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ESG Country Updates

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Singapore

- The Lao PDR-Thailand-Malaysia-Singapore Power Integration Project (LTMS-PIP) involved multilateral cross-border electricity trade involving four ASEAN countries, and the first renewable energy import into Singapore. The deal was valid for two years and ended 22 Jun 2024. The extension of the deal is facing complications due to disagreements over how the energy will be transmitted through Malaysia and Thailand, as well as competition among economies for access to renewable energy.

China

- China plans to reduce its coal industry's emissions by piloting the firing of power plants using coal mixed with either green ammonia or biomass, as well as by carbon capture, utilisation and storage. This is according to a government plan issued by the National Development and Reform Commission and the National Energy Administration. By 2027, the government aims to expand low-carbon projects and lower operating costs, as well as cut average carbon emissions by 50% from 2023 levels. The costs of deploying these new low-carbon technologies currently remain high, and would require public and private investments to lower costs in the long-term.

Malaysia

- Malaysia aims to table a carbon capture, utilisation and storage (CCUS) bill in November, to regulate CCUS activities and attract more investors into the country as indicated in its National Energy Transition Roadmap. Terengganu is one of the leading states in implementing CCUS initiatives because of existing offshore oil wells and terminal facilities available. Other states include Pahang, Sabah and Sarawak. Implementing CCUS initiatives would require high costs to develop and deploy associated infrastructure. Nonetheless, a strong and clear policy is a step in the right direction to enable the low-carbon transition through CCUS.

Indonesia

- The central government is targeting to implement the Direct Assistance for Farmers (BLP) program in 2026, as part of efforts to transform its fertiliser subsidy policy and increase national food security. Under this program, farmers will get direct cash transfers instead of assistance in the form of a goods subsidy as previously implemented. This aims to make the distribution of government assistance more efficient and boost farmers' productivity. The BLP program is planned to be tested in East Belitung and Belitung districts of Bangka Belitung Islands in 2025.

Rest of the world

- The US Energy Information Administration (EIA) estimates that the production capacity of sustainable aviation fuel (SAF) in the US could jump by 1400% in 2024 if all announced capacity additions come on line. The EIA anticipates domestic production of biofuels will increase by about 50% in 2024, led by rising SAF production. This can reduce the high cost of SAF over time and help to accelerate the adoption of SAF.

- Azerbaijan has proposed a US$1 bn Climate Finance Action Fund (CFAF) to invest in climate action in developing economies, which is one of 14 initiatives announced in Azerbaijan as part of the COP29 agenda. CFAF will be capitalised with voluntary contributions from fossil fuel-producing countries and companies across oil, gas and coal, with Azerbaijan being a founding contributor. According to the COP29 Presidency, members will commit to transfer annual contributions as a fixed-sum or based on volume of production. The idea faced pushback from a number of countries, including the US which is the world's largest producer of fossil fuels. Countries that are already planning to contribute to the loss and damage fund may be hesitant to contribute to a new fund as well.

Special Coverage: Malaysia's CCUS bill expected to be concluded in 2025

- Under Malaysia's National Energy Transition Roadmap, Malaysia aims to establish 3 CCUS hubs (2 in Peninsular Malaysia, 1 in Sarawak) by 2030 with a shared storage capacity of up to 15 Mtpa. It has identified 16 depleted fields suitable for CCUS.

- A CCUS bill is set to be tabled in Parliament this Nov and is expected to be concluded in 2025. Similar to Indonesia's CCUS regulation, this bill aims to regulate CCUS activities, facilitate their implementation and attract more investors to the country.

- Terengganu is one of the states with the potential to deploy CCUS technologies due to existing offshore oil wells and terminal facilities. Pahang, Sabah and Sarawak are other states that have been identified to have potential to be CCUS hubs.

- Given the high costs associated with deploying CCUS technologies, incentives and access to funding are required to motivate companies to adopt CCUS technologies. A strong and clear regulatory framework on CCUS is a good start to enable the implementation of CCUS projects in the country to meet its longer-term goal to develop 3 carbon capture hubs by 2050.

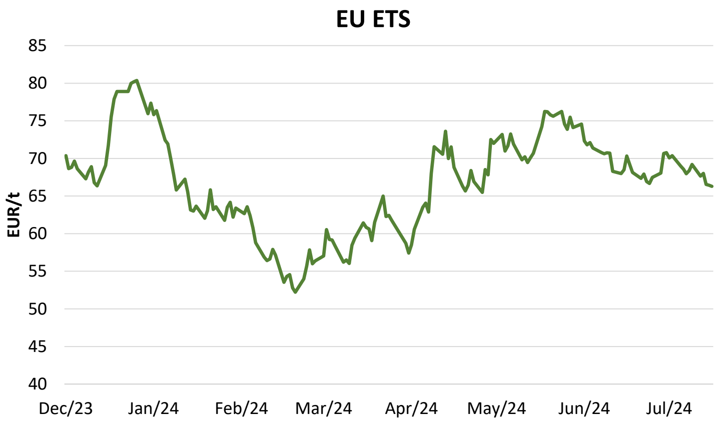
Key initiatives

Energy Transition Lever: Carbon Capture, Utilisation and Storage (CCUS)		
Code	**Initiatives**	**Champions**
CC1	**Develop CCUS-specific policies and regulations** ○ Develop policy and regulatory framework to facilitate the implementation of CCUS projects ○ Establish governance structure of CCUS by clearly defining roles of each ministry and agency ○ Amend existing regulations (e.g. Exclusive Economic Zone Act 1984 [Act 311] and National Land Code) to incorporate key enablers for CCUS development	Ministry of Economy
CC2	**Strengthen CCUS adoption through provision of incentives across all relevant sectors and facilitate hub development** ○ Establish carbon pricing instrument to drive the adoption of carbon capture technology for stationary emitters ○ Enhance incentives to reduce cost, enable access to funding and encourage adoption of CCUS technologies (e.g., public catalytic funds, tax credits, contract for difference)	MOF Ministry of Economy
CC3	**CC3 - Facilitate CCUS Hub infrastructure development** ○ Explore collaboration with potential investors and financiers to fund and catalyse investments in CCUs infrastructure for hub development	Ministry of Economy
CC4	**Establish transboundary CO_2 agreement** ○ Negotiate and introduce transboundary CO_2 regulatory agreement encompassing the provisions on transboundary movement and storage of carbon, liability and cost sharing (Exhibit 5.9)	Ministry of Economy
CC5	**Promote local utilisation of CO_2 in industry** ○ Set specific mandates within use case (e.g. cured concrete and urea)	MITI

Source: National Energy Transition Roadmap, Ministry of Economy

Carbon Markets Analysis

ETS Markets	Price	Weekly Change	Week High	Week Low
EU ETS (EUR/ton)	66.30	-4.2%	69.19	66.30
China ETS (CNY/ton)	86.36	-3.1%	89.45	86.00

Market	Commentary
EU ETS	The EU ETS prices fell 4.2% last week to an 11-week low amid light trading volume. Energy markets were also quiet as the summer holiday season neared its peak. The European Commission is looking into ways to simplify the EU's Carbon Border Adjustment Mechanism from as early as 2025. 
China ETS	China ETS prices fell by 3.1% last week amid slightly decreased liquidity. The ETS has previously been criticised for oversupplies and ineffective prices. Based on government data, this has improved as the surplus of CO2 permits has fallen to negligible levels in the previous compliance cycle. This can improve with tighter regulations planned for the China ETS. 
Voluntary Carbon Market (VCM)	• The voluntary carbon market continues to see limited buying interest across most segments. Bearish demand among market participants is more pronounced during the summer holiday season. • An improvement in market activity is expected in the next quarter as trading activity would resume post-holiday season in Europe and the US. • In recent trading sessions, Platts heard biochar credits were trading in the \$120-130/tCO2e range, much higher than REDD+ credits e.g. VCS-CCB certified Keo Seima project REDD+ credits with a 2020 vintage indicatively valued at \$5/mtCO2e.

Source: Refinitiv Eikon, Carbon Pulse, Platts Connect

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