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Sustainable Finance in Singapore & ASEAN

LES CONSEILLERS DU COMMERCE EXTÉRIEUR DE LA FRANCE

N° 3 – May/June 2022

Summary

1. Public policy

France-Singapore Sustainable Finance Conference held on May 24

The French Embassy in Singapore organized on May 24th, in partnership with the Monetary Authority of Singapore (MAS), the Banque de France and ESSEC Business School, a seminar focused on green finance. Around 170 people attended the event, half of them online. Introduced by a pre-recorded discussion between Ravi Menon, Director General of the MAS, and François Villeroy de Galhau, Governor of the Banque de France, the conference was structured around three panels on i) the impact of biodiversity on the economic and financial sector; (ii) the role of green FinTechs in the transformation of the sector; iii) regulations and financial incentives to foster the green transition. More information (in French)

Singapore green bond framework unveiled

The Singapore Government published the Singapore Green Bond Framework on June 9th. It is a governance framework for sovereign green bond issuance under the Significant Infrastructure Government Loan Act 2021 (SINGA). The Framework details the Singapore Government's (i) intended use of green bond proceeds, (ii) governance structure to evaluate and select eligible projects, (iii) operational approach to manage green bond proceeds, and (iv) commitment to post-issuance allocation and impact reporting. Source

New consultation on taxonomy by Singapore's Green Finance Industry Taskforce

Singapore's Green Finance Industry Taskforce (GFIT), convened by the Monetary Authority of Singapore (MAS), has published a second consultation paper for the development of a green taxonomy. The paper presents a traffic light system, going from green, amber to red, depending on the level of contribution to climate change mitigation. To avoid ambiguity and greenwashing, activities will need to comply with certain metrics and thresholds. This rating should help both financial institutions and corporates in making transparent and consistent disclosures of economical environmental impact. GFIT should finalize the taxonomy in 2023. Source

Monetary Authority of Singapore use-case of AI to combat Greenwashing

On June 21th, the Monetary Authority of Singapore unveiled the first use case of Nova! to assess the sustainability performance of Singapore's real estate. Nova! is an example of industry-wide AI platform aimed at helping Financial Institutions in their ESG assessment for the creation, underwriting and servicing sustainability-linked loans. Since its launch in November 2021, 16 members have joined the Nova! Consortium (including Bank of China, Citi and DBS). Real estate was chosen as it accounts for a large part of greenhouse gas emissions in Southeast Asia. Source

Singapore Land Transport Authority to speed up transition to electric vehicles

In order to sustain Singapore's transition momentum to electric vehicles (EVs), the Land Transport Authority (LTA) has announced its intention to accelerate the availability of EV charging network in public car parks. It will also make the information on charging points more easily accessible and launch an education campaign to raise awareness of EVs. Source

Halt of Japanese aid for coal-fired plants in Indonesia

End of June, Japan announced that it would stop providing yen-denominated loans for the building of coal-fired power plants in Indonesia. This announcement was made in response to global criticism of coal-fired power and also means the halt of the Indramayu plant project. Until then, Japan had maintained the projects as they were "on-going". Source

Publication of a TFCD application guide for Malaysian financial institutions

On June 29th, the Malaysian Joint Committee on Climate Change (JC3) released the Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions. This guide highlights the key TFCD recommendations with numerous descriptions and examples that can be served as practical resources by the Malaysian financial industry. Source

2. Financial industry

Carbon Credits: collaboration between CIX and Puro.earth

On June 6th, Climate Impact X (CIX) partnered with Puro.earth, the world's first marketplace, standard and registry for science-based carbon removal credits. This strategic partnership aims at addressing growing demand and supply imbalances in the voluntary carbon markets by making it easier for companies and financial institutions to finance carbon removal from the atmosphere. With this new partnership, companies and financial institutions will be able to build carbon credit portfolios that map to the 2020-published Oxford Principles for Net Zero Aligned Carbon Offsetting. Source

Glasgow Financial Alliance for Net Zero regional office set up in Singapore

On June 8th, GFANZ opened a new office in Singapore, supported by SGX, Temasek and MAS. The coalition counts more than 450 member firms, including banks, insurers, asset managers and other financial services providers (DBS and SGX are among the signatories). Alongside the opening, GFANZ has also launched its advisory board headed by Ravi Menon, the current managing director of the MAS. GFANZ aims at speeding up green investments in the region. Bain & Company managing consulting firm is working to set up and scale the GNFAZ APAC network in the region around 5 key themes of action: i) building relevant national sectoral pathways to net zero; ii) sequencing the transition to manage the phase-down of stranded assets ; iii) managing the transition with flexibility and pragmatism ; iv) building public-private partnerships to mobilize capital for transition financing ; v) bridging the data gap alongside regulators to accelerate the transition. Source

Vietnam: 2nd largest regional green bond issuer in 2021

Green investments saw strong growth in Vietnam in 2021. The issuance of green, social and sustainable bonds increased from $0.3bn to $1.5bn in 2021, the 2nd largest increase in green debt issuance in ASEAN over the year. Most of the change is due to the issuance of $425mn of bonds, with stock options, by Vinpearl and a loan of $400mn by Vinfast. Source

3. Corporates

Keppel Electric: first renewable power trade agreement with Electricité du Laos

Keppel Electric is one the subsidiaries of Keppel Corp, a Singaporean diversified conglomerate. With this agreement, Singapore can import up to 100 megawatts of renewable hydropower from Laos using interconnections through Thailand and Malaysia. It is the first multilateral agreement of this kind between the four Southeast Asian countries and cited as a potential first step towards a broader ASEAN Power Grid (APG). According to the minister of Energy and Mines of Laos, the country is a supporter of renewables in the region thanks to more than 8,000 MW of installed hydropower capacity, which is set to grow in the future to meet domestic demand and exports. Source

Petronas: launch of a new clean energy platform for Malaysia and APAC

On June 16th, the Malaysian Oil & Gas company Petronas (Petroliam Nasional Bhd) annonced setting up a new platform for renewable energy, hydrogen and green mobility solutions,with ambitious goals by 2030. The startup will be specialized in the supply, distribution and sale of clean energy thanks to a portfolio of renewable power plants, such as solar panels. For the record, Petronas targets to achieve net-zero emissions by 2050. Source

Singapore & Malaysian Corporates push for sustainable data centres

Linde, a global hydrogen business, has signed an agreement with STT GDC (data centre providers, headquartered in Singapore), YTL PowerSeraya (electricity producer in Singapore, generating about 30% of the country's energy needs), and YTL Data Center Holdings (digital infrastructure arm of YTL Power, headquartered in Malaysia), to work on a hydrogen energy proof of concept to boost Singapore's sustainability efforts. This collaboration will test the viability of hydrogen as fuel for data centres. As of today, data centres use more than 7% of Singapore's electrical power. Source

4. Miscellaneous

Southeast Asia's Green Economy 2022 Report

On June 7-8, Bain&Company, Microsoft and Temasek published the 2022 edition of Southeast Asia's Green Economy report, "Investing behind new realities". According to the report, Southeast Asia will need to close an emissions gap of around 3 Gt by 2030 in order to align with the the Paris Agreement's 1.5°C trajectory . The report estimates that the investment needed to close this gap is between $1 trillion and $3 trillion. To date, less than 20 billion has been invested. The revenue opportunities from the transition to a green economy in the region would amount to $1 trillion, including $30 billion in annual revenues generated by the renewable energy sector, including solar and wind, by 2030. More than $15 billion in new green capital has been deployed since 2020, 50% of which in the last three quarters, spread across multiple asset classes by a wide range of investors, including companies that generate 75% of green investment in the region. Source

$190bn a year needed by 2030 to meet climate goals according to the IEA

In its latest report, the International Energy Agency (IEA) calls for an acceleration of the energy transition in Southeast Asia. Based on current public policies, energy demand in the region is set to grow by around 3% a year until 2030, of which three quarters will be met by fossil fuels. While several countries have announced ambitious targets to achieve carbon neutrality by 2050, the IEA stresses that international financing will be needed to stimulate innovation and infrastructure. Total energy investment (incl. local and international financing) needs to reach $190n a year by 2030 to meet the region's climate targets (compared to around. $70bn a year invested between 2016 and 2020). Source

Solar panels: lifting of US restrictions on four ASEAN countries

Following the investigation opened by the US Commerce Department in March against producers from 4 ASEAN countries (Cambodia, Malaysia, Thailand and Vietnam), US President Biden announced on June 6th suspending tariffs for 2 years. There is no doubt that Chinese companies, hit by anti-dumping duties since 2012, have installed production capacity in order to circumvent these measures. But this suspension is meant to satisfy end-users – individuals and companies-, the 4 ASEAN countries representing 80% of the supply to the American market. This will help to supply the domestic market with non-Chinese panels until American manufacturers can triple their production (target of 22.5 GW in 2024 against 7.5 currently). Source

Natixis: Greenflation, the new normal?

According to a recent article from Natixis, three phenomenons can link inflation and climate change: i) in the short term, the dependence on fossil fuels which creates volatility in primary energy markets; ii) climate change consequences (ex: severe droughts) on supply chains, which put upward pressure on prices; iii) the mismatch between demand and supply for renewables, electric vehicles and batteries. These three factors can be regrouped and described as “greenflation”. It can be addressed though increased investments in specific sectors (critical metals, agriculture, public and clean transport, shared mobility and others) and adjusted framework for sustainable finance. Source

Fitch: Singapore’s first green sovereign bond likely to be issued in 2H2022

According to research by Fitch Ratings Agency (June 13th), Singapore’s plan to sell up to $25bn worth ‘green bonds’ by 2030 (see Appendix) will likely support country’s sustainable financing capabilities. The first green sovereign bonds are expected to be issued in 2H2022. While the impact on sovereign’s credit profil will be small (Singapore’s rating: ‘AAA’ with Stable Outlook), green bond issuance will certainly help adoption of ASEAN’s taxonomy. Source

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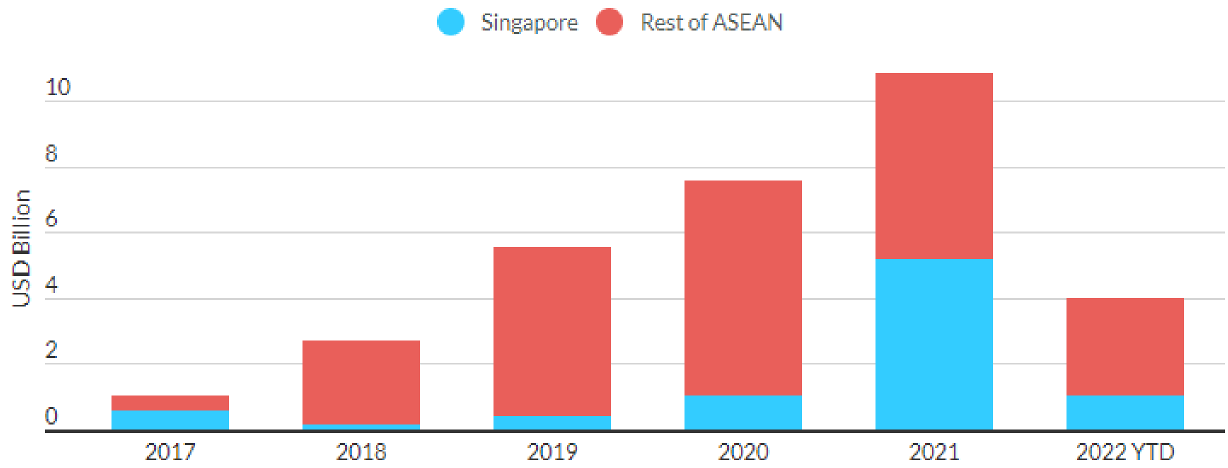
Appendix

GSS-Labelled and Sustainability-Linked Bond Issuance in ASEAN

(As of June 2022)



Note: GSS= Green, Social and Sustainability
Source: Fitch Ratings, Environmental Finance