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Headline: The green transition needs a commercial case to be viable: Panellists

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SINGAPORE - The green transition can happen only if there is a commercial case for it.

This was the sentiment shared by three panellists at an event on green finance held at Singapore Management University (SMU) on Aug 26.

Dr Rajiv Lall, professorial research fellow at SMU's Singapore Green Finance Centre, said: "If you do not respect people's aspiration for well-being and growth, there will be no political support for any transition."

He said the decarbonisation narrative, led by advocacy groups in developed countries, had called for initiatives such as the shutdown of coal plants in developing regions.

"But nobody likes negative incentives," he said, adding that the conversation might have been more constructive if advocacy initiatives focused on the need to make renewable energy cheaper instead.

The panel, which also featured SMU chairman and former DBS chief executive Piyush Gupta, had highlighted how blended finance and innovative financing instruments were key to making a business case for investors to put their funds into climate solutions.

Rounding up the panel was Ms Damilola Ogunbiyi, the CEO and special representative of the UN Secretary-General for Sustainable Energy for All.

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The panel, moderated by Professor Winston Chow, who is professor of urban climate at SMU, was attended by students, academics and asset managers, as well as professionals in finance.

The role of the private sector in funding initiatives to tackle climate change, such as replacing fossil fuel generation with clean energy, is gaining traction globally amid the geopolitical headwinds on climate change.

Meanwhile, the Trump administration has scaled back US climate initiatives and spending.

Besides rolling back regulations aimed at limiting pollution and giving a major boost to the fossil fuel industry, the US – one of the world's largest emitters – also said in January that it would pull out of the Paris Agreement, the world's climate pact.

Dr Lall's point was echoed by Ms Ogunbiyi, who said: "You can't tell people not to grow or be economically sound because you're thinking about climate."

Instead, it was important to find solutions that are good for both profit and planet, she added, such as through green industrialisation and jobs. "What we do not have is enough innovation and financial tools," she said.

Mr Gupta said blended finance could be one solution. This refers to starting with public and philanthropic funding to make it easier for risk-averse private funding to come on board.

Dr Lall acknowledged that blended finance can help to "crowd in" private capital but said government policies are also key in signalling to investors where their funds should go.

He added: "The best way to crowd in private capital is to reduce the risk and improve the trust, and that requires governments to take action to make the right policy choices."

Mr Gupta agreed, saying that policy support, such as establishing a price on carbon, would help with the carbon market.

He said: "At the end of the day, capital allocation happens best if market systems operate to make it happen. And to me, the only way you get the markets to work, especially in carbon markets, is to get policy support and a price for carbon."

The carbon market allows an emitter to buy carbon credits generated elsewhere to offset its emissions.

Mr Gupta added that the carbon market provides an effective mechanism that will enable funds to flow from developed countries, which are often net-emitters, to developing regions.

This can also unlock financing for deserving and untapped technology, and nature-based solutions in the region.

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"A large number of the solutions for carbon capture, carbon abatement, deforestation, nature-based solutions are in (developing countries), and therefore you create a market mechanism for money to flow from the north to the south," he added.

South-east Asia is home to the world's third-largest tropical forest after the Amazon and the Congo basin. Developers would have more incentives to protect forests instead of cutting it down if they can sell carbon credits arising from forest protection carbon projects.

In a separate interview with The Straits Times, Ms Ogunbiyi, who is also co-chairwoman of UN Energy, said Singapore is a financial hub that can leverage its financial innovation and expertise to partner with other countries in the developing world to train their professionals as well as develop their markets.

For example, the Monetary Authority of Singapore in 2023 launched an initiative called Fast-P, or Financing Asia's Transition Partnership. The blended finance scheme aims to use an initial injection of funds by the Singapore Government to increase funding from other sources for green projects in the region.

The Government will commit US$500 million (S$643 million), which will come in the form of concessional funding, such as grants and loans provided at more favourable terms and below market rates. The aim is to raise a total of US$5 billion with the help of other commercial and philanthropic partners.

Speaking on the gaps in the region that can be addressed for green energy transition, Ms Ogunbiyi said that while a lot more financing is required, it is also important for the region to have the right policies.

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She also noted that an interconnected grid like the Asean power grid, which will allow countries in the region to trade electricity with one another, can not only help to reduce the cost of renewable energy but also make the energy transfer more efficient.

"...The more that you can have (the grids) interconnected, you can have the trading of proper energy markets, which brings in economic viability and funding into the different countries," she said.