



By KAREL DOSHI

A CRITICAL issue confronts the world. How can we address climate change, a transition to an energy system with net zero emissions while simultaneously providing for the rising demand for energy?

Embracing and investing in the digital economy, which will enable technological advancements to accelerate and meet sustainability targets and goals, is a crucial strategy for overcoming this challenge.

From data-driven technologies and artificial intelligence to the Internet of Things and machine learning, they can all be catalysts for us to undertake this enormous change that is required.

Particularly, new economy companies play a significant role as innovators of cutting-edge technology that offer solutions to mitigate carbon emissions. These fast-growing organisations tap the potential of new technologies and can alter the entire value chain of businesses across industries.

This is evident from the global rise in climate unicorns and startups providing technologies in the areas of industrial, climate, renewables, electric vehicles, agriculture and more that are rapidly transforming the competitive landscape while combating climate change.

At a panel discussion conducted during a recent HSBC Malaysia event that was centred on developing the startup ecosystem in the country, representatives from HSBC, Penjana Kapital, payment solutions provider GHL Systems Berhad, and venture capital firm Gobi Partners agreed on the significance of supporting new economy companies.

The panellists discussed the need for businesses to capitalise on technology, not only to achieve exponential growth, but also to meet sustainability goals. Some of the insights discussed during the event have been detailed in this article.

Capitalising on new economy companies can provide a key solution to address the climate challenge

According to the International Energy Agency (IEA), in 2050 almost half of global reductions in carbon emissions will come from technologies that are currently only at the demonstration or prototype stage. Major innovation efforts must take place now to bring these new technologies to market in time.

New economy companies will increasingly be a driving force in the transition propelled by their ability to create ground-breaking solutions that could bring about long-lasting change.

Forging partnerships with new economy companies will enable businesses to catalyse shared action to integrate digital solutions for decarbonisation and redefine the energy landscape, while building lasting trust with customers and investors.

After all, investors and venture capitalists alike are increasingly recognising the importance of

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sustainability in business and are deploying environmental, social and governance (ESG) criteria as part of their screening process.

Market regulators are also mandating companies disclose their ESG-related information as these disclosures serve as a window into a company's sustainability practices.

Customers have begun scrutinising the sustainability practices of their favourite brands to make responsible, eco-conscious choices. We can expect consumer regulators to start to insist on the carbon footprint of products being disclosed on labels to help consumers make informed buying decisions. Those of us involved in supply chains with a US or EU consumer as the end buyer will feel this change the quickest.

Meanwhile, global multinationals are incorporating sustainability analysis into their supply chain requirements, especially as they progressively measure and



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track Scope 3 emissions in their bid to decarbonise.

Activating capital crucial to facilitate the development of new economy companies

In Malaysia, greater investments in the new economy will be critical to supporting the development of the startup ecosystem; being one of the country's long-term objectives as evidenced by the various initiatives, policies, roadmaps, funding, grants, and capacity building programmes that the country's government has rolled out thus far for startups.

This includes the Madani Framework, New Industrial Master Plan 2030, Malaysia

Startup Ecosystem Roadmap 2021-2030 as well as the National Energy Transition Roadmap – all of which incorporate policies crucial to bolstering the development and sustainable growth of startups in the country.

Providing access to capital will be fundamental to facilitating the advancement of new economy companies. Public-private partnerships play a significant role in supporting these businesses through funding, pooled and diverse resources, offering expertise, and making available links to networks. This will be imperative to spur the wider development and deployment of innovative technologies.

At HSBC, we are strengthening our support for the startup ecosystem – this includes advancing the new economy.

We are in a great position to serve Asia's growing number of unlisted tech unicorns and listed digital firms through HSBC Innovation Banking that uniquely combines innovation expertise and bespoke financial and lending services, with the global platform of HSBC. This combination allows us to support innovation businesses, through all their life stages: from early-stage, growth, through to late-stage public and private corporates.

HSBC also plans to provide US\$1bil in financing to early-stage climate tech companies worldwide – aiding the development of new solutions like EV charging, battery storage, sustainable food and agriculture, and carbon removal technologies.

Leveraging the bank's global reach, in-house climate tech expertise, and our Innovation

Banking proposition, HSBC can offer unrivalled assistance to these pioneer companies.

HSBC's support for the innovation economy in Malaysia and its sustainable growth continues to be a priority for our business here.

Our recently launched HSBC New Economy Fund worth RM500mil will provide high-growth, new economy businesses across Malaysia access to funding solutions to enable them to innovate and scale. The fund will primarily support lending to tech-led businesses and emerging startups from Series B stage and beyond who are tapping opportunities within Malaysia's growing digital economy.

As we look to the future, it is evident that the digital economy will wield ever greater influence in propelling our nation's economic growth and prosperity.

New economy companies particularly have the potential to facilitate technological advancement that is essential to accelerate and meet sustainability targets and goals. Businesses now have a major opportunity to capitalise on technology and the new economy to align with their sustainability ambitions.

Karel Doshi is commercial banking head of HSBC Malaysia. The views expressed here are the writer's own.



Scan the QR code for more details on the HSBC New Economy Fund.