WIEF JAKARTA ROUNDTABLE 2017
Jakarta, Indonesia
5 OCT 2017
UNLOCKING PRIVATE INVESTMENT FOR GREEN GROWTH
Global population growth – 9 billion by 2050

The impacts of climate change magnify the already existing challenges face by the developing countries such as widespread poverty, low levels of education, limited access to health services, and gender inequality.

Humans are currently emitting around 30 billion tonnes of CO2 into the atmosphere every year.

Threat to the ecology and biodiversity of the planet will be global climate disruption due to the build up of human-generated greenhouse gases in the atmosphere.

Rise in demand for energy, water, transport, urban development and agricultural infrastructure.

Overall average annual temperatures increase.

Global warming leads to rising sea levels and increased coastal flooding.

Storms and heat waves increase in frequency and severity.

Affect biodiversity and ecosystem

Food insecurity

Human health impacts lead to additional economic stress due to increase in government budgets on health and social support systems.

Severe extreme weather events lead to increased risks of death from dehydration and heat stroke, and injuries from intense local weather changes.

Changing weather pattern affect agriculture, forestry, tourism and recreation.

CLIMATE CHANGE – A GLOBAL CONCERN
To support a future global population growth an estimated USD6.3 trillion per year needs to be invested in global infrastructure.

For infrastructure to be consistent with the 2°C target, the investment is expected to reach almost USD7 trillion per year during 2016-2030.

Source: OECD (2017) Investing in Climate, Investing in Growth
ISSUES & CHALLENGES TO ACCELERATE PRIVATE GREEN INVESTMENTS

- Public funding resources are limited to cater for the immense green infrastructure investment
- Green technologies often have higher initial capital costs.

- Novel technologies and business models lack pertinent information and face information asymmetries
- Certain green technologies have real or perceived higher risks.

- Knowledge gap in evaluating green technologies and involved high cost of due diligence checks.
- Limited track record of consistent returns.
- Supportive regulatory framework not in place
MARKET CONSTRAINTS TO GREEN INVESTMENT

Constraints in the financial sector remain a barrier in the mobilisation and channelling of finances to prospective green businesses.

Financial institutions and investors take a cautious stand in investing in the green sector which is considered new and high risks due to start-ups and minimal track record.
INVESTMENT ENVIRONMENT TO BE CONDUCIVE

• Review Policy and Regulatory Framework
  – fossil fuel subsidies
  – fix unintended regulatory impacts

• Address market failures
  – development of risk mitigants
  – establish standards
  – improve data availability

• Development of financial instruments
  – Green Bonds/Sukuk

• Establish “Green Bank” or

• National Development Banks with green mandate adopting the Green Bank model
Private finance at scale requires the risks of green investments be reduced to about the same levels as those faced by conventional investments.
The government has addressed the issues in green investments providing an enabling framework.

However, constraints in the financial sector remain a barrier in the mobilisation and channelling of finances to prospective green businesses.

As such, the deployment of public funds to mobilise private finance is essential in addressing these barriers to unlock the needed funding.
GREEN TECHNOLOGY FINANCING SCHEME (GTFS)

Financial Incentive introduced in 2010 till 2017 with a total target financing approval of RM3.5 billion.

Objective is to promote green investments by providing easier access to financing and at a lower financing costs.

Incentives:
- 60% Government Guarantee on financing provided by financial institutions.
- 2% rebate on interest/profit rate charged by financial institutions.

GTFS GREEN CRITERIA

- Minimise degradation to the environment
- Zero or low green house gas emission
- Conserve the use of natural resources
- Promotes the use of renewable resources
- Safe for use and promotes healthy and improved environment
- Products, equipment and systems used to conserve the natural environment and resources which minimize and reduce the negative impact of human activities.
GTFS PERFORMANCE

GREEN TECHNOLOGY FINANCING SCHEME 2010-2016

TARGET LOAN APPROVALS 2017: RM3.5b (USD788m)

RM2.96b (USD666m)

272 PROJECTS

RM164.3m (USD37m)

13 PROJECTS

2010 2016

FINANCING APPROVALS BY SECTOR (RM)

ENERGY 81%

WASTE & WATER 17%

BUILDING 1%

TRANSPORT 1%

ENERGY RM2.33b (USD524m)

WATER & WASTE RM485m (USD109m)

TRANSPORT RM25.2m (USD5.7m)

BUILDING RM21.4m (USD4.8m)
GTFS: ISLAMIC FINANCING VS CONVENTIONAL

- **Islamic Finance**: 119 projects, RM1.39b (USD325m) (47%)
- **Conventional Finance**: 153 projects, RM1.57b (USD367m) (53%)
GTFS IMPACT

- Participating financial institutions: 28
- Green projects: 272
- Green investments: RM5.8 billion (USD1.05b)
- Green employment: 4,645
- GHG emissions reduction: 3.161tCO2eq/yr
Thank you!

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