

Southeast Asia at an energy crossroads: Region risks exposure to stranded assets from coal-power expansion and loss of USD 1 trillion clean energy opportunity

South Pole's latest report assesses shifting energy landscape of Indonesia, Myanmar, Philippines, Thailand and Vietnam

- *The addition of new, coal-based power capacity would **lock Southeast Asia into a high energy cost scenario**, and create substantial **stranded assets** that risk negatively affecting sovereign credit ratings and reducing the future prosperity of citizens.*
- *The implementation of **only 50%** of the planned fossil investment of 400 GW of new capacity in Southeast Asia **will also undo progress elsewhere**, and make it **impossible to reach the targets of the Paris climate agreement**.*
- *The estimated **low-carbon investment potential** in the region is close to **USD 1 trillion**, and offers engagement opportunities for project developers, technology suppliers and investors in several sectors.*
- ***Lack of policies** supporting renewable energy, aggressive (subsidized) **overseas coal financing**, as well as the **gap in early-stage project development finance** for cleantech projects are the **main roadblocks** in facilitating investments in clean energy.*

Bangkok, Thailand, 13 December, 2017 - The **ecosystem supporting new coal investments** for short-term gains in Southeast Asia still remains strong. The main forces preserving this status quo include the availability of **subsidised financial incentives for coal technology exports from East Asian countries**, ready **supply** of and **aggressive overseas support for cheap coal from Indonesia**, as well as the **lack of policies** prioritising renewable energy and low-carbon business innovation. The implementation of **just 50%** of the planned fossil investment of 400 GW of new capacity would lock the region into an expensive, unsustainable energy development scenario, quash the gains of a low-carbon transition for Southeast Asia, and render the global Paris climate goals unattainable. At the same time, the region risks missing out on an estimated **USD 1 trillion** investment opportunity and the substantial socioeconomic benefits to be realised through a clean energy transformation.

These are the findings of the [latest report](#) from global sustainability solutions provider **South Pole**, '*From Liability to Opportunity: Shifting the Energy Landscape in Southeast Asia*', which assessed the policy, finance and market barriers to the deployment and development of clean energy across Southeast Asia, specifically Indonesia, Myanmar, Philippines, Thailand and Vietnam.

At an energy crossroads: USD 1 trillion at stake

While the global trends in renewable energy, energy efficiency and e-mobility have not yet converted into business development and investments at scale in Southeast Asia, quickly decreasing clean energy costs will soon become competitive in the region, making existing and

new coal plants obsolete within the next **3 to 5 years**. This will create considerable financial risks for public and private owners of fossil fuel based resources, with an estimated **USD 1 trillion worth of assets that risk being stranded**. This may pose a **substantial risk especially for governments** in light of rapidly falling prices for various types of renewable energy: the report findings show that **nearly 100%** of the electricity traded in the power markets of the five target countries are based on government-backed, long-term fixed contracts with fossil energy projects.

However, the report also finds that the aggregate **climate-smart investment potential** across the five countries assessed was also worth **USD 1 trillion**, opening up engagement opportunities for investors and countries alike in various sectors such as **clean technologies, sustainable transportation, green buildings, and waste**. Several financing institutions and private equity funds have already spotted this opportunity and support clean energy deployment in the region to various degrees, with different priorities and the use of diverse instruments.

*“One of the biggest battles to save the climate needs to be fought in Southeast Asia,” says **Ingo Puhl, Co-Founder, South Pole**, and one of the lead authors of the report. “Our research shows that we have either a trillion to lose, or a trillion to gain - it is up to us to decide. If we lose, it will be to the tune of USD 1 trillion of costs and externalities that the public has to pick up. We need the broadest alliance possible - corporates, investors, and governments - to help Southeast Asian economies and societies unlock from fossil fuels, and to pioneer commercially viable solutions.”*

*“We have the investment need and we have the investment opportunity - we must now work together to overcome the obstacles that are slowing down the clean energy transformation in Southeast Asia,” continues **Johannes Spaleck, Senior Project Manager, South Pole**, and research lead for South Pole’s report. “It is paramount that current gatekeepers of energy policies understand their exposure to the risk of stranded assets and hedge against it by strengthening their role as solution providers in the low-carbon transition.”*

Call to action: Six core areas to be addressed by business and government

The report puts forward six core areas to focus on in order to strengthen the required infrastructure to deliver a clean energy shift at scale, and to catalyse risk assessment and transformation efforts in current policy making processes in Southeast Asia:

1. Understanding the risk exposure of signing long-term coal Power Purchase Agreements in the form of borrowing cost and sovereign credit risk rating
2. Analysing the design of renewable energy expansion programs in relation to its contribution to grid stability, in order to support deployment of viable battery/storage solutions into the grid
3. Improving disaggregated data sets around transport to better understand the impact and viability of climate actions

4. Improving the understanding of energy use within different sectors' value-chains to gain critical insights into the viability of mitigation efforts, and accelerate short-term corporate actions
5. Assessing the impact of accounting for Internationally Transferred Mitigation Outcomes (ITMOs) in the context of financing coal-fired power generation
6. Reaching out to Asian family conglomerates to engage in a constructive dialogue on the potential of a renewable energy transformation

With the backdrop of these rapid developments in Southeast Asia, there is an urgent need for action on all fronts to capture the benefits of decarbonization in the region. The South Pole team invites experts, practitioners, businesses and governments to join the quest to unlock the USD 1 trillion investment potential and finance a low-carbon, climate-resilient future.

ENDS

Note to editors

To download South Pole's research report, *From Liability to Opportunity - Shifting the Energy Landscape in Southeast Asia*, [click here](#).

Disclaimer: These findings do not constitute of investment advice or recommendation by South Pole of an investment strategy or whether or not to "buy, sell or hold" an investment.

Media contact

For further information and to organise interviews, please reach out to

Nadia Kahkonen, Head of Communications, South Pole

[*n.kahkonen@southpole.com*](mailto:n.kahkonen@southpole.com)

+66968194725

About South Pole

South Pole is a leading provider of global sustainability financing solutions and services. The company has 200 experts in 16 global offices and works with a wide range of public, private and civil society organisations since more than a decade. The company's expertise covers project and technology finance, data and advisory on sustainability risks and opportunities, as well as the development of environmental commodities such as carbon credits or renewable energy credits. South Pole has developed and provided climate-finance to over 500 projects in emission reduction, renewable energy, energy efficiency and sustainable land-use. For more information, visit southpole.com or follow the company [@southpolegroup](https://twitter.com/southpolegroup).