Chia Der Jiun: Staying the course for Asia's transition to a climate-resilient future

Opening address by Mr Chia Der Jiun, Managing Director of the Monetary Authority of Singapore, at the Financing Asia's Transition (FAST) Conference 2025, Singapore, 7 May 2025.

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Ladies and Gentlemen,

A very good morning. It is my pleasure to welcome you today to the FAST Conference 2025.First, please let me acknowledge our partners for the FAST conference, Mr Cheng Wai Keung, Deputy Chairman of Temasek and Ms Susan Chan, Head of Asia Pacific of BlackRock.

We are facing a more uncertain path ahead for climate action than at any time in the last five years:

- There is greater uncertainty in global commitments to timely transition.
- Global private sector coalitions for climate action are also seeing a pullback. Many financial institutions have withdrawn from net zero alliances, and these alliances themselves have revised their objectives.
- Global corporate investment more generally may also turn more cautious amid heightened trade and economic uncertainty.

On the positive side:

- COP29 saw broad agreement to enhance cooperation in such areas as carbon markets and climate adaptation, as well as new goals to channel financing to developing countries;
- Many countries have submitted their 2035 NDCs, reaffirming a steady pathway towards their net zero goals; and
- Many major financial institutions have affirmed continued commitment to their net zero targets.

We are meeting at a critical time. It is now even more important to bring together leaders across policy, finance and the real economy, to advance concrete approaches and solutions that will maintain the course for climate action and the region's transition to a climate-resilient and nature-positive future.

Enabling the Energy Transition in Asia

In Asia, enabling energy transition will be key to transitioning our economies.

- Asia's demand for electricity is projected to rise at an annual rate of 4% until 2035[1], driven by end-use sectors such as transport, industry and buildings.

While energy demand is still growing, the good news is that in parts of Asia, renewable energy already makes up a significant share of the energy mix, supported by falling costs.

- Wind and solar generation capacity in China has already exceeded fossil fuel-based thermal power capacity for the first time in March this year.
- Countries such as the Philippines, Thailand and Cambodia are also seeing lower renewable energy costs than that of coal-generated energy.[2]

There is an opportunity to drive the deployment of renewable energy and develop the infrastructure and solutions to support growth in Asian economies in a sustainable and resilient manner.

- The IEA expects renewable energy to supply more than half of Asia's increased electricity demand.[3]
- The increase in demand for electricity will catalyse a corresponding demand for supporting infrastructure and solutions. Earlier this year, ASEAN foreign ministers reaffirmed the commitment to operationalise the ASEAN Power Grid (APG) by 2045.
- Almost S$1.1 trillion in financing is estimated to be needed over the next decade to ramp up renewable energy capacity, upgrade existing power grid infrastructure, and invest in battery storage systems.[4]

Singapore hopes to do more to catalyse the scaling up of renewables power generation and their enabling infrastructure in Asia.

- Over the years, Singapore has supported partners across the entire infrastructure value chain, serving as the regional base to many international infrastructure development companies, project finance teams of global financial institutions, as well as multilateral development banks such as the World Bank and Asian Development Bank.

We have also put in place key initiatives to enable the financing of Asia's energy transition.

First, we have provided clear and credible definitions through the *Singapore-Asia Taxonomy (SAT)* on what are green and transition activities, including activities within the Energy Sector.

- Specifically, for electricity generation using renewables such as solar PV and wind, the SAT sets out thresholds and criteria for classifying such activities as "green" or "transition".
- There has been good adoption amongst financial institutions and corporates of the SAT since its launch. Financial products have been developed based on the SAT's classifications, portfolios have been aligned with the SAT's criteria and corporate sustainability strategies have been formulated with reference to the SAT.

We are also bringing partners together through blended finance platforms to co-create solutions for the region, de-risk investments, and catalyse the flow of private capital, for energy transition projects.

- We launched the *Financing Asia's Transition Partnership (FAST-P)* in end-2023 to raise up to US$5 billion to support Asia's decarbonisation and climate resilience.
- Within the FAST-P platform, the Green Investment Partnership (GIP), managed by Pentagreen Capital, will be ready to commence deployment in the coming months. They will mobilise capital for marginally bankable clean energy infrastructure in Asia.
- **I am also glad to share that a FAST-P office, with a dedicated management team, will soon be set up** to facilitate the deployment of up to US$500 million of concessional capital from the Singapore Government into the three FAST-P partnerships, alongside capital from other partners. The office will continue to work closely with asset managers, banks, and commercial and concessional investors, to promote innovative blended finance solutions for sustainable infrastructure in the region.

These are important milestones, but we recognise that an ecosystem approach – regulators, businesses, and financial institutions coming together – will continue to be needed to overcome these challenges. MAS will continue to work closely with the industry to develop solutions to support the region's energy transition.

Developing High Integrity Carbon Markets

A second area of focus for Singapore is the development of high integrity carbon markets.There are situations where the economic case for climate projects may not be well-established, making it difficult to crowd in investors and capital. High-integrity and well-functioning carbon markets can play an important role, to strengthen the economic case for decarbonisation and channel much needed capital towards worthwhile projects.

There have been headwinds in the last few years, but recent developments such as the finalisation of Article 6 rules at COP29, and the growing industry acceptance of meta-standards such as the ICVCM's[5] Core Carbon Principles, are helping to build confidence in carbon markets.

Shaping a well-functioning global carbon market will require progress in the areas of (i) supply of high-integrity credits; (ii) strong demand for credits; and (iii) robust market infrastructure and capabilities. At the GenZero Climate Summit Insights earlier this week, 2nd Minister for Trade and Industry Dr Tan See Leng spoke about the work the Singapore Government is undertaking to address these gaps, including through developing common standards, crowding in financing, and building capabilities.

The *Transition Credits Coalition* convened by the MAS is also an important initiative that seeks to address some of these gaps in the carbon markets.

- In its interim report launched at COP29 last year, TRACTION outlined common key high-integrity attributes across various methodologies and frameworks for the early retirement of coal and its replacement with clean energy. It also identified

the transaction risks and possible risk mitigation solutions, and motivations of different buyer profiles.

Building on these findings, **TRACTION has identified the market and technical conditions where transition credits have the greatest potential to make an impact**. This will enable the industry to prioritise a pipeline of suitable transition credits projects.

TRACTION has also identified the key components of a Just Transition associated with the early retirement of coal plants, to guide project owners and financial institutions to address the socio-economic impacts of coal plant closures on workers and communities.

These findings help foster a common understanding of high-integrity and viable transition credit transactions, enhancing the scalability of transition credits as a mechanism to crowd in financing for energy transition.

I would also highlight the work of the Singapore Sustainable Finance Association (SSFA). The SSFA is collaborating with the Singapore Government to develop guidance for companies on the credible usage of carbon credits alongside a decarbonisation plan. They are also developing solutions to deepen carbon project financing and collaborating with ASEAN counterparts on the ASEAN Common Carbon Framework.

MAS, together with the SSFA, are now considering initiatives to further support financial institutions' participation in carbon markets.

Strengthening Climate and Nature Resilience in the Financial Sector

Let me move on to a growing area of importance, that of adaptation and resilience. As the physical impact of climate change intensifies, there are mounting risks posed by both climate change and nature loss – risks that have cascading effects across sectors, markets, and value chains.

- The Financial Stability Board (FSB) intends to consider more closely how climate-related physical risks can pose threats to financial stability.
- MAS took early steps in 2020 to embed resilience in the financial system, by issuing a set of *Guidelines on Environmental Risk Management (ENRM).* These set out expectations for robust governance, risk management, and disclosures related to environmental risks.
- Our financial institutions have also started to enhance the resilience of their portfolios to climate and nature risks. For example, by integrating physical climate risk into their internal credit risk models, asset valuation, and due diligence processes. Doing so will enable them to better anticipate and manage financial loss, minimise stranded assets, and uncover new financing and investment opportunities.

There is growing interest in how nature loss and ecosystem degradation can amplify the effects of climate change and put nature-dependent value chains at risk. It is timely that the SSFA, in partnership with Oliver Wyman, launched a white paper two weeks ago, titled *"Financing Our Natural Capital."*

- The whitepaper contextualises global frameworks to our region, identifies sectors of high priority from a nature materiality lens, and provides practical steps for financial institutions to incorporate nature into their business activity.

Beyond managing their own environmental risk, financial institutions play an essential role in mobilising capital towards solutions that enhance the adaptive capacity of economies and communities.

- The insurance industry in particular has a key role in developing risk financing solutions for renewable energy and decarbonisation technologies, to reduce the risk of such projects for commercial investors.
- Several international insurance brokers have built specialised capabilities in Singapore to support and develop such risk financing solutions, through risk analytics and advisory for physical climate risk, energy transition investments, and carbon and nature markets.

Ultimately, financial institutions can respond on two fronts: by managing exposure to growing climate and nature-related risks, and by innovating to finance and de-risk adaptation, resilience, and nature-positive solutions.

Staying the Course and Building the Future

There are near-term uncertainties about the global momentum for climate action, but Asia can continue to chart a steady course in its transition. Policymakers, financial institutions, and corporates alike should take the long view, stay the course, and invest in the infrastructure, solutions, and capabilities that will enable industries and economies to transition. In doing so, we will unlock new opportunities for growth, create jobs, build resilient economies and make possible a more resilient future for all of us.

Thank you.

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[1] IEA. Southeast Asia Energy Outlook 2024 Executive Summary. https://www.iea.org/reports/southeast-asia-energy-outlook-2024/executive-summary

[2] Wood Mackenzie. Solar inflation reverses as renewable costs in Asia reach all time low. https://www.woodmac.com/press-releases/asia-lcoe/

[3] IEA. Southeast Asia Energy Outlook 2024. https://www.iea.org/reports/southeast-asia-energy-outlook-2024/executive-summary

[4] KPMG, Sustainable Finance Jobs Transformation Map, April 2024.

[5] Integrity Council for Voluntary Carbon Markets