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Sustainability Weekly

Country Updates

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Singapore

- Singapore will invest S$800mn into decarbonisation initiatives over the next five years, as part of efforts to meet its 2035 abatement target and 2050 net-zero ambition. There will be a significant increase in investments in promising solutions to reduce emissions from the power sector and industry, while ensuring a reliable and resilient power system. Examples include solar power, hydrogen and its derivatives, energy efficiency, energy storage, carbon capture and utilisation and grid modernisation. The funding will support both early-stage laboratory research and the piloting of more mature solutions. A new programme, Singapore Pilots for Energy and Enterprise Decarbonisation, was also launched to support local research, development and demonstration activities and attract private investments. This can support hard-to-abate sectors in scaling decarbonisation efforts and implementing novel solutions to achieve more energy efficient operations.

Indonesia

- Indonesia plans to commission its first nuclear power plant between 2032 and 2034, as part of a broader plan to reach 44GW of nuclear capacity by 2060 and aligned with its net-zero commitment. Of the 44GW, 35GW is intended for electricity generation, while 9GW will support hydrogen production starting 2045. The government intends to prioritise small modular reactor (SMR) technology, as well as address challenges such as regulatory hurdles and public concerns over disaster risks. Indonesia plans to also focus on international cooperation, which could include collaboration with other Southeast Asian countries that are also exploring advanced nuclear technologies.

- Indonesia plans to accelerate efforts to achieve food and energy self-sufficiency, driven by global crises highlighting gaps in food and energy security. The government is prioritising the development of solar power plants in several regions, which are expected to deliver a total installed capacity of up to 100 GW. An acceleration of renewable energy projects in Indonesia can contribute to regional decarbonisation efforts, as it benefits other countries like Singapore that plans to import low-carbon electricity from the region through undersea cables. However, some of these solar projects are facing delays due to challenges in securing financing for the projects.

- Indonesia's plan to develop a green industrial zone in the Riau Islands linked to clean electricity cooperation with Singapore is almost finalised. The project is located in the Batam, Bintan, and Karimun (BBK) area, with the aim of attracting high-technology industries and support Indonesia's ambition to become a key player in the regional green energy supply chain. Singapore and Indonesia discussed plans to develop sustainable industrial zones in the BBK area and begin pilot projects, while ensuring that domestic electricity demand remains a priority before any exports. Both countries are also preparing to collaborate on low-carbon technologies such as carbon capture and storage.

China

- China's legislators approved a new environmental law that strengthens ecological and climate protections while also ensuring economic growth, known as the Ecological and Environmental Code. The adoption of this code aims to further improve systems to advance carbon reduction, pollution control, green expansion and economic growth in a coordinated way. The code is aligned with China's pledges to peak carbon emissions before 2030 and achieve carbon neutrality before 2060. However, challenges such as extreme weather events, geopolitical tensions and supply chain disruptions continue to weigh on global efforts to advance climate action.

Rest of the world

- EU countries gave the final approval to a new climate target to cut greenhouse gas emissions 90% by 2040, pressing on with its ambitious climate agenda despite political resistance. This target is more ambitious than most major economies' emissions reduction commitments, including China whose aim is to cut carbon intensity of GDP by 17% from 2026 to 2030. As part of the agreement, the EU will also consider the option in the future to use international carbon credits to meet a further 5% of its 2040 emissions reductions, potentially further softening the domestic efforts required. The deal also delays the launch of a new EU carbon market by one year to 2028.

- The demand for compliance carbon credits could increase if ongoing disruptions to oil and gas supplies compel industries to turn to cheaper and higher-emission fuels such as coal. Taiwan is considering raising production at coal-fired facilities while Italy is keeping its plants in "cold reserve" as a precaution. This would lead to a spike in demand for compliance credits as facilities generate more emissions if they turn back to coal for energy security.

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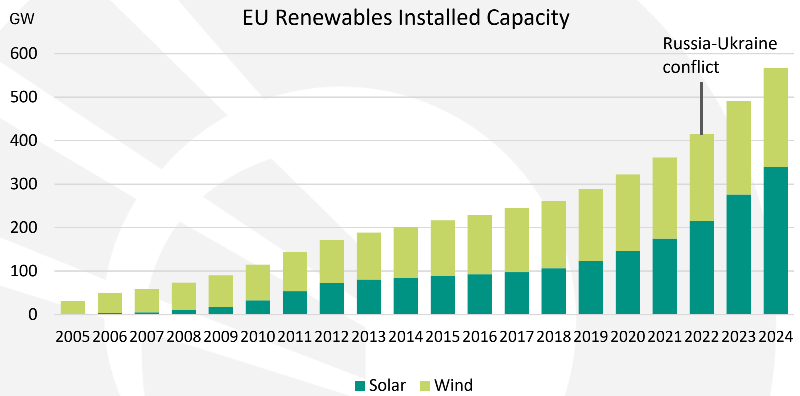
Weekly Commentary: Fuel switching amid oil and gas volatility

- The Middle East conflict has disrupted oil and gas markets and supply chains, complicating the outlook of the global clean energy transition which hinges on the duration of hostilities and degree of further energy market disruptions.

- If geopolitical tensions are prolonged, countries will pivot to cost-competitive alternatives, such as renewables and coal, or tap on existing stockpiles. In countries where clean energy sources are assessed to be more economically attractive in the current landscape, a pivot to clean energy based on a pragmatic response to volatile fossil fuel markets is possible. The EU, since the Russia-Ukraine conflict, has been increasingly reducing dependence on fossil fuel imports and increasing renewable energy deployment. However, inflationary pressures could make it more expensive to deploy clean energy in an industry that requires large upfront investments and is sensitive to borrowing costs.

- Countries like China with large coal and crude reserves could fall back on these energy sources in the short term as a fast and cost-effective way to deal with oil and gas supply disruptions. Reactivating coal-fired power plants to ensure energy security could represent a temporary setback in climate progress for some countries if an energy crisis ensues.

- Indonesia plans to increase crude oil imports from the US to replace some supply from the Middle East, in efforts to diversify energy suppliers and mitigate geopolitical risks. Given the supply shocks and short lead time, the market may look to any supply response from the US shale industry. US shale oil production has been known for its flexibility in the past, with the ability to ramp up production more quickly than conventional sources. However, this will not be immediate, and incremental supply could require 6 to 12 months to bring additional supply onto the market. The diversification of energy sources and suppliers remains critical to long-term energy security and resilience.



Source: BloombergNEF, OCBC Group Research

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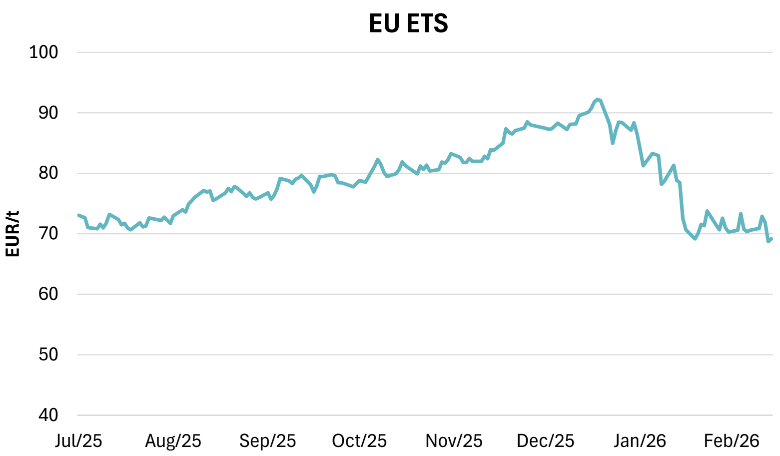
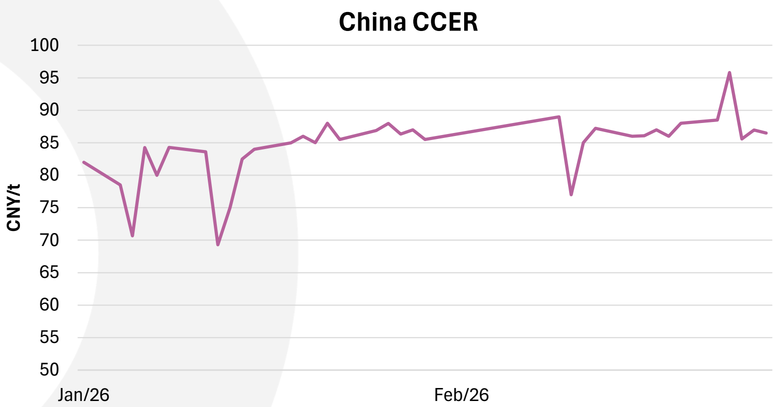
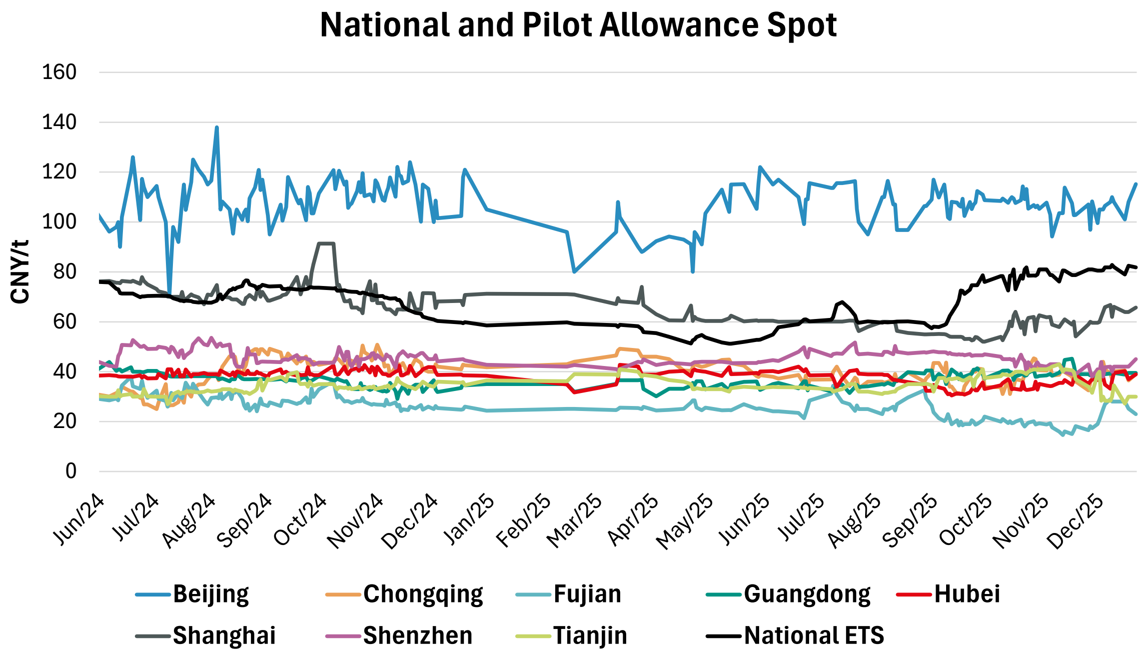
Carbon Markets: Weekly Overview

ETS markets	Price	Weekly change	Week high	Week low
EU ETS (EUR/ton)	69.16	-2.0%	72.91	68.73
China ETS (CNY/ton)	81.83	0.0%	82.80	79.00

Market	Commentary
EU ETS	Last Thursday saw a heavy sell-off to a new 10-month low but prices stabilised by the end of the week. As the Middle East conflict enters its third week, carbon could continue pricing in a risk discount to escalations in the conflict that could lead to prolonged elevated energy prices. The current policy signal for the EU ETS appears bearish, as the EU Commission may consider loosening free allocation rules to reduce the impact of EUA costs. 
China	**National ETS**: Traded volumes increased significantly over the week, while carbon prices fluctuated within a narrow range. Despite the increase in weekly traded volumes, the market remains relatively subdued, likely because regulated entities have not yet fully completed their carry-over allowances. **CCER**: Traded volume increased by 10 times compared to the previous week, although total volume was still limited at 145,430 tonnes. CCER prices were traded at a premium to ETS prices, fluctuating within the range of CNY85.58/t to CNY95.8/t.  

China	**Pilot ETSs**: Market activity remained low last week, with the total traded volume across all pilot ETS markets standing at 143,677 tonnes. The Guangdong pilot ETS contributed the most to the total traded volumes, accounting for around 70%. Allowance prices in Shanghai, Shenzhen, Hubei and Guangdong increased slightly compared to the previous week.



Pilots	Closing price on listed trade (CNY/t)	Weekly change (%)	Weekly volume on listed trade (t)
Beijing	115.19	0.00	-
Chongqing	39.00	0.00	-
Fujian	23.00	0.00	-
Guangdong	39.50	0.61	100,216
Hubei	38.96	6.80	3,323
Shanghai	65.70	2.82	40,128
Shenzhen	45.00	7.14	10
Tianjin	30.00	0.00	-

Source: LSEG

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