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HSBC tables recommendations for sustainable infrastructure development in Southeast Asia at ASEAN Finance Ministers' summit

HSBC has announced a series of recommendations for how Southeast Asia can better attract private investment towards projects that are both economically and environmentally sustainable. Presented to ASEAN Finance Ministers today ahead of their annual ministerial summit, the recommendations are in response to the region being disproportionately affected by climate change and the growing need for private investment to help bridge infrastructure funding gaps.

The Asian Development Bank (ADB) forecasts that, if left unaddressed, climate change could reduce the region's gross domestic product (GDP) by 11 percent by the end of the century¹. Moreover, the ADB says that ASEAN's public sector can cover less than 50% of the total investment required. To fill this gap, ASEAN member states must take steps to promote greater private sector participation in infrastructure financing.

Under a paper titled: 'Financing Sustainable infrastructure in ASEAN', HSBC puts forward three recommendations for attracting private financing for sustainability linked infrastructure development in ASEAN.

Recommendation 1: Launching an annual 'Doing Sustainable Infrastructure Report'

To date, there is no single, standardised, validated and dedicated report that governments, international organisations, development banks and the private sector can rely on to evaluate progress and identify opportunities for further improvements in the ASEAN region. Partnering with multilateral organisations, the report aims to provide:

- A checklist of best practices that countries and cities can consider to better enable financing of sustainability linked infrastructure.
- Periodic progress reports on ASEAN member states' investment environments and efforts to promote financing for sustainable infrastructure; and
- Recommendations on ways to increase financing for sustainable infrastructure based on key metrics and feedback from public stakeholders in government, international organisations and the private sector.

Recommendation 2: Create an ASEAN Urban Infrastructure Network

Building on ASEAN's Smart Cities Network², the ASEAN Urban Infrastructure Network would aim to provide capacity building for municipal, procurement and other public sector leaders so that they are better equipped to work with the private sector to develop bankable and sustainable infrastructure projects. The initiative could include:

- The development of toolkits (e.g. templates, models, other resources) for officials to leverage when developing sustainable infrastructure projects.
- In-person or online training for officials on key topics in sustainable infrastructure, leveraging existing initiatives and training programs.
- An annual Smart Cities Infrastructure Leaders Forum for officials from across ASEAN to connect and share best practices.

Recommendation 3: Develop an ASEAN Blended Finance Toolbox

In partnership with development banks and the private sector, the tool box would aim to:

- Standardise instruments that address common risks associated with sustainability linked infrastructure projects and meet the investment requirements of different sources of financing

¹ Asian Development Bank "Climate Change Losses for Southeast Asia Well Above Previous Estimate", December 2015
<https://www.adb.org/news/climate-change-losses-southeast-asia-well-above-previous-estimate-ADB>

- Work with the industry and development banks to introduce a blended finance approach to structured finance in order to “crowd in” a broader spectrum of investors looking for long term returns;
- Work with international and national development banks to establish ASEAN-focused facilities and programmes for blending.

Mukhtar Hussain, HSBC’s Head of Business Corridors for Asia-Pacific, said: “Addressing environmental challenges is no longer simply a moral dimension but an economic one. The development of sustainability linked infrastructure using public and private sector financing is the only way that ASEAN can address the challenges that climate change presents to its economies. Climate change affects individuals, countries, corporates and investors so finding and delivering constructive solutions should be a joined-up effort including global banks like HSBC. We hope these recommendations are a helpful contribution towards the delivery of long-term solutions.”

An estimated US\$100 trillion of investment is needed in new sustainable infrastructure globally over the next 15 years – including financing for clean energy infrastructure, sustainable transport, energy efficiency and waste management – to meet the goal of the Paris Climate Agreement to limit global temperature increases to ‘well below’ 2 degrees celsius over pre-industrial times³. The third commitment under the Paris Agreement is “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”.

Southeast Asia has already taken important steps to unlock private sector financing around addressing climate change. These include:

- The launch of the ASEAN Green Bond Standards in November 2017 by the ASEAN Capital Markets Forum. This created a common framework to promote the growth of a new green asset class while enhancing transparency, consistency and uniformity of new issuance.⁴ This was followed by the launch of the ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards in October 2018⁵.
- Last year, Malaysia set the goal of increasing the share of its electricity generated from renewable sources to 20% by 2030⁶.
- Indonesia announced it will adjust its fiscal policies to incentivise the production of environmentally friendly vehicles⁷.
- Vietnam is working to complete several mega solar power plant projects later this year⁸.
- In March 2019, the Philippines (together with Bhutan, Mongolia and Vietnam) signed a Declaration on South-South Cooperation to access climate finance, particularly the Green Climate Fund (GCF). This called for the highest policy commitment to combating climate change and pursuing green growth as an urgent priority⁹.
- The Monetary Authority of Singapore launched the Singapore Green Bond Grant scheme in June 2017 which provides financial subsidies for the advisory fees associated with undertaking green financing¹⁰.
- Thailand plans to build the world’s largest floating solar farms to power Southeast Asia’s second-largest economy and boost the country’s share of clean energy¹¹.

Ends/more

³ HSBC “Sustainable Finance”, <https://www.hsbc.com/our-approach/building-a-sustainable-future/sustainable-finance>

⁴ <https://www.adb.org/sites/default/files/publication/480756/adbi-wp915.pdf>

⁵ <https://www.adb.org/sites/default/files/publication/480756/adbi-wp915.pdf>

⁶ <https://www.st.gov.my/ms/contents/publications/energyMalaysia/EM12%20Nov%202017%20v2.pdf>

⁷ <https://www.kemenkeu.go.id/sites/default/files/gpb-strategy.pdf>

⁸ <https://theaseanpost.com/article/vietnam-goes-solar>

⁹ <http://climate.gov.ph/knowledge-bank/newsroom/press-release/612-bhutan-mongolia-ph-and-vietnam-sign-declaration-on-south-south-cooperation>

¹⁰ <http://www.mas.gov.sg/News-and-Publications/Speeches-and-Monetary-Policy-Statements/Speeches/2018/The-Asian-Green-Bonds-Opportunity.aspx>

¹¹ <https://www.bloomberg.com/news/articles/2019-03-05/world-s-biggest-floating-solar-farm-seen-driving-thai-green-push>

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