Asia policymaker perspectives: Green mobility and infrastructure in Southeast Asia

In a new series of interviews, members of Global Counsel's Asia team will interview thought-leaders in policy and business from across the region, focusing on key themes for Global Counsel including geopolitics, trade and technological developments and the impact on business and politics.

In this edition of the series, Global Counsel’s Senior Associate Andrew Yeo speaks with Johan de Villiers, ABB Managing Director for Southeast Asia, on the policy environment for green investment and electric vehicles in the region.

Asia is promoting green energy, green buildings and other sustainable solutions. What three words would you pick to describe the growth of green solutions in Southeast Asia?

The first word that comes to my mind, especially if I take a five-year view, is “mixed” or “scattered”. There are vast differences in the Southeast Asian countries - and even within countries - in terms of sustainability. A country like the Philippines has done a lot on generating energy and power in a sustainable way, with a lot of geothermal and solar power. But much more can be done on the energy efficiency side and the consumption side.

Ideally you want a complete, holistic view of the energy value chain where you can address all the opportunities that are presented, but very few countries in Southeast Asia have looked at it in that holistic way. You find pockets where we are doing something great, but also many places where we can do better.

It leads me to my second and third words - “opportunity” and “legacy”. There is enormous opportunity in Southeast Asia because we’re still rolling out infrastructure, and this is going to be a legacy that is left for future generations. If the right and sustainable investments are made now, then there is the fantastic prospect of a much better, more sustainable way of living in the future. This is a different challenge to the one developed countries face where everything has been built and we have to retrofit, adjust and fix things.

As economies shift into post-pandemic recovery, the development of infrastructure to improve resilience, reshape supply chains and spur economic activity will play a vital role. Government stimulus packages should be directed to sustainable infrastructure projects, which will create jobs with positive economic impact, establish new industries, and bring long term financial savings whether in terms of energy, productivity, efficiency and positive environmental impact.

One of the effects of the covid-19 pandemic is historically low oil prices due to a drastic drop in demand. This presents a fantastic opportunity to reduce or remove energy subsidies that has
been so detrimental to the adoption of green solutions and the development of sustainable consumption behaviour.

**How does the subsidy trap prevent the greening of Southeast Asia?**

The subsidies artificially lower the cost of energy for private households, companies and large industries, so when they decide where to invest and to make improvements, energy is priced artificially low in that equation.

Energy subsidies, for example, continue to distort markets and the adoption of energy efficient technologies and renewables. Removing them, or at least compensating for them in an uncomplicated way would help to tip the balance in favour of a more sustainable energy future. Similarly, building codes have been slow to adjust to global best practice standards, and hence accelerating the reform of these will significantly improve building energy efficiency and management across Southeast Asia.

Such changes and technologies are increasingly affordable and indeed typically pay for themselves within a few years through lower energy costs and financing models should be practicable. All of which are would speed the development of a greener economy.

**Part of Singapore’s 2020 Budget was about moving the country towards electric vehicles (EV), which means investments in green infrastructure. There has been criticism that Singapore has been slow on this. What are the policy choices driving EV adoption in Singapore?**

As a general statement, the availability of a novel technology does not necessarily reflect its appropriateness for a country at a specific point in time. It is equally crucial to look at the bigger picture and ask what we are really trying to achieve here. In Southeast Asia, there are significant mobility challenges, such as extreme traffic congestion and a general lack of public transport.

Most cities in Southeast Asia do not need more cars on the road. We need to find better and more efficient ways to move people around. Metro rail in city centres and water transport for sprawling archipelagic countries like Indonesia and the Philippines, are such examples.

Once the priorities are set we need to deploy affordable, sustainable, future-ready technology, and the deployment of electric vehicles, whether in public transportation, logistics or as private cars should definitely be part of a greater vision for mobility across the region.

I’m delighted to see that Singapore has accelerated the adoption of e-mobility as part of their holistic approach, with a bold vision that does include electric propulsion across the eco-system from shipping and port vehicles, to buses, taxis and car-sharing schemes, as well as private cars.

**What about in the rest of Southeast Asia?**

I think it’s very nascent and while this has been gathering good momentum, we are behind the large-scale deployments in Europe or China. Singapore has a clear plan targeting fleets of buses and taxis where there is some traction, but for most of the other countries it’s early days and we’re happy to be part of the adoption journey with them.
I think the low hanging fruits across Southeast Asian capital cities is with fleets because of the value proposition they present in terms of investment. This is where you get the most mileage for policy interventions because of the opportunity to develop charging infrastructure in cities where the concentration of vehicles is high. The converse policy consideration of course is that cities here are crowded and growing very fast, so the challenge is to find space for fast charging infrastructure for these fleets.

Governments need to be clear if this is something it sees as a national priority and their own responsibility for putting in place, or to otherwise act as an enabler, putting in place regulations to ensure a fair playing field for private players to rollout infrastructure.

If governments want to unclog their cities, reduce emissions and target 30% EV adoption in ten years’ time, the extensive planning needs to start now, ensuring that the real estate is available, and that power supplies can meet new demands in a sustainable way. The urgency to work on that is clearly there.

**Considering the technologies we’ve discussed so far, what is the appropriate policy response and what are the policy considerations confronting governments in the region?**

The appropriate policy response should happen at two levels. First, there are the policies that drive growth in general through trade, greater regional collaboration and standardisation. From a trade perspective, Southeast Asia is at the nexus of flows from both North and South and East and West and a progressive policy response would be to accelerate and prolong growth, especially in a post-covid world where supply chains will be reconfigured. Harmonising global standards will also help to liberalise Southeast Asia’s markets, and local standards should serve as exceptions rather than the norm.

Some of the most crucial investments in ASEAN to be made in the short to medium-term are around that of infrastructure, and making the right decisions will enable economies to grow in a sustainable, inclusive way, contributing to the achievement of the UN SDGs. The quality of the infrastructure and the long-term affordability of it are key here. This spans from more traditional physical infrastructure - roads, railways, airports, power systems - to include digital connectivity. Infrastructure is all about power and potential of the connectivity it will bring - whether it’s connectivity to resources, people or places. This is critical within a city, a country or across the region for trade and growth.

Finally, continuously modernising education is a must for the future of work, as the workforce needs to keep abreast of technology. Adjusting education programmes, allowing for more vocational training, increased mobility of the workforce across the region, putting in place regional internship and training programmes, are all needed to deliver growth in a sustainable way, reducing poverty and ensuring inclusive, wide-spread economic and social development. Reskilling the work force for an increasingly digitised and innovative future is a must.

Then there are a number of technology specific policies to consider. As industrial digitalisation gathers pace, data policies are key, and governments need to find a balance between data protection on the one hand, and data liberalisation on the other. The advent of 5G also means regulators need to allow for the digitalisation of industries and their resulting bandwidth needs. Enabling appropriate access for industrial players will be crucial to ensure that industrial productivity growth can accelerate through digitalisation.
You were previously in the UAE and the Gulf and have now been in Southeast Asia for about seven years. What are the major policy issues governments in both regions grapple with?

Let me begin with the similarities. Both the UAE/Gulf and Southeast Asian countries are relatively young, fast-growing, ambitious and quite visionary. In both places, there is a huge need for infrastructure. Both regions are also very diverse. From the outside, the Gulf countries may seem quite similar but once you work there, you realise that these countries have very different local situations, levels of maturity, different opportunities and challenges.

One major difference between both regions is labour. The Gulf countries are very dependent on foreign labour and the local people make up a very small portion of the workforce. Southeast Asia is completely different and most of the customers are represented by local people, so we had to work much harder to understand local decision-makers, respect local customs and really boil that into the culture of the company.

Sustainability is also quite different. In the Gulf countries, with a difficult physical environment, just to make life and business possible is already a very large challenge. Providing water and electricity is critical to economic growth there, but it comes at such a high cost, so the efficiency of those systems is very critical.

The other difference is the mix in the business. The Gulf countries have less manufacturing, and oil and gas is the only major process industry, so it’s less diverse than Southeast Asian economies.

What I do like about Southeast Asia today is its steady growth story. But even with steady growth it is hard for infrastructure and national institutions to stay ahead of the growth curve. Solving for congestion on roads and ports, the sustainable creation of jobs for a young demography of people - these are examples of big and urgent topics that governments today are critically addressing. This means that despite the region’s deep diversity, the ingredients to ensuring long-term economic development are within this geography because of both political will and a dynamic workforce that is hard-working and eager to learn. Southeast Asia today is also sophisticated enough to be looking at employing technology as part of the solution to these issues.

Johan de Villiers is a registered Professional Engineer and joined ABB in South Africa in 1997. In 2007, he was appointed Country Manager for ABB in Qatar and since 2015, has been responsible for leading ABB in Singapore. He also oversees ABB’s Industrial Automation business in Thailand, Indonesia, Vietnam, Malaysia, Laos, Myanmar and the Philippines.

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