

**SPEECH BY MR LAWRENCE WONG, MINISTER FOR FINANCE, AT THE
TEMASEK'S SINGAPORE SUSTAINABLE INVESTING & FINANCING
CONFERENCE 2021 ON 30 SEPTEMBER 2021**

Mr Lim Boon Heng, Chairman of Temasek Holdings

Ms Ho Ching, Executive Director and CEO of Temasek Holdings

Mr Dilhan Pillay, Executive Director and CEO of Temasek International

Excellencies, Distinguished Guests

Ladies and Gentlemen,

Introduction

1. I am very happy to join you this morning for the inaugural Singapore Sustainable Investing and Financing Conference.

2. As we saw from the video just now, Covid-19 has truly changed the world as we know it. We now have a taste of what a global public health disaster could look like.
 - a. But we also know there is a much larger crisis looming ahead for humanity, and that is the threat of climate change.

 - b. Covid-19 may turn out to be a dress rehearsal for the depredations as well as the tragedies that this climate emergency could bring.

- c. But as highlighted in this conference, “From Crisis to Opportunity”, the pandemic can also be a turning point for positive change – to bring greater focus and urgency in our efforts to reduce global emissions.

- 3. Throughout this pandemic, individuals, businesses and governments have come together to flatten the infection curve.
 - a. Climate change doesn’t happen as quickly as the spread of the SARS-CoV2 virus.

 - b. But the earth is warming faster than previously thought and the window to avoid catastrophic outcomes is closing.

- 4. So we must now come together to flatten the curve of greenhouse gas emissions, in fact, we cannot just flatten, but we must bring it down to net zero, in order to avert the climate pandemic.
 - a. All of us can and must do our part as individuals in this endeavour – change our lifestyle and habits, and reduce our personal carbon footprint.

 - b. But individual efforts can only go so far. We also need system-level solutions for effective and permanent change.

 - c. Some of this has to be achieved through inter-governmental agreements like those fostered by the UNFCCC.

- d. At the same time, the banking, finance and investment communities play a critical role in facilitating investments in renewable energy solutions and carbon-neutral technologies.

Role of Banking, Investment and Finance Industry

5. Even from a narrow investment perspective, there are good reasons why we need to start changing our thinking in this area.

- a. Because as we continue to decarbonize the global economy, the demand for fossil fuels will wane.

- b. Large investments in coal mines or oil wells may lose their value.

- c. So there is a very real risk of these assets ceasing to be profitable and becoming stranded.

6. That is why all of us in the industry have to take ESG considerations seriously.

- a. In the past, investors were not always so sure about taking into account ESG factors in their investment decisions.

- b. Even now, I think you heard the emcee say from the survey results, it is not a hundred percent; but in the past, this used to be worse, because people worried that ESG would not be consistent with their fiduciary responsibilities to their clients. Their fiduciary duty is to maximise returns on the portfolio with the given risk, and the concern was that ESG would be in conflict with this.

- c. Today, I think more and more have shifted their position in recognising that ESG is completely consistent with their fiduciary duties. They now view investment decision-making through the lens of their larger responsibilities to their clients, which includes considerations for long-term sustainability.

7. These are positive developments. But the industry as a whole still needs to do much more to enable the transition to a low-carbon future. In particular, there are several critical enablers that will help accelerate this move.

8. First, we need clarity for investors, in the form of consistent and credible definitions of both “green” and “transition”, to provide assurance that such activities are truly contributing to our decarbonisation objectives.

- a. This will facilitate investments in such activities and help close the sizeable financing gap.
- b. For example, ASEAN alone will need an estimated USD\$200 billion in green investments annually through 2030.
- c. So efforts to develop a regional taxonomy will increase the integrity of ASEAN’s sustainable finance market and help make our green and transition assets and projects more investible.
- d. We should also recognise the role of transition sectors and activities in our taxonomies, in order to ensure that capital can be directed to activities that are shifting to a greener trajectory and have a strategy for longer-term decarbonisation.

9. Second, we need to improve the availability, quality and comparability of data to enable companies, financial institutions and investors to measure progress towards sustainability goals and measure the impact of their operations and investments. This is a critical issue because data acquisition today is largely manual; it is costly, it is cumbersome, and still prone to errors.

a. In this regard, technology can and should be a potential solution and it is heartening to see the use of artificial intelligence, satellite imagery and Internet of Things (IoT) devices in a range of use cases. All of this can help to increase data accuracy and granularity.

10. Third, besides good data, we need to implement a consistent set of global standards for disclosures and reporting.

a. The good news, of course, as all of you know, is that more global monies are going into ESG investments – on average, two new ESG funds are launched every day.

b. Unfortunately, this has been accompanied by rampant “greenwashing”. Two years ago, the Wall Street Journal reported that 8 out of 10 of the biggest “sustainable” funds in the US were in fact invested in oil companies. There is less greenwashing these days, but it still happened.

c. So, we need greater consistency and reliability of disclosures.

d. This will then help investors put their money into truly green firms, ensure a better allocation of capital, and a faster energy transition.

Singapore and Green Finance

11. I have highlighted three enablers around taxonomy, data, and disclosure.

12. Singapore is active in shaping these efforts, both regionally and internationally.
 - a. On taxonomy – the Green Finance Industry Taskforce, convened by the MAS, is developing a taxonomy for Singapore-based financial institutions. We are also actively participating in efforts to develop a regional taxonomy, to take into account international goals while tailoring it to ASEAN’s context and circumstances.

 - b. On data – MAS recently launched Project Greenprint, which aims to harness technology and data to mobilise capital for ESG projects, monitor their commitments and measure their impact.

 - c. And on disclosures – MAS and SGX are setting out roadmaps for mandatory climate-related financial disclosures by financial institutions and listed entities.

13. We are taking all of these efforts seriously. We do so in Singapore because, for us as a low-lying city-state, climate change is an existential issue.
 - a. That is why we are also advancing our national agenda on sustainable development. We are putting together the Singapore Green Plan 2030, with ambitious and concrete targets over the next 10 years, covering infrastructure, urban planning, economic and financial markets.

 - b. The right carbon price is also critical in ensuring that the costs of carbon are properly internalised, and help bring about a reduction in emissions.

- c. MOF is presently reviewing the level and trajectory of our carbon tax, and we will give an update on this important matter in next year's Budget. So, look forward to the Budget next year.

14. In addition, we are looking at several initiatives to expand our green finance ecosystem, to better serve the needs of Singapore and the region.

Scale up the carbon credits market

15. Let me touch on three initiatives.

16. First, on the market for carbon credits. We know many organisations will find it hard to eliminate their emissions or even lessen them as quickly as they like. They will want to use high quality carbon credits to offset emissions they cannot get rid of by other means.

17. This market for voluntary carbon credits is huge. It's also important because carbon credits can help direct private financing to climate-action projects that would otherwise not get off the ground.

18. So the Government is happy to support private sector initiatives to develop the carbon credit market in Singapore. One example is Climate Impact X – many of you would know about this – it is a joint initiative by Temasek, DBS, SGX and Standard Chartered Bank.

19. We are excited about this and other similar initiatives, because of the potential for Singapore to become a carbon services and trading hub for the region. Carbon markets today tend to be fragmented and complex.

20. Asia, in time to come, will need a voluntary carbon market that is large, comprehensive, transparent, verifiable and environmentally robust. We will do our utmost to support the development of such a market in Singapore.

Catalyse sustainable financing and investing

21. Second, we will catalyse sustainable financing and investing, to grow the supply and demand for green investments.

22. The Government will lead the way by laying out the framework and rules, test run them with our own issuance, and find ways to convene and connect the different stakeholders.

a. For example, National Environment Agency (NEA) is the first Statutory Board to establish a \$3b multicurrency medium term note (MTN) and green bond framework, in support of our green finance market.

b. Under my ministry, MOF, we have also set up a new Green Bonds Programme Office (GBPO) to catalyse the Government's efforts in the area. This office will develop the framework and work with Statutory Boards on green bond programme development, as well as undertake industry engagement and manage investor relations.

23. Individuals, SMEs and large corporates will also need access to sustainable financing.

a. MAS will facilitate the issuance of sustainable financing instruments, including green and sustainability-linked bonds and loans.

- b. This will support corporates in accessing financing as they invest in green projects and transition towards more sustainable business practices.

24. With its Green Investments Programme, MAS is also attracting more green funds and asset managers with a strong sustainability focus. These are managers with a good track record of sustainability investing, robust stewardship policies, and a strong understanding of balancing returns objective with sustainability goals. This will help to grow our sustainable financing ecosystem.

25. We recognise that public efforts alone will not cover the scale of climate change mitigation in the region. So we are also heartened to see efforts from the private sector to help close funding gaps for sustainable projects.

26. One such example is the partnership between HSBC and Temasek, and supported by the ADB and Clifford Capital, to establish a sustainable financing platform in this area, with an initial focus on Southeast Asia. This was just announced this morning.

- a. This sustainable financing platform will catalyse capital flows to the sustainable infrastructure space.
- b. It will do so by deploying blended finance at scale over time, in other words, to bring in more capital from different sources, to unlock more marginally bankable projects and create a tradable asset class and sustainable infrastructure.
- c. With this, and similar initiatives, we hope that more infrastructure projects in Asia, which have faced varying degrees of barriers to bankability, can receive support for project development, technical assistance and blended finance solutions.

- d. And I will strongly encourage everyone in the private sector to continue identifying opportunities and to leverage on partnerships in this blended finance space, to address climate change financing collectively.

Building capacity

27. This brings me to the third area, which is to build strong capabilities and expertise in our Singaporean finance community to support green finance.

28. We need new capabilities and skillsets. For example,

- a. We need specialised expertise to quantify environmental benefits and the costs of projects;
- b. We need to estimate how environmental costs can translate into future default risks;
- c. We need to develop tools for reporting the sustainability metrics of various projects and business lines. These are not all things that are covered in a traditional finance curriculum. It is interdisciplinary. You need to know more about Environmental Science; about the risk of climate change. So we do need to build these capabilities.

29. Our Institutions of Higher Learning are attuned to these needs, and are updating their curriculum to ensure their graduates are equipped with the relevant skills.

30. At the same time, MAS has supported the establishment of a number of sustainable finance Centres of Excellence to meet the demand for expertise and Asian-

centric research in this area. This includes the National University of Singapore's Sustainable and Green Finance Institute, which was announced earlier this month.

Conclusion

31. I have touched on three areas on the initiatives we are embarking on around carbon credits markets, sustainable finance solutions and products, as well as building new capabilities. We will be working on all three fronts and we welcome stakeholders and partners to join us in this collective endeavour.

32. To conclude, the Covid-19 pandemic has reminded us of the fragility of our expanding, resource-hungry civilisation, and our reliance on massive but unfortunately unsustainable infrastructure for food and water on a planet with finite resources.

- a. When you look ahead at the scale of the challenge, it can truly be overwhelming.
- b. But our response to this pandemic also gives us reason to be hopeful too.
- c. We have seen throughout this pandemic that it is possible to change our ways when we must. We have also seen how the indomitable human spirit can and will always prevail against all odds.

33. So we have an opportunity now, to get off the path of climate distress, and onto a healthier path for humanity.

- a. The choices we all make in finance and investments matter. It matters greatly.

- b. So I encourage all of us to do our part towards a greener and more sustainable future for Singapore, for the region and for the world.