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ESG Country Updates

Singapore

- Singapore and Sri Lanka have signed an agreement to collaborate on carbon credits, aligned with Article 6.2 of the Paris Agreement. This adds Sri Lanka to the list of countries Singapore intends to collaborate with on carbon credits and advance climate ambitions, such as Cambodia, Papua New Guinea and Peru.

China

- Since China and US resumed climate talks in July, the two largest greenhouse gas emitters held a video call on 23 Aug to exchange views on climate change dialogue and areas of cooperation. Both countries agreed to maintain close communication, which is hopeful for COP28 that is coming up at the end of the year.

Malaysia

- Shell Gas & Power and Hanhwa are joining SK, Samsung, Lotte and Petronas in the Korea-Malaysia carbon capture and storage (CCS) project called the Shepherd CCS Project, which is aimed at capturing carbon dioxide from industrial complexes in Korea and transporting it to Malaysia to be stored. If successful, this project can accelerate Korea's emissions reduction trajectory.
- Malaysia is looking at Indonesia's Nusantara Capital City project as a potential export market for its green electricity, after lifting its ban on renewable energy exports. Singapore is also a key market for renewable energy exports, to advance both countries' green economies.

Indonesia

- As part of efforts to ramp up on carbon trading, the Indonesia Investment Authority collaborated with climate change advisory and investment firm Pollination to explore nature-based solution investments with the aim of conserving ecosystems such as rainforests, peatlands and mangroves.
- Pertamina Geothermal Energy has signed initial agreements with two Kenyan companies, Geothermal Development Company and Africa Geothermal International No. 1 Ltd, to explore partnerships in geothermal power projects. Such initiatives are important for the diversification of energy sources and development of expertise for other renewable energy sources such as geothermal.
- Indonesia aims to have a final plan for its US\$20 billion climate deal, as part of the Just Energy Transition Partnership, by COP28 that begins on 30 Nov in Dubai. The launch of the plan was originally scheduled for August and has since been delayed.

Rest of the world

- Denmark plans to allocate US\$3.9 billion over 15 years for new carbon capture and storage (CCS) projects, to meet its target of reaching net-zero carbon emissions in 2045 with CCS technology as a key enabler. The implementation of CCS projects is expected to help reduce at least 3.2 million tons of the country's carbon emissions.
- Japan aims to spend over US\$14 billion on green transformation measures including the local production of storage batteries, semiconductors and equipment to produce hydrogen. It aims to be carbon neutral by 2050 and reduce its dependence on other countries' suppliers for green products.
- The Global Biodiversity Framework Fund was formally launched on 24 Aug to scale action on biodiversity across 186 countries. However, only Canada and the UK have provided funds at the announcement. Canada contributed US\$147 million to the new fund while the UK delegation contributed a US\$10 million downpayment to the fund. This still falls short of the target to mobilise at least US\$20 billion per year in two years' time and US\$30 billion a year from international financial resources.

Special Coverage: US cracking down on forced labour in EV supply chains

- EV supply chains may be impacted by scrutiny from the US Customs and Border Protection (CBP) regarding forced labour. There has been increased inspection by the US CBP to phase out US links to forced labour in Chinese supply chains, especially forced labour of members of ethnic minority groups in the Xinjiang region. The US has already banned the import of certain goods from Xinjiang, such as solar panels and cotton apparel. This has affected installations of large solar energy facilities last year due to detained panel shipments and constrained supplies.
- Moving forward, components such as lithium-ion batteries, tires, and automobile raw materials such as aluminium and steel are increasingly being subjected to detentions at the border. Based on CBP data, 31 automotive and aerospace shipments have been detained since February this year. Detentions of base metal shipments, including aluminum and steel, have also soared from about US\$1 million per month at the end of 2022, to more than US\$15 million per month.
- Car manufacturers may be required to start proving that they do not have links with regions that the US CBP believes have established labour camps for ethnic minority groups. Reuters contacted some automakers and suppliers, and players such as Ford, Honda and Toyota have responded to say that they were committed to ensuring that their supply chains do not involve forced labour.

- Car manufacturers could consider mapping their supply chains for critical minerals and conduct due diligence on the suppliers, to ensure that their supply chains are not affected by these developments. To avoid the risk of detained shipments, there may be greater focus on partnering with battery makers from other countries to reduce reliance on China in its EV supply chain.

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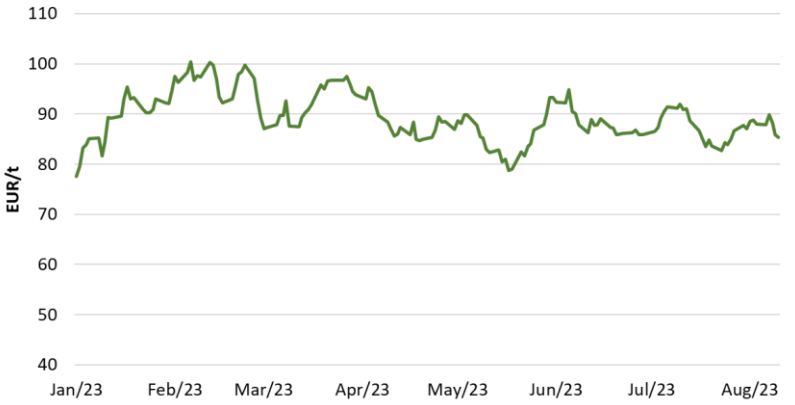

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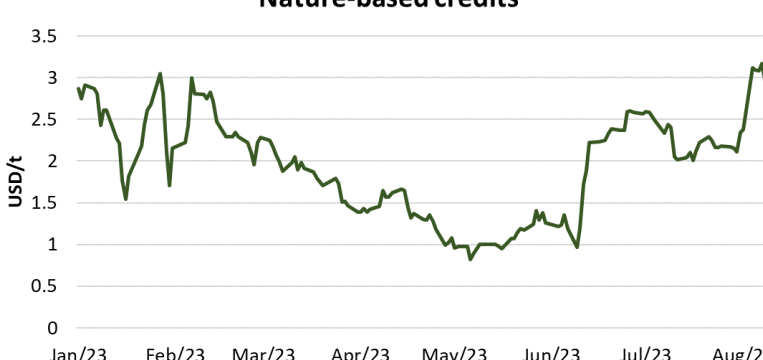

Carbon Markets Analysis

Global Carbon Market Prices

ETS Markets	Price	Weekly Change	Week High	Week Low
EU (EUR/ton)	85.39	-3.0%	89.87	85.39
China (CNY/ton)	73.06	0.3%	74.76	67.50

Voluntary Carbon Markets	Price	Weekly Change	Week High	Week Low
Nature-based	2.94	23.5%	3.17	2.38
CORSIA	0.91	13.8%	0.91	0.80

Market	Description	Trend
EU ETS	EU ETS prices saw a weekly decline of 3% to €85.39, with further declines expected next week because of higher auction volumes.	<p style="text-align: center;">EU ETS</p> 
China ETS	The China ETS price continued to breach the 70 CNY/t benchmark last week with a new record high of 74.76 CNY/t, ending the week at 73.06 CNY/t. Weekly trading volumes also doubled from the previous week.	<p style="text-align: center;">China ETS</p> 

Market	Description	Trend
Voluntary Carbon Markets (VCM)	<p>The broader sentiment continued to be bearish in the VCM last week, especially for the cookstove segment that has been seeing a lack of demand. For nature-based credits, projects holding a Climate, Community & Biodiversity (CCB) certification has been reported a US\$1.50 – US\$2/t premium to those without the CCB certification.</p> <p>A new Guardian article published on 24 Aug reported that carbon credit speculators could lose billions as many carbon offsets have become stranded assets. Bad press on carbon credits is not new and has already been priced into the market, therefore prices may not slide further. Market participants are already aware of quality disparity and are prioritising projects with newer vintages that are associated with higher quality.</p>	<div style="text-align: center;"> <h3>Nature-based credits</h3>  </div> <div style="text-align: center;"> <h3>CORSIA credits</h3>  </div>

Source: Refinitiv Eikon, Carbon Pulse, Platts Dimensions Pro

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