

Singapore can help region emerge stronger, better, more sustainable

Its own capabilities can build and finance bankable projects to create value at home for the long term; it can also shift the region to sustainability and resilience post-pandemic. **BY SIMON TAY AND AARON CHOO**

ONE positive development emerging from the current pandemic is the aim not only to recover but to emerge stronger and better. To many, moreover, "better" also means to be more sustainable. Pre-pandemic concerns about climate change and goals for sustainable development are receiving new emphasis.

The European Union aims for a green recovery, accelerating its timetable to become climate-neutral, with billions of euros dedicated to finance those ambitions. China last month announced its target to achieve net-zero emissions by 2060, a profound shift for the world's current largest carbon-emitter.

Singapore has sharpened its long-standing commitment to the environment too. In a broad-ranging parliamentary address on Oct 5, Singapore's Deputy Prime Minister (DPM) Heng Swee Keat emphasised sustainability as part of this city-state's emerging economic strategy, prioritising inclusive growth and innovation alongside resilience and environmental concerns.

What needs to be done in Singapore to make this happen? Can this strategy be shared across the region? What are the benefits and opportunities for businesses?

DEEP GREENING OUR ECONOMY

Singapore has built a strong reputation for being green since independence, and new and additional efforts have been gaining pace. This "deeper green" commitment was signalled at the 2019 National Day Rally, when Prime Minister Lee Hsien Loong identified climate change as "an existential threat". A carbon tax has been imposed and infrastructure plans too are being greened, with an initial S\$5 billion put into a coastal defence fund.

Singapore corporates too are embracing sustainability as a core part of their business. Some are long-time sustainability pioneers like City Developments Limited, but the efforts of many others are now more visible.

Temasek Holdings has pledged to halve the greenhouse-gas emissions of its portfolio by 2030, and achieve net-zero emissions by 2050. In the resource sector, Wilmar's financing from local and international banks is now linked to its performance on sustainability indicators, with interest rates pegged to the company's efforts on carbon emissions and other commitments. Listed companies are now required to submit annual sustainability reports aligned with international standards. All three major Singaporean banks now evaluate environmental, social, and governance (ESG) factors in assessing loans.

These are but some examples of the surge of commitment by corporations, investors and financial institutions. Some have been concerned that the pandemic and economic impact might slow down sustainability commitments, or even reverse them.

But Singapore's immediate efforts to cushion the economic impact of the pandemic and stimulate growth also have a sustainability aspect. There are many synergies that need to be explored to increase resilience against pandemics, both present and future, as



Singapore corporates are also embracing sustainability as a core part of their business. BT PHOTO: LIM YAOHUI

well as against climate change, and ways to link these to broader social concerns and to innovation.

An analysis by ING Bank shows that around 10 per cent of the pandemic stimulus measures in Singapore's S\$102 billion revised budget is meant to go towards sustainability – which can and should remain in focus as Singapore moves ahead.

What about others in the region?

SUSTAINABILITY AND OPPORTUNITIES IN ASEAN

A number of other Asean countries have also made commitments to be more sustainable and to lower emissions. Indonesia, for instance, has mainstreamed its Low Carbon Development Initiative into its current national five-year plan.

Myanmar has set out a Sustainable Development Plan to guide economic development through to 2030. As a group, Asean in 2019 announced targets to increase renewable energy and align with global efforts to combat climate change.

There is a risk that these hard pandemic times will lead some to aim for growth at any and all costs, de-emphasising sustainability concerns. Negative outcomes are not, however, inevitable. Such aspirations can survive the current economic exigencies, depending on the availability of technology and finance.

Notably, there has been a global surge in linking the availability of finance to sustainability and, especially, environmental criteria. This has been a mandate for funding from the multilateral banks and most governments. Sustainability criteria are also increasingly demanded by the largest private investors, often in terms of ESG indicators.

The trend is continuing and indeed growing. For both countries seeking investments and investors looking for projects, sustainability is emerging as a key framework to align their interests and expectations.

One of the biggest and most immediate opportunities lies in the energy sector. The region is hungry for energy and the big question is whether that will be generated from carbon sources like coal and oil – currently at low prices – or by renewables.

Beyond the energy sector, there are other opportunities in the region in infrastructure and smart cities – sectors in which Singapore enjoys a good reputation for efficiency and quality.

Others too offer infrastructure assistance. The most visible efforts arise from China's Belt and Road Initiative (BRI), but Japan is also a long-time and consistent investor. While there is a competitive element, both are also moving towards a greater recognition of sustainability concerns and have committed to concrete projects.

Developments in Myanmar show this. Only last month, a major solar tender in Myanmar concluded with nearly all 30 sites snapped up by China-led consortiums. Earlier, major Japanese companies began building a gas-fired power plant in the Thilawa special economic zone. These projects offer examples of the energy transition that is underway, even during the current situation.

Building on its good record, Singapore is well positioned to play a role, not only with its own economy and infrastructure, but within the region.

DPM Heng said that "as we transform our existing industries, we are seeking new business opportunities in the green economy, given our region's growing needs for sustainable development".

For projects in the region, Singapore need not always go it alone; it can work in partnership – not only potentially with China and Japan, but also with others such as the European Union and Korea.

Singapore's deepening capabilities and experience in sustainability can help develop, finance, and deliver projects that are bankable and can generate value for the long term. This will potentially not only shift Singapore itself, but also help the region as a whole pivot to a sustainable and resilient footing as a response to the pandemic, preparing better for the future.

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