In Conversation with

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1. When and why did your institution join the NGFS?

The Monetary Authority of Singapore (MAS) was one of the eight founding members of the NGFS in 2017. There are three key reasons why MAS wanted to be a part of this coalition of the willing.

First, climate change and the effects of climate change is a particularly key issue to address in Asia and MAS wanted to contribute to driving a part of the solution. The transition to Net Zero is particularly critical for Asia, which emits about half of global emissions. Singapore is keen to play a role in supporting Asia's decarbonisation in a manner that balances developmental and sustainability considerations.

Second, finance can be a force for good, and we as central bankers and supervisors have an important role to play. Finance alone cannot take us to Net Zero – but we cannot get to Net Zero without Finance. Getting to Net Zero by 2050 requires about $9.2 trillion of investment per annum, but currently we are more than 35% ($3.5 trillion) short of the amount required. We need to use every lever at our disposal, including green and transition finance, to close this financing gap. As a central bank and regulator, we believe we can play a useful role in encouraging our financial institutions to get behind this worthy cause.

Third, addressing the financial risks of climate change is relevant to MAS given our mandate to ensure financial stability. Mitigating the risks from climate change and transition to a lower carbon economy will change the structure of economies and societies. Assets will be stranded, the financial sector will be impacted, and we must identify and mitigate these risks.

2. Can you share with us the key elements of the Monetary Authority of Singapore's climate strategy?

The financial sector plays a critical role in the Net Zero transition. MAS has been developing a sustainable finance ecosystem in Singapore, comprising financial institutions, ancillary service providers, academia, standard setting bodies and international organisations. There is an urgent need for these public, private, and philanthropic stakeholders to work more synergistically together at regional and global levels to mobilise larger amounts of climate finance.

MAS launched the Finance for Net Zero (FiNZ) Action Plan in April 2023, which sets out our strategies to mobilise financing to catalyse Asia's Net Zero transition and decarbonisation activities in Singapore and the region. There are four strategic outcomes under the plan – (i) sound data, definitions and disclosures (3Ds), (ii) climate resilient financial sector, (iii) credible transition plans, and (iv) green and transition solutions and markets. These key outcomes are supported by two cross-cutting enablers: Green FinTech and Skills and Capabilities.

There are five immediate priorities under the FiNZ Action Plan.

As a regulator, the first priority is to ensure that the financial sector remains resilient to both the physical and transition risks associated with climate change. MAS will continue to work closely with our financial institutions to ensure that they keep pace with their management of environmental risks to meet our expectations under our Guidelines on Environmental Risk Management[1], which came into effect last year, and to deepen their capabilities in climate scenario analysis.

Second, transition planning by financial institutions for an orderly transition of their own exposures and to steer climate transition in the real economy. In October 2023, MAS launched a public consultation on proposed Guidelines on Transition Planning[2] to provide clear and consistent supervisory expectations for our financial institutions. Key principles of the guidelines:

- Engagement, rather than divestment, should be the key lever through which financial institutions steward their customers and investee companies' transition to Net Zero.
- Financial institutions should take a multi-year approach to facilitate a more comprehensive assessment of climate related risks. We may have to accept short-term increases in financed emissions to support long-term climate positive outcomes consistent with a Net Zero pathway.
- Financial institutions should also take a holistic treatment of risks. This means looking at the interactions across risk drivers, such as climate mitigation and adaptation, and the interdependencies between climate and nature.

[1] Banks: www.mas.gov.sg/regulation/guidelines/guidelines-on-environmental-risk-management
Insurers:www.mas.gov.sg/regulation/guidelines/guidelines-on-environmental-risk-management-for-insurers
Asset Managers: www.mas.gov.sg/regulation/guidelines/guidelines-on-environmental-risk-management-for-asset-managers
[2] Banks: www.mas.gov.sg/publications/consultations/2023/consultation-paper-on-proposed-guidelines-on-transition-planning-for-banks
Insurers: www.mas.gov.sg/publications/consultations/2023/consultation-paper-on-guidelines-on-transition-planning-for-insurers
Asset Managers: www.mas.gov.sg/publications/consultations/2023/consultation-paper-on-proposed-guidelines-on-transition-planning-for-asset-managers

The third set of priorities is around taxonomies. It is important that we have a set of clear definitions that provide clarity to financial institutions and the real economic sectors on what activities can be classified as environmentally sustainable or "green", transitioning towards green, or activities which are harmful and not compatible with a Net Zero trajectory. The Singapore-Asia Taxonomy was launched at COP28 in Dubai. This is the first taxonomy in the world to comprehensively define transition activities across eight focus sectors. Most taxonomies define what is green and what is brown, leaving out the bulk of economic activities that are in-between. This new Taxonomy will enable financing to flow to climate-friendly transition activities while minimising the risk of greenwashing.

Fourth, disclosures as well as credible and comparable data are foundational. The financial sector needs high-quality, internationally-consistent sustainability information to properly assess, manage and monitor risks arising from climate change. This information will enable financial institutions to engage clients on their response to climate change, assess the impact of the risks associated with the transition, and support clients in their decarbonisation efforts through offering financing solutions. With the finalisation of the ISSB standards in June 2023, MAS will set out a roadmap on mandatory climate disclosures for our financial institutions.

Fifth, unlocking financing to accelerate the energy transition and facilitate the move away from the use of coal power in Asia. Accelerating the retirement of coal fired power plants in Asia will be the most needle-moving to get to Net Zero. MAS is actively involved in work to ensure the credibility of phase-out plans for coal, through the GFANZ Asia Pacific Network's industry guidance on the managed phase-out of coal plants and the ASEAN Taxonomy and Singapore-Asia Taxonomy which provide clear definitions on how coal-related activities will be classified. MAS is also working to improve the economic viability of the managed phaseout of coal through a blended finance platform called Financing Asia's Transition Partnership (FAST-P) to accelerate financing for green and transition infrastructure in Asia. MAS has also forged a Transition Credits Coalition (TRACTION) which seeks to help identify barriers and potential solutions to develop transition credits as alternative revenue streams to support the economics of coal decommissioning.

3. To which extent did the Monetary Authority of Singapore leverage the work of the NGFS in its own domestic journey? Any concrete examples?

The work of the NGFS and the opportunity it has provided for candid and thoughtful discussions on relevant issues relating to climate change have been tremendously enriching for our own work in sustainability. There are of course many examples, both big and small, where the work of the NGFS has been helpful for our own operations, but let me highlight a few of them.

First, supervision. MAS referred to the NGFS Guide for Supervisors (published in May 2020) when drafting our own Environmental Risk Management Guidelines (finalised in December 2020). In 2023, as we were studying how to give additional clarity to our financial institutions on our supervisory expectations on transition planning, the NGFS published its stocktake on the emerging practices relating to transition plans. This was extremely timely as we were able to study a variety of good practices across jurisdictions with respect to supporting financial institutions' transition planning process.

Second, climate scenario analysis. MAS tapped on the rich array of NGFS resources, including its flagship NGFS climate scenarios and reports, to conduct its 2022 climate scenario analysis exercise. The NGFS climate scenarios, which have played a critical role in many jurisdictions' exercises, provide a globally consistent set of macrofinancial and transition pathways that have underpinned MAS' own climate risk assessment efforts. In addition, the technical guides on climate scenario analysis and reports on jurisdictions' experiences have helped to disseminate best practices and advance the capabilities of many financial authorities, including the MAS. The NGFS' scenarios also helped to provide a practical reference for scenario analysis and pathways for MAS' investment portfolio.

Third, climate-related disclosures. It is important that central banks explain their approaches to address the challenge of climate change across their various roles and functions. The NGFS climate disclosures guide provides an excellent resource for central banks like MAS, on both baseline and additional disclosures when communicating progress towards meeting climate specific objectives.

Fourth, capacity building. Continuous upskilling of capacity understanding environmental and climate risks is important for both the central banking and the supervisory functions. The deliverables of the NGFS Taskforce on Capacity Building and Training, including the Sustainability Knowledge and Information Learning Library (SKILL) and the Sustainability Training Reference (STaR) Guide, were useful resources. When SKILL was launched, we uploaded it on our internal training resource page for colleagues to access the sustainability-related training offered by other NGFS members.

4. One last word?

The NGFS has made significant progress since its establishment. We owe this in large part to the enthusiasm and passion within the NGFS membership for wanting to do the right thing for the planet and the environment. I urge fellow NGFS members to build on this momentum to carry on with the work ahead.