Virtual Roundtable

Effective Carbon Emissions Trading and Markets-Pricing Mechanisms in the Asia-Pacific Region

12/13 July 2022

ROUNDTABLE REPORT

Note: This Report reflects the views of participants as presented during the Roundtable and not necessarily the positions of the organizers.

In 2020, the Asia Pacific region was the largest carbon emitter in the world, accounting for 48 percent of global CO_2 emissions. Three quarters of these were generated by developing economies, while developed economies have higher per capita emissions[1].Most APEC member economies have committed to the Paris Agreement with some setting targets for achieving carbon neutrality. Economies are currently using a variety of tools to manage emissions; efficient carbon markets are one of these tools. Both compliance markets and voluntary carbon markets have a huge potential not only for decarbonizing the economy but also for promoting sustainable transition through carbon pricing.

However, the majority of carbon emissions are currently not covered by regulated carbon pricing schemes, showing a need for further scaling and enhancement of emissions trading systems through increased geographic and sector coverage and more proactive moves to add momentum towards decarbonization. The development of carbon markets is at an early stage and there are many issues that still need to be studied such as with respect to clear price signals, types of emissions trading markets and implementing carbon border adjustment mechanisms.

To a make greater contribution to the global campaign against climate change, economies in the Asia-Pacific region should take concrete actions to explore solutions for emission reduction. Carbon emissions trading schemes could prove to be a powerful and promising tool for putting a price on carbon, giving firms the incentive to cut their emissions and improve cooperation and coordination between different carbon markets in the Asia-Pacific area. While developing these markets, it is important to adhere to the principle of common but differentiated responsibilities, addressing the existing lack of consistent and effective carbon accounting systems, and implement an efficient international coordination on carbon governance.

To overcome these challenges, low carbon technologies must be fully utilized as innovation in technology is important for the region. On the other hand, Article 6 of the Paris Agreement should be used as a blueprint for Asia-Pacific economies to design and implement their domestic carbon markets. Lastly, APEC member economies should engage in constructive dialogue on carbon markets to promote stronger regional and global cooperation.

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[1] APEC Stocktake of Carbon Pricing Initiatives published in February 2022. Available at: https://www.apec.org/docs/default-source/publications/2022/2/apec-stocktake-of-carbon-pricing-initiatives/222_ec_apec-stocktake-of-carbon-pricing-initiatives.pdf?sfvrsn=fbedfd62_2

Carbon Markets in the Era of Paris

There is a surge of interest in voluntary carbon markets that is powered by the net zero commitments, the greening of the financial system, and new market participants entering the market hoping to contribute to decarbonization efforts while making profits in the process. This creates a huge potential. The United Nations Framework Convention on Climate Change **(UNFCCC)** has a regional collaboration centre established in Bangkok, together with other regional UNFCCC centres. Originally its function was to support the Clean Development Mechanism **(CDM)** and lately Article 6 of the Paris Agreement and its pending rule book and continuous engagement with the private sector which has been moving on to the voluntary carbon market. Inside the UNFCCC there are still doubts about double counting, transparency, permanence, and what is the driver pushing developers to voluntary carbon markets. Developers want to understand carbon markets to utilize them to reach carbon neutral emissions.

Carbon markets are an important instrument for enterprises that have serious carbon emission footprints and want to reduce them incorporating carbon credits as part of a holistic transition strategy. Without carbon credits, even the best efforts to try and decarbonize will not get the world to its 1.5-degree pathway. It is a critical and proven mechanism for unlocking liquidity and channelling finance to projects that would have otherwise not gotten off the ground, and projects that would help additionally sequester carbon in the atmosphere. Some of the main questions are related to quality and trust, as well as pricing. Marketplaces are well positioned to discover those prices, both to be able to justify future capital expenditure and to be able to manage risks for pathways towards net zero.

There are several kinds of customers using carbon credits in different ways. Enterprises who want to report credibly what they were doing in the space as part of either wider sustainability or ESG reporting exercise. There are also companies that are helping their clients hedge or manage their risk exposure of their own emissions footprints in the future. For all this, education is required, and marketplaces are a way of learning and educating. As such, a network within the Asia-Pacific region was created, to provide products and tools, encouraging listed companies to make a disclosure on their carbon footprint be it a disclosure of scope one, two and three, and provide them with tools to offset what they have disclosed.

Policy plays an important role and macro policy could help to stimulate behavior. Clarity on policy regulations, whether it is at the macro level or at the micro level, can help to shape the market in the future. If there is a business case for a company to enter carbon markets and there are macro signals around it, policy can really enshrine it in a more tangible form. Finally, policy can catalyze or accelerate growth while enhancing connectivity and interoperability. It can help the interaction of voluntary and compliance carbon markets including those covering different jurisdictions such as local, regional, or international markets.

Greenhouse gas crediting programs have also changed their strategy and now crediting renewable energy is only available in least developed economies. They provide excellent opportunities for the private sector to step in and for the public sector to leverage that finance. Companies are increasingly pressured to combat climate change and the voluntary carbon markets give them an instrument to do so.

The key role of crediting organizations is to complement the activities or the emerging policies that governments are starting to put into place to address climate change. The market is growing very fast, and the standard is transitioning to digitalization and automatization. The digitalization process will help increase transparency towards better integrity and quality. Governance is also important to continuously look at the latest scientific evidence, evolving best practice and technological developments to ensure that there is actual emission reduction and removal.

The Paris Agreement provides a useful global policy framework for carbon markets. Article Six allows economies to voluntary cooperate with each other to achieve their emission reduction targets. There are different elements of Article Six, article 6.2 governs direct cooperation between economies and bilaterally agreed standards. Article 6.4 is the mechanism that follows and replaces the Clean Development Mechanism (CDM). Article 6.8 covers non-market elements and non-market mechanisms. However, economies have already started with pilots and introducing such bilateral cooperation regardless of the outcome of the Paris

negotiation. Article 6.4 is difficult to predict, due to the lack of information of how much demand will be for those credits.

An ecosystem of developers, auditors, standards, technology developers, exchanges, and investors must enable carbon services and training to be efficient to serve the demand of carbon credits. There many such collaborations in nascent stages. Doing some trades is equally important to give corporations the flavor of the market, while building capacity at the same time. Transparency is important to build confidence around the marketplace.

For some there will be a limit to carbon markets because what needs to drive climate action is real internal reductions through the policies that companies can implement to abate climate change. The voluntary market can help but there will be less scope for voluntary action going forward towards net zero and it is predicted that the carbon markets will only see growth over the next one or two decades.

Emission Trading Systems: Best Practices, Set-Up and Interconnectivity

The Asia-Pacific region contributes approximately to half of global carbon emissions. Voluntary markets are a useful instrument as a transaction mechanism into pricing through an ETS. Voluntary markets are expected to be a mainstay in some sectors and some economies where it is difficult to implement an ETS, but they voluntary markets are limited by the nature of the demand, which is not mandatory.

Voluntary markets are very complex, and the higher the quality, the more complex they are. Raising the quality of carbon markets is seen in markets globally. A compliance market could be simpler, they could cap the emissions contributing to the abatement of the global emissions reduction goal. No additionality requirements are sought and there is no risk of leakages. Moving to compliance markets would seem the easiest path for developing economies. Additionally, a compliance market could provide a solid basis for trading under Article Six, giving economies confidence to achieve their NDC and trade beyond that.

For a compliance market to function well, the legal foundation should be addressed in the form of a law establishing the long term goals of the reductions and the basic components of the ETS system such as allowance allocation, the scope of the market, the flexibility of the mechanism, and compliance piloting, among others. Second, it must have a clear and long-term path. In China for example ETSs have intensity caps, which differentiates it from the EU, where there are absolute caps. An intensity cap is more suitable for the current stage of China's development, but is not well-suited for achieving the long-term carbon neutrality goals. For developing economies, choosing between intensity or absolute cap is very important and must be decided beforehand dependent on their NDCs.

In the second stage, intensity targets on ETS should be changed to absolute targets. Third is the creation of a mechanism to ensure the quality of emissions reduction. The quality assurance mechanism in place in many economies, especially in developing ones, may not be robust enough. Borrowing and learning from other economies' experiences could help avoid this. The fourth step would be the trading system. If there are insufficient market players in a compliance market, it will be hard to achieve an equilibrium between supply and demand. Although market speculation is unavoidable, it is necessary to minimize such activities as it relates to the carbon market.

Economies can learn a lot from each other's experiences, both in cases of success and failure. The development of ETSs in the region has taken at least 10 years, but time is running out. Early engagement with key stakeholders, educating them and identifying early problems in the process could help markets to start well. Political will is basic and its lack could be one of the greatest barriers to having a stable, effective system. Markets are in constant change and, while it is desirable to have the best and most effective market from the beginning, it is prudent that carbon markets are implemented quickly as climate change is time sensitive and it is expected that markets grow more robust naturally over time.

Although it would be an interesting idea to have a regional carbon market in Asia, it is important to avoid adopting the European Union's **(EU)** ETS model. The EU ETS was built on strong political institutions and the structure of the European Union binds members together. They also had huge resource transfers between

members to make harmonized emissions trading system rules acceptable to member economies of varying markets within Europe.

Although this may not work for the Asia Pacific region, there is much to be gained from trade and the benefits of having a harmonized markets in Asia, without being fully linked. The use of standardized monitoring protocols, taxonomies, standards, the use of free allocation, or run actions could give confidence to the market and could encourage learning from each other, creating a lot of opportunities. More advanced Asian economies can support Asian developing economies that have a lot of opportunities in emissions reductions. This could accelerate the reductions from a global point of view, and it could not just be a financial transfer, but the buying economy could also help with technology and provide political support.

China launched its first pilot ETS in 2011 and more recently the first Chinese carbon trading scheme was launched in 2021. The transition of a pilot carbon market to a national carbon market took them a decade. The key reason behind this long transition was the absence of a stable policy environment. A second lesson was the lack of education in trading and compliance experience of the covered entities by the Chinese market. The third lesson was that all the trading infrastructure needed to be in place before the carbon market was started.

Regarding carbon price stability there are two possible approaches. One is the direct management approach, implemented in California to control prices. It requires a reasonably large auction of units which in an early system is difficult to achieve. It is essentially putting a price floor in the auction meaning that the price cannot fall below a certain level. On the other hand, if the price goes too high, more allowances could be released into the market. This approach cannot avoid fundamental problems such as the ones seen recently in Europe that are forcing prices to be extremely high without breaking caps. If a region is not willing to face the sort of prices that would keep the emissions down during a period, no mechanism is going to be able to control that. This example was seen in Europe when entities in compliance cannot use Russian gas. Apart from those extreme examples what is needed is price stability that depend on policy.

Another price approach was proven successful in several places, involves having clear governance structures and semi-independent advice of government, similar to a reserve bank managing the monetary supply, rather than a series of politically driven decisions. Gradually, it develops trust because of transparent decision-making processes. These processes are made based on consistent guidelines and clear modelling, allowing market participants to predict what is going to happen in the market. This avoids speculative movements, and it reduces risks of volatility. A lot of the volatility has been driven by anticipation of changes in rules.

Another possibility is having regular options, allowing price discovery on what future prices are going to be like. This makes market manipulation much harder which has been of great concern in quite a few markets. Nonetheless, price stability has a strong relationship with political situation.

The difference between speculation and market manipulation is an important issue. Although speculation can help liquidity and a healthy support of prices, there is a fine line as to whether it has transformed into market manipulation and these fine lines are different in each market and in each region or economy.

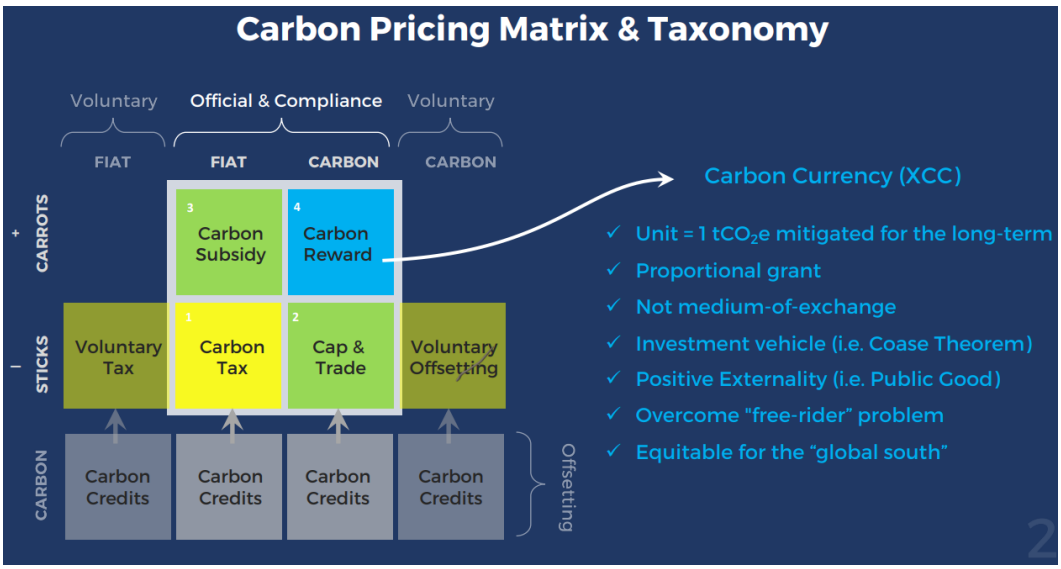
Non-profit organizations can play a variety of roles, in training, in sharing ideas from other markets, in facilitating the engagement processes to help design an effective market, in pressuring for transparency of information, and in helping to make the system better.

The “opt in” is a very effective and quick way for small economies to participate in a big or larger carbon market. An example of this was the invitation of the Schengen ETS to Hong Kong coal power plants or oil field plants to join their carbon market. The opt in method is a good way to expand the coverage of the market and involve more covered entities to reduce the emissions and share same burdens and benefits of the carbon market. The downside of the opt in approach is losing control over the price, their future settings, their free allocation, and their cap. An option to avoid the downside is to have an agreement to maintain certain sovereignty and the ability to make some of the choices for themselves. An example of this is New

Zealand, which joined Australia's ETS and adopted much of that legal framework's cap and trade while maintaining its sovereignty.

Innovations in Carbon Markets

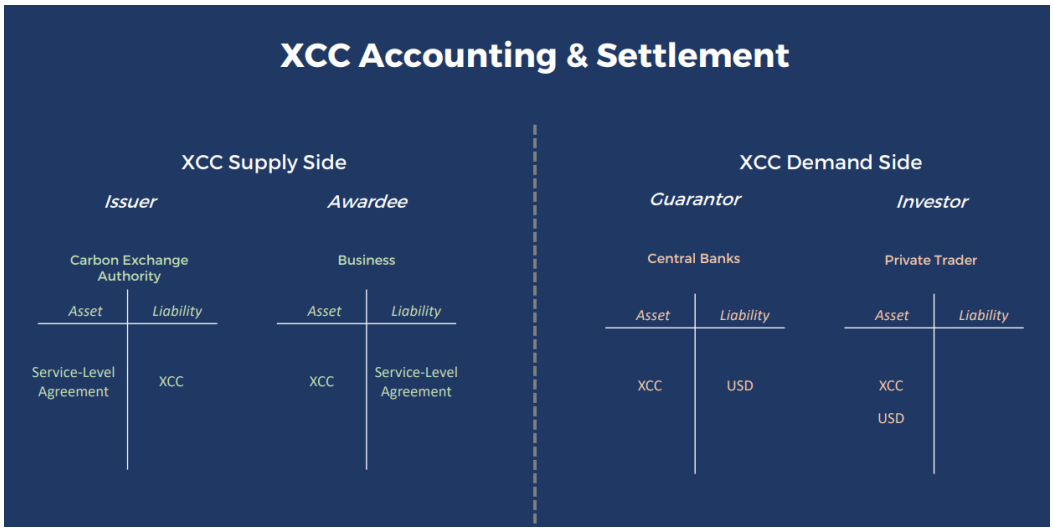
Innovations in carbon currencies and in policy among others could help overcome challenges and unlock opportunities. One of these innovations is to look at the fundamentals of the conceptual model of carbon markets. There is a potential breakthrough in carbon pricing with a new taxonomy based on the "carbon pricing matrix". This matrix exemplifies another possible price, called a carbon reward. This price has some features including scalability and can address social and other environmental benefits. It could interface with central banks giving scalability to the new currency called a "carbon currency or XCC". The pricing matrix is a relational diagram that identifies fundamental ways to price carbon. See diagram below.



The diagram identifies taxes, cap and trade, subsidies, and the new carbon reward. It also identifies voluntary pricing. Below the matrix is another row, which represents capital credits. Carbon credits for offsetting, are not part of the matrix because they are a supply demand instrument, not an originating price signal. Article Six of the Paris Agreement deals with offsetting and ETS and trading, but the carbon reward is different. The carbon reward does not create any offsetting or credits, all the carbon credits are retired, and the capital currency is traded as an asset. The unit is one ton of CO_2 mitigated for the long term. It is not a medium of exchange, so will not compete with other currency. It is an investment vehicle that identifies a positive externality to attract private investing.

Theoretically, it has the scope to overcome the free rider problem in international negotiations and could alleviate the global north-south inequality problem. The idea is to have a common currency with a long-term predictable price, expressed as an exchange rate with all other currencies. Its price would have a lower bound on the floor price, and so it will become predictable, pulling in private investment depending on how fast it is rising in value. This carbon reward could provide an answer to the approximately USD 100 trillion needed in this century to fully remove carbon emissions.

Carbon rewards could be backed by monetary policy of central banks as a public finance guarantee. It can also be used as conventional mitigation. That is reward rule number one for cleaner energy and reward rule number two for cleaner business, being the supply side and demand side of the energy equation. And all these rules have quite interesting features, including a different way of handling additionality. One option is for energy providers to retire their fossil fuels and assets early by adjusting their baselines and offering them more rewards. So that would be one way of overcoming this problem of stranded assets and carbon locking.



The graph above shows how a common currency would be traded by central banks. On the left, there is the supply side and the currencies issued by an authority, analogous to some institution that issues credits, but this is not capital credit. Then there is the awardee, noting that there are service agreements as the asset and the currency as the liability for the issuer, and then reverse the currencies, the asset and the service agreements liability for the recipient awarded. On the demand side, where central banks come in, would buy the carbon currency as an asset, and they would register it on their balance sheet and then the economy's currency they issue to buy will become their liability. Investors on the other hand, will trade currencies for their own benefit.

The considerations around the boundaries and system design of an ETS can be used to promote innovation and to speed up the process of developing innovative approaches. Setting up the system boundaries, as widely as is politically feasible, can encourage the broadest range of both internal trading and innovation in each region. It also requires setting up a rigorous and reliable system of monitoring, reporting and verification to ensure the credibility of the credits and offsets that are generated. This may require, tracking carbon coming into the system. That is the effort to ensuring the widest number of players attempt to fulfil their responsibilities by reducing or removing emissions rather than simply trading credits. The utilization of rigorous protocols to encourage clear, transparent, and simple processes is important to engage the largest number of participants in the market with the lowest transaction cost.

It is equally important to engage central banking authorities to encourage investment. Particularly in sustainable infrastructure to create pathways for recognizing the value of rigorously developed and financially sustainable infrastructure projects and the financial instruments that they generate, to be recognized as liquid assets and accepted for application by commercial banks and other financial institutions. Finally, it is important to encourage collaboration between public sector agents that have a responsibility for managing the economy emissions controls, and private institutional investors who have adequate capital under management to promote investments in the sustainable infrastructure projects that will be needed to fulfil the Paris targets and the SDGs. This combination of measures can create an environment that promotes both financial and technical innovation in the achievement of the goals of giving emissions trading systems and the NDCs.

Another issue to be considered is carbon justice. The principle of common but differentiated responsibilities has been proposed, as the stress of the contribution of an economy in addressing climate change should be measured by whether it has made efforts compulsory to raise domestic conditions and development.

ETS markets cover a very small portion of the overall global emissions. There is a significant proportion of emissions today that are not part of the compliance markets, and this is where voluntary markets can play a critical role in addition to the expansion in the scope of the compliance market. Carbon markets should be looked at in an integrated manner across both the compliance and voluntary markets. There must be interoperability across both markets and a more dynamic inter linkage between the two.

Mandatory disclosures of emission footprints can derive significant activity in carbon markets. The eligibility of offsets and the carbon accounting framework is meant to be another critical factor. There is a whole debate around avoidance versus removal, global consistency on standards around the treatment of these two different types of credits and offsets is needed. There is lack of institutional investors participating in these markets at any scale.

Integrating both carbon offsets and traditional financial instruments could drive volume and traction to these markets. A tokenized form of carbon credits can be integrated within retail products, for example, so that retail consumers that today do not participate in these markets can be a demand driver. As an example, integration of carbon offsets within the credit card platform so when a consumer buys a car or makes a purchase, he can understand the carbon footprint and have the ability of offsetting.

There are a significant number of applications around tokenization of carbon credits, distributed ledger technology, and smart contracts all running through blockchain. There are opportunities to apply blockchain technology to track emissions reductions, particularly those that are applied to offsets that are not necessarily permanent, but which may be vulnerable to either leakage or other forms of displacement. This could also lower transaction costs. Linking the monitoring, reporting and verification protocols that are introduced in a member to its development priorities will allow policy makers to see how the development investments regarding carbon reductions are evolving.

One of China's key tasks is to make the carbon emission accounting of their enterprises in the power industry covered as accurate as possible to avoid carbon financial risks. One of these risks is disclosure. Information disclosure in carbon markets is not significant and, compared with traditional financial markets, the adverse selection and moral hazards are more likely to occur.

The “service level agreement” could be the answer to address avoided emissions. In terms of forests and protection of certain ecosystems, there exists carbon credits for avoided emissions, but in the oil and gas industry does not. There is a need of a new rule for them and that could be done through the service level agreement. This mechanism would set individual baselines for energy and businesses based on carbon intensity of their activities. Fuel energy intensive companies could enter into these agreements where they must increase the clean energy and must retire their proven reserves while getting paid with a carbon currency.

Some final recommendations are, mandatory free disclosures, stability of carbon accounting, clarity and stability around national policies and standards around the treatment of carbon offsets, including removals, their role in a science-based transition pathways and last, market structure and financial regulatory framework to mobilize institutional investor capital. Lastly, there is a need of finance, speed, and scale to have a global price signal that would be predictable into the future.

Conclusions

Emissions trading systems are at an early stage and are evolving gradually but unfortunately there is no time left to waste. It is there where voluntary carbon markets have an important role to play to help accelerate the process. For this, collaboration is key. Developing economies can learn from others, especially from China's experience, which underscored the importance of a clear and stable carbon market policy, education and capacity building for stakeholders and then effective trading infrastructure. It has also underscored the development of a robust liquid ETS, reflecting issues that are already familiar to many policymakers in Asia who have been working to develop capital markets. It is important to promote both demand and supply to have a liquid market infrastructure that fits the specific conditions of each market and to be aware of the challenges of dealing with volatility, speculation, and market manipulation. The importance of clarity of data availability, transparency, interoperability of legal policy, and regulatory frameworks is key.

Innovations are revolutionizing financial markets today, like Central Bank digital currencies and the use of distributed ledger, artificial intelligence and others can be adopted.

There is still a lot of work that needs to be done, especially how to bring all these multiple efforts in many different institutions together, to ensure coherence and achieve synergy and efficiency. APEC can provide a platform for collaboration among key stakeholders to help the APEC member economies move forward.

Carbon markets, both voluntary and compliance, have a large part to play in mitigating emissions and transitioning to a more sustainable future. Participants in this roundtable agreed on a myriad of issues. Education was seen as a crucial precursor in reducing and mitigating emissions to achieve net zero. Carbon markets are seen as a critical and proven mechanism for unlocking liquidity and channelling finance to not only climate projects, but also social and sustainable ones. Interoperability between voluntary and compliance markets between and within international, regional, national, and subnational levels were recommended components in carbon markets to avoid fragmentation. However, some noted concerns over sovereignty when linking to external markets.

Policy in all levels plays an important role. While the market is growing fast, digitalization and standardization could help achieve transparency, harmonization and accountability. Although Article Six of the Paris Agreement is not in place yet, there are high expectations on it and the role that it can play in relation to carbon markets and each economy's Nationally Determined Contribution **(NDC)**. An ecosystem of developers, auditors, standards, technology developers, exchanges, and investors must enable carbon services and training to be efficient to serve the demand of these carbon credits. Innovations such as carbon currencies, and others that are revolutionizing the traditional financial system are expected to appear soon. For these innovations to flourish, central banks will need to play a very active role.

ANNEX: ROUNDTABLE AGENDA (*Times displayed are China Standard Time on 13 July 2022*)

0900-0910	**OPENING SESSION** **Welcome Remarks** Hiroshi Nakaso, Chair, ABAC Finance and Economics Working Group; and Chairman, Daiwa Institute of Research **Opening Remarks** Liu Liange – Co-chair of ABAC Finance and Economics Working Group, Chairman of the Board of Directors of Bank of China
0910-1000	**SESSION 1** **CARBON MARKETS IN THE ERA OF PARIS** The road to net zero is pinnacle in mitigating climate change. Carbon markets enables countries and businesses to internalize and incentivize climate action in the short to medium term outlook. The advent of Article 6 of the Paris Agreement further provides countries an opportunity to collaborate and cooperate via an international compliance carbon markets. This session will dive into the details of carbon markets post Glasgow and the state of market forces in APEC. How important are standards and interoperability in affecting market demand? What are the contemporary challenges and opportunities in setting up voluntary carbon markets? Moderator: Ben McQuhae, Founder of Ben McQuhae & Co – Lawyers for Tomorrow
	Glenda So – Managing Director, Co-Head of Markets, Hong Kong Exchanges and Clearing Limited Jens Radschinski – Regional Lead at UNFCCC/IGES – Regional Collaboration Centre for Asia and the Pacific (RCC Bangkok) David Antonioli – Chief Executive Officer, VERRA Genevieve So – Head of Platforms and Ecosystems, Climate Impact X
1000-1050	**SESSION 2** **EMISSION TRADING SYSTEMS: BEST PRACTICES, SETUP AND INTERCONNECTIVITY** This session seeks to delve into the setup of Emissions Trading Systems (ETS) looking at accounts of best practices taking into consideration environmental context and drivers. Synchronicity with VCM and the roles of stakeholders will also be discussed to provide a holistic approach to ETS. In addition, this session will revolve around unpacking carbon pricing and the use of carbon accounting as a tool to streamline ETSs. Moderator: Asilah Azil – Partner, McKinsey & Company)
	Suzi Kerr – Chief Economist, Environmental Defense Fund Xing'An Ge – Vice President of SusallWave, Former CEO of Shenzen Emissions Exchange
1050-1055	**BREAK**

1055-1150	**SESSION 3** **LEVERAGING INNOVATIONS IN CARBON MARKETS - DEEP DIVE INTO CENTRAL BANK DIGITAL CURRENCIES AND CARBON CURRENCIES** What innovations are out there in facilitating demand and ease of carbon markets? The discourse will revolve around carbon currencies and the potential for technology as a tool to facilitate carbon markets transactions especially on the potential challenges and opportunities. The session will also investigate the evolution of standards in keeping up with innovation and demand. Moderator: Bill Kentrup, Co-Founder & Head of Origination, Allinfra
	Delton Chen – Project Director & Founder, Global Carbon Reward Roy Choudhury – Managing Director & Partner, Boston Consulting Group Wang Huiqing – Postdoctoral Fellow, Research Department, Bank of China Irving Mintzer – University of Maryland School of Public Policy
1150-1200	**CLOSING SESSION** **Closing Remarks** Dr. Julius Caesar Parreñas, Coordinator, Asia-Pacific Infrastructure Partnership; Coordinator, Asia-Pacific Financial Forum; and Senior Advisor, Daiwa Institute of Research

ABOUT THE ORGANIZERS:

APEC Business Advisory Council

The APEC Business Advisory Council (ABAC) was created by the APEC Economic Leaders in November 1995 to provide advice on the implementation of the Osaka Action Agenda and on other specific business sector priorities, and to respond when the various APEC fora request information about business-related issues or to provide the business perspective on specific areas of cooperation. ABAC comprises of up to three members of the private sector from each economy.

APFF Sustainable Finance Development Network

The Sustainable Finance Development Network **(SFDN)** was set up within the Asia-Pacific Financial Forum (APFF) as recommended by the APEC Business Advisory Council (ABAC) in 2020. It serves as an international platform for private-public sector collaboration, accelerating the convergence of sustainable finance policies among APEC economies and strengthening the region as they develop a common global sustainability framework. This is done primarily through activities supporting the APEC Finance Ministers' Process and assisting ABAC in developing its high-level recommendations to the Finance Ministers. In 2022, SFDN is mandated to support ABAC in developing recommendations in five key areas, which include carbon markets.