ESG

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ESG Country Updates

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Malaysia

- The government will develop a Renewable Energy Certificate (REC) Framework aimed at strengthening the management of green energy attributes in Malaysia. The framework will serve as a guideline outlining the ecosystem, as well as the roles and responsibilities of stakeholders involved in the green attribute value chain, including power generators, buyers and verification entities. It will also clarify matters related to ownership, transfer and reporting of green energy attributes in accordance with international standards, to boost renewable energy growth in Malaysia. Once the framework is finalised and approved, the Energy Commission will proceed to formulate more detailed implementation guidelines to support the operational rollout of the REC framework. Malaysia is also working with Singapore to develop a cross-border REC framework that can catalyse demand for cross-border electricity trading projects, and drive investment to support the long-term viability of renewable energy projects in the region.

- Malaysia's planned carbon tax, set to take effect in 2026, could generate close to RM1 bn annually for government coffers while encouraging heavy industries to cut their emissions, according to BIMB Securities. The planned carbon tax will target emissions-intensive sectors such as iron, steel and energy for a start. Although the government has yet to set a carbon tax rate, it is expected to start out low to ensure companies remain competitive and have more time to transition. The revenue collected is anticipated to support industries in implementing decarbonisation initiatives.

China

- China and the EU have agreed to demonstrate leadership to drive a global just transition by working with all parties to support Brazil in hosting the COP30 climate conference, with the hope of achieving successful and inclusive outcomes. Both sides plan to submit their respective 2035 NDCs before COP30 in November, covering all economic sectors and all greenhouse gases in alignment with the goals of the Paris Agreement. Plans for greater bilateral cooperation between China and the EU in the areas of energy transition, carbon markets and low-carbon technologies can help to accelerate global climate action and fill the void left by the US, which has reduced its commitment to global climate initiatives.

Rest of the world

- Japan's industry and land ministers have designated Matsumae and Hiyama, areas off the northern island of Hokkaido, as promotion zones for upcoming offshore wind power auctions. This move aims to strengthen the country's renewable energy efforts as Japan targets 45 GW of offshore wind capacity by 2040. The government will develop guidelines for the use of the zones and launch a public tender to choose operators for energy projects. With some projects facing soaring costs and delays, the industry expects the government to offer more attractive terms to developers to boost the offshore wind farm sector.

Special Coverage: Low-carbon hydrogen sector faces setbacks due to high production costs

- Several green hydrogen projects in the US, Europe, Australia and Asia have scaled back as production costs remain high amidst weak demand. For many industries, switching to green hydrogen would mean a substantial increase in energy expenses as production remains at least 3 times more expensive than natural gas as a fuel for power generation.

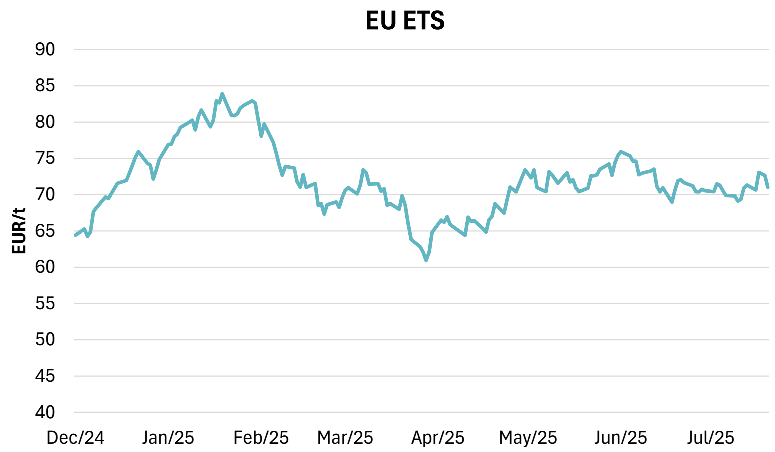
- Besides domestic emissions, low-carbon hydrogen and hydrogen-derived fuels are potential alternatives to fossil fuels in the maritime and aviation sectors. Many governments support the development of supply chains for low-carbon hydrogen to decarbonise sectors including transport and oil refining, and have included green hydrogen in their national decarbonisation strategies. For example, Singapore plans to use low-carbon hydrogen to support its transition towards net zero by 2050, depending on technological developments and the development of other energy sources.

- However, prices remain high because of the high cost of electrolysers needed for large-scale production and infrastructural bottlenecks. Due to its low density, hydrogen faces storage challenges as it requires high pressure tanks and poses risks for transportation through old gas pipelines in case of hydrogen leaks. Infrastructure upgrades for a safe and robust hydrogen storage and transportation network would be required for leveraging low-carbon hydrogen as a decarbonisation tool.

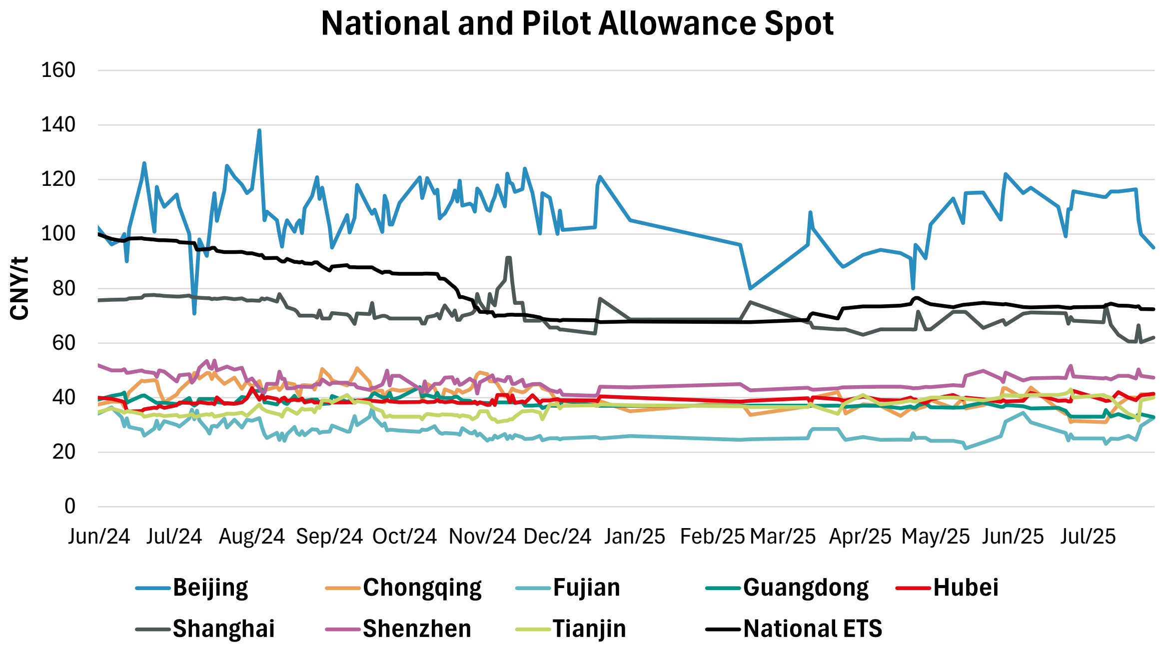
- The overall global pipeline of green hydrogen projects have contracted with cancelled or postponed projects, indicating a widespread retreat from formerly ambitious green hydrogen targets worldwide:
    1. BP exited a major US$36bn green hydrogen facility in Western Australia
    2. Shell cancelled a low-carbon hydrogen plant on Norway's west coast due to lack of demand, days after Equinor cancelled a similar project planned for Norway
    3. Neste withdrew from renewable hydrogen investment at its Finland plant, citing market conditions
    4. Kawasaki Heavy Industries walked away from a coal-to-hydrogen project in Latrobe, citing time and cost pressures

Carbon Markets: Weekly Overview

ETS markets	Price	Weekly change	Week high	Week low
EU ETS (EUR/ton)	71.04	-0.4%	73.08	70.65
China ETS (CNY/ton)	72.43	-1.7%	73.70	72.43

Market	Commentary
EU ETS	Largely sideways trading was observed in the EU ETS amid subdued momentum and lack of strong directional drivers. Muted power sector demand continued to weigh on compliance buying. 
China	**National ETS**: Prices fell by 1.72% to CNY 72.43/t, with trading volumes down 23.04% from the previous week. **CCER**: The CCER transaction price range was CNY 78.00-85.67/t last week, with the transaction volume at 68,704 tonnes. Larger CCER projects are currently fetching higher prices compared to smaller projects in the market. **Pilot ETSs**: There were 588,137 tonnes traded across the pilot ETS markets, more than twice of the previous week. The Beijing, Shanghai, Chongqing and Fujian markets saw no transactions, mainly due to a lack of compliance-driven demand.  

China



Pilots	Closing price on listed trade (CNY/t)	Weekly change (%)	Weekly volume on listed trade (t)
Beijing	100.00	0.00	-
Chongqing	41.25	0.00	-
Fujian	32.58	0.00	-
Guangdong	32.86	-0.27	4,966
Hubei	41.40	-1.41	355
Shanghai	62.00	0.00	-
Shenzhen	47.34	-1.37	25,666
Tianjin	40.00	26.98	176

Source: Refinitiv Workspace, Carbon Pulse

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