Keynote Address by Executive Chairman, Lee Chuan Teck at the Asia Infrastructure Forum 2024

05 June 2024, 09:10 – 09:20

Minister Indranee Rajah, Minister in the Prime Minister's Office, Second Minister of Finance and National Development,

Regional Ministers, Mayors, Ambassadors, High Commissioners,

Distinguished Guests,

Ladies and Gentlemen,

Introduction

1. It is my pleasure to join you today at the Asia Infrastructure Forum 2024.

2. Climate change is intensifying. In its 2023 synthesis report, the Intergovernmental Panel on Climate Change (IPCC) observed that global temperatures are now 1.1 degrees Celsius above pre-industrialisation levels. There is now less than an even chance for us to limit warming to less than 1.5 degrees, which was the aspiration set in Paris. And the window to do so is closing fast.

3. The cost of carbon abatement is high. But the cost of doing nothing will be even higher – environmental disasters, rising sea levels, loss of

biodiversity, human displacements, diseases, crop losses and others. A recent study calculated that the economic loss from climate change totalled $2.86 trillion in the 20 years from 2000. The costs will only escalate.

4. Asia plays an important role in this fight against climate change. The challenge for Asia is that we have to transition our existing energy infrastructure, which is largely coal fuelled now, while also providing for a continued increase in energy supply. With economic and population growth, Asia's energy demand is expected to increase at 3.5% annually till 2033, eventually accounting for more than half of global consumption[1].

5. The good news is that the region has vast sources of clean energy. Within Southeast Asia alone, over 99% of potential capacity for wind and solar energy generation remains untapped[2].

6. There have been a slew of solar, onshore wind and hydro-power projects announced over the last decade. However, there remains other relatively untapped sources such as Offshore Wind, which is

[1] Asia's power consumption to grow 3.5% annually in the next decade | Asian Power (asian-power.com)
[2] ASEAN has over 99% untapped wind, solar potential | Asian Power (asian-power.com)

emerging as an attractive option as it can generate electricity at a steadier and higher rate than onshore wind[3]. An added benefit is the ability to generate electricity during periods of low or no solar irradiance. There is much room for growth in this area, especially in Vietnam and the Philippines, where over 60% of the renewables project pipeline comes from Offshore Wind developments[4].

7. Why isn't Asia harnessing its green power faster? It largely boils down to one word – costs. There are of course the costs of planting a solar farm or a wind farm – which by themselves are non-trivial. But there are also secondary costs which sometimes can be much larger.

8. First, there is the cost of stranded assets. Many coal plants in Asia still have long operational lifespans with the average age of these assets being less than 15 years old[5].

9. Then there is the massive cost of reconfiguring and upgrading the grid. Transmission grids have to be reconfigured because green power and brown power are not exactly generated in the same places. The networks also have to be upgraded to handle larger loads and

[3] Wind Power: Onshore vs Offshore Wind Farms (arcgis.com)
[4] ASEAN renewables: Opportunities and challenges, International Energy Agency and Imperial College London, March 2023
[5] Executive summary – Coal in Net Zero Transitions – Analysis - IEA

fluctuations. Energy storage systems will be necessary to mitigate the intermittencies and smart grid management tools, including micro-grids, are needed to optimise capacity and asset utilisation.

(B) Asia needs to improve viability of renewable energy projects

10. How do we overcome the cost challenges? Allow me to suggest 3 other words starting with Cs.

11. First C, carbon pricing. An appropriate carbon price in the market will help make the investment in green energy projects more viable. To effectively impact carbon emissions, the International Monetary Fund recommends minimum carbon prices of US$25 and US$75 per metric ton of carbon dioxide for emerging and developed markets respectively[6].

12. Singapore has instituted a carbon tax regime since 2019. The current tax is S$25 per tonne of CO2, and it will be raised to $45 in 2026, with a view to reaching $50-$80 by 2030. We believe that providing a longer-term trajectory for our carbon tax levels can help firms better prepare their investment and abatement plans.

[6] An Asian Perspective On Carbon Pricing And Decarbonization (oliverwyman.com)

13. We accept that a carbon pricing regime may not be appropriate for some countries. For these, carbon credits can be a useful way to defray costs. It is unfortunate that various events over the past year have hurt the credibility of the voluntary credit market. It is imperative for us to restart the market, on a more credible and verifiable footing. Credits is an invaluable tool for many developing countries in Asia to undertake carbon abatement projects.

14. Second C, concessionary capital. How do we bring concessionary capital and combine it with private capital to create better finance? Difficulties in securing financing for large-scale projects hinder the deployment of renewables in the region. This is pronounced in markets such as Southeast Asia, that suffer from complex permit procedures and long transaction lead times. Singapore is doing its part to mobilise different capital sources for transition projects through platforms such as Financing Asia's Transition Partnership (FAST-P), which was launched at COP-28. The Asia Infrastructure Forum and the IPEF Clean Economy Investor Forum starting today will also be useful in bringing investors and projects together. This morning, we also spoke about how we can bring in new sources of concessionary capital, especially from philanthropy. These are largely untapped sources, which we should explore further.

15. Special attention needs to be paid to transitional finance. The ADB Energy Transition Mechanism will be most useful. In addition, the ADB, MAS and the Global Energy Alliance for People and Planet have also announced their intent to establish a blended finance partnership to accelerate the energy transition. I also applaud SMBC for launching its transition finance playbook, which we will hear more about shortly.

16. Third C, collaboration. Regional collaboration is one way to improve bankability. For example, cross-border energy trade. Clean energy trade is one other way to make projects more commercially viable. Countries with limited potential for generating renewable energy, like Singapore, can import electricity from countries with surplus green energy to enhance projects' bankability. In 2022, the first multilateral cross-border electricity trade between four Southeast Asian countries under the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project[7] served as a pathfinder towards realising the broader vision of a regional power grid.

17. Beyond regional power grids, green electricity can also be transported through hydrogen or hydrogen carriers like ammonia. This

[7] EMA | Why Does Singapore Need to Import Electricity?

can bring the energy further afield and help deploy the energy for bunkering and air transport.

18. Another area for collaboration is in innovation. Much R&D work is being done across the world to develop new, more efficient climate technologies. We need to foster more collaboration in research and test-piloting across the region. With this in mind, Enterprise Singapore recently entered into an MOU with Breakthrough Energy, an affiliate of the Gates Foundation and Temasek, to identify and support the development and implementation of climate technologies throughout Asia. We hope there will be many more of such projects going forward.

Conclusion

19. In closing, the task of addressing climate change is enormous and urgent.

20. I hope the discussions today will generate new ideas and opportunities for us to take concrete actions towards this.

21. With that, I wish all of you a fruitful forum ahead. Thank you.

Speech length: 8 – 11.5 mins (1150 words, 100 - 150 words per min)

Total segment time: 10 mins