

# The Basis for Carbon Market Connectivity in Asia

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# Asia's Carbon Market Opportunity

## Environment

- Leakage prevention
- Conventional pollution abatement
- Lower costs > greater climate ambition
- Asia's scale yields global environmental dividends



# Asia's Carbon Market Opportunity

## Trade and Economy

- Reduce mitigation costs
- More liquidity
- Increase resilience to shocks
- Reduce market power of individual players
- Facilitate trade through leveling playing field



# Asia's Carbon Market Opportunity

## Diplomacy and Statecraft

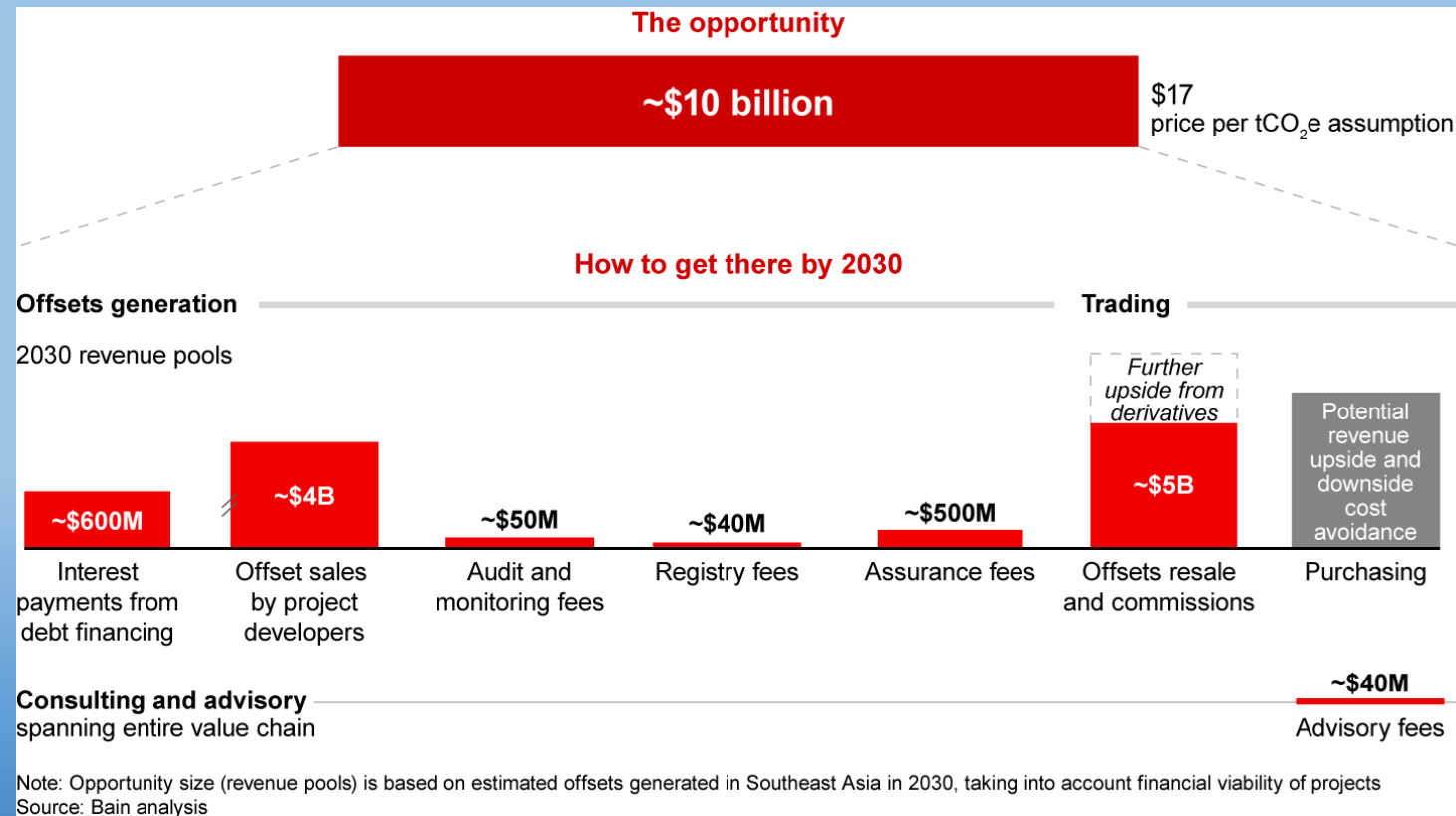
- Confidence building
- Transparency and trust
- Global reputational gains and diplomatic dividends



# Asia's Carbon Market Opportunity

## Conduit for Capital

- Growing intersection b/t carbon markets and climate finance
- Next gen offset project
- Innovative crediting instruments
- Energy/industrial transition dividends



# Pervasive Linkage Challenges

## Technical

- Lack of system harmonization
- Differing baselines
- System architectures
- Currency considerations
- Capacity and transactional costs

## Social

- Political will and prioritization
- Trust
- Time and sequencing



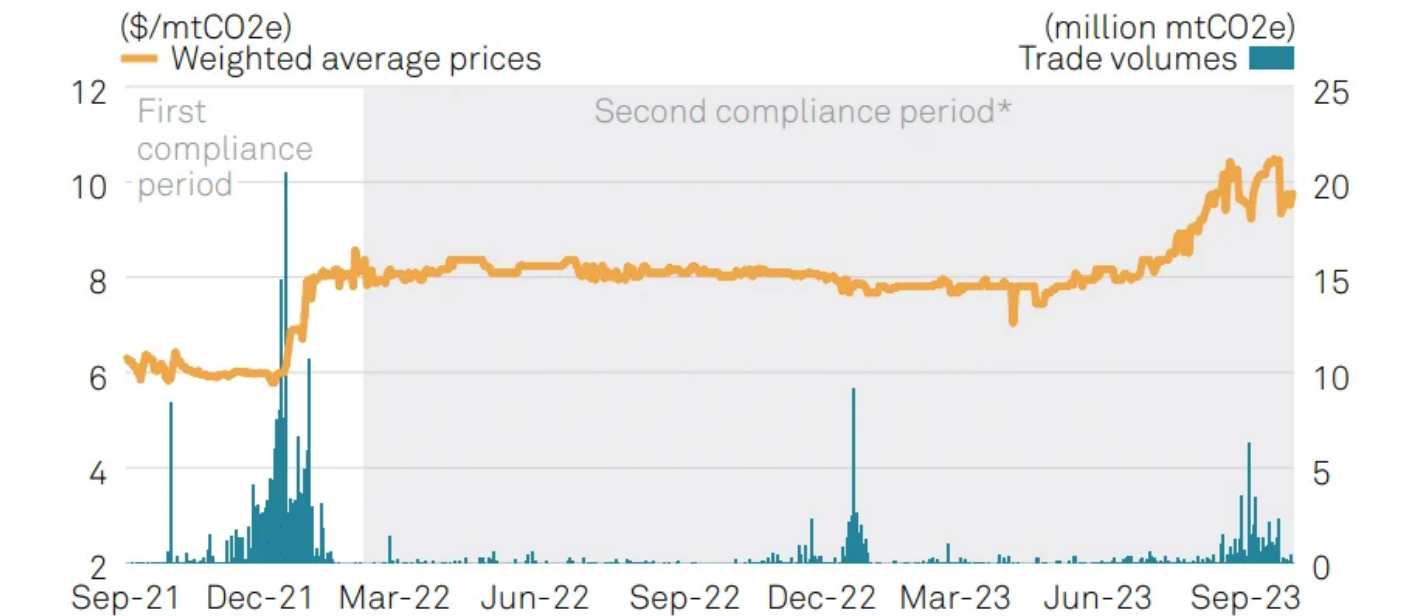


# Regional Markets Overview

## China

- Origin story
- Drivers
- Policy landscape
- Coverage and core characteristics
- The efficiency-target factor

### Prices & trade volumes in China's compliance carbon markets



\*Second compliance period is a two-year cycle due to COVID-19 and broader economic impacts

Source: Shanghai Environment and Energy Exchange Co., Ltd.

# Regional Markets Overview

## Republic of Korea

- Origins and shifting oversight
- Lessons learned and revitalization
- Continuing supply-demand challenge
- Coverage and trade exposure
- BAU baseline





# Regional Markets Overview

## Japan

- Subnational compliance markets
- Private sector experimentation
- Pervasive national-level questions
- GX League and latest developments
- Unique offset project approach

## GX League Objectives

*The GX League aims, with the participation of its member companies, to achieve carbon neutrality by 2050 through three initiatives.*

### 1. CREATION OF THE "FUTURE SOCIETY"





























































Support carbon-neutral business opportunities through the establishment of cross-sectoral dialogues.

### 2. MARKET CREATION & RULE MAKING

Co-create public-private partnerships for the development of a healthy future market.

### 3. CARBON CREDIT EXCHANGE SCHEME (ETS)

Create rules for voluntary Emission Trading Schemes (ETS) and ensure the disclosure of related data.

Countries	Carbon Pricing Instruments					
	Law or Act	Tax	ETS	Crediting <sup>a</sup>	Indirect <sup>b</sup>	FF Subsidies <sup>c</sup>
Brunei						
Cambodia						
Indonesia						
Laos						
Malaysia						
Myanmar						
Philippines						
Singapore						
Thailand						
Vietnam						





**Notes:**

<sup>a</sup> Includes carbon credit programs and voluntary market activities. See Table 11 for a detailed assessment.

<sup>b</sup> Includes indirect carbon pricing instruments, i.e., fossil fuel taxes and related environmental taxes.

<sup>c</sup> Includes only explicit subsidies to final consumers, as reported by Parry et al. (2021b)

**Legend:**

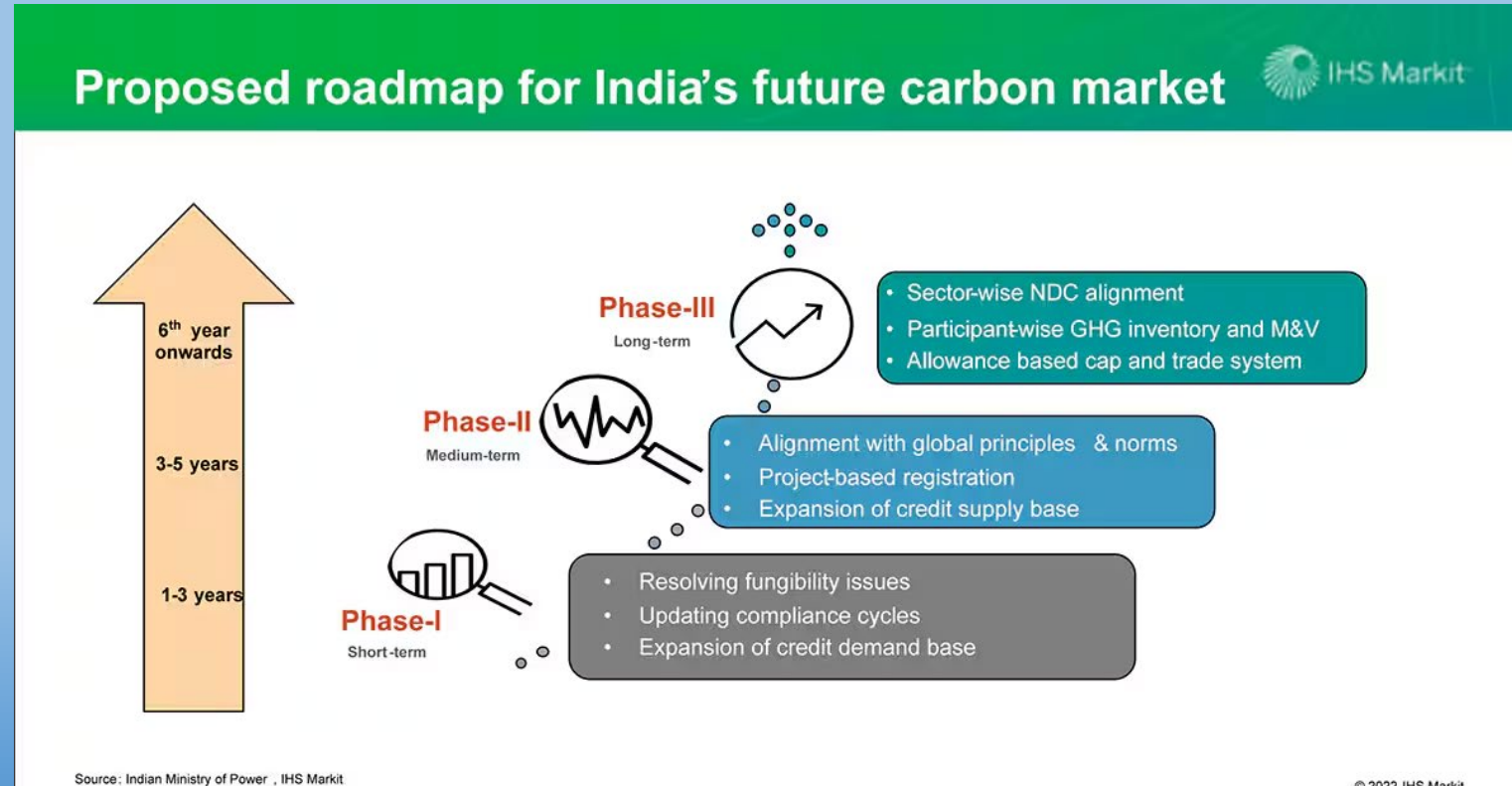
-  Active
-  In Development
-  Under Consideration
-  Inactive

**Sources:** AMRO (2022), Parry et al. (2021a), Parry et al. (2021b), So et al. (2023), World Bank (2023)

# Regional Markets Overview

## South Asia

- India - Perform, Achieve and Trade (PAT)
- National Committee on Establishment of Carbon Markets (NCEC)



# **Future Outlook and Recommendations**

- 1. Link by degrees**
- 2. Cultivate MRV transparency and partial harmonization**
- 3. Deepen the community of experts and practitioners across Asian jurisdictions**
- 4. Use efficiency-based caps as a bridge not a destination**
- 5. Pilot selective market links**
- 6. Enhance carbon market cooperation within regional priorities**
- 7. Work toward regional linkage benefits from Paris Agreement Article 6**

**Thank you!**

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