ESG
9 July 2024

ESG Country Updates

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Singapore

- Enterprise Singapore and Temasek are partnering with Breakthrough Energy, a climate organisation founded by Bill Gates, to identify and grow budding climate technology in Southeast Asia. Through the programme, Singapore will co-fund and nurture deep-tech climate start-ups that work on renewable energy and carbon footprint to help the region meet its net-zero target by 2050. This can bring down the abatement costs for clean technologies and build the required capabilities for companies.

- To reduce pollution on the roads of Singapore, older foreign motorcycles will soon be barred from entering Singapore as they generally cause more pollution than motorcycles complying with the newer Euro emissions standards. From 1 Jul 2028, foreign-registered motorcycles registered in their home country before 1 Jul 2003 will be barred from entering Singapore. This is part of plans to tighten regulations to safeguard air quality and reduce pollutants that may be detrimental to respiratory health.

- The amount of green, social and sustainability-linked loans issued in Singapore has increased for the sixth consecutive year and reached $30.4bn in 2023. This is approximately 21% higher than 2022 at $25.2bn, based on the MAS' sustainability report. However, the amount of green, social, sustainability and sustainability-linked bonds decreased in 2023 to $7.4 billion, from $10.1 billion in 2022. This comes amid a global slowdown in bond issuances due to rising interest rates and inflation. Singapore remains ASEAN's largest market for green, social, sustainability and sustainability-linked bonds and loans, accounting for more than 50% of the market.

China

- The Civil Aviation Authority of China (CAAC), based in Chengdu, launched the country's first technical centre for sustainable aviation fuel (SAF) that focuses on standard setting and product research. The centre will lead the mapping out of industry policy and setting standards for products and quality control. China is the second-largest aviation market globally that consumes about 11% of the jet fuel used in the world. It is expected to unveil its policy on the use of SAF for 2030 this year, that can spur greater investments in the clean fuel to enhance adoption.

Malaysia

- Malaysia has seized 106 containers of electronic waste over the last three months. It has also shut down two factories suspected of unlicensed electronic and plastic waste recycling in the northern Kedah state. This involved an illegal import syndicate that used false documentation to import waste for recycling purposes, reflecting the ongoing problem of wealthy countries illegally sending e-waste overseas to less developed countries where it is cheaper to process.

Indonesia

- Coal's share of power generation in Indonesia has increased marginally to 61.8% in 2023 with no sign of slowing down, according to a London-based energy think-tank Ember. Indonesia's share of solar and wind in its electricity mix is at 0.3%, behind the ASEAN average of 4.4% and Vietnam (highest in the region) at 13%. Despite abundant solar and wind power potential, the country's reliance on coal remains high because of the influence of the coal industry and the need to ensure energy security despite climate risks.

Rest of the world

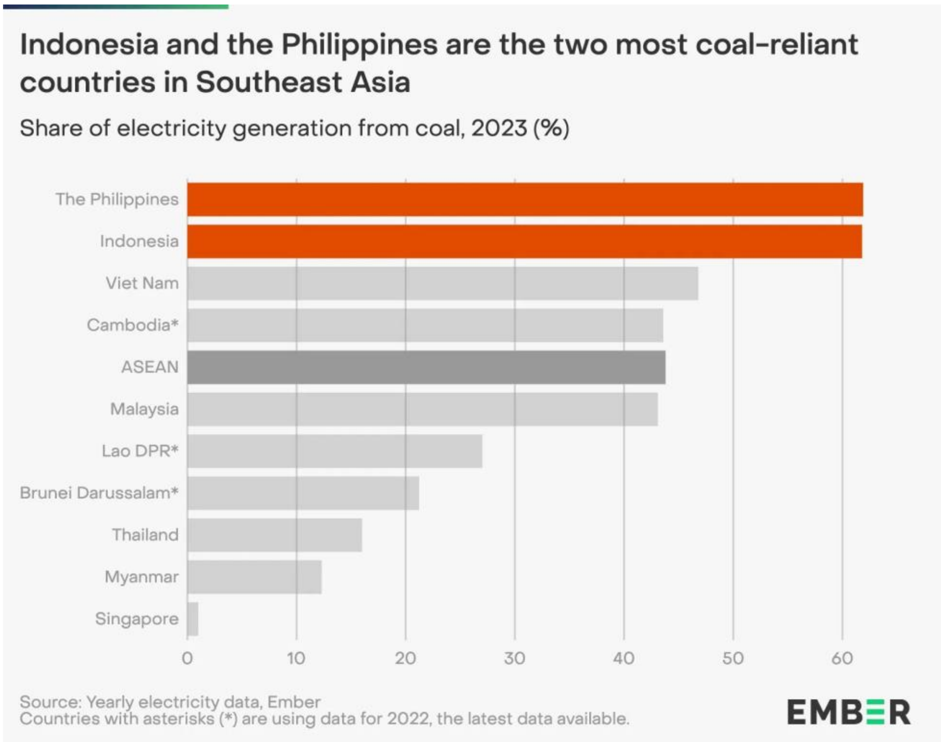
- Egypt is looking to raise its target for the renewable share of energy generation to 58% by 2040, up from its previous target to generate 42% of its power through renewables by 2030. This is part of the country's new strategy that the government aims to publish in the next few months, detailing efforts to expand green power in the country. Currently, less than 12% of Egypt's installed capacity of nearly 60GW is from renewables. Similar to other countries, there are challenges in ensuring that the renewable energy projects are connected to the grid.

Special Coverage: Malaysia considers implementing carbon tax as CBAM kicks in

- Malaysia may soon begin exploring the implementation of a carbon tax and facilitate carbon trading, as part of goals to reach net-zero carbon emissions by 2050 and decarbonise emissions-intensive sectors. This comes after plans to develop a carbon pricing mechanism was mentioned in Malaysia's National Energy Transition Roadmap (NETR) and New Industrial Master Plan (NIMP) 2030 published in 2023.

- Reducing emissions from hard-to-abate sectors will also reduce the impact of global regulations on Malaysia's long-term trade competitiveness, such as the EU's Carbon Border Adjustment Mechanism (CBAM) which is expected to impact Malaysia's key export sectors like iron and steel. The first phase of the CBAM will be operational from 2026, where importers will have to start paying a carbon import levy for carbon-intensive goods.

- The challenge for Malaysia is that the country remains heavily reliant on coal. Coal's share of power generation in Malaysia was 43.1% in 2023, slightly lower than the ASEAN average of 43.8%. The Philippines and Indonesia are the two most coal-reliant countries in ASEAN, with coal use nearly reaching 62% in 2023.

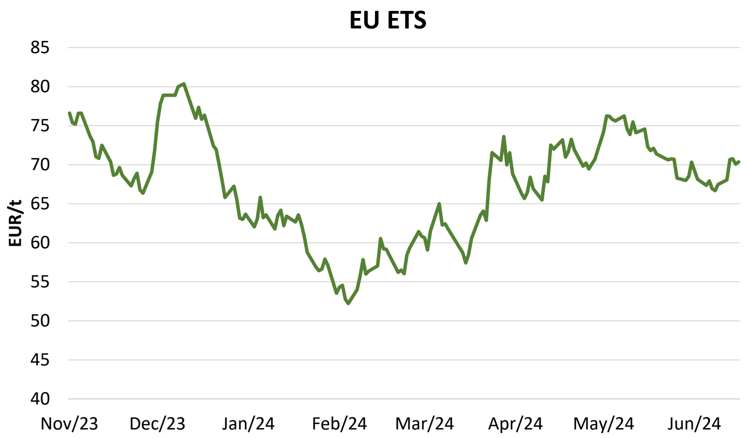


- As Malaysia also has blanket fuel subsidies in place, the country aims to address fuel subsidies before moving on to implementing a carbon policy. The country has begun diesel subsidy reforms that can save around RM4 bn annually, as the government shifts away from costly blanket subsidies to a targeted approach that aims to help low-income communities. Malaysia is projected to spend RM52.8 bn on subsidies and social assistance this year, down from about RM64.2 bn in 2023, according to its 2024 budget. This is amid plans to implement labour reforms and tackle stagnant wages, in addition to energy transition plans.

Carbon Markets Analysis

ETS Markets	Price	Weekly Change	Week High	Week Low
EU ETS (EUR/ton)	70.36	4.3%	70.76	67.47
China ETS (CNY/ton)	90.61	-0.1%	91.33	88.38

<table>
<tr><th>Market</th><th>Commentary</th></tr>
<tr><td>EU ETS</td><td>The EU ETS prices saw a weekly gain of 4.3% last week with dwindling activity, especially with the peak summer holiday season and the US market closed for Independence Day last week. As the EU CBAM will be operational from 2026, it is prompting some countries to introduce their own carbon border levies e.g. Australia, Turkey.



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<tr><td>China ETS</td><td>China ETS prices fell slightly over the past week with shrinking liquidity. Market participants expect increased trading activity over the coming months after the government released a draft allocation plan for 2023 and 2024.

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<tr><td>Voluntary Carbon Market (VCM)</td><td>

- Sluggish buying interest persists in the market, although demand across various segments may improve depending on COP29 outcomes and as integrity initiatives progress.
- The removals sector ended last week with bearish price levels as Platts Tech Carbon Capture, Natural Carbon Capture and Blue Carbon all fell. Platts Blue Carbon Current Year price was assessed at $26.25/tCO2e, down 75 cents on the day amid multiple bearish price levels heard from sources.
- As Verra suspended 27 clean cookstove projects in response to C-Quest Capital's overissuance of carbon credits, Gold Standard-certified cookstove credits were heard at a 50 cents/tCO2e premium to VCS-certified equivalent cookstove credits as the market continues to prioritise quality.

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Source: Refinitiv Eikon, Carbon Pulse, Platts Connect

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