

GREEN INVESTMENT IN ASIAN CITIES: LESSONS FROM THE PEOPLE’S REPUBLIC OF CHINA, INDONESIA, AND JAPAN



The concept of “green growth” has been connected to the “green economy for sustainable development and poverty reduction,” which is the first theme of the Rio+20 United Nations Conference on Sustainable Development (UNCSD).¹ In addition, making cities and human settlements inclusive, safe, resilient, and sustainable is becoming one of the 17 sustainable development goals proposed by the Open Working Group on Sustainable Development Goals² targeted to replace the United Nations Millennium Development Goals³ which will expire in 2015.

Green Cities in Asia

To achieve this green growth, low-carbon development should be started at multiple levels: international, regional, national, and subnational.

Asia and the Pacific, home to the majority of the world's population and economic growth, can show the global impact of sustainable development, partly due to the fact that this region includes an advanced economy in Japan and key emerging economies such as the People's Republic of China (PRC) and Indonesia.⁴ The United Nations declared that half the population was living in cities in 2008 and that this percentage would increase to 60% by 2030. Furthermore, cities account for 90% of global population growth, 80% of wealth creation, and 60%–80% of the global energy consumption and global greenhouse gas (GHG) emissions. Thus, a low-carbon society could start from creating low-carbon cities.

Several approaches have already been initiated to create low-carbon cities across Asia. Given their vast growth, cities require intensive urban infrastructure development. Constrained by the local government capabilities, the funding of urban infrastructure has become a critical issue. Against this background, several development projects are already exploring and examining new funding mechanisms with the engagement of various stakeholders such as public–private partnerships. Several cities in the PRC, Indonesia, and Japan have invested in initiatives in green cities.

Among others, the project Low Carbon Urban Infrastructure Investment: Cases of China, Indonesia, and Japan,⁵ funded by the Asia-Pacific Network for Global

Change Research (APN), attempts to address the pathways for investment in green infrastructure in those countries at the city level. This is also called smart investment, since by this type of investment a city might be able to boost its economic growth and reduce its GHG emissions. The outcomes will be used as guidance on how cities in selected countries can play a key role in the green growth agenda, by stimulating growth through smart investment in urban infrastructure, i.e. by building physical infrastructure, introducing financial and tax incentives, ensuring energy supply, and heightening awareness of a sustainable lifestyle. This should involve systematic institutional governance by improving coordination among involved institutions (national and local government, local communities, academics, and industries).

Carbon trading mechanism in the People's Republic of China

This 2-year project between 2013 and 2015 outlines the pathways to achieve a low-carbon city. In the PRC, we propose the following set of policy recommendations for the city of Shanghai:

1. The central government and local governments of the PRC need to update current economic incentive policies. The process of approving green buildings needs to be simplified and also costs reduced.
2. The energy performance contract can be a good way to involve private businesses.

3. Carbon trading and carbon taxes can be adopted as part of economic incentive policies to enhance the development of green buildings. Carbon trading schemes, such as the Clean Development Mechanism (CDM), can help the developers overcome investment barriers because the costs and risks of employing technologies and knowledge can be significantly reduced. The investors can pay off the initial extra costs within a manageable risk range by selling carbon reduction credits granted by implementing green building projects. In fact, different partners such as the developers, the energy companies, or even the real estate management companies can receive benefits under the carbon trading mechanism in the PRC building sector.

Feed-in tariffs in Japan

In Japan, Yokohama is one of the government ordinance-designated cities which display an increasing trend in terms of its population and energy consumption. In 2007, the city set up the execution plan for global warming countermeasures, and, based on the plan, set a 25% reduction target for total GHG emissions by fiscal year 2020 from the 1990 level as the midterm target and an 80% reduction target by 2050. To achieve the target, Yokohama initiated a series of activities using various financing methods focusing on the reduction of energy consumption in the household and commercial sectors.

The case reveals that although feed-in-tariffs (FIT) and tax policies can help a company mitigate investment risks and gain returns from the renewables business, it is dependent not only on the rate of FIT and the installation costs but also on the framework of the FIT system. Thus, in order to accelerate the amount of investment toward renewable energy, further financing mechanisms, incentive mechanisms, and a review of the FIT system itself are needed.

Energy efficiency in Indonesia

In Indonesia, energy efficiency in industries, among others, brings about the largest cuts to GHG emissions in the Jakarta metropolitan area. From an institutional analysis perspective, the energy efficiency strategies are an insufficient requirement when confronted with the need for more fairness in developing well-being. This places a big demand on shared resources of the society. This is in line with *Towards Green Growth in Southeast Asia*,⁶ a report by the Organisation for Economic Co-operation and Development, which states that the development trajectory for Jakarta is to enhance inclusive, safe, resilient, and sustainable energy security, transportation, human health, and settlement services.

Source: <http://www.asiathways-adbi.org/2015/01/green-investment-in-asian-cities-lessons-from-the-peoples-republic-of-china-indonesia-and-japan/>