

March 15, 2023

Japanese Bankers Association

JBA comments on the Third GFIT Taxonomy Consultation Paper: *“Identifying a Green Taxonomy and Relevant Standards for Singapore and ASEAN”*

Questions	Comments
1. GFIT seeks feedback on the traffic light system usability and ease of navigation and usability	<ul style="list-style-type: none">• We welcome the GFIT’s clarification of the definition of transition activities by setting criteria and thresholds for all three categories. We believe it will help real economy firms and financial institutions consider and advance their net-zero journey.• We understand that the key purpose of developing a green taxonomy for Singapore-based Financial Institutions is to encourage the flow of capital to support the low carbon transition needed to avoid catastrophic climate change, as well as the environmental objectives of Singapore and the ASEAN states.• However, we are concerned that this taxonomy may rather hinder the mobilization of capital to the ASEAN region for its transition, given that the ASEAN states stand at different positions and have different priorities/strategies to achieve net-zero. Although it may work in Singapore, we are afraid that this taxonomy may not work for activities in other ASEAN states. Therefore, we would like to suggest that the GFIT reconsider the taxonomy in terms of feasibility and flexibility, especially for other ASEAN states. The GFIT also may wish to consider implementing a scalability/proportionality mechanism, to better respect each state’s taxonomy and/or net-zero transition policies. We believe that a balance between ambitiousness and feasibility/viability would be the key to accelerating a just and orderly transition in the ASEAN region.• The areas in which we are specifically concerned are:<ul style="list-style-type: none">- (1) Single sunset year of 2030 For the reasons mentioned above, we do not think that having the single sunset year of 2030 (and 2035 for some sectors) for all target industries, regardless of their business environment and technological issues, would be realistic. In addition, we would expect the GFIT to provide

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	<p>the rationale for the sunset years and thresholds, including a dialogue with the stakeholders of each sector in the finalized taxonomy.</p> <ul style="list-style-type: none"> - (2) Excessively ambitious threshold We found some of the proposed thresholds to be quite challenging for some sectors. Also, all new activities are basically expected to meet the green category. If the purpose of this taxonomy is to mobilize sustainable finance into the ASEAN region, we suggest that the GFIT reconsider the thresholds and concepts mentioned above in terms of feasibility and viability. We also expect the GFIT to provide the rationale for the thresholds as well as feedback from stakeholders in the relevant ASEAN sectors in the finalized taxonomy. - (3) Application of “Measures based approach” to other ASEAN states While we agree that an assessment of the feasibility of the transition plan would not be easy, and that the taxonomy could provide more granularity and reliability, we also would like to express our concern over the potential drawback of the activity-based approach (i.e., measures-based approach), especially for other ASEAN states. The measures-based approach may provide less flexibility for real economy firms’ sustainable strategy compared to the entity-based approach (i.e., transition plans). Currently, many firms in other ASEAN states would have their emission reduction targets in absolute terms for the entire firm, and we suspect that there are very few which have activity/facility-level targets. These firms have many other choices and alternatives apart from investing in the improvement of intensity-level emissions, and we are concerned that adopting the proposed measures together with the intensity-level target may limit options for firms to be sustainable and continue their business operation. We would appreciate it if the GFIT would consider applying the measures-based approach to activities within Singapore only and providing more flexibility in the application of the measures approach to activities within other ASEAN states, e.g., allowing both

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	<p>activity/facility-based and entity-based approaches. In view of the above points, we would also like to understand how the impact of “greenwashing” will be tackled, since the financing will be done upfront to align with the thresholds. However, if firms are unable to deliver the thresholds (despite genuinely trying) after the fact, what would the impact be?</p> <ul style="list-style-type: none"> • Lastly, per the previous points looking at ASEAN financings, how would this taxonomy impact the raising of financing either in Singapore by ASEAN firms or Singapore-based regional banks providing funding in the ASEAN region with local financing? • How would this taxonomy overlap/complement SPOs that are being used today? This should be clarified from a banking standpoint under the “Taxonomy in practice” section. • Given the expected impact of this taxonomy, we also would like the GFIT to consider conducting a full public consultation on the overall revised taxonomy based on feedback from previous consultations before finalizing the taxonomy.
2. GFIT seeks feedback on the traffic light system as it applies to the industry sector	-
3. GFIT seeks feedback on proposed measures approach	<ul style="list-style-type: none"> • We appreciate that the GFIT granted a grace period for target sectors to move from amber to green categories for existing activities. The proposed measures approach will certainly encourage individual activities/facilities to strive to meet the green target thresholds. However, this may also create significant challenges for firms that strategically aim to reach the same targets as an entity, but not by activity/facility. Many firms have their entity-based emission reduction targets in absolute terms, and we suspect that there are very few that have activity/facility-based targets. These firms have many other choices and alternatives apart from investing in improving emissions, and we are concerned that adopting the proposed measures approach together with activity/facility-based target thresholds may limit options for firms to be sustainable and continue their business operation. We would appreciate it if the GFIT would consider providing more flexibility in the application of the measures approach, e.g., allowing both activity/facility-based and entity-based approaches. Alternatively, this can be further explained in the “Taxonomy in practice” section.

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4. GFIT seeks feedback on the level of ambition for Industry criteria, whether TSC are clear, usable, or any other alternative metrics, policies and documents should be used as reference?	<ul style="list-style-type: none"> We ask that the GFIT provide the rationale behind applying criteria from references mentioned in Table 1 and reasons why some of the manufacturing sectors do not have amber thresholds. As some thresholds appear quite technically challenging, we also ask that the GFIT share the results of any dialogue with stakeholders from the target sectors with regard to setting these criteria and target thresholds, so that financial institutions can have a better understanding and assist customers from those target sectors. If only the green category is to be applied to new activities, and the red category to all other activities, it is particularly important for financial institutions to have a correct understanding of the thresholds of current commercially-viable technologies with solid and lengthy operation records.
5. GFIT seeks feedback on the level of ambition for ICT criteria, whether TSC are clear, usable, or any other alternative metrics, policies and documents should be used as reference?	-
6. GFIT seeks feedback on the level of ambition for Waste sector criteria, whether TSC are clear, usable, or any other alternative metrics, policies and documents should be used as reference?	-
7. GFIT seeks feedback on the level of ambition for Water sector criteria, whether TSC are clear, usable, or any other alternative metrics, policies and documents should be used as reference?	-
8. GFIT seeks feedback on the level of ambition for Agriculture sector criteria, whether TSC are clear, usable, or any other alternative metrics, policies and documents should be used as reference?	-
9. GFIT seeks feedback on the level of ambition for Forestry	-

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10. GFIT seeks feedback on the level of ambition for CCS sector criteria, whether TSC are clear, usable, or any other alternative metrics, policies and documents should be used as reference?	<ul style="list-style-type: none"> We welcome the GFIT’s efforts in putting together the criteria for CCS. We understand that some criteria come from the EU Taxonomy while others come from ISO. We are wondering what the rationale behind this mix of standards is and the reason behind the choice of referencing the EU Taxonomy, especially since that region has a limited number of projects compared to North America. In particular, we are wondering what threshold was given to CO2 transportation. Even if a project is designed to meet the criteria, there is always the risk of temporarily going over the threshold due to unexpected circumstances until the issue is resolved. We are wondering how, in reality, this may be treated, especially if the project procures additional funds from a capital market with a green label. As CCS rules and regulations vary to reflect the circumstances of individual countries/regions, we would appreciate a consistent use of only ISO standards in addition to any national laws and regulations, rather than a mix of regulations from different jurisdictions.

(End)