

ESG

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ESG Country Updates**Singapore**

- Singapore and Peru have signed an Implementation Agreement on carbon credit collaboration under Article 6 of the Paris Agreement. This is Singapore's fourth Implementation Agreement on carbon credit collaboration, following agreements with Papua New Guinea, Ghana and Bhutan. According to the NUS Energy Studies Institute, it is quite likely that high-quality nature-based projects will emerge from the Peru-Singapore agreement. Possible projects could be related to rainforest restoration and the conservation of watersheds, especially as Peru has been leveraging nature to address water scarcity and climate resilience issues. However, the challenge is that 2030 is approaching and no carbon credits have been issued yet despite the Implementation Agreements signed with the four countries.
- Singapore and Paraguay are moving closer towards concluding an Implementation Agreement under Article 6 of the Paris Agreement, which would make it Singapore's fifth bilateral Implementation agreement on carbon credit collaboration, following similar agreements with Papua New Guinea, Ghana, Bhutan and Peru. This can support both countries in using carbon credits to meet their climate targets, when Article 6.2 carbon credits are made available to the market.

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- China released plans to expand its China ETS into the steel, cement and aluminium smelting industries, which will require an additional 1,500 firms to purchase China Emission Allowances. As the China ETS currently only covers the power sector, the expansion will extend market coverage from 40% to 60% of China's total emissions. The free allowances for the new sectors will not be capped until 2027, to ease the financial burden on the new entrants. The steel and cement industries, in particular, have been impacted by the downturn in the Chinese property market.
- China's thermal power generation, fuelled mainly by coal, fell 2.3% in March and 4.7% in the first quarter of this year as hydropower and other renewable energy generation increased. This comes after China's thermal power generation increased by 1.5% in 2024, contrary to expectations that coal production was peaking. Q1 2025 has shown improvement, but the challenges in phasing out coal-fired power persist while supplying China's energy-intensive industries and advancing the electrification of its economy.

Malaysia

- All carbon trading activities in Sabah now require mandatory licenses, following amendments to the Forest Enactment 1968 to regulate such activities. Parties

that carry out carbon trading activities without a license may face a fine of up to RM5mn and five years' imprisonment. Offenders can also be ordered to pay up to 10 times the amount of fees or royalties owed, or up to 10 times the value of any forest produce involved, or any other charges due. This aims to safeguard the sustainability of Sabah's forests and reinforce state jurisdiction over carbon initiatives.

Indonesia

- Indonesia has received USD1.1bn across 54 projects in international funding via the Just Energy Transition Partnership (JETP), according to a ministerial update. Under the JETP framework, Indonesia is aiming to cut annual carbon emissions by more than 50mn tons to 250mn tons of carbon dioxide equivalent from its on-grid power sector by 2030. It also plans to increase the share of renewable energy in its power mix to 44% by 2030, from around 12% in 2022. Despite the US' decision to pull out of the Just Energy Transition Partnership deals with Indonesia, South Africa and Vietnam, Indonesia does not expect this to impact the other partners' commitment to the JETP. The US commitment in Indonesia was over USD2bn, made up of non-concessional loans, Multilateral Development Bank (MDB) guarantees, and grants. Indonesia plans to find other modes of funding to achieve the targets set out in the JETP.
- Indonesia, South Korea and the Global Green Growth Institute (GGGI) have reaffirmed their commitment to strengthen collaboration in sustainable transportation, including developing an EV ecosystem as a key energy transition strategy. The GGGI has supported Indonesia through the Bali E-Mobility Project funded by South Korea, which was a meaningful step for Indonesia to position Bali as a leader in ecotourism. Sustainable transportation is expected to contribute significantly to Bali through the reduction of 41,516 tons of greenhouse gas emissions by 2026.

Rest of the world

- The US Department of Energy is weighing funding cuts to four of seven hydrogen production hubs that were selected under a USD7bn federal program. These hubs were part of efforts to jumpstart the production of clean hydrogen and the infrastructure required for industrial users e.g. steelmakers and cement plants. This follows reduced funding for various clean energy projects under the Trump administration, in addition to the US' withdrawal from the Paris Agreement. The pause in clean hydrogen support could potentially impair the development of the nascent clean energy industry.
- The Trump administration aims to eliminate the arm of the National Oceanic and Atmospheric Administration that oversees research on climate change and refocus the US fisheries service to support energy development, according to a draft White House budget document. In addition, it also plans to cancel funding for the UN Global Change Research Program, which produces the National Climate Assessment published every five years on how climate change affects the US. The role of the US in global climate action continues to be a concern as the changes under the Trump administration can lead to increased vulnerability to climate-related risks in the US and globally.

Special Coverage: Simplification of EU Deforestation Regulation (EUDR) rules

- Following the postponement of the EUDR by one year, the EU Commission is providing simplifications to the EUDR with the aim of reducing the administrative burden to facilitate its implementation. The simplification measures include allowing large companies to reuse existing due diligence statements when goods, previously on the EU market, are reimported. An authorised representative can also submit a due diligence statement on behalf of members of company groups.
- Responding to industry pressure, these simplification measures are expected to significantly reduce the number of due diligence statements that large companies need to file. By the end of June 2025, the EU will categorise countries as high, standard or low risk, with imports from low-risk ones facing lighter compliance requirements.
- There may still be concerns surrounding the expectations from small-scale farmers that are likely to be disproportionately impacted by the demands of the EUDR. This is because they often lack the resources or capabilities to comply with regulations due to the lack of technical knowledge, high operational costs and complex requirements. For example, Indonesia is urging the EU to acknowledge locally-recognised palm oil sustainability standards (e.g. Indonesian Sustainable Palm Oil (ISPO) certificates and Roundtable on Sustainable Palm (RSPO)) to support smallholders in exporting to the EU. The EU Commission plans to continue responding to stakeholder feedback to assist them with the implementation on the ground.

Carbon Markets Analysis

ETS Markets	Price	Weekly Change	Week High	Week Low
EU ETS (EUR/ton)	65.89	6.1%	66.97	62.12
China ETS (CNY/ton)	80.38	-5.8%	85.32	80.38

Market	Commentary
EU ETS	<p>The EU ETS prices ended last week with a 6.1% weekly gain. Trading volumes were low before the extended weekend. Prices may increase if sentiment around China-US trade improves or gas prices increase, but looming fund derisking, weak technical momentum and warmer weather forecasts may limit any upside.</p>
China ETS	<p>China ETS prices saw a 5.8% weekly decrease and dropped to their lowest levels in a year amid bearish sentiment. However, China's voluntary carbon market remained relatively strong.</p>

Source: Refinitiv Workspace, Carbon Pulse

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