



# REAPING THE REWARDS OF SUSTAINABILITY

Local and foreign companies in Singapore benefit from reducing their carbon footprints and investing in R&D for green initiatives

BY CHIU WU HONG

**A** SIA is witnessing unparalleled and unprecedented growth. Cities – including Singapore – need to find practical solutions that will make them liveable and sustainable. These solutions will also make Singapore a more desirable place in which to relocate, diversify business and seek opportunities. Priorities for Singapore's next stage of growth include an emphasis on sustainable development and greater sophistication and centralisation of city management. Climate change will be pressing on enterprises – both foreign and local – to increase competitiveness, drive revenue and mitigate risks as businesses transform and thrive in a low-carbon economy.

Funding and incentive schemes have always been readily available in the city state. These are targeted at enterprises in the relatively new but burgeoning cleantech sector. They are also designed to maintain the image of Singapore's business environment as clean and green, and drive the growth of the environmental industry.

## MORE GREEN INCENTIVES

Encouragement in the form of tax breaks and grants is provided to enterprises to reduce their carbon footprint or invest in research and development (R&D). In July 2014, the Singapore government pledged S\$100 million to propel R&D expansion as it funds two new initiatives within the energy sector. The funding will be divided between the Building Energy Efficiency Research Development and Demonstration Hub, which will be administered by the Building and Construction Authority; and the Green Data Research Hub Programme, which will be run by the InfoComm Development Authority of Singapore.

National energy technology roadmaps have also been introduced to reinforce direction for energy initiatives. These include promoting energy efficiency, green data centres and carbon capture and storage.

Developing cost-competitive energy solutions is another area that the Singaporean government is pursuing for growth. As a small country with a high dependence on imported energy, the sharp rise in oil prices poses a serious challenge to Singapore's economic competitiveness and growth. This, together with Singapore's commitment to

contribute to the global effort to combat climate change means that innovative, cost-competitive energy solutions have to be found and deployed to improve Singapore's energy efficiency, reduce its carbon emissions and broaden its energy options.

The Tech Pioneer scheme by the Environment and Water Industry Development Council looks set to push forth the commercialisation of new environment and water technologies. A range of other strategic research programmes are also designed to foster industry creation and diversify growth. These include the Fast Track Environment and Water Technologies Incubator Scheme (Fast-Tech) to assist start-up firms to commercialise environmental and water technologies; and the Energy Innovation Programme Office (EIPO) that – in collaboration with other agencies – conducts plans to expand the clean-energy sector.

R&D is an innovative way to cluster solutions and bridge private and public sector support. Corporate labs, research centres and research arms of corporations need to work in a concerted effort to test-bed, develop and create products and services that lead to higher growth.

As testament to Singapore's global ease and efficiency for researching and developing green initiatives, a number of leading cleantech companies have based their regional headquarters here. Ground-breaking and globally recognised research centres include global risk management firm DNV's clean-technology centre at Science Park in Buona Vista, and German conglomerate Bosch Group's S\$92 million South-east Asian headquarters at Bishan.

Asean Briefing reports that over S\$800 million of public funding for energy, water, green buildings and land scarcity R&D initiatives were pledged by the government between 2011 and the end of 2013. In a bid to boost domestic and foreign investment in R&D initiatives, Singapore offers a range of favourable tax incentives to numerous industries – including a tax deduction of up to 400 per cent of qualifying R&D activities conducted in the city state.

Other tax-based initiatives include R&D tax incentives that similarly extend to green innovation and the Land Intensification Allowance (LIA) incentive, a scheme to promote more efficient use of industrial land.

The Water Conservation Tax was also introduced to

encourage efficient use of water, in an attempt to address water scarcity issues. A leader in water purification is Hyflux, which is building the world's largest seawater desalination plant in Algeria. It also currently houses Asia's largest membrane R&D centre outside Japan, in Singapore.

Non-tax incentives are also on offer to diversify the cleantech landscape. Businesses can look forward to Grants for Energy Efficient Technology (GREET) that assists companies buying technology to use energy efficiently. For those piloting green R&D projects, the Ministry of National Development's Research Fund for the Built Environment subsidises up to 75 per cent of project costs.

Lured by a good tax regime and viable funding options, major solar companies such as Phoenix Solar, Renewable Energy Corporation (REC), Trina Solar and Yingli are also capitalising their competitive advantages in Singapore. They tap into Singapore's conduciveness to develop innovative solutions that will extend their growth and create value in the Asian market.

Wind technology is another emerging sector as the city state plays host to a range of key wind technology players such as Keppel and Vestas. Strengthening the city's role in urban planning and smart city infrastructure, French integrated energy company EDF also unveiled an urban system modelling platform.

## BENEFITS TO BUSINESS AND THE COMMUNITY

In line with advancing corporate social responsibility (CSR) efforts, many corporations are incorporating sustainable business practices into their ventures. City Developments Limited (CDL) manages its properties with eco-friendly features such as a pneumatic waste disposal system and was responsible for Singapore's first eco-mall, City Square Mall.

By investing in a desalination plant, Senoko Energy has distinguished itself to be self-reliant in its water needs. The energy player also introduced a new high-efficiency gas-fired Combined Cycle Plant.

Sustainability reporting by listed companies has been another impetus for organisations to go green. More companies and boards are moving towards fully integrated reporting of sustainability-related practices in response to growing awareness of the importance of sustainability.

Making sustainability an integral part of a company's business strategy delivers real bottom-line benefits. Competitive advantages of sustainability reporting include establishing trust and transparency among investors and stakeholders, and improving business efficiency and performance while reducing operational costs and mitigating compliance risks.

Wilmar and Golden Agri-Resources are both distinctive in their reporting on energy and resource usage levels due to their presence and focus on developing economies.

## THE WAY FORWARD

As climate change quickens its impact and energy and water scarcity prove to be problematic, Singapore needs to make sustainability second nature for all businesses. Businesses across industries will have to continue to create innovative solutions, such as energy-saving performance contracts, for a sustainable future.

Growth will need to be clean, green and efficient, and rolled out in a way that it reduces pollution and avoids depleting energy and water resources. The government's role in driving collaboration between global and local players will grow stronger, as it works towards producing a blueprint that advances green initiatives in Singapore.

Public-private partnerships, strong systems-level integration and continued collaboration between business owners will have to converge to change practices, fulfil growth and build resilience. ■

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