

EXECUTIVE SUMMARY

SUS TAIN ABIL ITY SUMMIT 2017

More
than just
hot air?

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KEY TAKEAWAYS

Sustainability is becoming an urgent requirement in Asia as the region grows rapidly on the back of industrial development. The interests of businesses and policymakers are still not aligned towards this common goal.

Governments need to incentivise sustainable development. Meanwhile, businesses need to start making deeper commitments to the countries they are invested in.

Businesses must start including sustainability goals in their primary strategy. Resource maximisation and profitability should also be considerations when planning sustainable projects, many of which will likely have long-term payoffs.

Regulation can drive sustainability, particularly in the emerging markets of Asia. But they need to be inclusive and help businesses to invest; at present, many regulations can be burdensome.

Many governments are setting a dangerous precedent by pursuing short-term goals at the expense of sustainability, including the current administration in the United States.

Attracting investment continues to be a challenge for sustainable projects. Investors can't find bankable projects of the right scale.

China is gradually becoming a leader in sustainability. The government is seriously pursuing its goals and is currently the top generator of renewable energy.

Sustainable goals can be achieved through innovation that focuses on taking advantage of existing technology and creating scalable projects.

Engaging young people and supporting grassroots initiatives is key to achieving simple but important milestones in sustainability.





More than just hot air?

On November 1st 2017, *The Economist* held its first Sustainability Summit Asia at the Sunway Resort Hotel & Spa in Kuala Lumpur.

Discussing sustainability in the Asian context is becoming increasingly urgent as regional economies' growth accelerates impressively. Development in Asia has come at significant environmental costs, but most countries in the region have signed up to the 2015 Paris agreement to cut back on greenhouse-gas emissions and adapt more sustainable growth models by 2020. For these goals to be achieved, businesses and policymakers must align their interests.

Powering change through profit: The business case for sustainability

“The traditional cost of capital targets is not applicable in this case. We look at much longer term time horizons for capital targets.”

MARK WATSON

Head of sustainable development
JOHN SWIRE & SONS

The summit kicked off with a discussion of business's role in achieving sustainability goals. Simon Baptist, chief economist of the Economist Intelligence Unit (EIU), spoke with Sergio Kato from Ricoh, a Japanese multinational. Mr Kato's approach towards sustainability was straightforward. “It's in our mission statement,” he said. “We aim to provide improved quality of life and drive sustainability. We have spent a year analysing the United Nations' Sustainable Development Goals (SDGs), and have now managed to incorporate them into our company strategy.”

In the course of the discussion, Mr Kato conceded that not all businesses would view sustainability as Ricoh does. There can be barriers to adopting strategies that assure optimal use of resources and efficient energy use, and aim to aid—not degrade—the environment. “These barriers are also to do with mentality,” he added. “Most people look at it as additional investment with limited benefits, but we do not view it this way.”

The conversation with Mr Kato was followed by another with three other influential business leaders: Mark Watson, head of sustainable development at John Swire & Sons; Ola Jo Tandre, vice-president responsible for global sustainability partnerships at Telenor; and Pascal Brun, head of sustainability in global production at H&M. All three speakers agreed that while there is an urgent need for sustainable business processes, there still tends to be a disconnect between companies' primary strategies and their sustainability goals.

Mr Baptist asked what prompts companies to make decisions on sustainability. “We look at the resources we as a company are dependent on,” said Mr Brun, referring to H&M's need for textiles. “I define sustainability as the ability to sustain. Altogether, it's the right thing to do, but there is a significant business case for it.” Mr Watson noted that there isn't one particular model all

companies can follow when factoring in sustainability from a costing point of view. “The traditional cost of capital targets is not applicable in this case; we look at a much longer-term time horizon for capital targets,” he said. Mr Tandre added that in Asia, the motivation to seize business opportunities was a key driver of sustainability projects, particularly in technology. “We are trying to match the needs of the population and [see] how we can deliver through the use of technology,” he said.





Building the policy framework

The conversation soon swung to the role of policymaking and regulation in encouraging sustainability. “Regulation is a big driver of this in Asia,” said Mr Brun. “We see China as a leader in this area. There are countries that still need ... social regulation ... Bangladesh, Cambodia and Myanmar are still building upon this, and we serve an advocacy role here.” Mr Watson and Mr Tandre agreed that regulations should encourage participation and be inclusive rather than acting as barriers—as they do in many emerging economies.

Miranda Johnson, the South-East Asia correspondent for *The Economist*, explored policy issues more deeply with Liu Thai Ker, founding chairman of the Centre for Liveable Cities; Mohamed Yousef Al Madfaei of the Environment Agency – Abu Dhabi; and Wan Junaidi, the Malaysian minister of natural resources and environment. “Good, fair and transparent governance has been key to developing Singapore in a sustainable way,” Mr Liu said. Wan Junaidi highlighted some of the intractable problems of bureaucracy at the state level in a large and devolved government such as Malaysia. “The process of creating laws that give powers to the federal government to enforce environmental policies is still a big challenge,” he said, in explaining how the control and use of natural resources in his country were in the hand of rent-seeking state-level governments.

Mr Al Madfaei suggested looking at incentive-building as a solution. “We are looking more proactively [at] how we can align our economic goals with the environment,” he said. “We are looking at opportunities in technology and innovation; one way for us is to assess and provide valuations on the ecosystem.”

“Sustainability must be paired with rational design. Don’t just go straight to technology. We need to work towards a long terms goal.”

LIU THAI-KER
Founding chairman
CENTRE FOR LIVEABLE CITIES



Sustainable Development Goals and the global leadership crisis

“Saving the environment is not a do good agenda. This is a necessary agenda. Your business can not thrive in a dangerous world that we are entering in.”

JEFFREY SACHS

Chairman, Jeffrey Sachs Center on Sustainable Development
SUNWAY UNIVERSITY

A provocative talk by Jeffrey Sachs, chairman, Jeffrey Sachs Center on Sustainable Development, Sunway University, alerted the audience to the wider importance of achieving sustainability. “The first dozen years of my discussion with the UN was about poverty, but environmental issues have become more urgent over the past five years,” he said. Professor Sachs argued that the numbers around global warming, rising oceans, and carbon-dioxide levels are alarming. “You feel safe?” he asked the audience. “You shouldn’t. We’re creating an environment we have never seen before.” He said that current geopolitics looked worrying given what seems like a leadership vacuum on the environment in the United States. “We are risking everything for no reason except ignorance,” he lamented, referring to President Trump’s intention to pull out of the Paris Agreement, announced in January 2017.

Mr Sachs argued that sustainability made business sense for most industries except oil and gas and coal. “There is no future for coal if we are to develop a clean and safe world to live in,” he said. “For most of us, these are good, solid goals to aspire to, but many energy giants will basically need to disappear. They need to stop running the world.” It isn’t all doom and gloom, he added. “There is good news: China is on-board. China is actually leading in this initiative now. We need this kind of leadership. Of course, don’t give up on the US, either. Most Americans are on the right side on this, despite Mr Trump.”

Navigating the storm: Sustainability in uncertain times

Continuing the conversation on geopolitics and China's increasing leadership in sustainable development, Ms Johnson and Mr Baptist led two separate conversations.

The first was a panel discussion with Alan Bollard, executive director of the Asia-Pacific Economic Cooperation (APEC) Secretariat, and Shinta Widjaja Kamdani, president of the Indonesia Business Council for Sustainable Development and chief executive of the Sintesa Group. "No world leader is talking about economic growth without two adjectives on it," said Mr Bollard. "One is *sustainable*, and the other is *inclusive*." Ms Kamdani added that sustainability should be looked at as a complete agenda that includes aiming to achieve all 17 SDGs. "When we think about sustainability in Indonesia, climate change is just one of the priorities on the list," she said.

Next, Mr Baptist probed Dany Qian, vice-president of Jinko Solar, on how serious China was about achieving its sustainability goals. It is very serious indeed, Ms Qian insisted: "China is now the world's leading producer of clean energy. It has the largest installation base for solar energy and continues to invest heavily in renewables."

"We have gone through quite a journey on sustainable development as a business. We are no longer waiting for the government to take the lead."

SHINTA WIDJAJA KAMDANI,
President, Indonesia Business Council
for Sustainable Development and chief
executive officer
SINTESA GROUP



Beyond impact: Attracting capital to sustainable enterprises

"We have all go to get more realistic and think about future life even if the return doesn't look exciting today."

CHRIS BOTSFORD
chief executive officer
ADM CAPITAL

The afternoon opened with a sobering session on attracting investment into sustainability projects. Led by Mr Baptist, it highlighted the still-difficult financial situation faced by businesses and governments in achieving sustainable development. The three main speakers were Chris Botsford, chief executive of ADM Capital; Azam Khan, country manager for Indonesia, Malaysia and Timor-Lesté at the International Finance Corporation; and Ephyro Amatong, a commissioner of the Philippines' Securities and Exchange Commission.

Mr Botsford and Mr Khan both spoke about challenges they faced in convincing investors to park their funds in green projects. "We are looking at scale to really get action," said Mr Botsford. "There are many pilot green initiatives out there, but few are scalable. A lot of them in Asia are still infrastructure projects that span over a long term. We need to try and marry these up with long-dated money." Mr Khan took a more cautious view. "Frankly, we are struggling with the financing side of renewable and sustainable projects, because we can't find bankable deals," he said. "Once we sign a deal, we mobilise capital, but if we can't guarantee returns, then our credibility is lost." For these two frustrated fund managers Mr Amatong had some good news. "We have been working on coming up with an ASEAN-wide green-bond standard. [This is] intended to provide guidance for issuers of green bonds and provide assurances to investors," he said. "Consensus on establishing this was not difficult to achieve among ASEAN leaders, as many are looking to ramp up infrastructure and hoping to do this in a sustainable way."





In conversation: Science, technology and innovation framework

Charles Goddard, Asia-Pacific editorial director at the EIU, led a discussion on the role of technology in achieving sustainability goals. He was joined by Alan Jiang, head of South-East Asia at Ofo, a bike-sharing company, and Idris Jala, chief executive of PEMANDU Associates, a consultancy. Mr Jala spoke of experiences in Malaysia, and of lowering the carbon footprint through the Mass Rapid Transit (MRT) system. "By getting more people to use the MRT, we have calculated that we can reduce carbon emissions by 81%," he said. Mr Jala was of the opinion that in encouraging the private sector, all a government could do was put the right incentives in place. "We regularly fund research and development in sustainable innovations," he said. "Our government's role is to fund innovation and to try and make sustainable investments viable for the private sector."

When probed about significant Western advances in this area, Mr Jala argued that there were three different types of innovation: that which uses existing technology; that which is achieving scale; and that which is new and cutting-edge. In emerging economies such as Malaysia's, he said, the first type is most relevant. Mr Jiang, whose firm deals in sharing-related technology, sees a significant future in this area. He also agreed with Mr Jala on what types of innovation are most applicable. "A huge part of innovation is leveraging existing technology," he said. "We are seeing a shift towards sharing. Bicycles on a sharing platform [are] 20 times more efficient, we have found."

"Today people are not building towns in a sustainable way. We need a more sustainable model for building villages, towns and cities."

IDRIS JALA
Chief executive officer
PEMANDU ASSOCIATES



A voice from the future: The face of Asia in 2050

“This has set us on this path on empowering young people to work towards a world that we want to be part of.”

MELATI AND ISABEL WIJSEN
Founders
BYE BYE PLASTIC BAGS

The day-long summit concluded with a conversation with the founders of Bye Bye Plastic Bags, sisters Melati and Isabel Wijsen from Indonesia. The two girls started this youth movement nearly five years ago to rid their home island, Bali, of plastic bags. Through its journey, this movement has faced up to the challenges posed by government-led bureaucracy and lack of interest from the business community. “We are a ground-up movement, but we are now moving towards co-ordinating with the administration to achieve our goal,” Melati Wijsen told the audience.

The Wijsen sisters represented the power of grassroots movements and engaging young people in achieving straightforward but important sustainability goals. Their passion for working towards a world they wanted to live in helped end *The Economist's* first Sustainability Summit Asia on a hopeful note.