



Accelerating the Energy Transition in the Asia-Pacific Region

March 28, 2023

Reading Time : 5 min

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Earlier this year, our article [“Singapore Green Energy Transition – Recent Developments”](#) discussed some of the steps that Singapore has been taking to build a sustainable future and address climate change. In this update, we focus on two new developments in South Korea and Singapore, which showcase the region’s efforts to accelerate the green energy transition and reach our net-zero targets.

VCM in South Korea

South Korea’s local media reported that South Korea will introduce a voluntary carbon market (VCM) later this year.¹ According to the article, the Korea Chamber of Commerce and Industry (KCCI) will start monitoring, verification and issuance of carbon credits this month and seek to establish a VCM trading platform in the second half of 2023 as a supplement to the country’s mandatory emission trading scheme (ETS) introduced in 2015.

As discussed in [“Insights from the Asia Climate Summit 2022,”](#) two distinct approaches — compliance and voluntary — have emerged around the world to reduce emissions and facilitate low-carbon investments. South Korea’s mandatory (or compliance-based) ETS is often considered the most developed ETS in the region, but the additional VCM is expected to complement the existing ETS and further contribute to South Korea’s commitment to achieve net-zero carbon emissions by 2050 given that the VCM will provide companies with an additional mechanism to reduce their carbon footprint and satisfy their sustainability goals. The VCM is also expected to further promote carbon-reduction projects because such reduction projects are not covered by the existing ETS.

Although we need to wait and see whether the exiting ETS and the new VCM can indeed complement each other and produce a positive synergistic effect in South Korea, South Korea is becoming more proactive on decarbonisation, and its experiment with both approaches will help the country position itself as a leader in the transition to a low-carbon economy and its carbon market emerge as a model for the rest of the Asia-Pacific region and beyond.

Recent Bilateral Initiatives by Singapore: MOU with the UK on Green Economy Framework and MOU with Indonesia on Renewable Energy Cooperation

On 1 March 2023, Singapore and the United Kingdom signed a Memorandum of Understanding (MOU) to establish a bilateral Green Economy Framework, which will enable both countries to achieve national decarbonisation targets in alignment with the Paris Agreement and also collaborate to promote growth and innovation in the clean energy, low-emission transport and sustainable finance sectors.

Singapore's Minister-in-charge of Trade Relations, S. Iswaran, commented: *"The Green Economy Framework builds on the robust and dynamic bilateral economic partnership, underpinned by the UK-Singapore Free Trade Agreement and the UK-Singapore Digital Economy Agreement. Through this initiative, both sides will collaborate in areas such as innovative decarbonisation measures, low carbon energy and technologies, and high-integrity carbon markets. We look forward to catalysing green growth opportunities while also promoting decarbonisation, in partnership with our people, academia, and businesses."*²

This move follows the Singapore-Malaysia Framework on Cooperation in Green Economy signed on 30 January 2023, the Singapore-Australia Green Economy Agreement signed on 18 October 2022 and the Memoranda of Understanding for Collaboration under Article 6 of the Paris Agreement with Papua New Guinea and Peru, each signed in November last year.

On 16 March 2023, Singapore also signed a bilateral Memorandum of Understanding on Renewable Energy Cooperation with Indonesia, which seeks to build on the MOU on Energy Cooperation between Indonesia and Singapore that was signed in conjunction with the Singapore-Indonesia Leaders' Retreat last year and the MOU on Climate Change and Sustainability signed in March 2022.³

Under the new MOU on Renewable Energy Cooperation, the two countries agreed to establish a cooperation framework to facilitate and encourage investments in developing renewable energy manufacturing industries in Indonesia and cross-border electricity trading projects. Singapore and Indonesia also agreed to encourage investment for the construction of solar photovoltaics (PV) and battery energy storage systems (BESS) in Indonesia as well as the development of green hydrogen and ammonia that can be used as low-carbon green fuel so it may be possible for Singapore to potentially tap renewable energy such as solar power and green hydrogen from Indonesia.

This MOU is not a surprise from an industry perspective given there has been more and more interest and discussion on Indonesia's electricity exports to Singapore. For example, Singapore-based renewable energy firm Quantum Power Asia and its Germany-based partner Ib Vogt set up a new partnership to build a 3.5-gigawatt (GW) solar-plus-storage facility in Riau, Indonesia, to export solar electricity to Singapore by 2032.⁴ Also, in January last year, Abu Dhabi's Masdar signed an MOU with

Singapore's Tuas Power, France's EDF Renewables and Indonesia Power to explore the development of renewable energy within Indonesia for exports to Singapore.⁵

The MOU is expected to not only create a win-win outcome for Singapore and Indonesia but also support regional initiatives like the ASEAN Power Grid, which is an initiative to construct a regional power interconnection to connect the region, first on cross-border bilateral terms, then to gradually expand to a subregional basis and subsequently leading to a completely integrated regional power grid system.⁶

These two recent agreements (along with other aforementioned bilateral initiatives) all represent significant bilateral efforts that Singapore is pursuing to create a platform for businesses and investors across multiple jurisdictions to collaborate on green projects and initiatives and ultimately develop a green economy to tackle climate change and promote sustainable development.

¹ <https://www.hankyung.com/economy/article/2023030733531>.

² <https://www.mti.gov.sg/Newsroom/Press-Releases/2023/03/Singapore-and-and-the-United-Kingdom-sign-Green-Economy-Framework>.

³ <https://www.mti.gov.sg/Newsroom/Press-Releases/2023/03/Indonesia-And-Singapore-Sign-MOU-On-Renewable-Energy-Cooperation>.

⁴ <https://www.pv-magazine.com/2022/04/19/quantum-power-asia-ib-vogt-propose-3-5-gw-solar-storage-project-in-indonesia/#:~:text=Quantum%20Power%20Asia%20and%20ib,electricity%20to%20Singapore%20by%202032>.

⁵ <https://news.masdar.ae/en/News/2022/01/19/11/06/Masdar-signs-agreement-to-explore-export-of-renewable-energy-from-Indonesia-to-Singapore>.

⁶ <https://asean.org/wp-content/uploads/images/2015/October/outreach-document/Edited%20APG-3.pdf>.

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