

## **RESPONSE BY MINISTER FOR TRADE AND INDUSTRY GAN KIM YONG TO THE MOTION 'TOWARDS A LOW-CARBON SOCIETY' IN PARLIAMENT ON 12 JANUARY 2022**

1. Mr Deputy Speaker, I thank the Members for tabling today's Motion.

### **Importance of Sustainability**

2. Climate change is an urgent global concern and would require collective and coordinated global action to address, as the scale of effort needed to make a meaningful impact far exceeds what individual countries can achieve.

3. As a small island state, we are particularly susceptible to even small changes in global temperature, which will affect anything from sea level to weather patterns to food production, and even supply of freshwater.

4. In fact, our journey towards sustainability started decades ago. Given our limited natural resources and the lack of a hinterland, we have been pushing the envelope to conserve and maximise critical resources such as land and water, and green our island even as we embark on industrialisation and urbanisation.

5. As a responsible global citizen, Singapore must also play our part in making our world sustainable. We launched a whole-of-nation movement, the Singapore Green Plan 2030, last year, outlining our plans towards a more sustainable Singapore.

6. However, as we make the transition towards a greener future, we will need to make trade-offs and accept changes to the way we live and work. For example, as businesses introduce greener methods of production, production costs may go up, because of the use of greener materials, or greener ways of disposing waste. Some may require significant investments in new and greener equipment, or need technologies that are yet to be available. This may eventually translate to higher costs for consumers.

7. But as Professor Koh Lian Pin pointed out, we will be doing ourselves a disservice, if we focus only on the higher costs in the short- to medium-term, and lose sight of the larger and longer-term opportunities that the sustainability movement brings. We must continue to act decisively to prepare for these opportunities, while pacing our transition in a calibrated manner, and managing the trade-offs and cost impact carefully, as Ms Poh Li San, Mr Liang Eng Hwa, Ms Foo Mee Har and Mr Derrick Goh pointed out.

8. Minister Grace Fu will speak about Singapore planning ahead and acting decisively on the green transition, including the ambitious steps that we are taking. I will elaborate on what we intend to do on the economic front.

## **What We Aspire to Do**

9. Under the Green Economy pillar of the Singapore Green Plan 2030, we aim to do three things:

- a. First, capture green growth opportunities;
- b. Second, transform our existing businesses and industries to integrate sustainability into their business model; and
- c. Third, equip our workers with relevant skills so that they can benefit from green growth.

## **Capture Green Growth Opportunities**

10. There are a number of exciting economic opportunities arising from the global movement towards sustainability, that play to Singapore's strengths as a transport, advanced manufacturing, trading, and financial hub.

### *Green Financing*

11. Several Members including Mr Don Wee, Mr Gan Thiam Poh, Ms Nadia Samdin, Mr Henry Kwek, Ms Mariam Jafaar, Associate Professor Jamus Lim mentioned green financing, and Mr Saktiandi Supaat too. As countries step up their efforts towards their climate change commitments, there will be rising demand for green financing, as well as investments into green technologies, infrastructure, and businesses. Singapore has established itself as a trusted financial and business hub. We are well-placed to capture emerging opportunities in green financing. In fact, we are already a market leader in Southeast Asia for sustainable debt. The sector is still evolving and there is great potential as demand for green finance continues to grow in the region.

12. The Monetary Authority of Singapore (MAS) has developed a holistic Green Finance Action Plan to support sustainable finance market development; strengthen the financial sector's resilience to environmental risks; and standardise and enhance climate-related disclosures.

13. Mr Don Wee also asked the Government to consider issuing more green bonds. We are exploring opportunities to do so, under the Ministry of Finance's Green Bonds Programme Office.

## *Carbon Services and Trading*

14. Carbon services and carbon credits will play an increasingly important role, to help businesses and governments meet regulatory or voluntary climate goals. As Professor Koh, Mr Kwek, Mr Saktiandi mentioned, we can build on Singapore's foundation as a trusted and deep commodities trading hub, as well as the vast potential for the creation of nature-based credits in our region, to become a carbon services and trading hub. In 2021, 13 international firms anchored and expanded their carbon services offerings in Singapore.

15. We are also working with like-minded partners to standardise the rules on cross-border transaction of credits, and to build the infrastructure and processes to facilitate this. For example, arising from the efforts of Singapore's Emerging Stronger Taskforce (EST) Alliance for Action (AfA) on Sustainability, DBS, SGX, Standard Chartered, and Temasek have set up the Climate Impact Exchange (CIX). CIX provides a carbon exchange and marketplace for companies to access high-quality carbon credits. This exchange will have high standards of disclosure and emphasis on high quality carbon credits. This is how we can differentiate ourselves, and avoid the greenwashing problems mentioned by Professor Jamus Lim.

## *Other Opportunities*

16. Over a longer timeframe, there are also opportunities in low-carbon technologies, such as hydrogen; sustainable aviation and maritime fuels; smart electricity grids; and sustainable foods. We are investing research and development (R&D) resources into these areas, which we will need for our own living and livelihoods. In the process, we hope to build new economic engines in the process.

## **Transform Business and Industries**

17. These new green activities are exciting, but they will take time to grow and mature. On the other hand, most of our existing enterprises will be affected by the green wave. This is because investors, lenders, customers, and regulatory agencies will increasingly impose environmental requirements on these enterprises.

18. The impact will differ for different sectors and enterprises, depending on the nature of their businesses and operations. The impact is most significant for the largest-emitting sectors, such as the petrochemical industry. We have been working with businesses in the sector to help them decarbonise. Last November, we released the Sustainable Jurong Island report which outlines our plan to transform Jurong Island into a Sustainable Energy and Chemicals Park that operates sustainably, and exports sustainable products globally. Our aspiration is for the energy and chemicals sector to increase its output of sustainable products by four times from 2019 levels, and achieve more than six million tonnes of carbon abatement per annum from low-carbon solutions, by 2050. The journey is a challenging one, and we are determined to get there.

19. Our power sector, which provides electricity for both industry and households, is also a major emitter. The Ministry of Trade and Industry and the Energy Market Authority (EMA) are therefore embarking on an energy transition plan to decarbonise electricity production. We are accelerating solar deployment, and plan to import up to four gigawatts (GW) of electricity by 2035. Mr Gerald Giam asked about subsidies for solar deployment, especially for private properties. We do not have subsidies for solar deployment, as solar is already cheaper than our retail electricity, and there is already incentive for them to do so. However, EMA has schemes to facilitate the sale of excess electricity to the grid, and we will continue to help and support them. We will also develop and tap on low-carbon solutions – such as hydrogen and Carbon Capture, Utilisation and Storage (CCUS) – when these become viable. In addition, we will work with generation companies to enhance the efficiency of our power generation systems.

20. But lower-emitting businesses will also need to incorporate sustainability as an integral part of their businesses, and embrace sustainability as a competitive advantage. For example, more tourists and international conferences now require the countries and hotels they are visiting to have met certain sustainability standards. I am encouraged that a recent survey by the Sustainable Living Lab with Singapore Business Federation and other partners found that our SMEs recognise additional market opportunities, reputation improvements, and cost reductions as the top three motivations for them to consider becoming more sustainable. I will explain later how we can provide a conducive environment to our SMEs.

## **Equip Workers**

21. Our third aim is to equip our workers with relevant skills so that they can benefit from the green economy, as Ms Hany Soh, Mr Dennis Tan and Mr Edward Chia highlighted. As Singapore pursues our sustainability goals, many green jobs will be created that will require new green skills. For example, a traditional car mechanic will need to learn how to repair an electric vehicle – an internal combustion engine is very different from an electric motor. A power engineer will need to learn about hydrogen, solar, and other renewable forms of energy. An investment manager will need to learn about sustainability standards and green financing.

22. SkillsFuture Singapore (SSG) identified the green economy as a growth area in their inaugural report on Skills Demand for the Future Economy. There are green job opportunities in many sectors, such as financial services; energy and power; built environment; and manufacturing. There are also skills that are transferable across sectors, such as carbon footprint management and sustainability management. These skills can equip our existing workforce to take on new jobs or new roles in existing jobs in the new, green economy.

23. Workforce Singapore (WSG) is working with partners to explore a broad-based Career Conversion Programme (CCP) for Sustainability Professionals. This CCP will not only help companies nurture “Sustainability Champions” to kick-start their journey, but also support the transition of affected workers due to the “greening” of their jobs.

24. At the sectoral level, efforts are underway to build our talent pipeline.
- a. WSG and Singapore Polytechnic (SP) have rolled out a new CCP for Clean and Renewable Energy Professionals in September 2021. Over the next two years, the new CCP will support the transition of up to 150 existing employees that are impacted and mid-careerists from other sectors into the clean and renewable energy-related jobs.
  - b. Separately, MAS is setting up centres of excellence for training and research in green financing. We have three such centres in Singapore – the Singapore Green Finance Centre by SMU and Imperial College Business School; the Sustainable and Green Finance Institute established by NUS; and the Sustainable Finance Institute Asia. MAS will also be launching a new Sustainable Finance Technical Skills and Competencies category, in the Skills Framework for Financial Services. These efforts support our workers in building the relevant knowledge and skills, which can in turn help anchor Singapore as a leading centre for green finance.

### **How to Achieve this**

25. To achieve these ambitions, I agree with the Members that the Government needs to work in partnership with the private sector and the community. The Government's role is to provide an enabling environment to help businesses and workers take advantage of these opportunities. Our approach rests on five key pillars:
- a. First, we will need to right-price resources through the carbon tax, which Minister Grace Fu will speak on later, and which Mr Louis Ng also mentioned. The correct pricing will guide investment decisions and spur companies to decarbonise. But it will also come with higher costs for businesses and consumers. We should calibrate and pace the adjustment carefully, to give companies sufficient time to adapt, put in place decarbonisation measures, and stay competitive, as Members including Ms Foo Mee Har and Mr Derrick Goh mentioned.
    - i. A higher carbon tax will also have an indirect impact on households. The Government will consider how we can help ease the cost increase, especially for lower-income households.
    - ii. For instance, when the carbon tax was first introduced in 2019, the Government provided additional U-Save rebates for three years, to cover the expected average increase in electricity and gas bills from the carbon tax. We also subsequently introduced the Climate Friendly Households Programme, to provide eligible households with vouchers to offset the cost of energy-efficient appliances.

- b. Second, we will complement the carbon tax with financial support to help companies adapt.
  - i. Last October, I announced the Enterprise Sustainability Programme (ESP) to help local businesses build capabilities in sustainability, and capture opportunities in the green economy. The ESP is expected to benefit at least 6,000 enterprises over the next four years. It will support training workshops; capability and product development projects; and key enablers such as certification and financing. Several of these efforts will involve partnerships with Trade Associations and Chambers (TACs).
  - ii. We will also leverage the green finance drive to provide another incentive for companies to become more sustainable. The Green and Sustainability Loan Grant Scheme (GSLs) that MAS rolled out in November 2020 encourages banks to develop green and sustainability-linked loan frameworks to make such financing more accessible to small and medium-sized enterprises (SMEs), to better support their transition to greener business models. The GSLs help to defray qualifying expenses incurred by businesses and banks.
- c. Third, we are developing standards and accreditation to help companies assess and demonstrate their sustainability credentials.
  - i. To date, the Singapore Standards Council (SSC) and Singapore Accreditation Council (SAC) have developed more than 50 national standards and 13 accreditation programmes supporting the green economy. Examples include standards in renewable energy; electric vehicles; and food sustainability and resilience. We develop these standards in consultation with industry associations; professional bodies; institutes of higher learning (IHLs); research institutes; and companies, to ensure they are relevant and robust.
  - ii. Singapore is also an active member of the two international standards setting bodies, namely, the International Organisation for Standardisation (ISO) and International Electrotechnical Commission (IEC), at the technical and governance levels. For example, Singapore is involved in the development of new ISO and IEC standards in the areas of water efficiency management; waste terminology; solar photovoltaic; and circular economy. At the governance level, Singapore also chairs the ISO Technical Management Board that oversees some 300 technical committees, including in sustainability, such as for sustainable finance, circular economy, and environmental management.

- d. Fourth, we are helping our companies access green opportunities abroad through Green Economy Agreements (GEA).
  - i. The GEA comprises two key aspects. First, the GEA would set common rules and standards that would promote trade and investment in environmental goods and services. Second, the GEA would facilitate cooperation in areas such as scaling of low-carbon technology and pilot projects.
  - ii. Negotiations with Australia are underway for the first of these GEAs. The GEAs will build on and enhance Singapore's economic connectivity established through our extensive network of trade agreements. They will also strengthen international governance on trade and environmental sustainability and put us in good stead to contribute to international discourse on rules-writing and standards-setting, in the global response to climate change.
- e. Finally, we will partner companies to do Research & Development (R&D) and test-bed new green technologies and solutions – a point Mr Gerald Giam mentioned. This will help us build knowledge, and place us in a stronger position to capture green opportunities in the long run. For example, last year, we awarded \$55 million to 12 projects under the Low-Carbon Energy Research Funding Initiative, which will see collaboration between research institutes and industry to develop low-carbon technologies such as hydrogen and CCUS.

## Conclusion

26. Mr Deputy Speaker, Sir, the sustainability movement is gaining momentum. While there are challenges for our businesses to transit to a more sustainable business model, there are also immense opportunities for our enterprises and workers in the rapidly growing green economy. The Government will help foster the right environment for businesses and workers to adapt to and take advantage of these opportunities. As Ms Mariam Jafaar and Ms He Ting Ru mentioned, every one of us has a role to play to support the sustainability movement, do our part to conserve resources, minimise waste, and opt for greener products and services. Sir, we look forward to continue working with industry, businesses, workers, and everyone on this exciting journey. On this note, I support the motion.

27. Thank you.

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