

Carbon Markets: Prospects, Challenges and Opportunities for Asian Companies

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CLIMATE GOVERNANCE SINGAPORE: CARBON PRICING – IMPLICATIONS FOR THE BUSINESS

MAY 2022

INTRODUCING CLIMATE IMPACT X

A global exchange and marketplace for quality carbon credits. CIX aims to help scale the voluntary carbon market with transparency, integrity and quality.

Jointly established by:



3 Key Messages



- Voluntary Carbon Markets are important... and becoming **less voluntary**



- Asian corporates can decide to **engage** the opportunity



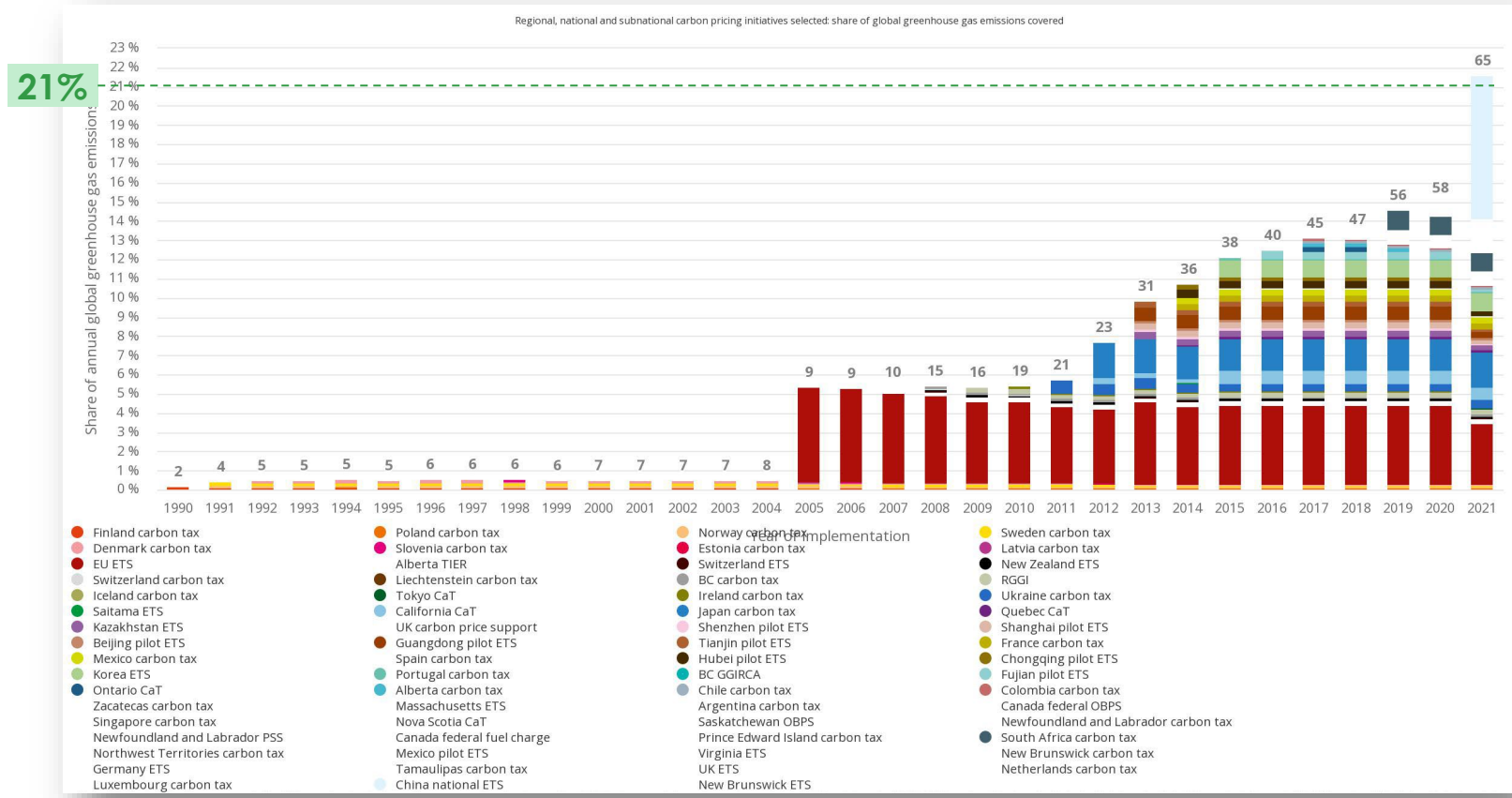
- Its **not too late** to begin your journey, even if it is small steps



Compliance Carbon Markets are Expanding

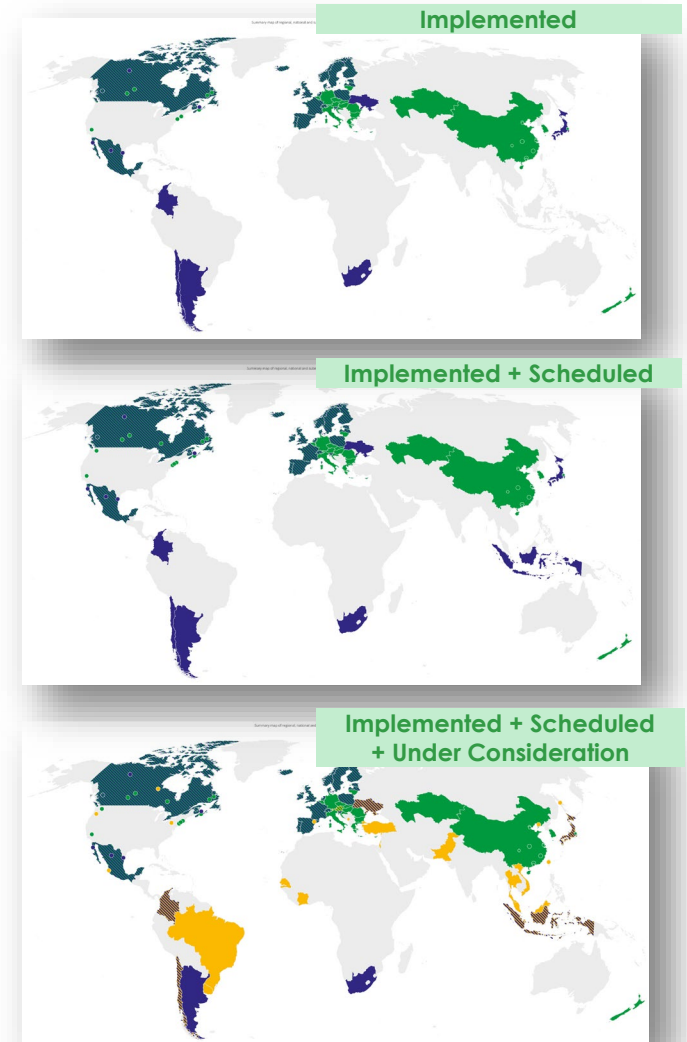
>20% of annual global GHG emissions covered by a mandatory carbon price

- Compliance Markets: National or regional markets that require polluters to pay a carbon tax or purchase & surrender carbon allowances against their GHG emissions
- Trend has shown an increase in coverage since 1990 with more under consideration



Source: World Bank (<https://carbonpricingdashboard.worldbank.org>)

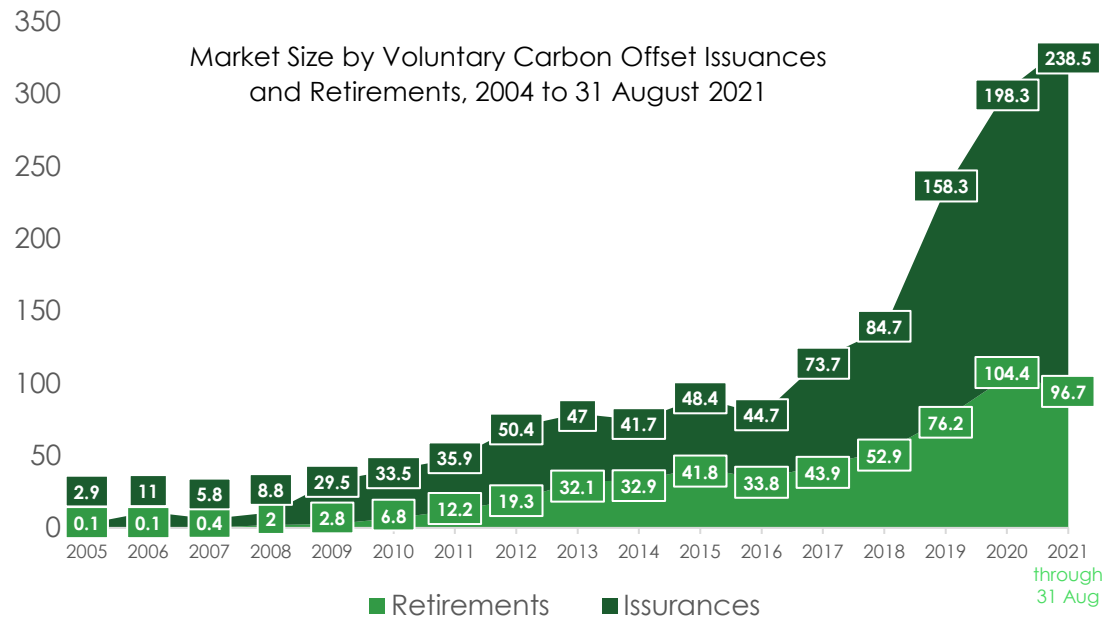
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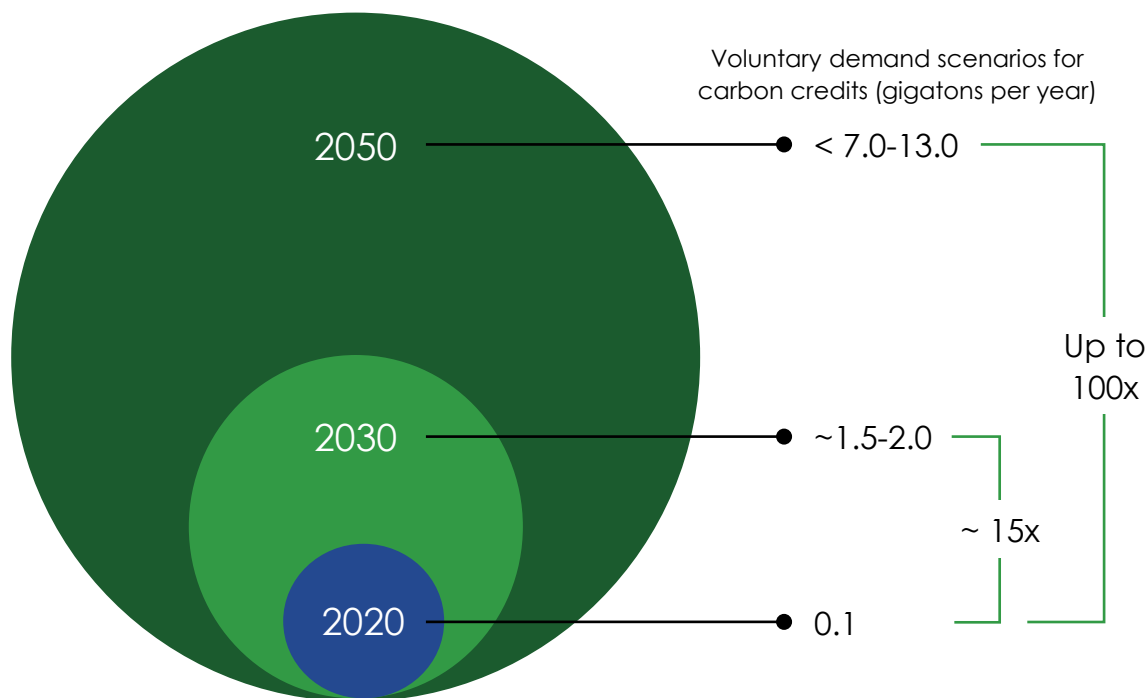
Voluntary Carbon Markets are Growing

Issuances & retirement of voluntary carbon credits has increased at an unprecedented rate to meet growing demand



Source: Ecosystem Marketplace, a Forest Trends Initiative. Note: Based on Issuances and Retirements data sourced from American Carbon Registry, Climate Action Reserve, Gold Standard, Verified Carbon Standard, ProClima, EcoRegistry, Climate Forward, City Forest Credits, and Coalition for Rainforest Nations. EM also tracks the Global Carbon Council and ART-TREES, although no offsets have been issued or retired yet, so they do not currently impact these figures. EM also tracks the California Air Resources Board and the Clean Development Mechanism, but they are not included here as these are largely compliance.

As a result of the public commitments, global demand for voluntary carbon credits is expected to increase by 15x by 2030 and up to by 100x by 2050



Source: [A Blueprint for Scaling VCM](#), McKinsey & Co. (2021)

The climate agenda is increasingly important

...and becoming less voluntary

- Corporates are under pressure to disclose and address climate risk
- What begun as a voluntary exercise to demonstrate good governance is becoming less voluntary

Source: Selected articles from the Financial Times; Guardian; The New York Times; [IFRS - Exposure Draft and comment letters: Climate-related Disclosures](#); [UK to enshrine mandatory climate disclosures for largest companies in law - GOV.UK \(www.gov.uk\)](#)

n: Restricted



Climate Capital Climate change + Add to myFT

SEC moves towards requiring corporate climate disclosures

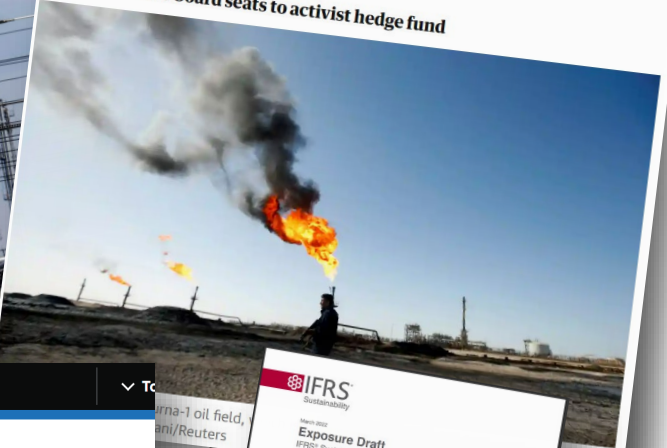
US regulator's proposal asks companies to disclose emissions and have them verified by third party

A Dutch court rules that Shell must step up its climate change efforts.



ExxonMobil and Chevron suffer shareholder rebellions over climate

Exxon loses two board seats to activist hedge fund



GOV.UK

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Press release UK to enshrine mandatory climate disclosures for largest companies in law

Firms will be required to disclose climate-related financial information, ensuring they consider the risks and opportunities they face as a result of climate change.



Leading to more overlap between Compliance & Voluntary

...with implications on businesses globally

- Singapore's decision to link its carbon tax to carbon credits is an example
- The EU's Carbon Border Adjustment Mechanism (CBAM) will take into account whether companies in overseas jurisdictions face a carbon price
- Post-COP26, Governments may take an increasing interest in the voluntary market given potential implications on their National Determined Contributions (NDCs)

n: Restricted

World Economic Forum in Davos + Add to myFT

Davos 2020: Ursula von der Leyen warns China to price carbon or face tax

Commission president sets out Brussels' plan for CO2 border adjustment mechanism



© Bloomberg

Budget 2022: Large emitters can buy carbon credits to offset carbon tax bill from 2024



Businesses will be able to...

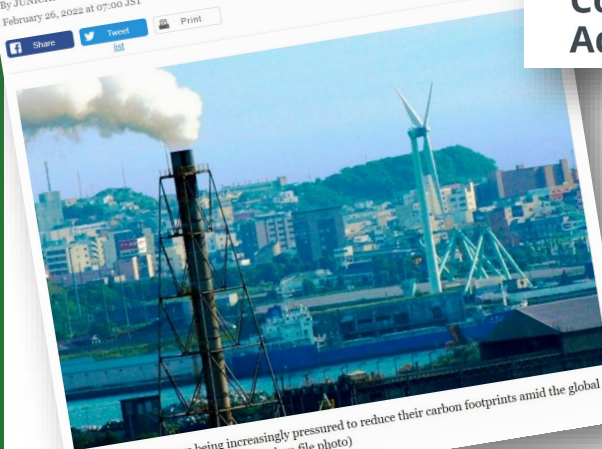
The Asahi Shimbun | Asia & Japan Watch

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Tokyo to offer CO2 emissions trading system in fiscal 2023

By JUNICHIRO NAGASAKI / Staff Writer
February 26, 2022 at 07:00 JST

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Business operators are being increasingly pressured to reduce their carbon footprints amid the global trend of decarbonization. (Asahi Shimbun file photo)

European Council
Council of the European Union

Home > Press > Press releases

Council of the EU Press release 15 March 2022 16:45

Council agrees on the Carbon Border Adjustment Mechanism (CBAM)

Switzerland and Peru Agree on Internationally Transferred Mitigation Outcomes (ITMOs)

In mid-October, Switzerland and Peru agreed to work together to increase both countries' climate ambition. Switzerland, as we saw above believes it can reduce emissions 37.5 percent in the next 10 years, but can achieve a net reduction of 50 percent by using the global CO2 market to finance reductions abroad. According to Article 6.2 of the Paris Agreement, a country may use the surplus CO2 reduction of another country to help achieve its goal through so-called "Internationally Transferred Mitigation Outcomes" (ITMOs). Countries indicate in their climate plan which reductions they definitely want to achieve: "unconditional", and which can only achieve with international support: "conditional". Peru's "unconditional" CO2 target is a 20 percent reduction from "business as usual" (approximately 14 percent above 1990 level). Peru indicates that it can reduce 10 percent more under the "condition" of "carbon financing".



Minister of the Environment of Peru, Kirila Echevaray and the Ambassador of Switzerland to Peru Markus-Alexander Antoniotti.

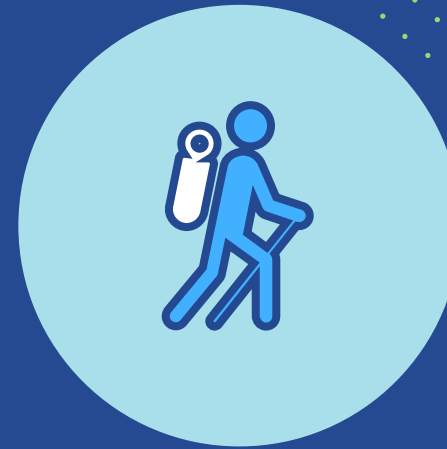
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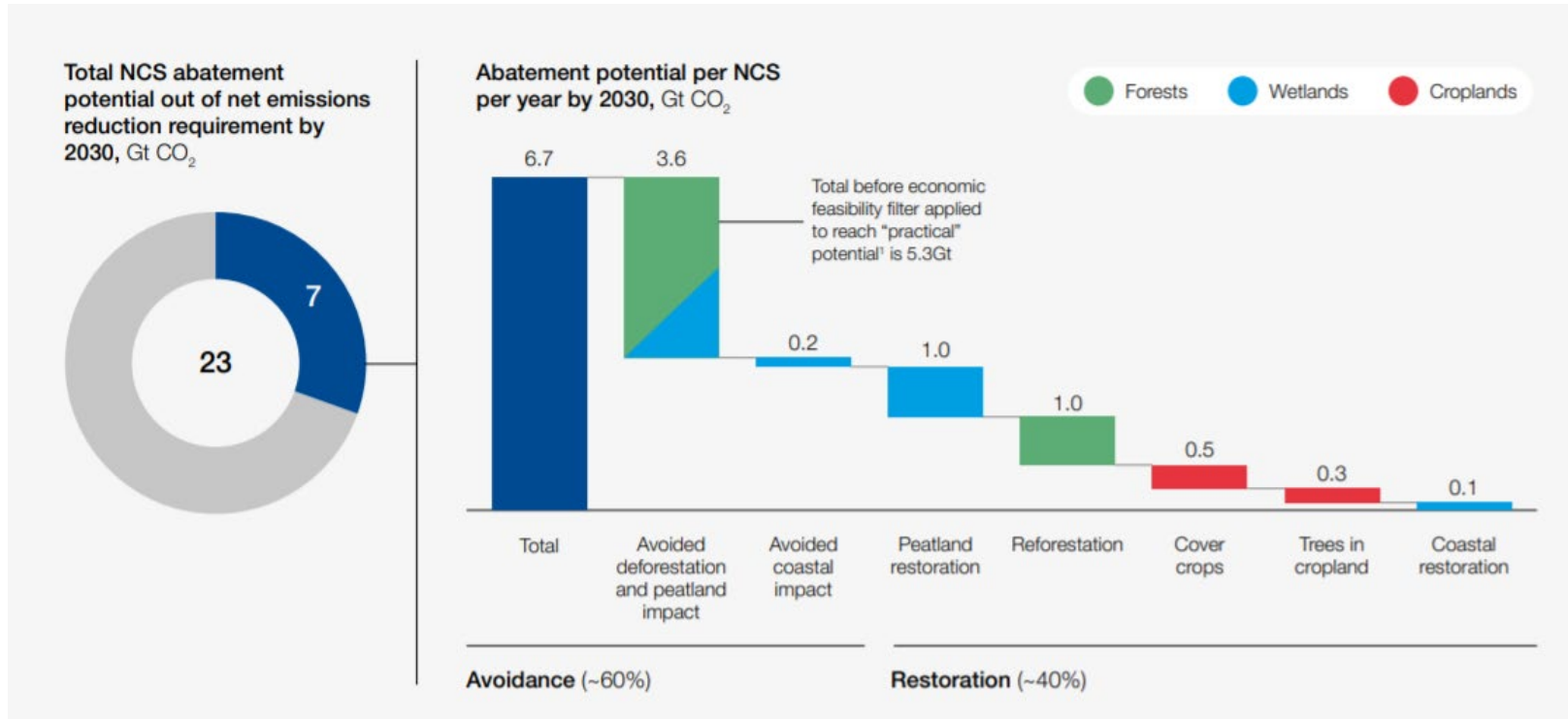


- Its **not too late** to begin your journey, even if it is small steps



Carbon credits are not the only solution needed, but they are an essential one

Natural Climate Solutions (NCS) are crucial to meeting the biggest environmental crises of our time



Source: McKinsey Consultation: Nature & Net Zero (2021)

Through the preservation and restoration of natural ecosystems, quality NCS can:

- I. **absorb GHG** and **protect biodiversity**; and
- II. drive important **social** and **economic** benefits for **communities**.

More than 1/3 of emission reductions by 2030 to stay below 2°C can be cost-effectively delivered by NCS



Asia has potential to be a major source of Natural Climate Solutions

...and alongside that, the opportunity to grow an ecosystem of tech & services

SEA carbon prospecting profitability & co-benefits



The potential for an ecosystem of tech & services

Forestry MRV

Treevia

Treevia is a technology company that brings forest monitoring and sustainability together by connecting forests around the world to the internet.

Social impact & Biodiversity

Rainforest Connection

Rainforest Connection (RFCx) has created the world's first scalable, real-time acoustic monitoring system for protecting and studying remote ecosystems.

Soil MRV

Cloud Agronomics

Cloud is a climate-tech company on a mission to become the standard for quantifying sustainable outcomes on agricultural land.

Forestry MRV

FARM-TRACE

FARM-TRACE is a software platform that delivers verified reforestation impacts created by farmers to brands wanting to reduce their climate footprints.

Forestry MRV

Sylvera

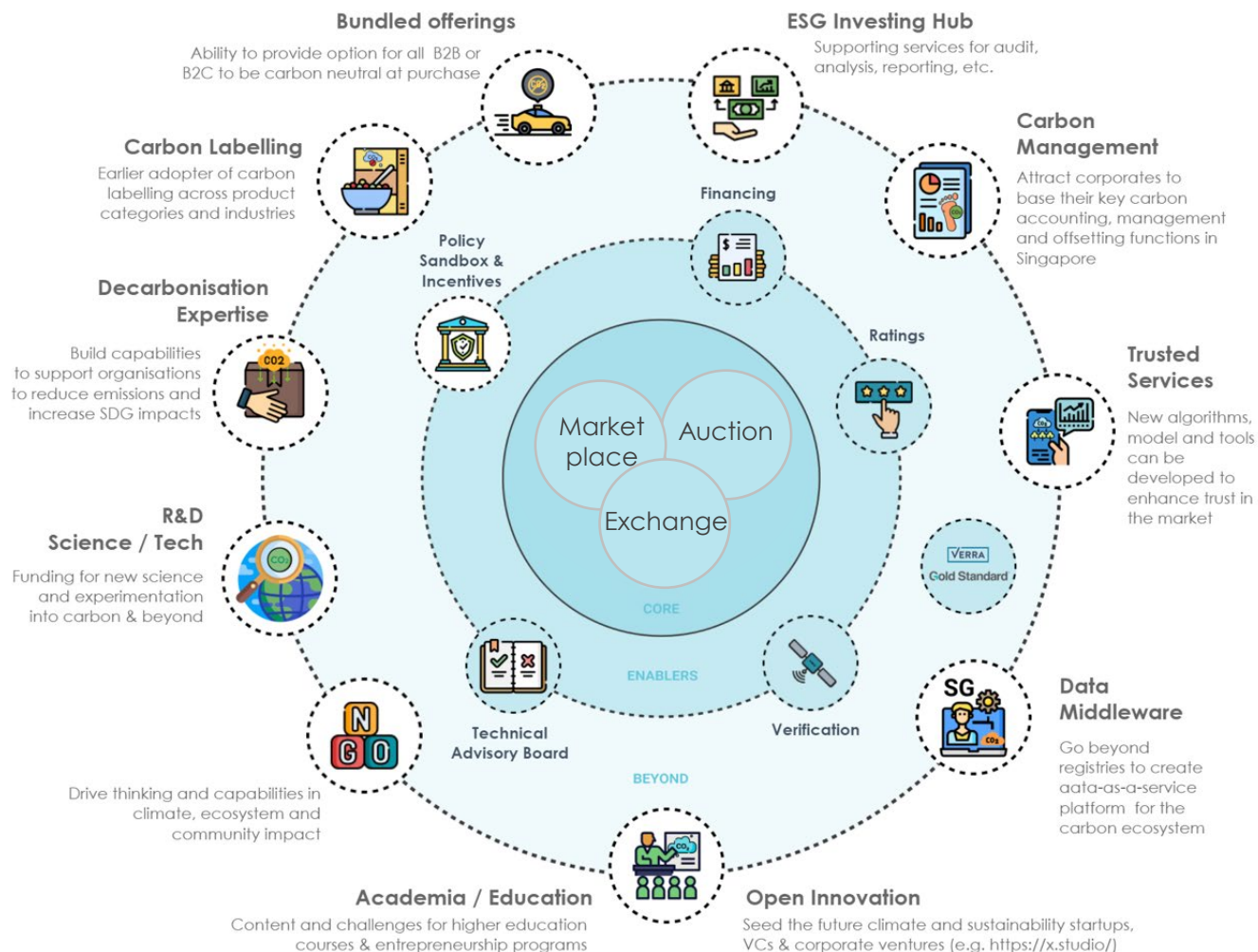
Sylvera is a software that brings clarity to the carbon markets by building tools to help businesses ensure that carbon offsets purchased are authentic.



Opportunity to participate in the Ecosystem

CIX is partnering with others to establishing Singapore a carbon services hub

CIX strives to work with others to **grow this ecosystem together**, starting with a focus on natural climate solutions (NCS) but anticipating the need for other solutions as well.



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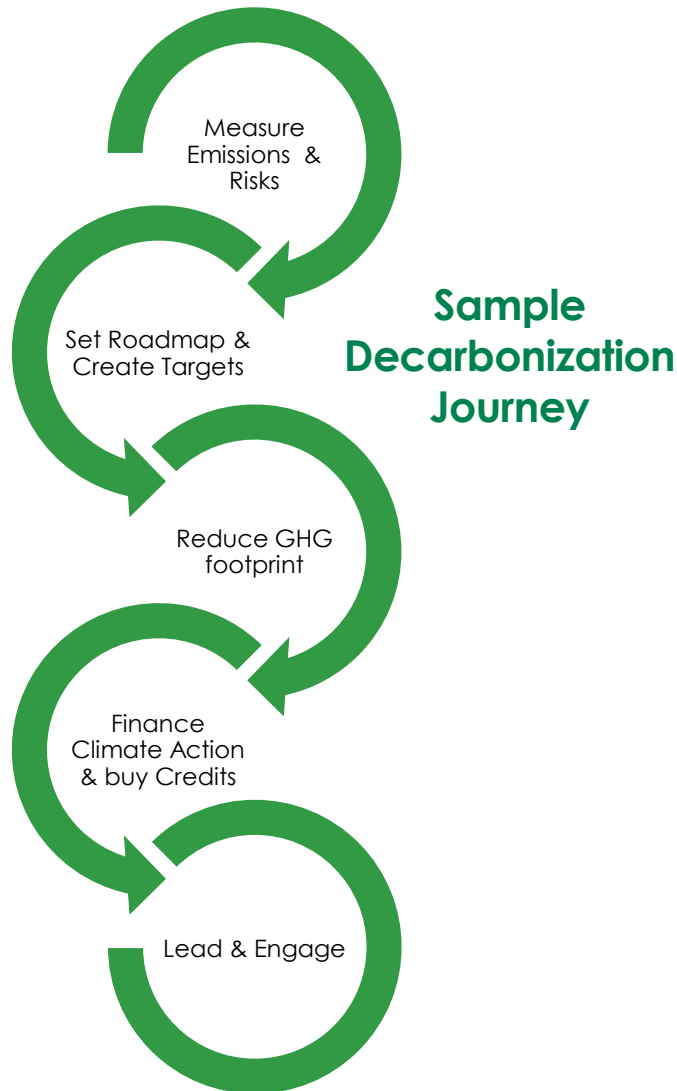


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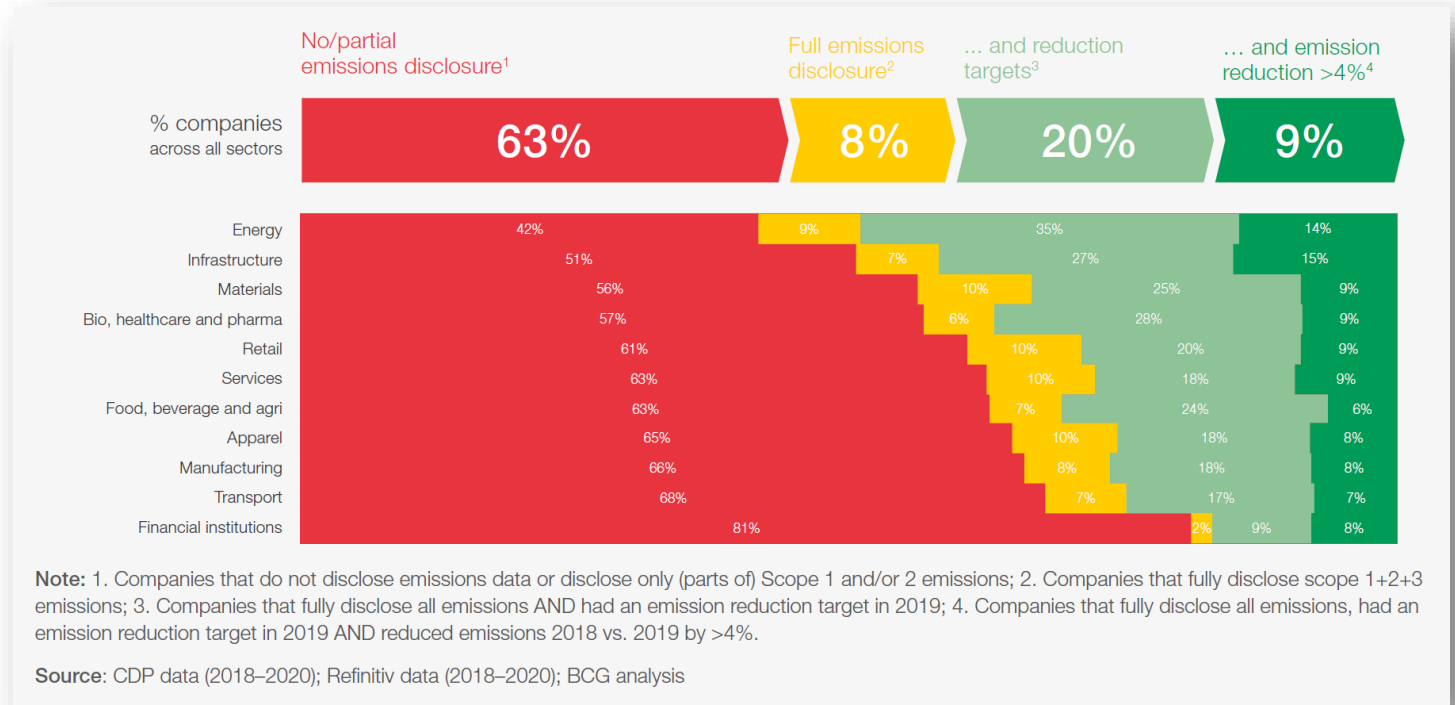


Where are you on your decarbonisation journey?

It's not early but it's not too late either...



Corporate Climate Action is accelerating but still insufficient





What are other corporates doing?

Examples to consider

- Increasing % of renewable energy procurement
- Purchasing carbon credits as part of their strategy

Decarbonising operations



- The rise of the “carbon neutral” product
- Creating solutions that serve the ecosystem (e.g. insurance for carbon projects; regulatory risk)

Embedding into products



- Expanding into the carbon markets from adjacent activities
- Investing in new tech (e.g. MRV technology; Blockchain based solutions)

New ventures & tech Solutions



- Financing carbon projects / technology
- No longer lending to certain sectors / actors

Project financing



- Corporates with long term view on the price of carbon
- Building diversity in type & tenure; Hedging price exposure

Building a portfolio of carbon credits



- Directly building capability to develop upstream carbon projects
- Investing into project developers

Investing upstream



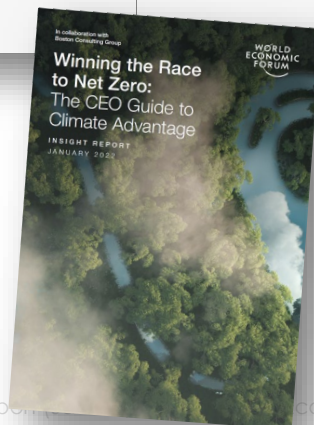


Where can you begin?

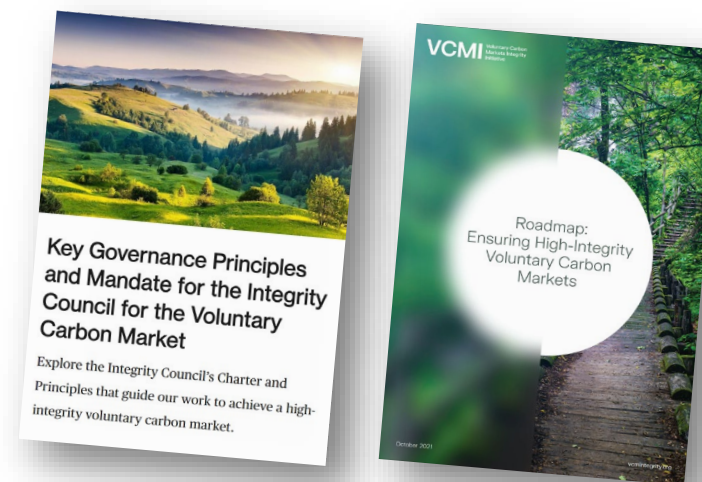
Selected resources

WEF's CEO Guide to Climate Advantage

Net-Zero Strategy					
Estimate your footprint	Understand your climate risk exposure	Define your net zero business model	Shape your offset and removal strategy	Set ambitious targets	
Net-Zero Operations			Net-Zero Business Portfolio		
Decarbonize your operations	Decarbonize your supply chain	Build physical resilience	Decarbonize your downstream portfolio	Unlock green growth and innovation	
Net-Zero Organization					
Be radically transparent	Mobilize your organization	Grow your capabilities	Finance the transformation	Advocate, with citizenship	Engage your ecosystem



ICVCM & VCMi: Quality & Claims Guidance



Climate Impact X: Community Events

The Changing Singapore Carbon Tax

Date : Wed, 11 May 2022
Time : 3:30am – 5:00pm
Format : Virtual Zoom
Audience : All companies in SG (Primary: high emitters impacted by tax)

SESSION OVERVIEW

In view of the SG Budget 2022 carbon tax increase, why should businesses start to care about carbon credits? What strategies can they adopt?

Panel discussion (60 min)

- Why this seminar: New Tax increase and the impact on SG economy and businesses
- How: Practical action companies can take in response to this
- When: Role of carbon credits – 5% tax offset.
- What: Qualifying credits – what does 'high quality, international credits' look like from global perspective

SPEAKERS

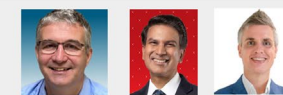
Panel discussion moderated by Mikkel



Benedict Chia
National Climate Change Secretariat Director (Strategic Issues)

Mikkel Larsen
Climate Impact X Chief Executive Officer

Jeth Leo
Microsoft Singapore Director of Legal and Government Affairs



Chris Leeds
Standard Chartered Bank DBS, Chief Head, Carbon Markets Development

Taimur Baig
DBS, Chief Economist

Helge Muenkel
DBS Group Chief Sustainability Officer

Source: Winning the Race to Net Zero: The CEO Guide to Climate Advantage Insight Report, World Economic Forum in collaboration with Boston Consulting Group; ICVCM (ICVCM - Transparency for Voluntary Carbon Markets, Offsets & Credits); VCMi (VCMi - Accelerating credible net-zero climate action (vcmintegrity.org))



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Thank you



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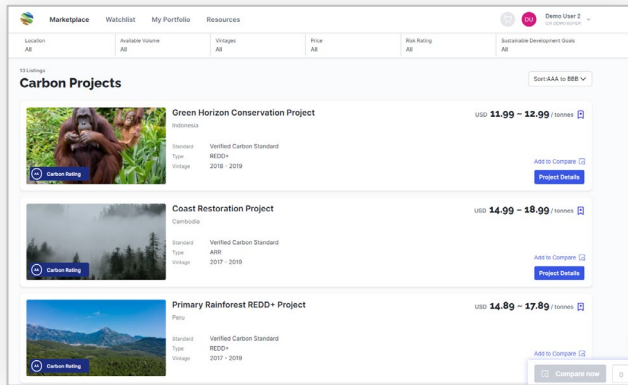
climateimpactx.com

contact.us@climateimpactx.com



Opportunities: CIX is building several platforms to meet different buyer and supplier needs

We build trust in existing quality credits, bring new credit types to market and help scale the next wave of impactful solutions

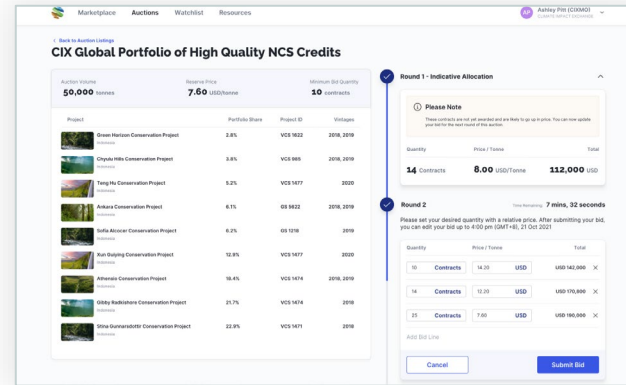


Project Marketplace

Browse, compare and buy carbon credits directly from a curated selection of risk-rated projects, with transparent data on SDG impacts and performance.

PRIMARY TARGETS

Corporates

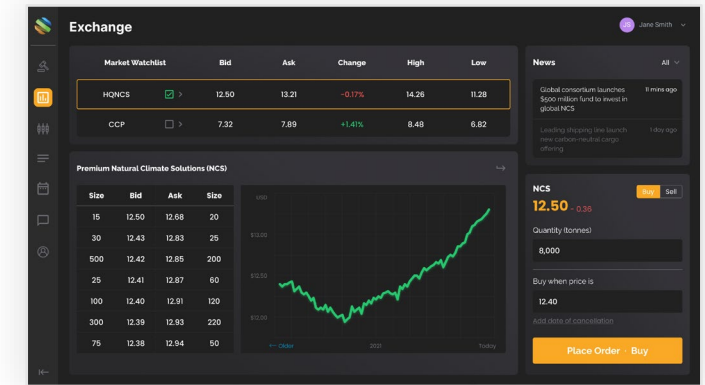


Auctions

Discover the fair market value of newly-issued carbon credits through flexible auctions designed by CIX. Also ideal for sector-based portfolios and large government tenders.

PRIMARY TARGETS

Financial investors
Commodity traders
Corporates



Exchange

Trade high-quality standardised carbon credit contracts that are aligned with leading global standards, with transparent price signals and real-time market data.

PRIMARY TARGETS

Financial investors
Commodity traders