

SIEWCast Season 3: Episode 4

Interview with Lim Wee Seng, Group Head for Sustainability and Energy at DBS Bank

Michelle Martin (Money FM 89.3) 00:00

This SIEWCast is brought to you by Singapore International Energy week and MoneyFM 89.3 in partnership with Saudi Aramco. Welcome to the SIEWCast, I'm Michelle Martin here in the series where we speak with visionary leaders on transformative solutions being worked on to support our collective Net Zero ambitions.

Today I'm speaking with Lim Wee Seng, who is Group Head for Sustainability and Energy at DBS Bank. Welcome, Mr. Lim!

Lim Wee Seng (DBS) 00:26

Well, thank you very much for having me, Michelle.

Michelle Martin (Money FM 89.3) 00:29

Mr. Lim, I'm keen to start with your ideas on the role that financial institutions can and should play in enabling a sustainable energy future.

Lim Wee Seng (DBS) 00:38

Let me start with the macro, Michelle. When we think sustainability in DBS as a financial institution, we think of it in terms of three pillars. We call it '*responsible banking*' as the first pillar, '*responsible business practices*,' the second pillar, the third pillar is '*impact beyond banking*.'

So we call these the three spheres of our influence. Responsible banking, I think, is what people most understand us to do, which is channelling, funding to investments that accelerate energy transition. But responsible business practices is about how we procure and how we treat and develop our people, because let's remember that sustainability actually is E, S and G. It's not just environment, it's also social, it's also governance. So how we treat, how we develop our people, is also a very big piece of how we practice responsible business practices, and then how we procure – what we buy, our energy. We aim to be buying renewable energy fully in Singapore by 2030, that's one example of responsible banking practices.

And then the last one, impact beyond banking is about – there are two limbs to it. One is, how do we impact the community through the businesses? So we support social enterprises through our DBS Foundation. And the second one is, how do we develop the community, which is digital literacy, financial literacy.

So we see this as a very holistic strategy, but it's not just about just the environment. It's not just about lending money. It's about how we function as a procurer, how we function as an employer, and how we function as a member of civil society.

Michelle Martin (Money FM 89.3) 02:12

Wonderful! So all the different hats that DBS wears, it tries to incorporate this idea of sustainability.

How is the bank helping to accelerate the energy transition in Asia Pacific, and enabling companies to transition to net zero?

Lim Wee Seng (DBS) 02:26

Let me give you a few pointers on this one. Obviously, in responsible banking, right, what we have done is, this is where we channel our funds. There are three ways we can do this – obviously, the first one is we channel it towards green and sustainable investments. That's a good thing that we're doing. We're doing a lot of that, renewables financing and all that.

The second bit is actually advisory, because, energy transition, Michelle, if you think about it, is a journey. And actually, many of our clients embarking on that journey, they're not green yet, but they're getting there. And so a lot of it is about, how do we advise them? Right? We were thinking that basically two ways you can take it.

One is you 'exit to demonstrate,' right? So it's okay if you're not green, we're exiting. We're not lending you any money, any more money. But there's another way – we feel it's a better way, because, largely Asia in particular, you hear increasingly this talk about, not only must it be a transition, it must be a just transition. Which means that – my CSO likes to remind us, our Chief Sustainability Officer likes to remind us, that there are 17 Sustainable Development Goals, and climate action is only one of them. There is no more poverty, there is a good life. So it's quite important for us, one, to lend toward renewable projects and energy projects and other projects that are green. But we feel that a very big piece of it is advising our clients on how to transit to sustainable investments for their businesses.

And then the third one, obviously, is advocacy. I think maybe too much attention has been put on the financial institutions and investors to solve the climate crisis. Honestly, the money is important, obviously, but we think that it's a whole ecosystem of regulators, other players, who can develop together, that journey, and we think that taking part in that advocacy is important.

So we are in the Singapore Sustainable Finance Association, where we're co-leading that work on transition finance. We're also in GFANZ, where we're co-leading the development of policies for the phase out of coal-fired power plants in Asia, which is an issue. So it's not just about greening Asia. It's about how do we get rid of the non-green stuff? And I think many people talk about the green stuff, but we're also talking about how do we create enabling environments to decarbonise the non-green stuff?

Michelle Martin (Money FM 89.3) 05:05

And include justice as well in that movement.

Lim Wee Seng (DBS) 05:09

I like to emphasise that it's a transition. It's not a drop off a cliff. It's not black and white. It's a journey. And I think especially for Asia, we need to be mindful of the availability of solutions is one, but also the affordability of solutions.

Michelle Martin (Money FM 89.3) 05:30

Yeah, so let's talk about that. Let's talk about the money. What challenges and opportunities do you see in financing energy transitions in this area?

Lim Wee Seng (DBS) 05:38

Let's talk about opportunities first. If you think about it, the good news is, momentum is there. 80% of additions to power capacity are renewables today, globally. The challenge is, all of the world's renewables today is about, maybe, 4,000 gigawatts. We need to get to 10,000 gigawatts by 2030 if we are to stay on the 1.5 degree pathway.

Now that involves almost a tripling of the 1.5 trillion we are putting into sustainable energy investments to date. So 1.5 needs to go to 5. The challenge – I see that as a challenge, but that also shows the size of the opportunity, right? So the momentum is there, but the speed of, or the drivers of the momentum must accelerate.

The other perspective I would like to share is, if you look at the total assets under management globally, about maybe 10 to 20% of that is considered green today, which means that 80%, 80-90% are what we call assets in transition. Again, that's a huge opportunity for us to advise and fund our clients toward a green future. One example that I would like to raise would be, obviously, in Indonesia, we have a lot of clients who were previously involved in coal mining. Increasingly, they are pivoting. They are moving into renewables. They are also moving into other types of mining, for example, nickel, which goes into electric vehicles, EVs.

So you can see that if you 'exit to demonstrate' and you say, oh, "because you are in coal, goodbye," we don't think that's very productive, because with the experience that we have across our 19 markets, I think there are lessons we learnt where we can help our clients transit. And they want to transit. A lot of them want to transit, but they don't know how. And that's where I think, as financial institutions not only do we fund, but we get them into a place where they are bankable in terms of their energy transition.

Michelle Martin (Money FM 89.3) 07:50

When we talk about moving Asia to a low carbon future, given your presence in so many areas here in Asia, 19, you mentioned, what do you see as maybe headwinds or trends shaping the future of this transition when we talk about financing?

Lim Wee Seng (DBS) 08:08

I think if you look at it, if you look at the IEA Report, I believe, we almost need to re-grid the whole world. Meaning that the existing infrastructure we have for transmitting electricity is very old and not ready for renewable energy, because you would know that renewable energy is what we call intermittent, right? The sun shines five, six hours max. The wind blows as it blows, right, and the grid we have is not able to take that at scale, right? So that's one of the challenges.

Whereas infrastructure, I say the nexus, or the intersection with regulatory policies and enabling regulations is very important. And these investments are not five-year investments. This infrastructure can last 20, 30, 40 years. Now, the developing economies in particular, are struggling to keep up with what kind of regulations we need to implement to enable this transition. So it's an engineering technical problem. It's also a technology problem. You talk about oil and hydrocarbons, but what people are talking about in terms of low carbon molecules would be hydrogen, ammonia – these are manufactured through green processes.

When people talk about that, there's also a technological challenge, right? Because those are nascent technologies. The challenge that I think many developing economies in Asia face is first, how do we manage that risk of betting on one technology and it's not the right one, for example. Or let's diversify our risk by putting a little bit in every bucket. But as I mentioned, these are multi-billion investments for 20, 30, 40 years.

So that is one of the biggest challenges we see in the energy zone. But the good thing about it is, in our 19 markets, we have the spectrum from Australia all the way to other developing economies. And Australia really has been at the forefront. In New South Wales, 70% is renewables today, and they are what you call a 'pathfinder' for us. The challenges Australia has faced in having this intermittent renewable energy come in. What we're telling our other countries where we operate in is, please don't reinvent the wheel, the lessons they have learned, right? And one lesson, for example, is the intermittency, like I talked about.

So we advised a 111-megawatt solar farm in Australia recently. That's fairly straightforward, but Australia has also discovered that as the percentage of renewable energy goes into the grid increases, and New South Wales is 70%, they need what we call the ability to keep the grid firm and stable. So the big thing now, which we recently were happy to do for a firm in Australia called Acacia, is one of the largest batteries. So what happens is, you then store energy such that on the non-sunshine days, or non-sunshine hours, or the non-wind hours – you have that ability to bridge it to when the sun rises again, or when the wind blows again.

A simple lesson like this, I think other economies that are developing renewables, should take a leaf from how Australia is enabling that, because there's a lot of regulation behind how do you encourage it. But that's what I mean by although there's a challenge, there are different starting lines.

Michelle Martin (Money FM 89.3) 11:51

Fantastic examples around what we're talking about. I'd love to get your thoughts on trends, maybe, that you anticipate shaping the future of financing of energy transition in Asia Pacific.

Lim Wee Seng (DBS) 12:02

I think you would see the increasing presence of transition finance. About 70 to 80% of the world is still transiting. How do we get there? How do we get from a non-green state, a brown state, for example? How do we get from brown to green? And I think transition finance increasingly will feature – let me give an example. Singapore, for example, 95% of our power is natural gas, which is fossil fuel. You can call it brown, and we can't switch to renewables.

We have four strategies, right? We want to import, we want to use solar maximum, but we don't have a lot of real estate. We have roofs, but that's not enough. The authorities have been quite clear that we will use natural gas, but we will ensure that there are milestones along the way where these new investments in natural gas plants will be what we call hydrogen-ready. So don't bake in a long-term investment that can only burn natural gas, because we think in 2030, there may be a breakthrough in hydrogen. In 2035, there may be further breakthroughs.

So there are already manufacturers of these plants that are making hydrogen ready. So you can blend them. This is what we call transition finance. Is he green yet when he burns natural gas? Technically, no, but he is enabled. He is ready to switch to blue or green hydrogen when it happens, and that's when his emissions intensity will come down drastically. So it's a journey. Singapore has been at the forefront of this, to be honest, and the MAS in particular, they have come up with a taxonomy. And last time, the world used to be seen as green, and then when you're not green, you are seen as red, let's say traffic light signals. So green is go, red is no go. They have come up with amber. And what I just described just now, transition finance is amber, meaning people are on the way. It's got to be a just transition. They need to wait for enabling implementation or enabling regulations. They need to wait for technology to catch up. They need to wait for costs to come down.

In the meantime, let's get them on what we call aligned paths to 1.5, and let's recognise that it's not one-size-fits-all. In certain developing economies, they have to go slower, right? And in developed economies, obviously you can go faster. So in Vietnam, we are advising two of these LNG to Power plants, where, again, the government has had the foresight to put in their power development plan that going forward these new investments must be hydrogen-ready, and they should switch.

So that's what I mean by, when you are able to provide that roadmap to a line pathway, that bit of financing can happen, whereas when we first started, and it was difficult, I think there was a fair bit of paralysis – “let's just play safe, let's just direct the financing to green stuff.” But like I told you, if only 20% of stuff is green, then what's going to happen to the 80% who are still around?

So the other big thing that we think will move beyond energy will be what we call ‘hard to abate’ sectors. So a lot of us talk about energy, and we rightly should, because power emissions contribute to almost 70% of the total GHG gases, but what we forget is, for example, steel. The manufacturing of steel is very carbon intensive, right? Cement, it's huge, right? We haven't talked about transportation, right? They continue to burn fossil fuels, and so there are new things that and Singapore, again, has been quite at the forefront of this. I think SIA is taking on sustainable aviation fuel, all right, small quantities

still, but there's ambition. We are a maritime hub. We have to decarb the maritime sector. Will it be methanol? Will it be ammonia? Different solutions. I think you will see transition finance feature, you will see 'hard to abate' sectors increasingly come to the fore as well. You will see the move from green electrons being a bigger and bigger feature, but also the rise of green molecules.

Michelle Martin (Money FM 89.3) 16:36

You're a leader in this field of energy transition. How optimistic are you? What is your assessment? Is Asia moving the needle fast enough, when we talk about energy transition?

Lim Wee Seng (DBS) 16:46

Is Asia moving the needle fast enough? The answer is no.

If you look at Asia Pacific, global growth in renewables, globally, it's been growing about 9% per annum for the past five years. Right? 9%. Asia Pacific, I'm proud to say, leads it. Asia Pacific grows at 12% right? But honestly, 80% of that is one country, it's China. So it does mean that, yes, from an opportunity perspective, Southeast Asia and South Asia has a lot to catch up. But it also means the task is large, to make sure that beyond China – the Chinese are doing a great job of greening the country. India is doing a great job as well. We are very active in India as well. Australia we have spoken about – but Southeast Asia needs a lot of work, and we're hoping that through the many projects we're advising, which will be exporting energy to Singapore, it will serve as a catalyst. This is how to do it, at scale.

So Asia's behind, but my sense is the growth won't be linear. People are taking baby steps. So maybe we are at the less steep part of the curve, but I think as technologies lock in, as people get more confident, as regulators are more confident, hopefully we see that exponential part of the curve for which people can catch up.

Michelle Martin (Money FM 89.3) 18:17

One final question, I wonder if you can share a little bit with us about how DBS' vision aligns with SIEW's mission this year, encapsulated in the tagline for "*A Connected and Sustainable Energy World.*"

Lim Wee Seng (DBS) 18:30

Maybe I'll use an analogy. Most people know that one of the biggest renewable projects in Southeast Asia would be this endeavour by Singapore to import – remember the four switches I talked about, one of them is to import renewable power from our neighbours. Largely because they have the footprint, we don't. And when you look at that, it talks about interconnectedness, right? You would need an ASEAN power grid, for example, for power to flow – we already have one from Laos to Singapore, where we are taking hydro there.

As we import, I think that would be that increasing interconnectedness. I think this analogy speaks into renewables quite well. In the old days, we were quite used to having our power plants sited where we are. Meaning, in Singapore, we have our own power plants. These imports, the power plants would actually be sited in other countries, bilateral, right? So I think it is a very apt analogy, given the exciting

future we are going into, but also the constantly evolving phase of energy – you need the whole village, right?

I think SIEW, the reason we are such a strong sponsor of SIEW, largely because it's a very strong convener of all players, from developers to governments to financiers. And if you look back to the history of SIEW, it was always a lot more about oil and gas and LNG, but it has really pivoted very well to new energy. And I think it serves – and Singapore as a hub, it serves as a very strong hub and convener of ideas and interconnectedness, and really hoping that through that we enable this rewiring, literally, of the whole world.

Michelle Martin (Money FM 89.3) 20:33

This has been a SIEWCast with me, Michelle Martin, in conversation with Lim Wee Seng of DBS Bank.

Thank you for joining us as we discuss DBS' focus on enabling the energy transition in Asia Pacific. Stay tuned for more insights and join me next time in the next SIEWCast. This SIEWCast is brought to you by Singapore International Energy Week and Money FM 89.3 in partnership with Saudi Aramco.