Finance, Singapore

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How Singapore is becoming a green finance hub

By Seth O'Farrell

Singapore celebrated 60 years of independence this year. Policymakers in the city-state are keenly aware of the need for a supply of green energy from other countries © Roslan Rahman/AFP via Getty Images

At a glance

- Since it launched its Green Finance Action Plan in 2019, Singapore has become a hub for carbon trading and green bonds, signed carbon credit deals, issued an interoperable sustainable taxonomy, and raised capital for green projects in the region
- In September, the Monetary Authority of Singapore, the country's central bank and regulator, launched the Green Investments Partnership after it raised $510mn in public and private capital. It is set to deploy debt financing for green infrastructure in south-east and south Asia
- The Singapore Exchange, the country's stock market, has adopted the International Sustainability Standards Board standards for mandatory climate-related financial disclosures and the government has launched a sustainability reporting grant to support large companies preparing their first sustainability reports

The city-state is betting on sustainability as a means of staying competitive in a warming, fracturing world

When Singapore celebrated 60 years of independence this year, its newly appointed Prime Minister Lawrence Wong stressed the city-state's commitment to controlled transformation.

"Even as the climate shifts and circumstances evolve, one thing is certain: Singapore's progress will never be left to chance. We are — and have always been — a nation that adapts, reinvents and dares to dream," he said in a speech on August 17.

After becoming an independent state in 1965, the country has gone through several transformations: from an export-led manufacturing hub in the 1960s, to systematically building its financial sector in the 1970s and 1980s to position itself at the forefront of international flows of capital. It now harbours dreams of transforming — once again — into a global green finance hub, spanning capital markets, financial vehicles, infrastructure, nature and biodiversity.

Since it launched its Green Finance Action Plan in 2019, Singapore has become a hub for carbon trading and green bonds, signed carbon credit deals, issued an interoperable sustainable taxonomy, and raised capital for green projects in the region. As an international financial centre, the city-state is betting on sustainability as a means of staying competitive in a warming, fracturing world.

Green competitiveness

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Singapore is "deliberately building a full-stack climate finance ecosystem", says Singapore-based Daniel Ng, managing partner of advisory firm Omni Integra. This translates into a marketplace for carbon services and trading, blended finance vehicles to de-risk projects, regulatory frameworks and capacity building to serve other countries in the region, Ng says.

The country's "playbook is both supply side and demand side", he says, with supply generated through capital, credits and investment, and demand via bilateral deals, procurement and purchaser commitments. "That dual approach is key to [Singapore maintaining its] competitiveness," he adds.

In September, the Monetary Authority of Singapore, the country's central bank and regulator, launched the Green Investments Partnership after it raised $510mn in public and private capital. It is set to deploy debt financing for green infrastructure in south-east and south Asia.

To date, Singapore has signed 10 bilateral carbon credit deals, with its latest agreement clinched with Mongolia in October. These form part of the city-state's efforts to co-operate with other countries on carbon credits under Article 6 of the Paris Agreement.

The Singapore Exchange, the country's stock market, has adopted the International Sustainability Standards Board standards for mandatory climate-related financial disclosures, with a phased approach starting this year until 2032.

The government has also launched a sustainability reporting grant to support large companies preparing their first sustainability reports, echoing other grant schemes it has in place for sustainable bonds and loans.

Last year, Singapore tracked a record S$48bn ($37bn) worth of green and other sustainability-linked bonds and loans, according to the MAS, becoming the Association of Southeast Asian Nations' biggest market for such products.

Sustainability beyond frameworks

What started out as a focus on frameworks has grown into implementation and corporate guidance, Singapore Sustainable Finance Association director Kavitha Menon tells Sustainable Views.

"The first three or four years were really to establish benchmarks and frameworks that formed the guardrail for how the markets can operate," she says. "Now we are moving into that phase where we are implementing those frameworks and asking how we can mobilise finance and facilitate these transactions."

> **"The biggest challenge for Singapore — or any global player — is how to walk the line in a fractured geopolitical world"**
>
> *Nina Seega, CISL*

Following the Green Action Plan in 2019, the MAS convened the Green Finance Industry Taskforce, which helped to lay the groundwork for sustainable finance, such as the Singapore-Asia taxonomy, guidelines and disclosures. After the task force term came to an end in 2023, the SSFA was set up in early 2024.

The SSFA boasts 118 members, from financial institutions, corporates, data providers, academia and consultants. As an industry body, it seeks to identify problems that inhibit the flow of capital and propose solutions. The association recently concluded a roundtable exploring the decarbonisation of the built environment sector and hopes to create a blueprint for other hard-to-abate sectors.

In April, the SSFA also released a white paper on natural capital and biodiversity, aimed at helping financial institutions to manage nature-related risks and opportunities.

But as an island with land constraints and an economy dependent on the global economy, policymakers in Singapore are keenly aware of the need for a supply of green energy from other countries and a hub that stays at the forefront of global and regional competition.

Fractured geopolitics

"Singapore is very thoughtful about the region around it and the areas it wants to influence," says Nina Seega, director of the Centre for Sustainable Finance at the Cambridge Institute for Sustainability Leadership. "The biggest challenge for Singapore — or any global player — is how to walk the line in a fractured geopolitical world."

Following the release of the Multi-Jurisdiction Common Ground Taxonomy last year — aimed at mapping out points in common between the EU, China and Singapore taxonomies, respectively — Singapore is establishing itself as a clear regional and global player.

"Europe led the way to a large extent on the buy side of sustainable finance, but given its overarching regulatory environment Singapore has become pretty strong," says Clifford Chance partner Gareth Deiner.

He cites the interoperability of the Singapore-Asia taxonomy, which intentionally mirrors the EU taxonomy, as a considerable development that will pave the way for cross-border flows and an evolving global environmental, social and governance market.

The effect of the ESG pushback in the US and the EU has not been felt yet in Singapore, with “Singapore very much forging ahead in its positioning as a sustainable finance hub”, Deiner adds.

He concedes that the world is now in uncharted territory, but the direction of travel, at least for Singapore, remains positive: “Yes, there are rollbacks elsewhere, but the role of sustainable finance in Singapore isn’t going away for the foreseeable future.”

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