



SDGS 2030: How to Create Awareness on Green Investment Through It's Risk and Utility?

(A Literature Study)

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Abstract. The effect of greenhouse gas and other pollution started to rise recently. Proven by the unpredictable weather and health emergency issues, many countries worldwide have started to realize the effect of industrialization. Supported by The G20 Presidency, green investment issues have been a great solution to imply and succeed the SDG 2030. Nonetheless, this green investment wave should be prepared with adequate knowledge of society and strict regulations. Through literature review methods, this paper aims to understand green investment utility and risks to create awareness of Indonesia's society in SDG 2030.

Keywords: Green Investment · SDG 2030 · The G20 Presidency · Risks · Utility

1 Introduction

The G20 Presidency has currently become a main agenda of Indonesia. The G20 is an agenda of 20 developed and emerging countries focused on solving global economic problems and achieving financial stability. In 2022, The G20's primary agenda are; global health architecture, sustainable energy transitions, and digital transformations. The countries agreed through their hashtag #RecoverTogetherRecoverStronger and aimed to achieve inclusiveness in many aspects [1]. Related to the issue of sustainable energy transitions, the financial aspect also takes charge. For example, in Think20 (T20) roundtable stated that the development of Asia's population would continue to have high energy consumption. This condition realizes that Asia-Pacific countries should start innovative energy financing [2].

Towards ETWG (Energy Transitions Working Group) at the G20 summit, the Head of ETWG stated that Indonesia should accelerate the financing activities to achieve sustainable energy transitions. The Financial Services Authority (OJK) supported the statement by issuing a sustainable financing roadmap. Besides that, The Ministry of Finance also stated that sustainable investment could be implemented through ETM (Energy Transition Mechanism) [3]. Nevertheless, the gap in investment in developing countries in Asia still obstructs those sustainable investment planning.

Valerie Kwan, the Director of Overseeing Corporate Investor Initiatives at Asia Investor Group on Climate Change (AIGCC), stated that Asia's developing countries need 3–6 times more investment than Asia's developing countries have [4]. The gap

in these conditions is caused by the uncertainty of “green” terms in green investment. Moreover, greenness is defined by what the region needs but is still in line with the net carbon goals. Related to that, Ministry of Investment (BKPM) said that in 2022 there is still a big gap in green investment projects between developed and developing countries. The gap is caused by the pricing policy, which is concluded to be quite unfair since the green projects in developing countries are much cheaper than in developed ones [5]. Hence, the inconsistent policy and unregulated systems between sectors create a negative perspective of investing in sustainable energy in Indonesia. While in fact, based on International Institute for Sustainable Development (IISD) stated that 7,8% of Indonesia’s investment is allocated to renewable energy [6]. Minister of Energy and Mineral Resources stated that Indonesia, in 2060, needs at least USD 1 trillion of investment. It is also supported by the Institute for Essential Services Reform (IESR) study, which said the investment needed between 2020–2050 in decarbonizations is between USD 20–60 billion [6]. Under these conditions, it is clear that Indonesia needs to be more aware of how to create public awareness of green investment.

2 Literature Review

2.1 SDGs 2030

Sustainable Development Goals is the agenda of the United Nations in 2015 to achieve 17 goals related to the environment, society, economy, health and many other aspects to reduce social inequality. Those goals are divided into 169 targets and are expected to be achieved on 2030 [7]. However, in order to achieve the targets, economic aspects and awareness need to be enhanced. In addition, the COVID-19 pandemic and the Ukraine War create financing constraints, especially for developing countries to achieve the 2030 SDGs[8].

Under that conditions, many investment sectors are declining, which is why the UN started to be concerned about how the financial gap in SDGs 2030 goals would be fulfilled[8]. In correlation with that, The G20 Presidency is expected to follow the Global Plan of Finance in the SDG 2030 roadmap to fulfil the investment gap, especially for developing countries [8].

2.2 Green Investment

According to SDGs 2030 goals and three main issues in G20 Presidency, the financial sector plays a big role in its success, reshaping the financial investment model in a country [6, 9, 10]. However, those terminologies have the same meaning: a financial system comprises sustainable or green projects through investment or funding, supported by regulation and policy to control the greenness and realize sustainable programs [10]. Green investment is usually embodied in some instruments or models such as; sustainable stocks with social responsibility index (SRI), green bonds, green Sukuk (sharia), green banks, etc. [9, 10].

In Indonesia, green investment was planned in 2007 through Republic of Indonesia Statute Number 25 of 2007, in article 3 section 1 point H. Therefore, it is said that

investment should also be allocated to the environmentally perspective [11]. Later, the investment was realized in 2010 in several sectors such as; forestry, geothermal, biofuel energy, renewable energy, and waste recycling treatment [12]. Furthermore, to support and ease the implementation of green investment, the Indonesia Stock Exchange and KEHATI Foundation issued the SRI-KEHATI Stock Index in 2009. This index comprises 25 companies, assessed through tight procedures regarding the social responsibility index (SRI) and ESG (environmental, social and governance) Principles [13].

Furthermore, besides the stock index, Indonesia also has issued three green bonds. The first green bonds were issued in 2018 to finance as much as USD 1,25 billion in environmentally friendly projects [14]. Later in the same year, there were three more issuers of green bonds. They are; PT Sarana Mukti Infrastruktur (USD 50M), Star Energy (USD 580M), and TLFF I PTE Ltd (USD 95M). Usually, each issuer focuses on certain environmental issues. Then, in the 2019 Republic of Indonesia issued a new green bond focused on larger and various environmental projects [15].

3 Research Methods

This study uses a literature review to obtain the information through secondary data. The literature review is a critical analysis of previous research fields that can also focus on research outcomes, theory and methods, which are surveyed, classified, shifted, simplified and synthesized [16, 17]. This study uses five stages of literature review they are [16, 17]:

- 1) *Problem identification*: the main problem of the research is to understand and increase the awareness of green investment, which supports SDG 2030. The awareness is expected to increase through risk and utility understanding of green investment
- 2) *Literature search*: using the keywords of “green investment,” “sustainable investment,” “green financing,” “SDGs 2030”, and “G20 Presidency”, the researcher acquired sixteen journals, nine web articles, two reports.
- 3) *Data evaluation and analysis*: in the process of sorting and eliminating the data, this research only focused on the research which focused on how green investment is implemented in South East Asia countries. Regarding the process all the sources acquired concluded valid and answered the research problem.

4 Result and Discussion

In terms of investment, researcher know it should generate profit for its investor. That is why the first thing to promote and enhance awareness of green investment is to inform its utility. Regarding that, here researcher provide some green investment utility and benefits as follows:

- 1) *Improves the firm’s financial performance in the long run and enhances the sustainable competitive advantage* [18]: the main function of green investment is financing net zero carbon and reducing pollution. By this condition, a firm could reduce the

environmental process and increase CSR (Corporate Social Responsibility) through technological innovation. Later, technological innovation indirectly enhances the firm's performance in the long term. Moreover, the high CSR rate also means that a firm has a great green image, which also benefits the firm by attracting green investors and obtain more attention by the government [18, 19].

- 2) *Reduce the pollution through the net zero carbon programs and embody the SDG 2030*: back to the terms of the green investment itself, researcher know that this financing program is used to fund all the sustainable projects related to SDG 2030. One of the most concerning issues in Indonesia is greenhouse gas (GHG) emissions. Refers to Presidential Regulation Number 22 of 2009, a firm should obligate the maximum emissions limit by changing the technology manufacturers. By this condition, it is clear that green investment, especially in manufacturing machines, could realize net zero carbon programs [20]. Besides that, the green investment could also be allocated to renewable energy and conservation, significantly impacting reducing pollution (GHG), especially in the FDI financing model [21].
- 3) *Enhance the market competitiveness in the financial market*: refers to SDG 2030 campaign through G20 Presidency and other socialization programs. Many people have recently started focusing on SDG 2030 and green financing. That is why many investors nowadays seek not only financial benefits but also non-financial benefits. Many firms transformed their financing programs to be more ethical and increase their competitive returns. As researcher can see, the SRI-KEHATI Stock Index in Indonesia, compared to other indexes such as LQ-45 and JII, is calculated to have a higher return in 2020. It is also related to the government's role in the framework of the regulations, which indirectly promotes green investment and offers more options to investors seeking non-financial benefits [22]. Besides the stock market, there is also competitiveness inside the bonds market. Recently, many firms also issued a green bond; one example is BNI (a state owned company) which issued a green bond and got oversubscribed four times. However, this condition makes the market more aware that sustainable project is starting to be in demand. That is why firms that do not adopt the sustainable program or offer sustainable financing would not survive in this competitive market.

Besides the utility, investment also has a high correlation with risks. That is why here also provides the risks of green investment as follows:

- 1) *The investment's pay-off is quite uncertain due to the market movement*: since investment is related to how the market flows, the market tends to have high movement in the green financing model. The pay-off is affected by how the "actors" convince other people to invest in green investments and increase prices. It also said that green investment would succeed if economic growth were stable. Moreover, this condition leads to many changes and rethinking actions in a country, such as feed-in tariffs, political regulations, civil culture, and many others. This statement is also supported by the fact that the green investment could only succeed if the company has a big impact and their conventional index is also profitable [23]. This statement is also

supported by the fact that green investment instruments tend to have greater downside risk than conventional instruments. This condition is caused by the market's immaturity and does not have enough catalysis to attract investors [24].

- 2) *Have a high reputational risk for its providers:* related to its green image, the issuer of green investment should have a high CSR and be accountable. As already stated before, the investors in the green market are those who also seek ethical benefits. Hence, due to its financing practice, the government would also have tight criteria and regulations, which is why green investment also concluded as political projects under certain conditions. Later, if the issuer exceeds the criteria or the regulations, investors would start to decline the instruments, and the issuer's reputation would decline in line with its instruments. According to that conditions, the issuer should have great strategies and transparent reports about the financial impact [25]. This reputational risk would be higher in the bank industry as a financial institution. The risk is caused by the medium and long-term credit offered in green investment. If not accompanied by good innovations in sustainable products, the bank would not survive in the green financial market and only get a high credit rate [26].
- 3) *Political and regulation could make the green market stay immature:* researcher could see that many conferences started to conduct and focus on sustainable projects. Hence, the competitiveness among companies also increased. If this condition is not accompanied by a good political regulation suitable to control the market, it is clear that the green investment model would remain unattractive. Later, the market would also stay immature with high uncertainty. The ineffective regulation would also make the green investment not credible, and the trend would decline [27].

5 Conclusion

In conclusion, researcher can see that green investment in Indonesia is on its way to rising. The roundtable, campaign, and other awareness strategies are built from G20 Presidency. Moreover, create a clear vision of green investment awareness; some utilities and risks could appear through green investment implications. Accordingly, Indonesia's government should prepare the market and society with adequate knowledge of green investment, clear regulations, and great promotional activities. Nevertheless, this study is limited to South East Asia, especially Indonesia's green investment implication and literature review. Therefore, the upcoming research should focus on how green projects are practiced, their effect on the environment, and how green investment grows.

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