

INSIGHT

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# THE EMERGING OPPORTUNITIES IN INFRASTRUCTURE

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*Sustainable goals are reshaping Asia's energy infrastructure, with opportunities emerging in an ever-wider variety of projects across the region, led by an increasing focus on renewables amid an increasing focus on sustainability.*

*At a roundtable hosted by ANZ and FinanceAsia, we sat down to discuss these themes with **John O'Neil**, Chief Customer Officer - Project and Structured Finance, Export Finance Australia; **Anthony Lamb**, Head of Taiwan and Co-Head of Offshore Wind - Asia-Pacific, Macquarie's Green Investment Group; **Paul Richards**, Head of Structured Export Finance, ANZ; and Stella Saris Chow, Head of Sustainable Finance - International, at ANZ. Below are some of the key points touched on during the discussion.*

## **Emerging opportunities in Asian infrastructure**

There is an ever-greater focus by Asian governments on decarbonising domestic economies, the panel discussed.

Renewables is a large part of this, especially in emerging markets such as Indonesia, the Philippines and Vietnam. Policy measures are being designed to promote the roll-out of energy infrastructure across the region.

There is also a broad rethinking around infrastructure in Asia as a result of the pandemic, especially in relation to transportation in the wake of supply chains coming under pressure.

In some countries – such as in Cambodia and Myanmar – investments in transmission and basic infrastructure will have to come first, to facilitate investment in renewables and reduce the reliance on fossil fuels.

### **Creating successful Asian infrastructure projects**

Clear government policies and a stable onshore investment environment are essential to give investors comfort, the panel agreed. Taiwan is a good example of a market which created a decisive policy framework to enable offshore wind to become a reality.

By contrast, while Vietnam has an ambitious pipeline of renewable projects, its power purchase agreements (PPAs) are not particularly friendly to international investors.

Investors need a flexible and adaptive approach to energy projects, given that market conditions, strategies, governments and other factors can change due to long lead times.

A lot of foreign investors which have had success in Asian infrastructure deals have shown patience and taken a longer-term view – assuming they see a pipeline that offers scale.

### **Making Asian infrastructure more sustainable**

Infrastructure development has always involved a relatively strong focus on ESG but there is an increasing move towards sustainability, the panel agreed, in part based on the impact of climate change.

To move away from gas will depend on the availability of new technologies. From energy storage to electrification of transportation, and all the associated infrastructure, these present new opportunities.

As we emerge from the pandemic, there is also greater awareness of the need to invest in projects that reduce social inequality. This is a challenge for international financiers to achieve in emerging markets, but the need will become more and more pressing.

## **KEY INSIGHTS**

### ***On how to prioritise the Asian infrastructure opportunity***

“This is an exciting time for the energy infrastructure space in Asia Pacific. There are fundamental drivers, including modernising economies and growth in demand – up to 10 per cent growth per year in some markets.”

- *Anthony Lamb, Macquarie’s Green Investment Group*

“While North Asia and India have seen more investment in renewable energy, there is a lot of untapped potential in markets like Indonesia, with solar a possible solution in certain locations.”

- *Stella Saris Chow, ANZ*

“Our focus in the Indo-Pacific region is in Papua New Guinea, Indonesia, the Philippines, Vietnam and Sri Lanka. In particular, Indonesia, the Philippines and Vietnam are key markets given the combined population of roughly 500 million, and the growing emerging middle class.”

- *John O’Neil, Export Finance Australia*

“We aim to support both the private and public sector customers in energy transmission projects in the region. Within that, investing in renewable energy is a key component.”

- *Paul Richards, ANZ*

### ***On overcoming obstacles to infrastructure investing in Asia***

“Political stability and policy consistency are essential. In Taiwan, for example, favourable tariffs, quality investors and the track record of the offtaker enabled banks – with ECA support – to get comfortable to provide long-term financing.”

- *Stella Saris Chow, ANZ*

“There are many challenges to overcome when trying to do new things in emerging markets, especially with first-of-a-kind projects. We rely on a cooperative effort with local governments and in the supply chains with local partners to ensure projects can get underway and run smoothly.”

- *Anthony Lamb, Macquarie’s Green Investment Group*

“It can be difficult to attract equity and debt investors into developing markets in Asia. India’s National Investment and Infrastructure Fund is a good example of how to appeal to co-investors, as this model enables investment alongside the sovereign.”

- *John O’Neil, Export Finance Australia*

“In emerging markets, for some international equity investors, it is potentially easier to focus on brownfield investments as a stepping-stone to greenfield investing.”

- *Paul Richards, ANZ*

### ***On sustainability playing a more meaningful role in infrastructure investing***

“For government agencies and ECAs, the approach to sustainable infrastructure development is moving from simply being compliant to ensuring a meaningful contribution.”

- *Paul Richards, ANZ*

“The dominant overall theme is the rotation out of fossil fuels and into renewables, but this might not suit every country in Asia. The solution is based on the growth rate of renewables from market to market, with other options available to fill any gaps.”

- *John O’Neil, Export Finance Australia*

“Although somewhere like Singapore might have the budget for various sustainable infrastructure initiatives, it is a challenge for some larger and more emerging markets such as Indonesia and the Philippines to future-proof transport infrastructure like roads, bridges and ports from extreme weather events [as a result of climate change].”

- *Stella Saris Chow, ANZ*

“The mission statement of our green-investment group is to accelerate the green transition. In line with this, sustainability is at the core of everything we do within this business. It makes investment sense, plus it resonates with our employees.”

- *Anthony Lamb, Macquarie’s Green Investment Group*

### ***On positive lessons for Asian infrastructure from the pandemic***

“We are being introduced to new sectors due to the impact of Covid-19, for example the agri sector. We also expect to see closer relationships for Australia going forward with some larger partners, such as the US and Japan.”

- *John O’Neil, Export Finance Australia*

“Although energy demand has generally suffered as a result of Covid-19, the green energy sector has thrived.”

- *Anthony Lamb, Macquarie’s Green Investment Group*

“Covid-19 has highlighted the need to build more resilient economies through infrastructure. Climate risk, for example, is increasingly acute, so investing in the right projects is necessary to alleviate some of the pressures we expect to see going forward.”

- *Paul Richards, ANZ*

This story originally appeared on [FinanceAsia](#)