



Women collecting water on the outskirts of Jalalabad, Afghanistan. Climate change is set to be the single largest existential risk that the world will have to tackle. Global cities like London and Singapore and the networks they form with other cities and private financiers can work in tandem with nation states and multilateral institutions to address climate change, says the writer. PHOTO: AGENCE FRANCE-PRESSE

The green dollar: Cities like Singapore show the way

As big nations dither over climate change, cities can do their bit by being green finance hubs for sustainable investment

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For *The Straits Times*

Cities consume 78 per cent of the world's energy and are responsible for more than 60 per cent of greenhouse gas emissions – although they account for less than 2 per cent of the earth's surface.

It is time for cities to find ways to contribute to the global fight against climate change. Emerging green finance hubs such as Singapore and London can play a key role by directing global investments towards funding sustainable projects.

Green finance refers to the channelling of capital and investments to sustainable industries, companies and projects.

The subject has come under the spotlight in Singapore after the Monetary Authority of Singapore (MAS) earlier this month announced that it would deploy US\$1.8 billion (S\$2.4 billion) of Singapore's official foreign reserves (OFR) to five asset managers for climate-related investments.

NATIONS: COULD DO BETTER

Green finance has received much attention from global policymakers. For instance, the recent Group of Seven dialogue held in Britain placed green finance at the top of its agenda.

To put MAS' announcement into perspective, the European powerhouse of Germany – with a population of 83 million – has planned to allocate US\$10.9 billion to sustainable investments.

Climate change is expected to be the single largest existential risk that the world will have to deal with. However, efforts by nation states to reduce greenhouse gas emissions and encourage the use of cleaner energies have stalled. Countries that signed on to the 2015 Paris accord remain far from reaching its goal of limiting global warming to 2 deg C above pre-industrial levels.

Worse yet, there has been a lack of agreement on key aspects of the accord, with Article 6 on carbon markets a key point of contention.

CITIES: NIMBLE, ON TO IT

While multilateral efforts among nation states to address climate change continue to stall or be waylaid by geopolitics, there is a need to consider other platforms for climate change policy coordination. Cities and their networks may provide an alternative.

Cities occupy a unique position in the global policy landscape. Being small and nimble, they are

able to navigate the global political deadlock by creating their own inter-city networks and generating city-level initiatives for climate action.

One example of such networks is the C40 Cities Climate Leadership Group. While cities often lack the resources and political authority that nation states possess, the C40 group has facilitated cooperative efforts to tackle climate change among member cities. The group has also established a Financing Sustainable Cities Initiative funded by Citi Foundation, Citibank's corporate citizen arm.

Beyond city diplomacy, there is an additional role that a specific subset of cities can play. Specifically, cities that are host to major global financial centres can seek to leverage their strong access to global capital to channel much-needed investments towards sustainable projects and climate change mitigation efforts.

The upper echelons of the recently released Global Green Finance Index 7 are dominated by major cities such as Amsterdam,

Zurich, London, Oslo, Tokyo, Beijing, Shanghai and Singapore.

Ranked for the depth and quality of green finance offerings in their financial centres, these cities are also known to be the most liveable cities and most competitive global financial centres in the world.

Clearly, much is being done to address the impact of climate change as well as develop markets

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for green finance among these cities. More notably, recent policy developments in London and Singapore signal the two cities' ambitions to become top green financial centres, in the process contributing to global efforts to tackle climate change.

MAS' US\$1.8 billion move, for example, was announced at the launch of its inaugural sustainability report, part of the authority's plans to help Singapore make an orderly transition to a low-carbon economy.

Not only will this serve to enhance the climate resilience of the OFR, but the deployment will also help stimulate more investments in environmentally sustainable projects and provide useful benchmarks for sustainable financial instruments such as green bonds.

Complementing these efforts is a joint effort by Singapore's Temasek and BlackRock to invest US\$600 million in firms working to reduce carbon emissions, as well as a new Singapore-based global exchange for carbon credits set up by DBS Group, Temasek, Standard Chartered Bank and the Singapore Exchange.

Furthermore, in a speech given during the CNBC Evolve Global Summit, Finance Minister Lawrence Wong articulated Singapore's ambitions to build up a new green economy and become a leading regional hub for green finance.

Minister for Sustainability and the Environment Grace Fu similarly described Singapore's vision of being a leading global centre for green finance during a recent speech, noting that Singapore is already ASEAN's largest green finance market.

Similar to the MAS' deployment of funds, the British government's recent budget granted the Bank of England (BOE) a mandate to purchase green bonds and incorporate environmental sustainability into its monetary policy. The BOE is the only other central bank in the world – apart from MAS – to have released a sustainability report that aims to position the city it is based in as a leading hub for green finance.

SMALL SIZE, BIG INFLUENCE

Despite their small size and limited political influence, cities can play an outsized role in mitigating the effects of climate change.

As green financial hubs, cities can help provide much-needed investments to sustainable projects and ultimately fund future climate change solutions. By developing strong networks of like-minded cities, city governments across the world can work to address climate change at the urban level.

Global cities such as London and Singapore and the networks that they form with other cities and private financiers can work in tandem with nation states and multilateral institutions to address global climate change.

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