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NEW GLOBAL ORDER

How Singapore can lead in green finance amid global fragmentation

Turning policy frameworks into regional execution is the next test

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DIVIDED views and slowing actions are threatening the global quest for a green future. The US government under US President Donald Trump has reversed gears.

He has labelled climate change as a "scam" and pushed for the country to continue drilling for fossil fuels such as oil and natural gas.

Meanwhile, the EU, known for its stringent sustainability policies, initiated a "stop the clock" pause to moderate regulatory roll-outs and streamline compliance burdens. China, by contrast, has accelerated investments in renewable energy to replace fossil-fuel power generation.

While Singapore is far too small to match the raw carbon footprint of mega-emitters such as the US, EU or China, it has quietly navigated this turbulent landscape to carve out a strategic niche in green finance. The Republic consistently ranks among the top four financial centres – alongside New York, London and Hong Kong – in the Global Financial Centres Index. Geographically, it serves as a central node for South-east Asia.

More significantly, Singapore maintains close intersections with East Asia and South Asia, tapping giants such as China and India.

Singapore's strategic logic as a green finance centre is clear. Even if it cannot alter global climate trajectories on its own, it can alter the flow of money, including its sources and applications.

Green finance covers specific environmental aspects such as climate change mitigation, carbon markets and renewable energy. Singapore's green finance ecosystem spans both public and private capital deployment. It encompasses financial instruments such as green bonds and loans from both sectors.

Public and private commitment

The Singapore government is leading with a commitment of up to S$35 billion in green bonds by 2030 to fund nationally significant infrastructure such as new rapid transit lines.

In the private sector, landmark arrangements – such as data-centre specialist AirTrunk securing a US$2.3 billion green loan via a consortium of 23 local and international financial institutions – demonstrate deep liquidity and cross-border appetite.

To guide this capital, the Monetary Authority of Singapore (MAS) expanded its 2019 Green Finance Action Plan into the 2023 Finance for Net Zero Action Plan, which places a sharp focus on transition finance.

Even if Singapore cannot alter global climate trajectories on its own, it can alter the flow of money, including its sources and applications. PHOTO: YEN MENG JIIN, BT

Central to this strategy is the Singapore-Asia Taxonomy for Sustainable Finance (SAT), the world's first multi-sector framework designed to guide financial institutions in classifying economic activities for the green transition, including protocols for phasing out coal plants in favour of clean energy.

MAS has also established the Transition Credits Coalition (TRACTION), comprising more than 30 members including banks, investors and specialists.

In addition, it has formed the Financing Asia's Transition Partnership (Fast-P), which utilises blended finance from public, private and philanthropic capital to fund marginally bankable green projects.

To build a trusted pipeline for these instruments, Singapore has already inked 11 bilateral deals with countries across Asia, Africa and South America to trade carbon credits aligned with Article 6 of the Paris Agreement.

While the target setting for Singapore's transition push is regional in Asia, including Asean, there are aspects that may slow or even divert the roll-outs.

Regional countries are in different developmental stages in their use of fossil-fuel energies. Many remain heavily coal-dependent to support surging power demand and keep retail energy prices low.

This economic reality complicates the adoption of renewables and slows the acceptance of transition financing.

Furthermore, because Asian countries maintain diverse regulatory systems for finance and electricity distribution, regional frameworks such as the SAT often require case-by-case adaptations.

This could affect the consistency of standards, as well as expectations between capital providers and recipients.

Operational risks are also pronounced for early-stage initiatives such as Fast-P.

Such financing arrangements operate in frontier conditions, and projects' viability and rate of return may be uncertain.

Domestic rules are often embryonic, while infrastructure priorities are still unclear. Cross-border applications of regulatory systems are also subject to geopolitical and local political factors. Resistance may arise at various governmental layers from the national to the municipal levels.

Transparency and integrity

Specific difficulties in phasing out coal may occur as well. For instance, mechanisms under TRACTION face operational stress testing.

To prevent greenwashing, it establishes high-integrity criteria for transition credits used to phase out coal-fired power plants. However, executing robust measurement, reporting and verification is technically complex.

Ensuring that plant operators adhere to phase-out timelines is even more challenging. Delays, inadvertent or deliberate, may occur.

Guard-rails against delayed phase-outs remain difficult to draft and enforce across a wide array of transition projects in unique operating contexts.

Ultimately, the success of Singapore's transition finance will rest critically on the participants – particularly the investors as blended financing providers – and the business leaders building systems on the ground.

Convergence and buy-in will have to be forged through neutral, ready-to-use frameworks such as the SAT.

However, to bridge the gaps between intention, formulation and implementation, participants must emphasise transparency and integrity.

While the temptation to cut corners to obtain and sustain financing is real, clear standards and independent audits will provide the necessary reality checks.

The true acid test for Singapore as a regional transition node will be whether all participants commit to the spirit – rather than just the letter – of these transition frameworks, amid ongoing global divergence and tensions.

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This essay is part of New Global Order, a series which explores how the changing world landscape is reshaping business, politics and beyond.