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Headline: SMU spearheads Asia's sustainable finance transformation

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SMU collaborates with global leaders to boost green sectors and innovation, hosting pivotal sustainability forum



Singapore Management University (SMU) is committed to assisting both public and private sectors throughout Asia in their transition towards sustainability across various green sectors.

Backed by the Monetary Authority of Singapore (MAS) and leading global financial institutions, SMU in collaboration with Imperial College Business School established the Singapore Green Financial Centre.

This Centre stands ready to aid regional governments, public agencies, and private enterprises that embark on their sustainability journey through interdisciplinary research and talent development endeavours.

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Last month, SMU participated in the Sustainability Week Asia 2024 Forum, organised by The Economist, the British business magazine, in Bangkok, where it shared insights aimed at promoting carbon emission reduction efforts.

Addressing the forum's discussion on fostering a carbon market in Asia, Ms Nikki Kemp, Director of the Singapore Green Finance Centre (SGFC) at Singapore Management University, highlighted the potential for developing a carbon pricing market in Asia. She observed heightened interest from both public and private sectors in several regional countries, recognising it as a key instrument for steering towards a low-carbon future.

Carbon pricing serves as a crucial climate tool, incentivising countries to decrease emissions and transition to cleaner technologies. Momentum is building for the adoption of carbon pricing instruments such as carbon taxes, emission trading systems (ETS), and international carbon markets under Article 6 of the Paris Agreement.

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Ms Kemp said that Asian carbon markets, particularly in China and India have witnessed rapid growth, with ASEAN countries also making strides towards implementing carbon market mechanisms and infrastructure, such as carbon exchanges. Building up the

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infrastructure and ecosystem for carbon pricing markets is vital for achieving the goal of net-zero carbon emissions.

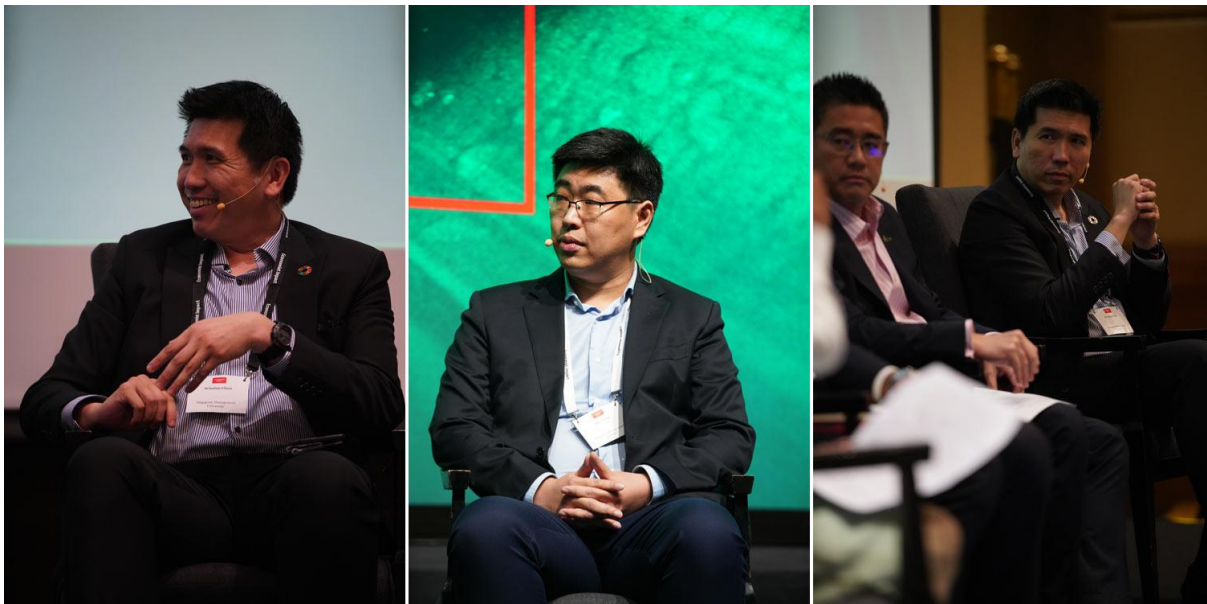
Collaboration among stakeholders, including public and private sectors, as well as academic institutions, will be instrumental in advancing the development of carbon pricing markets. According to Ms Kemp, Singapore and Indonesia are among the first ASEAN countries to have adopted a carbon tax as part of comprehensive decarbonisation pathways.

She added that policymakers and regulators play a crucial role in leveraging regulated market infrastructure to ensure integrity and efficiency in carbon markets.

Policymakers should further enhance the role of carbon exchanges, marketplaces, and innovation platforms in bolstering market development.

Additionally, fostering financial innovation and the creation of financial products and services to enhance liquidity and investment in carbon markets, can unlock greater opportunities. Regional collaboration also plays a pivotal role in promoting carbon markets and advancing efforts to reduce carbon emissions, she said.

“Public-private partnerships represent another crucial element in bolstering market development through international and regional collaboration to harmonise regulations and standards across the region,” she said.



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Through a collaborative initiative involving the World Bank, International Emissions Trading Association, and the Singaporean Government, these partnerships have established the Climate Action Data Trust (CAD), an innovative carbon credit platform to bolster market integrity and streamline registry integration by consolidating all carbon credit projects and data into a unified platform.

In a separate panel discussion, Dr. Hao Liang, Associate Professor of Finance and Co-Director at SGFC, discussed the topic of financing transition, noting that businesses are increasingly shifting towards transition finance to help carbon-intensive businesses reduce their carbon emissions.

Simultaneously, companies and investors have been driven to raise new funds by leveraging green financial instruments and making investments in sustainable assets.

According to Dr. Liang, the market requires over \$6 trillion annually for achieving sustainable development goals, and hundreds of billion dollars are needed to help achieve the net-zero carbon goal, while total global assets under management for sustainable investment are projected to reach around \$50 trillion by 2025.

Hao Liang said clarity and credibility in regulatory standards will help build up the confidence of the private sector in transforming to transition finance. At the same time, clear regulations would also streamline the reporting procedures for companies to provide information to regulators.

“The regulator should let companies know clearly what projects are green or not green, and what’s type of information that companies need to disclose or not,” he said.

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Nonetheless, he noted clarity of regulations and standards would help mitigate the risk of greenwashing (the act of making false or misleading statements about the environmental benefits of a product or practice), while at the same time instilling greater trust in directing capital towards legitimate green and transition activities.

In December 2023, the Monetary Authority of Singapore (MAS) launched the Singapore-Asia Taxonomy for Sustainable Finance (“Singapore-Asia Taxonomy”), the world’s first to pioneer the concept of a “transition” category, to address Asia's specific needs and facilitate cross-border capital flows into green and transition activities.

Singapore leads ASEAN in green, social, sustainability, and sustainability-linked bonds and loans, with over S\$30 billion worth of such bonds and loans originating from Singapore in 2022. The country also boasts a vibrant carbon service and trading ecosystem, with over 100 firms, the highest concentration in Southeast Asia.

Moreover, Singapore serves as a key centre for climate risk financing instruments, with catastrophe bond issuances totalling S\$2.5 billion over 2021 and 2022, double the total from 2018 to 2020.

Winston Chow, Professor of Urban Climate, Pillar Lead (Urban Infrastructure), said at the forum on the topic of “Climate Risk: Protecting Ecosystems and Biodiversity”, that biodiversity plays a crucial role in mitigating climate change. Ecosystems and biodiversity are natural carbon sinks, providing so-called nature-based solutions to climate change.

He said international collaboration is essential to address climate change and biodiversity loss and achieve sustainable development goals. Government sectors can tackle these challenges through international agreements such as the UN Framework Convention on Climate Change, the UN Convention on Biological Diversity, the Paris Agreement, and the Kunming-Montreal Biodiversity Targets.

In addition to sharing insights at the forum, SMU develops strategies for policymakers and financial institutions to support Asia's transition to lower carbon emissions.

The Singapore Green Finance Centre (SGFC), co-created with the industry to ensure applicability and relevance, encompasses three key themes: transforming businesses by integrating climate-related data and ESG considerations into decision-making, designing policies and new initiatives to enhance the efficiency of green finance markets, and catalysing the development of green finance solutions.

In 2023, SMU established the SMU Overseas Centre Bangkok. The Centre aims to strengthen ties with the Thai community through facilitating knowledge exchange, forging partnerships, fostering research collaborations, and supporting professional development. It welcomes discussions for collaboration and can be contacted at OCB@smu.edu.sg