GLOBAL MARKETS RESEARCH

OCBC Weekly ESG Report

21 November 2023

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ESG Country Updates

Singapore

- Singapore Airlines, alongside other airlines that form the Association of Asia-Pacific Airlines (AAPA), pledged to strive towards a collective target of 5% sustainable aviation fuel (SAF) use by 2050. Singapore Airlines and Scoot have also announced their own target of replacing of 5% of their total fuel requirements with SAF by 2030. This is lower than Cathay Pacific's target for sustainable jet fuel to make up 10% of its fuel consumption by 2030. However, the supply of SAF is currently less than 1% of prevailing demand.

- The MAS launched 'Gprnt' that offers a digital reporting solution for businesses to report their ESG information. It is currently undergoing live testing with selected banks and SMEs, to be progressively rolled out from 1Q 2024 onwards. It aims to help companies automate their ESG reporting processes and allow end users such as banks and regulators to access relevant data to support their sustainability-related decision making. The platform will be driven by a newly created entity called Greenprint Technologies, supported by the MAS, HSBC, KPMG, MUFG Bank and Microsoft.

China

- The Centre for Research on Energy and Clean Air estimates that China's carbon dioxide emissions may fall in 2024 because of a surge in clean power generation. Installations of solar, wind, nuclear and hydro capacity may be sufficient to cover new power demand in China. As a result, the country may be less reliant on coal and reduce emissions. Whether the decline can be sustained would depend on China's ability to maintain high levels of clean energy deployment and bolster the country's energy security.

- Ahead of COP28, China and the US agreed to resume a working group on climate cooperation and pledged a major ramp up of renewable energy, including wind, solar and battery storage to support the decarbonisation of both countries' power sectors.

Malaysia

- Tenaga Nasional Bhd (TNB) has signed agreements with Huawei Malaysia and RHB Banking Group to accelerate its energy transition by leveraging digital transformation and new opportunities in green energy solutions. This can allow TNB to modernise its telecommunications infrastructure to prioritise sustainability and energy efficiency.

Indonesia

- Indonesia's state utility Perusahaan Listrik Negara (PLN) plans to build an additional 31.6 gigawatts of renewable power capacity between 2024 and 2033, aimed at accelerating the adoption of cleaner energy to reach net-zero before 2060. It will also build transmissions to connect hydropower and other renewable energy sources to Java where power demand is high and Sulawesi where consumption is expected to increase in the future. There is also interest to implement carbon capture and storage technologies when they become available.

Rest of the world

- The EU aims to make a substantial financial contribution to the loss and damage fund to be launched at COP28, but has not specified the size of its planned contribution. No country has made a specific financial pledge to the fund, although some have indicated interest. The UAE is facing pressure from European states to contribute to the fund, as one of the high per-capita income countries.

- French-Dutch airline AirFrance-KLM made a US$4.7 million investment in DG Fuels' Sustainable Aviation Fuel (SAF) production plant in the US state of Louisiana, as part of efforts towards its 10% SAF incorporation target for 2030. Air France-KLM also acquired an option to purchase up to 25 million gallons/75,000 tons of SAF annually over a multi-year period starting in 2029.

- The US transition to electric cars may face delays because of concerns about vehicle range and limited charging infrastructure. Some automakers have pushed back EV sales targets and delayed capital projects as they prioritise reducing inventories of unsold EVs at dealerships.

Special Coverage: Enhancing CCS/CCUS capabilities in Indonesia

- PT Pertamina is cooperating with Chevron on carbon capture storage (CCS) and carbon capture utilisation and storage (CCUS) technologies, as part of efforts to develop its low carbon business and Indonesia into a CCS hub. Pertamina has collaborated with Chevron in the development of the CCS Hub project in East Kalimantan, integrating emission-producing areas in the Balikpapan and Bontang Industrial Clusters.

- ExxonMobil plans to invest up to US$15 billion in a petrochemical project and CCS facilities in Indonesia. Pertamina and ExxonMobil agreed to evaluate US$2 billion in investments in CCS facilities using two underground basins in the Java Sea. The CCS facility has the potential to store at least 3 gigatonnes of CO2 emitted by Indonesia and the region.

- Indonesia is finalising a regulation to open up CCS schemes to more industries and allow greenhouse gases from abroad to be stored in the country, as the existing regulatory framework applies to the oil and gas sector only.

- These developments can boost Indonesia's green economy, develop low-carbon capabilities and advance Indonesia's decarbonisation efforts. The country aims to set itself up as a carbon storage hub by utilising its depleted hydrocarbon reservoirs and saline aquifers.

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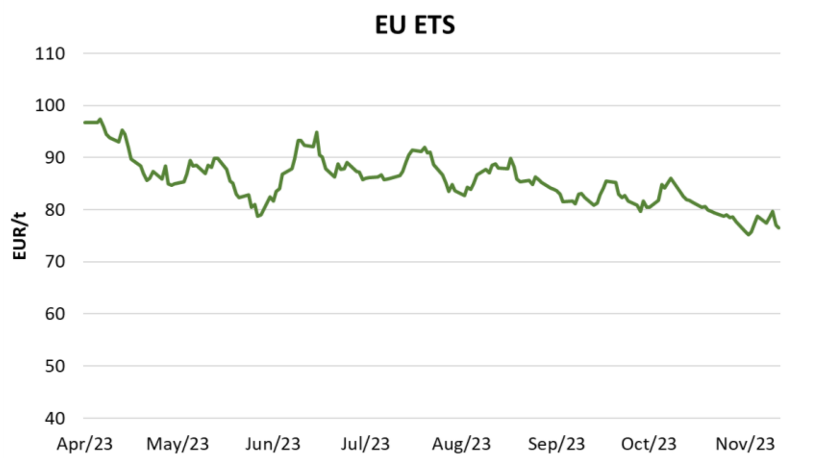
Carbon Markets Analysis

Global Carbon Market Prices

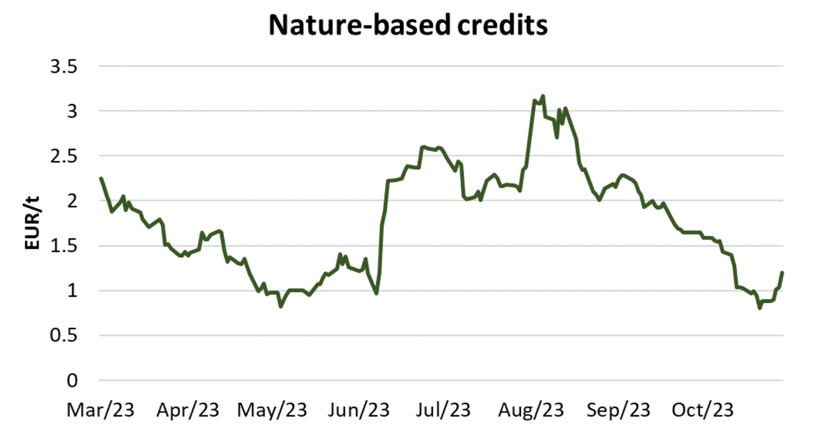
ETS Markets	Price	Weekly Change	Week High	Week Low
EU (EUR/ton)	76.55	-2.7%	79.74	76.55
China (CNY/ton)	72.47	1.9%	72.47	71.14

Voluntary Carbon Markets	Price	Weekly Change	Week High	Week Low
Nature-based	1.20	36.4%	1.20	0.88
CORSIA	0.85	39.3%	0.85	0.61

<table>
<tr><th>Market</th><th>Description</th><th>Trend</th></tr>
<tr><td>EU ETS</td><td>The EU ETS prices saw a 2.7% weekly decline, with the weather forecast sending a bearish signal to carbon prices. Stronger wind and solar output in central Europe is reducing fossil fuel generation and demand for EUAs.</td><td>


</td></tr>
<tr><td>China ETS</td><td>The China ETS saw high trading activity ahead of the primary compliance deadline, with prices around the 71 CNY/ton – 72 CNY/ton range last week. The domestic offset market saw new policies to support the relaunch of the programme.</td><td>


</td></tr>
</table>

Market	Description	Trend
Voluntary Carbon Markets (VCM)	Over the past week, the REDD+ segment saw market activity, despite reports of generally low demand. According to a broker, the market sentiment for REDD+ projects now is to buy credits to retire them quickly. Bearishness continues in the cookstove credit segment, as many market participants are waiting to see the outcomes from COP28 for guidance.	 

Source: Refinitiv Eikon, Carbon Pulse, Platts Dimensions Pro

Global Markets Research & Strategy

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