

FOR IMMEDIATE RELEASE

MAS Launches World’s First Multi-Sector Transition Taxonomy

Singapore, 3 December 2023... The Monetary Authority of Singapore (MAS) today launched the Singapore-Asia Taxonomy for Sustainable Finance (Singapore-Asia Taxonomy) – which sets out detailed thresholds and criteria for defining green and transition activities that contribute to climate change mitigation across eight focus sectors¹.

Credible definitions for transition activities

2 Defining transition is particularly salient in Asia, where the progressive shift towards a net zero economy is taking place alongside economic development, population growth, and rising energy demands. Providing clarity on what constitutes sustainable and transition financing will also help to reduce the risk of green or transition washing, as financial institutions will be able to identify and disclose how their financed activities and labelled products are aligned with the taxonomy.

3 The Singapore-Asia Taxonomy is the first taxonomy globally to pioneer the concept of a “transition” category. This is in recognition of the need to properly contextualise “transition” for the Asian region.

4 Transition activities are comprehensively defined through two new approaches:

- A traffic light system² that defines green, transition and ineligible activities across the eight focus sectors. “Transition” refers to activities that do not meet the green thresholds now but are on a pathway to net zero or contributing to net zero outcomes. To signal the importance of progression towards a 1.5 degree Celsius (1.5°C) aligned outcome, transition thresholds do not last indefinitely and have a sunset date.
- A “measures-based approach” that seeks to encourage capital investments into decarbonisation measures or processes that will help reduce the emissions intensity of activities and enable the activities to meet the green criteria over time.

¹ The eight focus sectors are: Energy, Real Estate, Transportation, Agriculture and Forestry/Land Use, Industrial, Information and Communication Technology, Waste/Circular Economy, Carbon Capture and Sequestration.

² A green classification represents activities that contribute substantially to climate change mitigation by operating at near zero emissions, or are on a pathway to net zero by 2050. An amber classification represents transition activities which are either transitioning towards green within a certain time frame or enabling significant emissions reductions in the short term, while “ineligible” represents activities that are not currently eligible under the Taxonomy. Ineligible activities under the taxonomy may not always indicate significant harm.

Hard-to-abate sectors

5 Defining credible transition thresholds is especially pertinent to sectors that find it challenging to reduce emissions and meet a 1.5°C aligned outcome due to current technological constraints. For example, in the maritime sector, zero or low-carbon fuels are still in a nascent stage of technological evolution and it is challenging for vessels to achieve the zero emissions required to meet “green” thresholds. The introduction of amber thresholds caters to vessels that are aligned with industry targets under the 2023 International Maritime Organisation Greenhouse Gas Strategy to reach net-zero emissions by or around 2050, which sets intermediate targets of reducing emissions by at least 20% and striving for 30% by 2030 compared to 2008 levels.

Early phase-out of coal-fired power plants

6 The Singapore-Asia Taxonomy provides a credible framework to phase-out coal-fired power plants (CFPPs), which is a critical part of the energy transition in the Asia-Pacific region where coal accounts for almost 60% of power generation. To ensure credibility of the early coal phase-out process, the Taxonomy sets out both entity and facility-level criteria that are aligned to a 1.5°C scenario. Such criteria include that the electricity generated from the phased-out CFPP has to be fully replaced with clean energy within the same electricity grid and the coal plant needs to have a just transition plan.

Interoperability with global taxonomies

7 To enhance interoperability with global taxonomies, MAS has commenced an exercise to map the Singapore-Asia Taxonomy to the International Platform for Sustainable Finance (IPSF)’s Common Ground Taxonomy (CGT), which currently covers the EU Taxonomy and People Bank of China’s (PBOC) Green Bond Endorsed Project Catalogue. When this mapping is complete, financial institutions and market participants will be able to refer to a common set of definitions under the CGT, which would help increase taxonomy-aligned financing solutions and facilitate sustainable development in markets which the CGT covers. Through the Singapore-China Green Finance Taskforce, MAS is also working with the PBOC to promote the uptake of financial products that reference the China Green Bond Catalogue and the Singapore-Asia Taxonomy, and eventually the CGT when the mapping is completed. These efforts serve to facilitate cross-border financing flows.

8 MAS Managing Director Mr Ravi Menon said, “The Singapore-Asia Taxonomy is a significant milestone for several reasons. First, it is the first taxonomy globally that sets out credible definitions for transition activities. In most cases, we cannot go directly from brown to green. We need to go through a transition phase but we need to make sure this transition is credible. Second, this taxonomy has extensive coverage – it covers sectors making up 90% of the region’s greenhouse gas emissions. It will serve as a guide to allocate capital into green and transition activities for the region. Third, this taxonomy is industry-led. It draws extensively on the experience of financial institutions and real economy players engaged in transition activities in the region. It has gone through four rounds of public consultations.”

9 Chair of Green Finance Industry Taskforce (GFIT) and HSBC Singapore CEO Mr Wong Kee Joo said, “The Singapore-Asia Taxonomy takes an Asian perspective and offers a measures-based approach to defining transition activities, categorising them as "amber". This framework aims to help financial institutions optimise their support for the transition of hard-to-abate sectors, particularly in Asia. Its impact has been felt with the adoption of the proposed traffic-light approach by the ASEAN Taxonomy and other taxonomies in the region, further strengthening Singapore's position as a leader in sustainable finance. I would like to acknowledge the work of the GFIT Taxonomy Workstream Co-leads and members over the past four years, whose dedication and expertise have been instrumental in the development of the Singapore-Asia Taxonomy.”

10 The Singapore-Asia Taxonomy builds upon extensive feedback received from the previous four rounds of public consultation³. The Singapore-Asia Taxonomy will be reviewed periodically to keep pace with emerging science and technology improvements. Please refer to this [link](#) here for the Singapore-Asia Taxonomy.

* * *

Note: Additional soundbites from industry partners can be found in the Annex below.

For media enquiries, please contact:

Denise Gan
Deputy Director (Communications)
Tel: (65) 62299425
Email: denise_gan@mas.gov.sg

³ Links to previous rounds of public consultation: [First consultation](#); [Second Consultation](#); [Third Consultation](#); [Fourth Consultation](#).

ANNEX

David Smith, Senior Investment Director, abrdn (GFIT Taxonomy Workstream co-lead)

“The development of the Singapore-Asia Taxonomy represents a significant opportunity to help capital markets participants focus capital towards green and transition activities, of vital importance to Asia. The strong focus on transition is reflective of the region itself, as well as the importance of effecting real world change through capital flows. The innovative traffic light approach will, we hope, help provide clarity around transition by including clear pathways and metrics against which activities can be assessed. We at abrdn are very much looking forward to using the taxonomy, not just as an analytical framework, but also as a tool through which we can engage with clients and broader stakeholders.

My co-chair and I were tremendously fortunate to work with and draw on the expertise of leading experts in the field, and we are enormously grateful for the time and effort they contributed.”

Sylvia Chen, Head of ESG, South Asia, Amundi (GFIT Taxonomy Workstream co-lead)

“Amundi is delighted to have played our part as co-lead in developing the Singapore-Asia Taxonomy, and to see the formalisation of it to guide regional decarbonisation. This breakthrough sets a key milestone for companies, investors and financial institutions to better navigate the transition, and brings much-needed clarity and guidelines to cultivate capital flows towards sustainable activities. Amundi is committed to sustaining the momentum, offering collaboration with industry bodies and market participants for potential applications of it. Together, we can foster solutions and help to contribute to decarbonization goals.”

Shilpa Gulrajani, Head of Corporate Development and Sustainability, APAC, BNP Paribas

“The launch of the Singapore-Asia Taxonomy could not be better timed with more Corporates and Institutions increasing momentum on their transition initiatives. With corporates at different levels of ESG maturity, the Singapore-Asia Taxonomy will be a guiding light for them to progress towards net zero by providing clarity and credibility on transition solutions. Of particular importance to BNP Paribas is how the Singapore-Asia Taxonomy will support our clients seeking banking solutions towards their low-carbon transition initiatives and investments.”

Helge Muenkel, Chief Sustainability Officer, DBS

“The Singapore-Asia Taxonomy is a critical enabler to unlock the capital we need to progress towards a net zero society. One of the many reasons is that it tackles the all-so-complicated issues around ‘transition’, i.e. those economic activities that are not yet green, but could become green with the right efforts, technology and financing. We applaud the MAS’ aim to create a common language for ‘transition’, which will help the dialogue and foster collaboration between the public, private and finance sector.”

Eric Nietsch, Head of ESG, Asia, Manulife

“Our financial system has a critical role to play in the transition to a sustainable future and the launch of the Singapore-Asia Taxonomy is an important step towards that goal. The Singapore-Asia Taxonomy will provide financial markets participants and their stakeholders with a common classification system helping to advance green finance. The Singapore-Asia Taxonomy will help direct capital flows towards green investment, while importantly also establishing an “amber” category to facilitate transition finance.”

Mike Ng, Group Chief Sustainability Officer, OCBC

“We welcome the launch of the Singapore-Asia Taxonomy, which lays out standardised eligibility criteria for both green and transition business activities for Singapore-based financial institutions. We appreciate the framework as the shift to a low-carbon world necessitates transitioning the entire economy instead of merely growing the green economy. Drawing reference from major global taxonomies for interoperability, while considering the economic priorities and socio-environmental challenges faced by Singapore and Southeast Asia, the taxonomy will support financial institutions to direct capital more effectively towards projects that will drive the low-carbon transition in a just and orderly manner. We look forward to working closely with MAS to further map the taxonomy to our own framework.”

Ritesh Maheshwari, Managing Director & Head of Southeast Asia, S&P Global Ratings

“We welcome the publication today by MAS of this taxonomy, which will contribute to the growth, transparency, and credibility of sustainable finance in Asia by providing practical guidance and factoring the development and transition narratives of regional economies.”

Mervyn Tang, Head of Sustainability, APAC, Schroders

“GFIT’s work on credible, time-bound thresholds helps to unblock one of the key impediments slowing growth of transition finance, a market we see as essential for financing the path of high-emitting industries to net zero. We hope the transition concepts set out by the taxonomy will extend over time to the wider sustainable finance ecosystem, from company disclosure to industry standards, enabling the industry to create transition investment products where we see increasing interest from our Asian institutional clients.”

Eric Lim, Chief Sustainability Officer, UOB

“We welcome the Singapore-Asia Taxonomy and the guidance it will provide on green and transition activities. Clear guidelines will help support the targeted deployment of financing into sectors that have material impact on the country’s and region’s decarbonisation efforts. UOB will also augment our sustainable finance frameworks with these guidelines as part of our regular reviews and enhancements, as we continue to support companies in areas such as smart city development, building construction and real estate, circular economy, sustainable trade finance and transition finance.”