

# Positioning for Southeast Asia's Green Revolution

The United Nation's climate change authority, the Intergovernmental Panel on Climate Change's (IPCC) first major assessment in nearly a decade predicts no end to rising temperatures before 2050 unless greenhouse gas emissions are slashed. It said temperatures will rise by 1.5 degrees by 2040, which will mean more frequent and severe extreme weather then, compared with what we are experiencing today.

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**BY JAMES CHEO,**

Chief Investment Officer, Southeast Asia, Private Banking and Wealth  
HSBC

## THE GREEN RACE FOR SOUTHEAST ASIA IS ON

Now the good news. The damage caused by going beyond 1.5 degrees can be managed if we achieve Net Zero emissions by 2050. In Southeast Asia, the green revolution is taking place in earnest. The stakes are high for region. Southeast Asia is home to 20% of the world's biodiversity, yet if it fails to act decisively, the region will experience more environmental stress - unbearable pollution from carbon emissions, waste from its industries and diminishing of its natural resources.

This means, at this juncture, adaptation is critical for Southeast Asia. Many Southeast Asian countries need to adapt to manage the physical risks that come with climate change. For example, better flood management measures and better use of natural resources.

In the next decade, Southeast Asia is going to double its economic size to become the fourth largest economic bloc, after the US, China and the European Union. As Southeast Asia grows, any rebalancing towards to a greener economy will create substantial opportunity.

## SINGAPORE'S GREEN PLAN 2030 – A BLUEPRINT FOR THE REGION

Singapore's Green Plan 2030 offers a blueprint for the region to rebalance into a green economy, but also provides a springboard to bring about change for the region.

As part of the Singapore's Green Plan, Singapore can leverage on its position as a global financial center to bring forth innovation in green financing and Environmental, Social and Governance (ESG) investments. Green financing is an important enabler to catalyse the transformation of the green economy for the region. Singapore is developing green financing instruments, such as green loans, bonds and green insurances, which will support the growth of the green economy for Southeast Asia.

Singapore can be the leading carbon trading market for the region by putting in place infrastructure to ensure better pricing and liquidity of carbon credits. With a proper functioning carbon market for the region, companies and governments will be incentivised to mitigate and manage carbon emission. Furthermore,



**JAMES CHEO**

HSBC

Singapore as a leading wealth management hub can help to accelerate the shift to sustainable and ESG investing for Southeast Asia.

Many parts of Southeast Asia are at an inflection point. The region's internet economy is expected to reach more than USD300 billion in 2025; sustainability efforts can be advanced through technology investments. The region, led by Singapore, is a hotbed for innovation and green technology.

## CAPTURING THE TRILLION-DOLLAR GREEN PRIZE

According to Bain, Southeast Asia's transformation toward a greener economy can account to more USD1 trillion in annual economic opportunities by 2030. The value can come from innovation from sustainable industries and cost-savings from resource efficiencies.

There are a few paths to capture Southeast Asia's green opportunities. The four paths can be found as Southeast Asia urbanises its cities, transits its energy sources, enhances its food sustainability, and reconfigures its supply chains.

### #1: Building sustainable and smart cities:

With Southeast Asia expecting a population surge of 90 million in the next decade, there will be more stress on

existing infrastructure systems. Cities are a key contributor to climate change - responsible for 75% of carbon-emissions, with transport and buildings being the largest contributors. Smart building solutions can unlock cost savings by installing efficient energy usage. However, to solve climate change, the future of transport has to be electric. Currently, the share of electric vehicles (EV) is insignificant now, under 1% of market penetration. The demand for electric vehicles is going to rise exponentially for the region. Indonesia has targeted 25% in the next decade. EVs are expected to grow to more than 40% of vehicle sales by 2040. With such goals, there will be immense improvements in electric vehicle infrastructure. For example, Singapore is aiming to deploy 60,000 charging points by 2030.

### #2: Transiting to greener energy:

Resource extraction and energy generation are still very much coal-reliant and inefficient in the region, and must be decarbonised in a sustainable manner. ASEAN have set a target of 23% share of renewable energy in primary energy supply by 2025. It is not realistic to suddenly replace fossil fuels with renewables. However, the transition to natural gas is one low-hanging fruit. The advancement of green hydrogen technology can possibly be a solution but solar and wind has the potential to grow significantly due the huge land masses for the region. Under Singapore's Green Plan, Singapore can play a crucial role of a clean tech hub to test bed the commercialisation for many of new green technologies - such as green hydrogen and battery storage capabilities - and scale these solutions for the Southeast Asia markets.

### #3: Securing sustainable food chain:

Agricultural practices are subsistence and inefficient in many parts of the region, however, employing

technology and localising production are key to feeding a growing and large urban population in a sustainable manner. Singapore's Green Plan can be a blueprint - a small city with limited land for traditional agriculture - wants to increase its local food production through vertical farms and sustainable aquaculture that can increase yield. Singapore is experimenting with new technologies in developing alternative plant-based protein, which is estimated to be USD15 billion in 2025. Indeed, the sustainable agriculture technology can be scaled across Southeast Asia improving yield and food production significantly.

### #4: Reconfiguring to more efficient supply chains:

Southeast Asia's manufacturing hub can become a viable alternative to China - and supply chains will be reconfigured sustainability. As supply chains shift to Southeast Asia, more robotics and automation will be employed to improve productivity and get more efficient overall use of energy. Furthermore, the implementation of the Regional Comprehensive Economic Partnerships (RCEP), will allow is a standardisation of cross-border regulations, which will reduce trade efficiencies, streamline logistics and eventually reduce carbon emissions.

## POSITION OF SOUTHEAST ASIA'S GREEN REVOLUTION

Southeast Asia's green revolution should not be ignored by investors. The prize is big. Southeast Asia's road toward a greener economy can account to more USD1 trillion in annual economic opportunities by 2030. There are four paths for investors to position for these structural opportunities as Southeast Asia urbanises its cities, transits its energy sources, enhances its food sustainability, and reconfigures its supply chains. ■

