



**Asia-Pacific
Economic Cooperation**

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Summary Report of APEC Public-Private Dialogue on Green Investment Policy

Ha Noi, Viet Nam | 26-27 July 2018

APEC Investment Experts' Group

October 2018

APEC Project: CTI 15-2017T

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APEC#218-CT-04.11

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I. Introduction

On 26 and 27 July 2018, the APEC Public – Private Dialogue on Green Investment Policy, initiated by Viet Nam and co-sponsored by Canada; Indonesia; the Philippines; Peru was held in Ha Noi, Viet Nam. Speakers and participants came from Canada; China; Indonesia; Japan; Malaysia; Papua New Guinea; Peru; the Philippines; Thailand; and Viet Nam. Most of the workshop participants were from the public sector, academic institutions or the private sector relating to either trade, investment or energy.

The workshop sought to increase awareness of the public and private sector of the importance of green investment policies. It also aimed at providing a ground for the public and private sector to discuss ways to improve domestic investment policies to scale up private sector investments in green infrastructure. Last but not least, it is expected to share best practice of designing policies that drive green investment and provide networking platform among key stakeholders in the public and private sector related to green investment.

II. Background

This project is in line with APEC Economic Leaders' instructions in 2016 when they stated "that more work needs to be done to improve the existing trade and investment conditions, as progress has been uneven across the region." In addition, in 2016, APEC Ministers also reiterated that "In the context of the APEC Strategy for Strengthening Quality Growth, it is also important to promote sustainable investment in APEC economies" and "Our actions in these areas will protect human health and the environment, provide incentives for investments in green growth, and promote the global transformation required for a low carbon economy." This project is in line with instructions from APEC Leaders and Ministers as it is expected to integrate climate and other environmental policy goals into investment policy frameworks and infrastructure planning.

Themes covered during the two-day event included: (i) *Introduction/ Overview on Green Investment Policy*; (ii) *Policies and Incentives for Green Investment*; (iii) *Mobilising Private Sector's Green Investment and Harnessing Resources for a Green, Low-emissions and Climate-resilient Economy*; (iv) *Addressing the Barriers Towards Green Investment*; (v) *Case Studies on Green Investment in APEC Member Economies*; and (vi) *The Way Forward*.

III. Discussion

Outcomes

The Workshop included two days for presentations and discussions on the current state-of-play, opportunities and challenges on green investment policies. In addition,

Workshop speakers presented case studies with good practices on green investment policies in APEC member economies, based on which participants would be able to learn more about the development and implementation of such policies at domestic level. The last session (recommendations for future activities) provided an opportunity to share what participants can take away from the Workshop as well as to suggest potential APEC capacity-building activities to most benefit APEC member economies. Overall, the Workshop achieved its main objectives as described in the project proposal. Moreover, participants considered that it afforded chances for networking among representatives from the policy community, academics and private-sector actors in investment from within and outside the APEC region.

Key Issues Discussed

Opening remarks

In her opening remarks, Ms Pham Quynh Mai (Viet Nam's Senior Official to APEC and Deputy Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam) reiterated that to tackle climate change and other environmental issues, it required urgent policy action across both developed and developing economies to achieve low-carbon, climate resilient development. It is also commonly accepted that achieving low-carbon, climate-resilient development is a policy goal of many governments today and investment in built-infrastructure – in the energy, transport, water and building sectors – is central to delivering this.

APEC Ministers highlighted that APEC actions in promoting sustainable investment in APEC economies “will protect human health and the environment, provide incentives for investments in green growth, and promote the global transformation required for a low carbon economy.” Therefore, the Senior Official emphasized that towards that direction, most APEC member economies have actively invested in green growth, however maintaining the pace requires a great deal of funding due to high upfront costs, the nature of capital intensity and other regulatory factors. She also believed that more supportive and stable policy and regulatory framework are needed to mobilize investments from the private sector so as for the public and private sector to work together towards a mutual goal of sustainable green growth. Green investment policy, therefore, plays an important role as it engages various factors such as goal setting and policy alignment, policy and incentives for low-carbon, climate-resilient, harnessing resources and building capacity for a low-carbon, climate-resilient economy, promoting green business and consumer behaviour etc.

In her conclusion, Ms Pham expressed the hope that Dialogue attendants would come up with useful recommendations and inputs for implementing green investment policy individually and collectively.

Workshop's sessions

Experts provided presentations on the following topics:

1/ During Session 1 on “Introduction/ Overview on Green Investment Policy”, Ms Geraldine Ang (Senior Policy Analyst, Organisation for Economic Co-operation and Development -OECD) presented by giving some outlines related to green investment and OECD working agenda in this area. According to the speaker, green investment policy would deliver strong growth while addressing climate change, scale of investment needs in green infrastructure but still facing some barriers such as financing and domestic policy. There are two kinds of barriers: traditional barrier to infrastructure project and specific investment barriers for green investment projects. Ms Ang then focused on the case of low-carbon infrastructure, and especially clean energy. However, climate-resilient infrastructure is also critical. In addition, the speaker introduced relevant OECD works to help economies strengthen policy frameworks for green investment such as OECD Report on Green Investment, Green Investment Chapter in the OECD Policy Framework for Investment etc. She mentioned about the development of the green bond market. Many initial green bond issuances were made by public finance institutions such as the European Investment Bank and the World Bank. According to the speaker, green bonds have become increasingly popular amongst banks, corporates, and domestic and local governments to finance green projects. At the end of the presentation, Ms Ang introduced OECD program - which will be implemented in 5 selected emerging economies in Asia and Latin America - to help these economies accelerate finance and investment in clean energy in five years program from 2019-23.

During discussions, on Green Infrastructure Investment, a participant concerned about security, over-investment/ under-investment and questioned on OECD frameworks or guidelines. The speaker explained that in the case of Viet Nam, solar and wind energy will increase the energy security of Viet Nam. In 2016, OECD conducted a study and found that whether you import solar panels or wind turbines, most potential values are created in the downstream segment of the value chain. Responding to a question on how OECD mobilizes and finances for low carbon for infrastructure, the speaker shared that for investors, infrastructure investment has low return (7-8 per cent), particularly investing in airports, coal-fired plants etc. which will increase risk managing in the portfolios. Therefore, new investors are looking at new emerging Asian economies pursuing low carbon infrastructure. For engagement of developing economies with investors, the speakers advised that economies should showcase their needs and pipeline of projects and host forum in regional level to showcase the demand and attract potential investors. Regarding a question on the future of conventional energy projects and sources by 2050, the speaker forecasted that economies will gradually make the transition to clean and renewable energy, phasing out fossil fuel with minimum impacts. Finally the speaker emphasized that there is no one-size-fits-all green bond mechanism and development banks may have specific green investment funds (for example in India).

2/ During Session 2 on “Policies and Incentives for Green Investment”, there were 3 speakers: Dr Vo Tri Thanh (formal Vice Chairman, Central Institute for Economic Management, Viet Nam); Ms Cynthia Fiorella Gomez Agurto

(Environmental Specialist, Direction of Project Portfolio from the Investment Promotion Agency - ProInversion, Peru); Mr Tran Duc Minh (former Vice Minister of Trade, Vice Chancellor of Ha Noi University of Business and Technology, Viet Nam).

- At the beginning of the presentation, **Mr Vo Tri Thanh** reaffirmed the importance of green growth which is “no alternative but challenges” to all economies. To the speaker, it is needed to move toward greener growth and more sustainable development and to have action soon because environment is a kind of capital. It is also essential to make it contribution to output, be accounted for, invested in and exploited efficiently. Regarding challenges, he observed that problem of cost sharing and benefit distribution is not easy to be properly handled (unless having very pro-active cooperation and appropriate global/international public goods). Mr Vo shared the experience of Viet Nam on the way of pursuing a green growth and sustainable development. Viet Nam has suffered with over exploitation of nature resources, high energy intensity of Gross Domestic Product (GDP), green-house gas (GHG) emission increased fast, polluted sectors...Viet Nam is recognized as one of economies suffered most significantly from climate change. Major ideas and policies have been applied such as data stock-taking and strengthening of research and development, enhancing public awareness, dealing with natural disaster, introducing program of reducing GHG emission, strengthening international cooperation, establishing Committee for Coping with Climate Change and Committee for Competitiveness and Sustainable Development. To conclude the presentation, Mr Vo highlighted key messages for firms to consider such as living with various kinds of shock (price, market, policies), learning how to access and to mobilize capital and mitigate financial risks, learning how to strengthen competitive though linkages along the value chain and learn how to have new business vision and strategies etc.
- **Ms Cynthia Fiorella Gomez Agurto** presented about green investment policies and incentives. She talked about financing green growth, green investment needs and OECD policy framework. The speaker shared the experience of Peru with green growth which included: responsible performance platforms, domestic strategy and guidelines, OECD commitments, environmental guideline for public investment projects, advances in regulation. She listed out some policies that have been enforced: prohibitions or prescriptions linked to sanctions, environmental taxes and charges for pollution generation, deposit and refund schemes, environmentally driven subsidies or payments, liabilities rules and compensation schemes, tradable permits or certification schemes, eco-labeling and eco-branding. In terms of financial mechanism, the speaker shared that Peru had 3 sources of financing which are: direct investment from governments, international institutions, companies or households, loans and guarantees, capital markets. Financial challenges are scaling – up finance for long term investment and shifting investments towards

low carbon alternatives. The speaker also emphasized some key concerns to mobilize private capital and provided some solution for the issues including mobilize funds managed by institutional investors, enable investor discriminate between high and low carbon assets, provide financial stability, align the state-owned financial institutions with climate commitments, provide savers with incentives to invest in low carbon, provide investors with a long term low carbon project pipeline etc. At the end of the presentation, Ms Agurto shared some experiences of Peru in promoting low-carbon investment and the role of public-private partnership in promoting green growth.

- As a representative from the academic sector, **Mr Tran Duc Minh** shared Vietnamese's experiences in pursuing green growth by adopting reform and policies and carried out these for more than 30 years. Mr Tran raised a question on how to protect the environment and how to adopt suitable policies while sustaining the economic growth. Since environmental pollution in Viet Nam is rising, Viet Nam signed and adopted a strategy on sustainable economic development in 2014. Mr Tran listed out some missions needed to be implemented like (i) greening production - by 2020 high-tech products and green technologies will account for 42-45 per cent, (ii) reducing the ratio of GHG emission by 80 per cent by 2020, (iii) reducing energy consumption per unit of GDP to 1 to 1.5 per cent per year from now on. To conclude the presentation, the speaker suggested some recommendations to enhance the performance of green investment in Viet Nam such as (i) education, (ii) people need to be aware of green investment and development and environmental protection, (iii) funds should be created and available for environmental protection and green financing; (iv) economies should protect the environment at regional level, all of these have to implement together to create bigger impacts, more effectively and systematically; (v) punishments/ social responsibility should be included into legislation.

During discussions, on suggestions to ensure effective green investment policies, the speakers were of the view that it is essential to share information, experiences and effective enforcement as well as create a platform at domestic level to build capacity and share lessons.

3/ During Session 3 on “Mobilising Private Sector’s Green Investment and Harnessing Resources for a Green, Low-emissions and Climate-resilient Economy”, there were two speakers: Dr He Manqing (Director, Institute of Foreign Investment, Chinese Academy of International Trade and Economic Cooperation) and Mr Nestor P. Arcansalin (Director, Resource-Based Industries Service of the Board of Investments, Department of Trade and Industry, Philippines).

- The presentation of **Dr He Manqing** was titled “Current Situation and Trend of Promoting Green Investment in China”. First, she talked about the concept and significance of green investment which is the key to ecological development

and enterprises are the responsibility and implement main body of green development. According to the speaker, green investment refers to the behavior of investing in enterprises or projects that can produce environmental benefits, reduce environmental costs and risks, or engage in environmental protection industries directly. The proportion of traditional extensive economic forms is still large, and the inertia of thinking of traditional development is still very strong. In the second part, regarding the present situation and main problems of green investment and development in China, Dr Manqing shared that important factors influencing decisions of Chinese enterprises are Government environmental regulations, environmental tax, the nature of property rights and media supervision. The speaker then talked about the Direction, emphasis and opportunity of promoting green investment and development in China. Two major directions include investment in the protection and utilization of natural resources and investment in ecological environment protection. On new policy measures to promote green investment in China, the speaker shared that it is a complex social system project to promote green development through green investment. According to Dr Manqing, in recent years, China has carried out a lot of work in green related policies, systems, standards and implementation that included strengthening Government's environmental regulation, market incentive mechanism, further optimizing the policy environment for guiding private enterprises and social capital to actively invest in green industry, perfecting the standard system, support service system and statistical accounting system for the development of green industry, promotion of green investment and international economic and technological cooperation and suggestions to enterprises.

- To begin the presentation, **Mr Nestor P. Arcansalin** named some factors that mobilize investments. For the low-carbon, climate resilient infrastructure, he reiterated that there were 4 main factors that need to consider: knowledge on related resilience measures; amount of additional resources required; technical knowledge or skills; return on investments/payback period. The Philippines Green Building Council has developed building standards, and construction companies are encouraged to apply them. The standard of low carbon focuses on resource management, sustainability, human health and environment. The speaker also shared some requirements and performance standards such as energy efficiency and conservation, water efficiency and conservation, material sustainability (green materials), waste management etc. Mr Arcansalin then introduced a new metropolis (known as the New Clark City) which is envisioned to be the economy's first smart, disaster-resilient and sustainable city - a shining example for Southeast Asia in terms of balancing rapid economic development with social and environmental policies. Regarding the private sector green investment, the speaker talked about the existing laws and programs that foster green investments, sector targets, renewable energy, energy efficiency, e-vehicles, public utility vehicle modernization, green public

procurement, green job, mainstreaming green activities into core business. Finally, on harnessing resources, Mr Arcansalin briefed on analysis of pros and con of the public – private partnership, official development assistance, general appropriations and people’s survival fund.

During discussions, on forces to ensure supervision and enforcement of the law on environmental protection, the speaker viewed supervision is mostly from the media and non-Governmental organizations rather than the government. The speaker also explained that in China, there is no Government policy requiring enterprises to provide environment data. In addition, the speaker shared that the Government of the Philippines manages battery waste by collecting them at several designated spots. The Government of the Philippines is also trying to reduce plastic use through packaging and paper bag controls at markets.

4/ During Sesion 4 on “Addressing the Barriers Towards Green Investment”, there were two speakers: Mr Cahyo Purnomo (Deputy Director for Regional Cooperation, Directorate of International Investment Cooperation, Investment Coordinating Board, Indonesia) and Ms Jennifer Loewen (Director, International Financial Consulting Ltd., Canada).

- The presentation of **Mr Cahyo Purnomo** was titled “Indonesian Path to Unlock Green Growth Opportunities”. At the beginning, he summarized the Investment Law of Indonesia related to the direction of investment policy in general and green investment policy in particular. The speaker shared that the target to reduce emission of Indonesia is to reduce 26 per cent of GHG emission by 2019, conducted in 5 sectors: forestry and peatland, agriculture, energy and transportation, industry and waste. In terms of the fiscal and non-fiscal incentives, Mr Purnomo affirmed that a firm can receive tax holiday of 100 per cent tax exemption up to 20 years if they meet the requirement of green investment. Firm can have 2 years import duty exemption or 4 years for companies using locally-produced machines. Indonesia’s Government Regulation No.9/2016 provides tax allowance 30 per cent of investment value for some sector such as agriculture, power generation, oil and gas industry and manufacturing industry. In conclusion, the speaker presented some barriers for green investment in Indonesia such as investment climate, public awareness, high technology, human resources, land acquisition.
- **Ms Jennifer Loewen** presented about the role of National Development Finance Institution (NDFIs) in addressing the barriers towards green investment. She highlighted the key features of NDFIs such as development mandate, public sector entity, financial institution, mobilize, project structure, risk taker etc. She observed that the condition required to mobilize green investment are: existence of market opportunities, reasonable return on investment, limited or acceptable level of risk. Besides, increasing green investment requires understanding the risks and barriers – especially in

developing economies. The risk and the barriers could be from policy and regulatory, financial, technology, market. On policy and political risks, Ms Loewen shared that it can be originated from policy uncertainty and complexity, transaction costs (complying with policy/licensing/reporting etc.), enforcement of policy and pricing incentives, existing subsidies and policy support for high carbon alternatives. Regarding policy and political barriers, the speaker listed out factors such as lack of coherent domestic green investment strategy or central coordination agency, lack of sector economic assessment of implication of climate change and need for action etc. Ms Loewen introduced some typical financial instruments of NDFIs in green investment projects for example Tier 2 loan market terms, Tier 2 loan subsidized interest rates, Tier 1 loan subsidized interest rates, Tier 1 loan longer tenor/ grace period etc. She also made a comparison about the advantages and disadvantages of typical financial instruments. To conclude the presentation, the speaker provided some experiences to be the catalyst in green investment.

During discussions, on making portfolios such as green financing, green bonds greener, the speaker replied that there should be practical, local capacity building programs. A participant shared that difficulties/barriers with infrastructure projects are land acquisition and questioned about experiences to solve this issue. The speaker insisted that Government should act more actively and there should be proper price negotiations with local people. Another participant was concerned on a conflict of building power plant on particular locations (forests) as people want to protect the environment. Last but not least, the speaker highlighted the needs to identify opportunities to raise capacities and program to attract potential investors (as Government has limited budgets).

5/ During Session 5 on “Case Studies on Green Investment in APEC Member Economies”, there were 2 speakers: Mr. Satoshi Nakamura (Chief Consultant, Environmental Strategy Advisory Division, Mitsubishi UFJ Morgan Stanley Securities Co. Ltd., Japan) and Ms Geraldine Ang (Senior Policy Analyst, OECD).

- Firstly, **Dr Satoshi Nakamura** introduced briefly about Mitsubishi UGJ Morgan Stanley. He also introduced JCM demonstration project with its efficient technology which was used to improve the ineffective condition of non-inverter air conditioners. The project helped to save 30-40 per cent of energy, conducted for 100 households each in Ha Noi, Da Nang and Ho Chi Minh. The purpose of the project is to develop a model project for energy conservation, energy cost reduction and improvement of in-hospital environment, demonstrate the effect of the project to variety of stakeholders, improve satisfaction of patients, hospital personnel and reduce green gas emission. In the second part of the presentation, the speaker shared some information of inverter air-conditioner installation in the hospital and its result in improving of indoor air quality in hospital. Dr Nakamura informed that in

order to solve environmental problems, Viet Nam promulgates the regulation of energy saving labels for household electric appliances in order to popularize energy equipment. Ratio of inverter air-conditioner has grown up from 7 per cent in 2013 to 40 per cent in 2017. To conclude the presentation, the speaker gave some recommendations to the Government of Viet Nam to attract new green investment.

- **Ms Geraldine Ang** first presented about applications of OECD policy frameworks for green investment to APEC member economies. She introduced the Policy Framework for Investment (PFI) which was a policy tool for investment bringing together 12 policy areas that affect the investment climate. It also focuses on policy coherence and good governance in designing, implementing and evaluating policies. The PFI has been used for 30 economy-level Investment Policy Reviews (IPR) as well as for regional cooperation, capacity building and international policy dialogue. Ms Ang emphasized that all policy areas affecting not only the risks and returns for investors, but also the broader societal returns in terms of productivity growth, inclusiveness and environmental sustainability. OECD published “Policy Guidance for Investment in Clean Energy Infrastructure” which is a non-prescriptive tool to help governments identify ways to mobilize private investment in clean energy infrastructure. It is applied to Jordan (2016), and green investment chapter in forthcoming IPR of Viet Nam (Fall 2018). In the second part, Ms Ang mentioned about the OECD empirical work on green investment - the empirics of enabling investment and innovation in renewable energy. It provided insights on policy drivers for and barriers to investment and innovation in renewable power in OECD and G20 economies, including 10 APEC member economies. In the last part of the presentation, the speaker presented a proposal to undertake new OECD program in Viet Nam which is under “Clean Energy Finance and Investment Mobilization” program in selected emerging economies. The program aims at strengthening domestic enabling conditions for investment and finance in clean energy and increasing private sector activity in clean energy.

During discussions, the speaker from Mitsubishi shared that the estimated CO₂ emission/reduction throughout the project is 3,000 tonnes of CO₂ and Viet Nam is lack of machines to filter the air in hospitals. To respond a question on the criteria for selection for the OECD green projects and identify 5 potential economies, the speaker explained that the economy should have strong interests and take advantages of experiences from OECD; ideally there will be 3 economies from Asia and 2 from Latin America to share experiences, best practices and good lessons. Last but not least, the speaker shared that the review conducted by OECD and Jordan’s wind energy as a good example.

IV/ Conclusions and Recommendations

1/ The consensus view of the Workshop's speakers, moderators and participants agreed that the project achieved its intended objectives. They considered the Workshop be good for APEC to continue to share and discuss in-depth and various knowledge the situation, policies, strategies, programs, barriers etc. on green investment. Workshop participants knew about, among others, green investment policies, situation of economies in developing and implementing these policies and relevant case studies.

2/ The Workshop's participants suggested that future activities/ topics should be:

- Creating a digital platform for investor match-making and information-sharing, especially in sectors such as soil pollution, water, air pollution etc.
- Continue sharing best practices through capacity building and APEC conferences;
- Assessing and stocktaking APEC economies' experience in green investment policy;
- Providing training programs and education on green technologies;
- Gathering successful stories on waste and clean energy;
- Seeking support from international organizations on international financial platforms;
- Sharing experiences on calling for investment from the private sector;
- Identifying applicable green technologies/ tools;
- Policy alignment and implementing a series of workshops on areas such as (i) standard harmonization, (ii) APEC green investment fund establishment, (iii) climate change fund.