

## **Property sector can lead in green financing with government support and policies**

KUALA LUMPUR (21<sup>st</sup> September 2022) – The property sector can lead the way in hastening the development of green financing with the support of governments, Mr Sean Kidney, Chief Executive Officer, Climate Bond Initiative said today.

Globally, green bonds value stands at US\$2 trillion, while social, sustainability-linked and transition bonds at US\$3 trillion and other sustainable linked loans and financing add up to another few trillion dollars, he said.

“So, there is about US\$5 trillion outstanding in sustainable themed instruments in the world but we should be doing US\$5 trillion per annum, which means there is a long way to go,” he said at the “Developing and Financing Green Housing in Asia 2022” conference hosted by Cagamas Berhad (Cagamas) here, today.

The one-day conference is organised in collaboration with the ASEAN Catalytic Green Finance Facility and the ASEAN+3 Asian Bond Markets Initiative.

Kidney said the property sector is an area in which progress can be made in green financing with the support of authorities and governments.

“In labeling the buildings, the Malaysian Green Building Council (MGBC) is doing a good job in this area. The government and authorities need to support that and look for ways to insert the idea of labeling buildings into normal transactions.”

Among the things that come under MGBC’s purview are buildings realising energy savings, water conservation, a healthier indoor environment, better public connectivity, recycling of valuable resources and provision of greenery in developments. Assessment and labeling measures include the health of the buildings as well as resilience in climate change.

“Currently, the focus is mainly on emissions,” said Kidney. He said climate change is crucial to make sure societies, cities, economies and ecosystems are prepared to take on what is coming, saying that: “It is going to be a very rough ride for this century.”

“One thing is to have proper insulation as cities are going to have incidents of heat. Kuala Lumpur is not doing all that bad but it could do better.”

“We need to ensure that we are using, for instance, super-efficient air-conditioning because if the grid fails and we have a major crisis, we need to ensure we have cool buildings around us to go to.”

Part of all this is making sure societies are better able to respond to crises that are going to hit, and eventually, bounce back.

For that, there are many things that can be done on the financing side, for instance, value capture such as allowing subways to be financed by building of shopping and commercial centers and apartments above the stations.

“MTR in Hong Kong as we know is a 75 per cent owned government entity. It returns a dividend to the government because it makes profit from its subways.”

There are other things that can be done too in terms of regulatory measures to support green buildings.

“It can be things allowing differential heights in planning, say, if you build a zero carbon building, you get an extra five floors, or on the other side, regulatory measures to stop the lending to inefficient buildings.”

Governments and authorities need to be very clear on the approach to green financing on what qualifies and find a way to assist the work of organisations such as MGBC in Malaysia.

“And for banks, if they can readily tell which building qualifies, they will then start issuing green property bonds or the like, and in Malaysia, Cagamas is in a central core position to be able to do that across its portfolio.”

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### **About Cagamas**

Cagamas Berhad (Cagamas), the National Mortgage Corporation of Malaysia, was established in 1986 to promote the broader spread of home ownership and growth of the secondary mortgage market in Malaysia. It issues bonds and sukuk to finance the purchase of housing loans from financial institutions and non-financial institutions. The provision of liquidity to financial institutions at a reasonable cost to the primary lenders of housing loans encourages further expansion of financing for houses at an affordable cost.

The Cagamas model is well regarded by the World Bank as the most successful secondary mortgage liquidity facility. Cagamas is the second largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued circa RM369.3 billion worth of corporate bonds and Sukuk.

Cagamas' bonds and sukuk continue to be assigned the highest ratings of AAA/Stable/P1 by RAM Rating Services Berhad and AAA/MARC-1 and AAA<sub>IS</sub>/MARC-1<sub>IS</sub> by Malaysian Rating Corporation Berhad, denoting its strong credit quality. Cagamas is also well regarded internationally and has been assigned local and foreign currency long-term issuer ratings of A3 by Moody's Investors Service Inc. that are in line with Malaysian sovereign ratings.

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**About ASEAN Catalytic Green Finance Facility (ACGF)**

The ACGF is a regional, country-owned \$2 billion facility under the ASEAN Infrastructure Fund, administered by ADB, aiming to accelerate the development of green infrastructure in ASEAN by better utilizing public funds to create bankable projects and catalyse private capital, technologies and management efficiencies.

[ASEAN Catalytic Green Finance Facility | Asian Development Bank \(adb.org\)](http://www.adb.org/asean-catalytic-green-finance-facility)

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