OCBC Group Research

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Sustainability Weekly

Country Updates

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Singapore

- Singapore and Japan announced the upgrade of Singapore-Japan relations to a Strategic Partnership on 18 March, expanding cooperation in five key pillars including the green transition and energy cooperation. Both countries plan to enhance cooperation on projects that contribute to green energy and the energy transition while maintaining energy security, including in the areas of low-carbon hydrogen and ammonia production, offshore wind, biofuels, sustainable aviation fuels, carbon capture and storage (CCS), nuclear energy, LNG and cross-border electricity imports. There are also plans to expand opportunities for participation in sustainable and transition financing solutions, such as the Financing Asia's Transition Partnership and for the development of the ASEAN Power Grid.

Indonesia

- Indonesia and Japan signed a Memorandum of Cooperation (MoC) in two strategic areas, namely critical minerals and nuclear energy, on the sidelines of the Indo-Pacific Energy Security Ministerial and Business Forum. Collaboration in the critical minerals sector will focus on strengthening the global supply chain to improve its reliability and long-term stability, while nuclear energy cooperation will focus on developing low-carbon technologies with high safety standards. Both countries will also continue discussions on strengthening regional energy security, including cooperation in the liquefied natural gas (LNG) and coal supply chains, as well as accelerating energy transition projects under the Asia Zero Emission Community (AZEC) framework, such as the operation of the Sarulla geothermal power plant (PLTP) and the completion of the Legok Nangka PLTSa.

- The Indonesian Data Centre Provider Organisation plans to introduce a new rating system this year that measures energy efficiency and environmental performance. The rating system could eventually be linked to tax incentives for the data centre (DC) industry, but would need national implementation and government support. Indonesia's DC industry is expanding rapidly, driven by its booming digital economy and rising demand for AI and cloud services. The expansion of the DC industry is also expected to create more jobs as DC investment accelerates. Microsoft is building a new 48-megawatt data centre at the 1,400ha Karawang International Industrial City in West Java. The facility is expected to begin operations later this year and is part of the company's US$1.7bn investment in Indonesia, with plans for further expansion to house five DCs and form a cluster.

Rest of the world

- India is proposing that clean energy firms use only locally made solar ingots and wafers from June 2028, in efforts to reduce Chinese imports. The government has already mandated the usage of locally assembled solar panels in state-run projects even though components like cells, wafers, ingots and polysilicon could be imported. With an existing manufacturing capacity of around 2GW for ingots and wafers, India plans to further strengthen the solar panel manufacturing supply chain with domestically-made components. This can reduce India's reliance on China for solar components and reduce exposure to any shocks in external supply chains.

- Energy shocks from the Middle East conflict is spurring policymakers to rethink ways to reduce long-term dependence on oil and gas imports, with proposals to expand nuclear energy and renewables, grow strategic stockpiles and domestic production, as well as diversify foreign sources of supply. Europe unveiled new financial guarantees for atomic power after decades of closing nuclear plants. Other major importers are planning to source fuel from a broader array of suppliers to hedge their risk. Asian utilities are boosting coal-fired power generation to cut costs and safeguard energy supply. For example, South Korea plans to remove ceilings on coal-fired output and increase nuclear generation, while Japan's top utility JERA said it will keep coal-fired power generation at high utilisation rates. In Southeast Asia, the Philippines is ramping up coal-fired power and reducing LNG-fired output due to LNG supply volatility in order to ensure energy security.

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Weekly Commentary: Middle East conflict underscores need to scale sustainable aviation fuels

- The Middle East conflict has disrupted oil and gas markets and supply chains, affecting various industries including aviation. In response to surging jet fuel costs driven by geopolitical tensions, multiple airlines have started raising flight ticket prices, bringing renewed attention to sustainable aviation fuel (SAF).

- The rising demand for SAF stems primarily from the aviation sector's net-zero commitments and SAF blending mandates globally. However, global SAF supplies are tightening as SAF investments and production are unable to keep pace with the rising demand.

- SAF currently carries a substantial price premium over conventional jet fuel due to high production costs, limited production capacity and feedstock constraints. Platts assessed SAF produced via the hydroprocessed esters and fatty acids pathway at US$2,845.75/metric ton on a CIF basis in Northwest Europe, and at US$2,400/mt on an FOB basis in Singapore. SAF prices remain high although the premium to jet fuel has narrowed since the conflict began. Amid geopolitical tensions and elevated jet fuel prices, the role of SAF as an alternative to jet fuel therefore remains limited.

- Nonetheless, the conflict reinforces the long-term importance of scaling diversified and multi-feedstock SAF supply chains to reduce vulnerabilities to fossil fuel market volatility. This could accelerate investment decisions in SAF projects in the long term, supporting energy security and resilience by hedging against future disruptions and mitigating future shocks to jet fuel prices.

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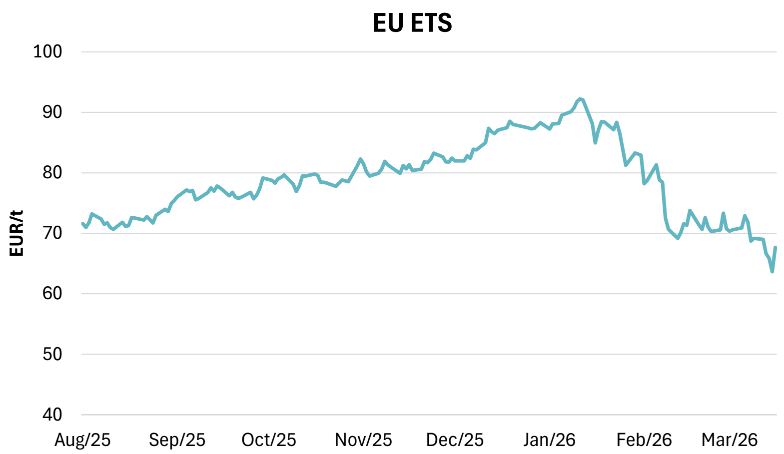
Carbon Markets: Weekly Overview

ETS markets	Price	Weekly change	Week high	Week low
EU ETS (EUR/ton)	67.66	-2.2%	69.16	63.65
China ETS (CNY/ton)	80.16	-2.0%	81.95	80.16

<table>
<tr><th>Market</th><th colspan="2">Commentary</th></tr>
<tr><td>EU ETS</td><td>Optimism in the market rose after the conclusion of the EU Council meeting last week providing strong political support for the ETS, with market expectations within the EUR70-75/t range, coupled with potential gas-to-coal switching that can support further gains. However, the Middle East conflict and mild weather continue to pose short-term headwinds and could weigh on carbon's sentiment.</td><td>
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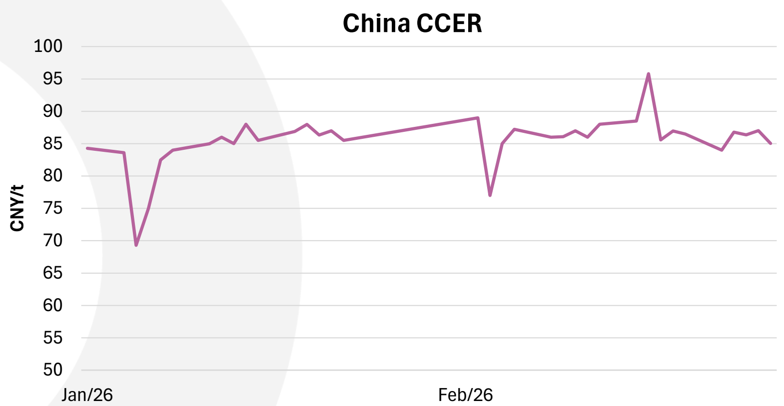
<tr><td>China</td><td>National ETS: Listed traded volume rose significantly while OTC traded volume contracted. All transactions were for CEA25, indicating that as the rollover process progresses, products labelled for other years are gradually losing market share.

CCER: CCER traded volume was 101,278 tonnes, a decrease of 30.36% from the previous week. CCER prices fluctuated within the range of CNY84.00/t to CNY87.02/t.</td><td>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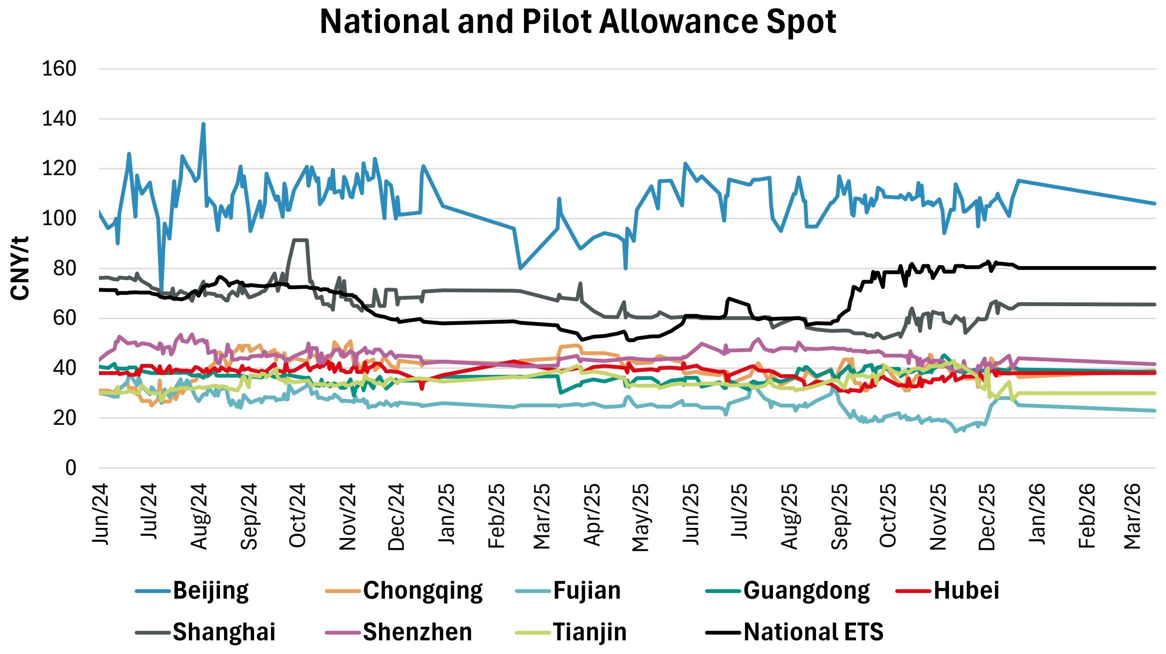
China	**Pilot ETSs**: Traded volume across all pilot ETS reached 938,931 tonnes, more than six times the volume of the previous week. The Hubei pilot ETS contributed over 89.84% of the total volume, though its closing price fell slightly by 2.36% compared to the previous week. Daily traded volume in the Hubei pilot ETS was uneven, with 97.05% of the volume occurring on 18 Mar. A similar situation was observed in the Guangdong pilot ETS, with 87.89% of traded volume also generated on 18 Mar.



Pilots	Closing price on listed trade (CNY/t)	Weekly change (%)	Weekly volume on listed trade (t)
Beijing	106.00	-7.98	10
Chongqing	39.00	0.00	-
Fujian	23.00	0.00	-
Guangdong	38.51	-2.51	64,497
Hubei	38.04	-2.36	843,524
Shanghai	65.50	-0.30	20,000
Shenzhen	41.60	-7.56	10,900
Tianjin	30.00	0.00	-

Source: LSEG

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