

HIGH-LEVEL ROUNDTABLE ON GREEN FINANCE OPPORTUNITIES IN ASEAN

Thursday 31 October 2019, OECD Conference Centre

Summary Record

On 31 October 2019, the OECD and the Asian Development Bank (ADB) hosted a High-Level Roundtable on Green Finance Opportunities in ASEAN. The Roundtable welcomed 90 participants including senior government officials from ASEAN countries, representatives from leading investors, banks, civil society and multilateral organisations.

The meeting was organised within the context of OECD's Clean Energy Finance and Investment Mobilisation (CEFIM) Programme and the recently launched ASEAN Catalytic Green Finance Facility (ACGF). The Roundtable was designed to be action-oriented. Sessions were structured to move beyond the macro-level conversation and focus on the actual project pipeline in ASEAN countries. With direct feedback from leading investors and key development partners, the roundtable provided a platform to develop common approaches and catalyse action.

Discussions outlined the impressive progress and ambition of the ASEAN region to promote green finance as a tool to achieve development and climate goals. Participants provided an overview of the project pipeline and current investment opportunities in Thailand, Malaysia, Viet Nam, Indonesia, Philippines and Cambodia, inviting critical feedback from the investors and financiers around the table. Discussions around bankability and investor expectations were followed by presentations from development partners on the international support available to ASEAN governments to develop a pipeline of investment-grade projects. There was general consensus around the need to develop bespoke financial and policy interventions to mitigate specific risks and ensure that the proposed projects are bankable and attract investments from domestic as well as international sources.

Policymakers' debate: state of play on green finance in ASEAN

This session took stock of progress made on green finance in ASEAN, with a focus on instruments (e.g. bonds) and regulation (e.g. disclosure, road maps) that promote or hinder green finance. It included interventions by governments and policy makers from ASEAN and elsewhere, and was structured as an interactive panel. Some key messages from the discussions include:

- In an effort to encourage green finance, the ASEAN Capital Markets Forum issued the ASEAN Green Bonds Standard and ASEAN Social Bonds Standard in 2017. Since 2017, green and social bonds totalling USD 3.6 billion have been issued in the ASEAN region.
- Better disclosure is needed to ably manage ESG risk. ESG integration needs wider uptake in the region with greater emphasis on 'social' risks. Thailand and the Philippines have issued disclosure guidelines. The guidelines allow a 'comply or explain' approach for the first 2 years after which compliance will become mandatory.
- Malaysia aspires to become a regional green sharia compliant finance centre. The country intends to mainstream green and socially responsible sukus to finance infrastructure and other projects to achieve the Sustainable Development Goals (SDGs). Indonesia is also focused on mainstreaming green Islamic finance. Recently, Indonesia issued the first green retail sukuk through an easy to subscribe online platform to attract millennial investors.

- Commonly agreed upon standards and definitions are crucial to avoid greenwashing and scale-up sustainable finance. Such standards and definitions must not only focus on mitigation but also adaptation activities. There is a further need to improve the quality of data. Currently, the data available for the region's corporates are incomparable and make it difficult for investors to conduct proper due diligence. The region's corporations also need to demonstrate a strategic vision that aligns with investor priorities. For instance, some investors have an internal mandate to align their portfolios with the Sustainable Development Scenario (SDS) of the International Energy Agency by 2025. For such investors, it is hard to invest in companies that do not already fit such criteria or demonstrate a pathway to SDS alignment.
- A more robust framework is needed in ASEAN to evaluate selection criteria, monitor use of proceeds and report on the impact achieved. Impact reports should be issued on an annual basis – Indonesia issuance of an impact report encouraged investors to subscribe to the second tranche of its green sukuk.

Finding the projects: investment pipelines in ASEAN (energy and transport)

Country representatives (policy makers, SOEs, utilities, cities, and project developers) presented masterplans and investment projects in ASEAN, and provided a perspective on emerging pipelines in the near and mid-term future. Highlights from the session include:

- Thailand has seen success in developing solar farms and offers a robust pipeline of investment opportunities. In 2008, the country's installed solar capacity stood at 500 MW. After the government introduced FiT in 2009, the installed solar capacity has today reached 3.6 GW. The new target aims to develop 12.7 GW of solar energy by 2037.
- Given current technologies, the ADB estimates, Cambodia can install 150 MW of solar capacity by 2020. The country recently held an auction for the first phase of its national solar park. To promote renewables, the Cambodian government has created a bankable PPA and developed one stop shop programme. The programme has been developed with support from the ADB and will allow the government to receive customised support.
- Viet Nam offers a range of investment opportunities in the energy sector given its rapidly growing economy and demand for energy. Between 2020-2030, the country needs to invest USD 150 billion in the energy sector with USD 90 billion needed in the electricity sector alone.
- An array of green finance opportunities exist in Penang State in Malaysia. Penang State is implementing its Public Transport Master Plan which will entail construction of a number of transport infrastructure assets. The State also offers green investment opportunities in flood mitigation.

Investing in projects: investor perspective on project opportunities in ASEAN

Based on projects and pipelines presented in the previous session, this session facilitated a free-flowing discussion with investors to understand how 'investor-ready' ASEAN projects are, and what needs to be done to mobilise commercial investments.

- Local knowledge is crucial to develop a pipeline of bankable projects however, ASEAN currently has few qualified project developers with the required skills and capacity. To promote green infrastructure in ASEAN, investors should consider financing good project developers to shore their capacity and ensure that these developers do not face a capital crunch when they originate quality projects.

- There is a need for greater dialogue between the public and private sector in Southeast Asia. To facilitate private investment, the public sector needs to provide de-risking interventions to mitigate specific risks. For instance the government may provide a revenue guarantee to address offtake risk in case of a state owned offtaker.
- Projects in Southeast Asian countries often do not provide the scale required by large institutional investors. Mechanisms to enable project aggregation are needed to access capital from large investors. There is a need to work with local banks and develop closer partnerships. Green securitisation and similar structured products by local banks can help attract large investors.

Building the green finance system in ASEAN: support for policies and projects

This session showcased support available from development partners to scale-up green finance in the region, with a focus on investment and project pipelines. Scheduled presentations were made by the European Union, Global Green Growth Institute (GGGI), the ADB and the OECD. Participants generally agreed that:

- A variety of funding mechanisms and technical assistance are available to ASEAN governments. It is important for development partners to coordinate in order to avoid duplication and maximise impact.
- There is a need to allocate more resources for technical assistance in the region.
- Efforts to originate investment-grade projects (support for project preparation, bridge financing etc.) can only be successful within an enabling policy environment. ASEAN governments should focus on fostering a stable and consistent policy environment.