

Media Title : The Star
Headline : Banks need to do more in net-zero efforts
Date : 4 April 2022
Section : Business / Bizbytes
Page : 5



Banks need to do more in net-zero efforts

By DALJIT DHESI
daljit@thestar.com.my

PETALING JAYA: More efforts are needed for the Malaysian banking sector to achieve net-zero as part of the sector's decarbonisation efforts, according to global consulting firm Oliver Wyman head of Malaysia Anirudh Singh.

Net-zero is considered the benchmark standard for decarbonisation or the reduction of carbon.

Net-zero means not adding any new emissions to the atmosphere.

He added that the sector should go beyond the "broad" 2050 net-zero commitment and develop details around interim and ultimate decarbonisation targets, and how they plan to achieve them.

This should be prioritised for higher emission sectors like oil and gas, power, palm oil, steel, and auto, he told *StarBiz* in an email interview.

Malaysia has announced that it aims to become a carbon-neutral nation by 2050.

"Instead of just a few leading banks, such commitments and decarbonisation targets should be developed by all the banks and financial institutions.

"In fact, the recent exposure draft by Bank Negara on climate risk management also encourages banks and insurers to set decarbonisation targets.

"The decarbonisation pathway will heavily depend on how their customers meet their own decarbonisation targets as well as associated data and disclosures.

"So, disciplined action by the broader Malaysian economy to take action on their decarbonisation commitments will be critical.

"Commitments should be matched by the actions taken by the banks. They should work with their customers to develop and support their transition financing needs.

"Banks should track and share their performance against the stated commitments in line with the practice of leading global banks," Anirudh said.

In terms of the domestic banking sector's decarbonisation

efforts compared with its peers in Asean, Oliver Wyman Asia-Pacific climate and sustainability lead Timothy Colyer said Malaysian banks have been amongst the first in the region to make commitments to net-zero.

"Reaching the point of deciding to do something is a difficult first step and which some of the leading Malaysian banks have already made.

"Like their peers in the region, there is now a lot of work to be done – ambitions need to be turned into credible details and achieve it in practice," he added.

Colyer said there was a first mover advantage available for banks as the industry is transitioning. However, he noted that at present, there was a shortage of bankable transition assets.

Early movers would find it easier to decarbonise than laggards.

Banks that can build their capabilities to advise and finance the transition would be banking on the winners and stand themselves to be the winners in the industrial transformation of the next decades, he noted.

To another question, Anirudh said among the challenges for the country's banking sector's decarbonisation efforts was the shortage of clean data from banking clients to set credible net-zero targets.

"Banks need to encourage their clients to set their own targets and then develop concrete strategies to help achieve decarbonisation across all sectors.

"Similar to other markets in South-East Asia, Malaysia also needs to focus on its economic growth and improve its gross domestic product per capita.

"This creates the challenge of balancing short-term economic growth versus long-term climate commitments," Anirudh said.

Separately, Kenanga Research in a report last week said it was maintaining an "overweight" call on the banking sector to reflect the positive tidings ahead.

"Aside from better loan growth, looser provisioning measures will provide some relief, having stood prudently amidst the many lockdowns in the last two years," it said.