term strategy aimed at balancing energy security and decarbonisation to achieve carbon neutrality by 2050. Japan is also among the countries who have pledged to triple the world's renewable energy capacity by 2030 at COP28 last year, as part of efforts to cut the share of fossil fuel in global energy production.
- The International Sustainability Standards Board (ISSB) aims to publish guidance to harmonise how companies globally publish details on their transition plans to meet their net-zero targets. Such transition plans are becoming increasingly important for companies and are already mandatory for listed companies in the EU under the corporate sustainability disclosure regulations. As such disclosures are increasingly moving from a comply-or-explain to a mandatory basis, these guidelines can promote the integrity of such transition plans and mitigate greenwashing.
- Denmark, a key dairy and pork exporter, will be the first country to impose a carbon tax on livestock carbon dioxide emissions from 2030. The proposed tax is US\$43.16 (300 Danish crowns) per tonne of CO<sub>2</sub> in 2030 and aims to increase it to US\$107 (750 crowns) by 2035. To ease the tax burden, there will be income tax deductions and subsidies made available to farmers. While subject to approval by parliament, political experts expect a bill to pass following the broad-based consensus. New Zealand has scrapped similar plans after facing criticism from farmers, and will instead find other ways to reduce agricultural emissions.

## Special Coverage: Approval of first batch of CCP-eligible carbon crediting methodologies

- The Integrity Council for Voluntary Carbon Market announced the first carbon-crediting methodologies that meet its high-integrity Core Carbon Principles (CCP). The seven approved methodologies would mean that the high-integrity CCP label can be used on an estimated 27 mn carbon credits generated by (i) projects that destroy stockpiles of Ozone Depleting Substances (ODS) (12 mn carbon credits) and (ii) Landfill Gas projects that capture methane from landfill sites (15 mn carbon credits).
- The ICVCM has grouped a first batch of more than 100 methodologies into 29

categories for assessment. Another 27 categories of carbon credits, which represent over 50% of the market, are still being assessed. This includes more popular types of carbon credits generated from cookstove and REDD+ projects. Their assessments are expected to be completed in the coming months.

- Carbon credits can only be tagged with the CCP label if the carbon-crediting program is approved as CCP-eligible and the projects that generate the credits use methodologies that are also CCP-approved. There are five CCP-eligible carbon crediting programs currently, shown in the table below. Other carbon crediting programs are still undergoing assessment.

<b>Carbon crediting program</b>	<b>Status</b>
American Carbon Registry	CCP-Eligible
Architecture for REDD+ Transaction TREES	CCP-Eligible
Climate Action Reserve	CCP-Eligible
Gold Standard	CCP-Eligible
Verified Carbon Standard	CCP-Eligible
Isometric	Assessment in progress
Puro.earth	Assessment in progress
Social Carbon	Assessment in progress

- The CCP-approved status of credits will be visible to buyers in the programs' registries in due course and are expected to be priced at a premium to reflect high integrity.

Carbon Markets Analysis

ETS Markets	Price	Weekly Change	Week High	Week Low
EU ETS (EUR/ton)	67.47	-1.0%	68.13	66.67
China ETS (CNY/ton)	90.66	-0.8%	92.87	88.88

Market	Commentary
EU ETS	<p>The EU ETS prices fell to a 2-month low amid declining liquidity and saw a 9% loss in June. The high auction supply coming up could begin to further weigh on prices. Under the revised EU ETS Directive, non-fossil fuel production processes for hydrogen are now eligible for free allocation in the EU ETS. This can help the hydrogen market develop at a lower cost and will be supportive to overall industrial decarbonisation.</p>
China ETS	<p>China ETS prices hovered around the 90-93 CNY range last week with a healthier trading volume, as pessimism persists in the market due to the lack of regulatory developments.</p>
Voluntary Carbon Market (VCM)	<ul style="list-style-type: none"> <li>A bearish sentiment prevails in the VCM, with a weak outlook for prices in the near term. The Platts Renewable Energy Current Year price fell US\$0.10 to \$1.50/tCO<sub>2</sub>e amid ongoing weak demand and excess supply.</li> <li>Integrity concerns continue to be a challenge for the market, with stakeholders increasingly prioritising high-quality carbon credits. In June 2024, C-Quest Capital (C-Quest) voluntarily shared findings with Verra and US regulatory authorities regarding its overissuance of carbon credits across 27 clean cookstove projects. In light of this, Verra will conduct a review of the implicated C-Quest cookstove projects and will suspend these projects until the review is concluded.</li> </ul>

Source: Refinitiv Eikon, Carbon Pulse, Platts Connect

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