Transition finance in Asia

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The coal problem

The transition question in Asia is above all a question of coal. Asia accounts for about half of global greenhouse gas emissions, roughly a third of which come from coal-fired power plants. Of the 8.4 million people employed in the coal value chain worldwide, more than 80 per cent work in Asia, according to estimates of the International Energy Agency.[1] The plants are young and often operate under long-term power purchase agreements. Closing them early destroys asset value, breaches contracts and threatens jobs. Leaving them to run their full life would make the regional climate targets unattainable.

Conventional green finance avoids the problem by excluding coal. Many international banks have adopted coal exclusion policies, which reduced their reported exposure without closing a single plant. The plants were refinanced by other lenders or remained with their owners. Singapore's strategy since 2023 starts from the observation that the decisive transactions in Asia are those that retire existing plants early and replace their output with clean energy. Such transactions involve losses that someone must bear and therefore need concessional capital, reliable definitions and new sources of revenue.

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Blended finance: FAST-P

Concessional capital is the purpose of the Financing Asia's Transition Partnership (FAST-P), unveiled at COP28 in December 2023. The Singapore government has pledged up to US$500 million in concessional capital, which it intends to match with partners in order to catalyse up to US$5 billion of investment in Asia's green and transition projects.[2] Blended finance of this kind uses public or philanthropic capital to absorb first losses or accept lower returns so that commercial lenders can finance projects that would otherwise be marginally bankable.

FAST-P consists of three programmes. The Green Investments Partnership, managed by Pentagreen Capital, a sustainable infrastructure debt platform established by HSBC and Temasek, reached its first close on 8 September 2025 with US$510 million of committed capital. Its partners include MAS, Export Finance Australia, the International Finance Corporation, the Dutch development bank FMO, HSBC, Temasek, British International Investment, the Bank of the Philippine Islands and Allied Climate Partners. The fund provides debt for renewable energy and storage, electric vehicle infrastructure, sustainable transport, and water and waste management in Southeast and South Asia. A second close brought total participation to US$800 million. By mid-2026 the fund had committed US$128 million to four infrastructure investments.[3]

The second programme, Energy Transition Acceleration Finance (ETAF), is aimed at the energy system itself. Its displacement strategy supports grid modernisation and other infrastructure that accelerates the displacement of fossil fuel power, while a replacement strategy targets the substitution of coal-fired generation by lower-emission sources. On 24 June 2026 ETAF reached a first close of US$250 million for its displacement strategy, with MAS and the Private Infrastructure Development Group as catalytic capital providers, GuarantCo as guarantor of the mezzanine financing and DBS Bank as senior lender. Clifford Capital Asset Management manages the fund. The third programme, the Industrial Transformation Programme, addresses heavy industry and has attracted British International Investment and the Japan International Cooperation Agency.[4]

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Partner governments have tied their own programmes to FAST-P. Australia allocated part of its A$2 billion Southeast Asia Investment Financing Facility to the initiative in December 2024.[5] The pattern recalls the role of Singapore as a regional headquarters examined in Chapter I.I: projects are located in Indonesia, Vietnam, the Philippines or India, while their structuring, financing and management take place in Singapore.

Transition credits

The most original element of Singapore's transition strategy is the concept of transition credits. These are high-integrity carbon credits generated by the emission reductions achieved when a coal-fired power plant is retired early and replaced with cleaner energy. Selling such credits would create a revenue stream that compensates part of the economic loss of early retirement. A working paper by MAS and McKinsey published in September 2023 modelled the case of a 1-gigawatt subcritical plant in Indonesia, ten to twelve years old with fifteen years remaining on its power purchase agreement, retired five years early.[6]

MAS launched the Transition Credits Coalition (TRACTION) at COP28, announced in a media release of 4 December 2023. The coalition brought together more than 30 members and knowledge partners, with the Rocky Mountain Institute as its secretariat. Two pilots were announced at the same time. ACEN Corporation, the Rockefeller Foundation and MAS are testing the early retirement of the South Luzon Thermal Energy Corporation plant in the Philippines. The Asian Development Bank is advising the Philippine government on the retirement of a coal plant in Mindanao under its Energy Transition Mechanism.[7]

The coalition published an interim report at COP29 on 14 November 2024 and a final report at COP30 in November 2025, when its two-year mandate ended. More than 20 public and private entities expressed early interest through a statement of support. MAS insists that transition credits must meet internationally recognised standards such as the Core Carbon Principles of the Integrity Council for the Voluntary Carbon Market and the integrity requirements of Article 6.[8]

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The concept is promising and contested. Its supporters point out that it addresses the largest single source of emissions in the region and mobilises buyers who would otherwise purchase credits of doubtful quality. Its critics fear that it rewards owners for closing plants that should never have been built, and that the counterfactual, the date on which a plant would otherwise have closed, can be manipulated. The difficulty lies in proving additionality: a credit has value only if the plant would genuinely have run longer without it. Whether transition credits become a mainstream instrument will depend on whether the pilots can demonstrate verifiable results.

Common misconception

It is sometimes assumed that transition finance is a softer form of green finance that allows polluters to label ordinary business as sustainable. In Singapore's framework the amber category is narrower. It requires a defined path to green within a set period, credible entity-level transition plans and, for coal, the full replacement of the retired capacity with clean energy and a just transition plan. The risk of transition-washing is real, which is why the government itself named it when launching the FiNZ plan. The remedy lies in verification, which the disclosure rules and the transition planning guidelines are designed to make possible.

Notes

1. MAS, "Transition Credits", cited above: Asia accounts for 50 per cent of global greenhouse gas emissions, about a third from coal-fired plants; of the 8.4 million people employed in the global coal value chain, more than 80 per cent are in Asia (IEA estimates); Asia's energy demand projected to rise two-and-a-half times by 2050. ↩
2. Wikipedia, "Monetary Authority of Singapore" (accessed November 2026): FAST-P "first unveiled to the public at COP28", with MAS backing. — MAS, "ETAF Partnership under Singapore's FAST-P Initiative Raises US$250 Million in First Close", media release, 24 June 2026, mas.gov.sg (accessed November 2026): the Singapore Government has pledged up to US$500

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million in concessional capital under FAST-P, which aims to catalyse up to US$5 billion in investments for Asia's green transition. ↩

3. MAS, "GIP Achieves First Close with US$510 Million in Committed Capital", media release, 8 September 2025, mas.gov.sg (accessed November 2026): first close with US$510 million of committed capital; Pentagreen Capital, established by HSBC and Temasek, as fund manager. — MAS, media release of 8 September 2025, cited above, listing the partners and target sectors, with support from the European Commission under its Global Gateway programme. — MAS, *Sustainability Report 2025/2026*, "Strategy", cited above: second close bringing total participation to US$800 million, with DBS and Cathay United Bank as new partners; US$128 million (25 per cent of the first close amount) committed to four infrastructure investments in South and Southeast Asia. ↩

4. MAS, media release of 24 June 2026, cited above: first close of US$250 million for the displacement strategy; MAS and PIDG as catalytic capital providers, Temasek expected to contribute from its Concessional Capital for Climate Action, DBS Bank as senior lender, GuarantCo guarantee for the mezzanine financing, Clifford Capital Asset Management as fund manager. — MAS, *Sustainability Report 2025/2026*, "Strategy", cited above: Industrial Transformation Program with British International Investment and JICA as new partners and the Asian Development Bank planning to participate, subject to approvals. ↩

5. Wikipedia, "Monetary Authority of Singapore", cited above: in December 2024 Australia allocated the first part of its A$2 billion SEAIFF investment to FAST-P. ↩

6. MAS, "Transition Credits", cited above: "high-integrity carbon credits (termed as "Transition Credits")" arising from emissions reduced by retiring a coal-fired power plant early and replacing it with cleaner energy, intended as a complementary financing tool. — MAS, "Transition Credits", cited above: illustrative model of a 1GW Indonesian subcritical plant at 50 per cent capacity, aged 10–12 years, with 15 years of PPA remaining, retired five years

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early at an 8–9 per cent cost of capital; MAS–McKinsey working paper of September 2023. ↩

7. MAS, "Transition Credits", cited above: TRACTION launched at COP28 (media release of 4 December 2023), more than 30 members and knowledge partners, RMI as secretariat. — MAS, "Transition Credits", cited above, on the pilot of ACEN Corporation, the Rockefeller Foundation and MAS for the South Luzon Thermal Energy Corporation plant, coordinated by Climate Smart Ventures, and on the ADB pilot in Mindanao under its Energy Transition Mechanism. ↩
8. MAS, "Transition Credits", cited above, and *Sustainability Report 2025/2026*, "Strategy", cited above: interim report at COP29 (14 November 2024), final report and Statement of Support at COP30 (10–12 November 2025), with more than 20 entities expressing early interest; mandate concluded at COP30. — MAS, "Transition Credits", cited above: credits "must be aligned with globally recognised standards such as the Core Carbon Principles (CCPs)" and other Article 6 integrity requirements. ↩

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