

# Sustainability is gaining traction as a business move

The government has plans to move Singapore towards being a low-carbon economy. Firms are seeing the business sense in that. **BY SIMON TAY AND WU HUI JUAN**

**S**INGAPORE is now one of the first countries in Asia to introduce a carbon tax to reduce fossil fuel consumption and to use market pricing to develop a low-carbon economy.

The tax, in force from the start of this year, begins at a low rate of S\$5 per tonne of greenhouse emissions. While Singapore made its first step, other countries struggle to implement such measures. For example, French President Emmanuel Macron's pledge to move towards higher carbon pricing sparked street protests in Paris. The proposal was withdrawn.

Introducing the tax early provides a clear signal on the path forward as the Singapore government will review the rate after 2023 to give companies time to adjust. While Singapore emits only some 0.11 per cent of global emissions, the move is a significant step forward on the country's commitment to take action on climate change.

This was not always the case. When many others agreed to the Kyoto Protocol in 1997 as the first international agreement to cut carbon, Singapore stood on the sidelines. Only in 2006 did Singapore adopt the Protocol.

The thinking about this change can be traced back to Singapore's founding Prime Minister Lee Kuan Yew. Having imprinted Singapore as a green city, he was also early in concluding in a statement in 2007 that global warming and climate change were "the ultimate threat to human survival".

In the years since, the Singapore government has re-evaluated the risks to this small island state, both immediate and long term. The tax sends an important price signal to incentivise energy-efficient practices. Adding to this, Minister of Finance Heng Swee Keat announced in his Budget 2019 speech that the Singapore government will invest more in infrastructure to protect Singapore against climate change and rising sea levels.

This is timely. A recent report by the United Nations shows that global emissions must be sharply reduced over the next decade to half the levels recorded in 2010. Unless this is done, emissions will drive average global temperatures by more than 2 deg C above pre-industrial levels, leading to more climate-change impacts and extreme weather catastrophes like prolonged droughts, severe storms and the melting of ice caps.

The effort must go beyond governments. Greening business has been on the rise for some years, but this has often been among startups and smaller enterprises – or else more a matter of public relations. Major companies must step up to make sustainability and climate change integral to their business operations and future growth strategies.

There are early leaders like City Developments



One of eight buses plugging the sustainable living message as it plied its route last year. This was a drive by the Singapore Green Building Council. FILE PHOTO

Limited (CDL), which developed many award-winning and energy-efficient buildings. Acting even before the carbon tax, the company was driven by the vision and commitment of its management and owners, notably the late Kwek Leng Joo, then the company's vice-chairman.

Today, with renewed global urgency and policies that hit the bottom line, many more Singapore companies are repositioning themselves. In January, Temasek Holding's Ho Ching took up this issue publicly when she called for, "whatever our business – whether it's for profit or non-profit, whether it's for society or governments – or whatever ambitions, we must all ... take urgent action on climate change and its impacts".

This builds on Temasek's 2016 step to create a Sustainability and Stewardship division within the organisation. Some anticipate that Temasek, which has always emphasised long-term returns, will increasingly aim to reprioritise and expand its portfolio towards choices associated with sustainability, as well as profitability. The GIC sovereign fund is already evaluating environmental matrixes as part of its investment decisions.

Other major Singaporean corporations are taking up the challenge too. Early environmental champion CDL issued Singapore's first green bond in 2017; DBS Bank and Singtel have also taken significant steps to join forward-thinking international

firms in the industry-led Climate-related Financial Disclosure (TCFD). Guided by a Financial Stability Board Task Force, these companies commit to examining not only their own business but to look at their dealings with their partners, clients and suppliers. Another large Singaporean conglomerate visibly moving in this direction is Sembcorp, with new and sizeable commitments to solar energy to lower the overall carbon intensity of its energy production.

Even with the commitment and oversight of chief executives and boards, change will not come overnight. But when these large companies and investors move forward, the improvements they bring can be of larger scale and ripple positively.

With the carbon tax and other market signals, sustainability is no longer just a question of personal conviction, regulatory requirements and additional costs. For businesses to remain competitive today and tomorrow, sustainability is now a matter of business. As Singapore continues to address climate concerns, the challenge remains for companies to find the sweet spot between making business sense and innovations that are sustainable.

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