ESG

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ESG Country Updates

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Singapore

- The new Mandatory Energy Improvement regime that is set to kick in from 3Q 2025, will require owners of energy-intensive buildings in Singapore to carry out an energy audit and implement measures to reduce energy use. This will apply to about 100 existing buildings deemed as energy-intensive, aimed at greening more buildings in Singapore to reduce emissions and electricity consumption from the built environment sector.

China

- China is seeking public feedback on plans to include cement, steel and aluminium production in its emissions trading scheme (ETS) by the end of 2024. Including these three additional sectors could bring the greenhouse gases covered by the China ETS to around 60% of the country's total.

Malaysia

- Malaysia and the UK plan to strengthen partnership to pursue the sustainability agenda, such as promoting green investments via Islamic finance solutions. The UK is one of the few countries outside the Organisation of Islamic Cooperation to have issued sovereign sukuk twice, providing a supply of high-quality liquid assets that are Shariah compliant. Malaysia and the UK plan to leverage Malaysia for Islamic finance opportunities for Asia, as well as the UK's position as a global financial centre. To build a sustainable economic landscape, Bank Negara Malaysia estimates Malaysia would require approximately MYR1.2t to MYR1.3t in funding.

Indonesia

- PT Pertamina Patra Niaga and mining company PT Vale Indonesia have formed a partnership to provide hydrotreated vegetable oil (HVO) as an eco-friendly fuel alternative. HVO has the potential to reduce carbon emissions by up to 85% and greenhouse gas emissions by up to 90%. On top of providing cleaner fuels, the partnership will also enable both companies to jointly implement a community empowerment program to strengthen their ESG practices. This initiative can support community development and contribute to Indonesia's decarbonisation efforts through cleaner fuels.

- Indonesia's President-elect Prabowo Subianto plans to launch a green economy fund by selling carbon credits, with the aim of raising 1,000 trn rupiah (US$65bn) by 2028. There are plans to establish a new regulator for carbon emission rules to oversee efforts to reach Indonesia's emissions targets under the Paris Agreement. The regulator will form a 'special mission vehicle' to manage the green fund and operate the projects that generate carbon credits.

However, the market still faces challenges such as ensuring the integrity of carbon credits generated, and the fund target is ambitious when considering current prices of nature-based carbon credits.

Rest of the world

- South Korea generated more electricity from nuclear reactors than from coal and natural gas for the first time during the first half of 2024. It plans to add four more nuclear plants to its power fleet by 2038, which may lead to reduced purchases of fossil fuels in the future. While South Korea increases efforts to expand renewable energy, nuclear power is the country's main source of clean energy generation and has supplied about 28% of its electricity since 2010.

Special Coverage: Expansion of China ETS to include steel, cement and aluminium in 2024

- China plans to include the cement, steel and aluminium sectors in its ETS by the end of 2024 for the 2025 compliance deadline, which will bring the greenhouse gas emissions covered by the exchange to ~60% of China's emissions. The China ETS covers only the power sector currently. China now seeking public feedback on the plan which is open for public scrutiny until 19 Sep 2024.

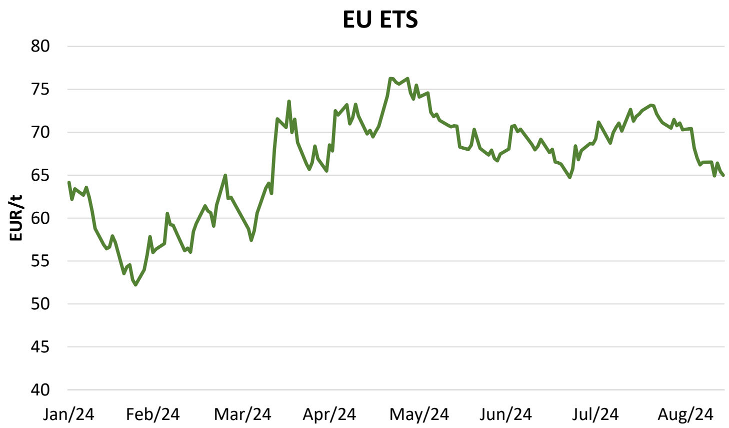
- Upcoming carbon tariffs on carbon-intensive imports from the European Union Carbon Border Adjustment Mechanism (CBAM), that will kick in from 2026, have put pressure on China to accelerate the decarbonisation of its emissions-intensive sectors like steel and aluminium.

- China will expand the ETS in two stages, familiarising participants with its processes between 2024 and 2026 and improving management and the quality of emissions data, while reducing quota allocations to businesses from 2027. Tougher industry emissions reduction targets could be implemented post-2026 to drive up market activity.

- The carbon price has steadily increased over the years, breaching the 100CNY/t mark for the first time this year, and is around the 90CNY/t mark recently. Greater policy clarity could increase market liquidity and prices in the long-term as the China continues to include new sectors to its ETS.

Carbon Markets Analysis

ETS Markets	Price	Weekly Change	Week High	Week Low
EU ETS (EUR/ton)	64.99	-2.3%	66.52	64.92
China ETS (CNY/ton)	92.80	-0.4%	93.13	89.75

Market	Commentary
EU ETS	The EU ETS prices fell 2.3% to 64.99EUR/t and hit a new 7-week low, but remain rangebound with the market waiting for further direction from gas. 
China ETS	China ETS prices saw a weekly decrease of 0.4% to 92.80CNY/t. Prices fell below 90CNY/t throughout the week amid shrinking liquidity despite ETS expansion plans. As the ETS continues to include new sectors, prices are expected to increase and could reach the 100CNY/t level again. 
Voluntary Carbon Market (VCM)	• Sentiment remains bearish in many segments of the VCM. Minimal buyer interest was reported in the renewables segment, with excess supply still an issue. • There is an increasing preference for removal-based carbon credits and International Renewable Energy Certificates. However, the long-term outlook for the nature-based avoidance segment is bullish because of more efforts to improve integrity. The market is also hopeful for progress in Article 6 discussions at COP29 happening in November this year.

Source: Refinitiv Eikon, Carbon Pulse, Platts Connect

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