

China's Cooperation with Southeast Asia to Support an Ambitious Clean Energy Transition by 2030

Third Convening: Solutions to Bridge the Investment Gap

Meeting Summary

Southeast Asia is an attractive region for China's investment in clean energy. It is considered a better place for investment compared to other regions due to its proximity to China and its stable political relations and circumstances.

An integrated solution package was proposed that includes packages on (a) technology, including renewable energy; storage; carbon capture, utilization, and storage (CCUS); heat pumps; smart grid technology; **(b) industry,** making rather than importing technologies, for example, local manufacture of solar panels to create jobs; **(c) policy,** including predictability, tax policy, carbon pricing, incentives for investors; and **(d) partnership,** for example, with multilateral development banks (MDB)s, local banks, ASEAN Plus Three, Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), and others. It was suggested that this integrated package is key to achieving a more ambitious clean energy transition.

The ASEAN Centre for Energy (ACE) can be an important platform for facilitating coordination with Southeast Asian member countries to implement the Belt and Road Initiative (BRI) in driving the region's clean energy transition.

Chinese investors often engage with local partners at a late stage of project planning and development. This indicates a need for improved coordination and earlier engagement. It is also unclear how to access finance from China. Establishing a dedicated investment channel more favorable to Chinese investors was suggested, showcasing successful case studies.

Developing manufacturing capacities along the border between China and Vietnam, as well as with other Southeast Asian countries, was suggested. To support this development, innovative financial instruments, including green credits and green bonds, can play an important role. The China-Egypt Taida Suez Cooperation Zone was highlighted as an example of this model of cooperation.

Leveraging the Regional Comprehensive Economic Partnership (RCEP) and a clean energy transition to promote the development of a clean economy in Southeast Asia should be considered. This approach capitalizes on the opportunities presented by the domestic clean energy transition to foster the growth of a clean economy in the region. China's green industrial park development, which combines industrial policies with innovation incubators, was highlighted as an example for Southeast Asian countries. In addition, trainings need to be provided to upskill and reskill labor forces to address potential workforce gaps in the burgeoning clean industries.

To support **corporate power purchase agreements (PPAs)**, the following actions were suggested during the discussion: introducing standardized contract agreements and developing platforms to facilitate matchmaking between potential industrial buyers and renewable energy producers.

Systemic reform is needed to reduce perceived risks. There is no lack of finance; however, when perceived risks are considered, projects become commercially unviable and unaffordable. Systemic reforms are needed, although they are complex and require political support.

Coal power phasedown should target captive power plants. In Indonesia, the big opportunity for coal power phasedown is captive power generation plants at industrial sites. China has heavily invested in this area with 14 GW of coal power in operation and 18 GW in the pipeline.

Progressively deploying co-located renewables and storage at these sites should be the model. Generating carbon credits for avoided emissions, creating manufacturing capacity for relevant technologies, and applying blended finance solutions are attractive to the government. For the on-grid system, phasedown faces many more challenges.

A key constraint is grid connectivity. The current grid connection problems, for example, in Vietnam, mean that renewable energy solutions need to include storage (along with the generation of hydrogen) and/or investment in grid infrastructure, so that they can be more easily deployed without breaking the grid.

A “climate prosperity zone” should be considered. For example, it could be an offshore floating wind zone in the South China Sea between Vietnam and the Philippines, with onshore green hydrogen production or grid extensions, funded by China. This would support regional prosperity and climate cooperation and be a reference initiative that could be replicated in other parts of the region and for other technology solutions. It was suggested that work be done on this idea, unpacking what is possible, and finding a practical solution. It was also noted that this collaborative development could contribute significantly to addressing ongoing territorial sovereignty debates by redefining the area as a shared zone focused on sustainable development and mutual economic benefit. This initiative would also fit well with the integrated solution proposed above, with reference examples including climate prosperity plans for Bangladesh and Sri Lanka.

Possible sources of Chinese financial support for project development in Southeast Asia, as noted by the participants, include Chinese policy and commercial banks, the Belt and Road Initiative (BRI) funds, the Silk Road Fund, and the Asia Infrastructure Investment Bank (AIIB).

Cooperation between Chinese and local financial institutes is critical. To facilitate this cooperation, several actions were noted during the discussion, including familiarizing local banks with Chinese business practices and better integrating economic, social, and governance (ESG) principles into bilateral investment treaties.

Framing of project recommendations should be more ambitious and inspirational. There is a need for a development-driven decarbonization vision and a multidimensional solution.

Further cooperation to consider in-person events targeted at specific identified issues, with deeper and more profound discussions with stakeholders. Implementation of pilot projects was suggested as a next step, promoting the bottom-up approach.