



# EVOLVING GREEN FINANCING FOR THE ELECTRIC VEHICLE SUPPLY CHAIN

Malaysia's electrification journey is picking up pace and this is becoming evident in the electric vehicle (EV) space. In early 2023, it was reported that 2,631 EVs were sold in Malaysia in 2022. This was a huge leap from only 274 in 2021, according to the Malaysian Automotive Association (MAA). While the numbers represent an 860% increase in sales, it should be noted that MAA's EV sales figures only take into account EVs bought new through official distribution channels. The Road Transport Department says there are more than 10,000 EVs registered with the department.

For 2023, the MAA believes that "it will definitely be much higher than in 2022" because of the numerous EV models that have been introduced and the ongoing tax incentives for EVs. In October, BMI, a Fitch Solutions company, forecast that Malaysia's EV sales would quadruple in 2023 and the country's EV penetration rate would reach 1.8%. The EV market share in Malaysia is still relatively low, accounting for only 0.4% of total vehicle sales. The government, however, has set a goal to have 125,000 EVs on the road by 2030.

Therefore, the market is expected to grow in the coming years and banks have taken notice of this. UOB, for one, firmly believes that Malaysia has the potential to emerge as a dynamic EV marketplace.

Underscoring its deep knowledge of the automotive solutions sector, UOB was one of first banks to recognise the need to support companies and businesses in this nascent sector. The bank launched U-Drive, a comprehensive financing solution that seamlessly connects those along the EV value chain, whether they are automotive component suppliers, automotive brand owners, dealers and charging point operators or end users interested in purchasing EVs.

"This confidence is grounded in the country's diverse mobility landscape, its commitment to sustainability and its established leadership as a manufacturing hub for the electrical and electronics (E&E) industry in Southeast Asia over the past five decades. Although the EV industry has made commendable strides in recent years, it has yet to fully realise its maximum potential," says Ng Wei Wei, CEO of UOB Malaysia.

"Nevertheless, it is heartening to observe the collective efforts of the government, industry associations and key stakeholders in the EV value chain expediting the development and widespread adoption of green mobility in Malaysia."

UOB has committed to achieving net zero carbon emissions by 2050, grounded in the need for a just transition that continues to support socioeconomic growth and improve energy access across Asean. Its commitments cover six sectors, including the automotive sector, where it targets to reduce its financed emissions intensity by 58% in 2030 and to reach net zero by 2050.

According to the International Energy Association, the global transport sector currently accounts for about 20% of all energy-related carbon emissions. Of the total, road vehicles alone accounted for more than 70% of emissions in 2022. It is ev-

ident that the path to decarbonisation involves a shift in financing towards green mobility.

The green financing used in this space is for companies involved in the production of automotive components for supply to EV original equipment manufacturers; EV manufacturing or assembly; EV import, purchase and sales; and for the manufacturing, supplying or installing, purchasing and selling of charging equipment or serving as a service operator.

## PROVIDING FINANCING TO SUPPORT GREEN ECONOMY

As a financial intermediary, UOB is in the position to support the government's net zero ambitions and its various initiatives such as the National Energy Transition Roadmap, Low Carbon Mobility Blueprint, New Industrial Master Plan 2030, as well as incentives like the Green Investment Tax Allowance and Green Income Tax Exemption.

One way UOB plays a crucial role as a financial institution is to finance renewable projects. The bank has developed five sustainable finance frameworks, aimed at creating positive impact in areas that contribute to the development of smart cities, green buildings, circular economy, decarbonising carbon-intensive sectors and supporting green trade finance.

Under these frameworks, UOB has rolled out several ecosystem solutions to support green projects and initiatives aligned with the government's goals. This may include funding for solar, hydrogen and other sustainable projects.

UOB can also offer green financing solutions to businesses and their value chains looking to implement sustainable practices. This may involve loans or financial products designed to incentivise environmentally friendly projects and activities.

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that, UOB's five sustainable finance frameworks are aligned with the United Nations Sustainable Development Goals and enable companies to apply for green or sustainability-linked banking products without having to develop their own financing frameworks," says Ng.

Getting the right advice is important to stay on the right path. UOB provides the necessary support to businesses seeking to adopt sustainable practices. This could involve helping companies understand and navigate the requirements of government initiatives and providing guidance on sustainable business strategies.

Most importantly, UOB contributes to the government's goals by raising awareness of sustainability among its clients and the wider community. This may involve organising workshops and seminars on sustainable practices.

"We remain at the forefront of empowering and accelerating businesses, especially SMEs, in their sustainability journey by having the Sustainability Accelerator Programme," says Ng.

"To help SMEs kick-start their sustainability journey, the bank developed the UOB Sustainability Compass in collaboration with PwC. Companies that complete 14 carefully crafted questions will get a customised copy of an action plan for their business that has been tailored to their sector and sustainability readiness."

Malaysia's green transition journey appears promising, driven by growing awareness of environmental sustainability and the commitment reflected in policies and initiatives. Positive developments, such as a growing demand for green financing and the government's support for sustainable practices, suggest a conducive environment for the green transition.

UOB, supported by its comprehensive sustainable finance frameworks, looks forward to supporting Malaysia in making significant progress in renewable energy adoption, sustainable infrastructure and environmentally responsible practices in the coming years.

"UOB aims to be a key contributor to this journey, actively supporting the transition through green financing, sustainable investments and innovative solutions. Our position involves collaborating with stakeholders, businesses and the community to foster a sustainable and eco-friendly landscape for the nation's future," says Ng.

## Understanding the role of green financing

Companies are becoming more aware of the importance of having environmental, social and governance (ESG) practices in their organisations. Green financing has increasingly become an important aspect of enabling companies to do their part for the environment.

Currently, there is a heightened global awareness of environmental issues and businesses are recognising the importance of adopting sustainable practices. Green financing allows companies to fund projects and initiatives that align with their environmental goals.

Consumer preferences are also shifting towards environmentally responsible products and services. Companies, especially those in consum-

er-facing industries, may opt for green financing to enhance their sustainability credentials and appeal to environmentally conscious consumers.

Green initiatives can enhance a company's competitiveness in the market. Accessing green financing allows businesses to invest in eco-friendly practices, products or technologies, positioning themselves as leaders in sustainability.

Regulatory pressure also plays a part as governments and regulatory bodies are increasingly implementing measures to promote sustainability. Companies may seek green financing to comply with regulations such as emission standards and sustainability reporting requirements.

On top of that, sustainable practices often lead

to cost savings in the long run. Companies that invest in energy-efficient technologies or renewable energy projects can use green financing to initiate projects that contribute to both environmental and financial sustainability.

Investors, including institutional investors and funds with a focus on ESG criteria, increasingly consider companies' sustainability performance. Green financing helps companies meet the ESG criteria and attract investment.

