Asia's Energy Market: *Trends, Transformation and Treasury Best Practices*

The Asian energy market is undergoing profound change, both as a result of long-term shifts – most notably a long-term path away from a traditional dependence on fossil fuels and towards cleaner energy and renewables – and short-term volatility, due to geopolitical events and the impact of tariffs.

Against this backdrop, demand for energy continues to grow as the region's economy expands and there is a surge in demand for power for data centers to meet generative artificial intelligence (AI) and other needs.

This confluence of factors means that the energy sector faces more complex risks but also greater prospects than ever before. Successfully navigating challenges while optimizing opportunities requires not only a nimble operational strategy and the deployment of new technology, but also global access to a full suite of digital payments, liquidity management and working capital financing solutions.

Asia's Energy Mix is Evolving

Attitudes towards renewables have shifted significantly in some countries.

Nevertheless, the world now invests almost twice as much in clean energy as it does in fossil fuels, reaching $2 trillion in 2024. While the road to renewables may be inconsistent in momentum, renewables will continue to be a part of the energy mix globally in the future.

Asia has traditionally been one of the most fossil fuel-dependent regions, with Southeast Asia relying on coal, oil and gas for about 83% of its energy needs.[1] However, the landscape is changing rapidly. In addition to making net zero commitments, some APAC countries have implemented electricity system reforms and enacted renewable energy legislation.[2] The share of renewables in final energy consumption in Asia Pacific has risen from 5% in 2000 to 12.21% in 2021, even as overall energy capacity and consumption have soared.[3]

There is also growing investment in complementary technologies that help to overcome some of the drawbacks of renewable energy. Sources such as solar and wind are inherently intermittent, with output fluctuating based on weather conditions and time of day. To address this variability, Battery Energy Storage Systems (BESS) play a vital role by storing excess energy during periods of high generation and transmitting it when demand is higher or production is low.

The Role of Liquefied Natural Gas as a Transition Fuel

As countries and industries chart their course to meet greenhouse gas targets, liquified natural gas (LNG) is seen by some as a bridge between higher CO2-producing conventional fossil fuels and renewable energy sources.

Asia has a mature LNG ecosystem, Australia is one of the world's largest LNG exporters,[4] while Malaysia and Indonesia are also significant global players.[5] Conversely, Japan, South Korea and China are the world's largest importers of LNG;[6] India is also a significant buyer.[7] Singapore serves as Asia's primary LNG trading hub,[8] redistributing LNG from Australia.

The U.S. has trade deficits with most countries in Asia; the deficit for ASEAN countries was $228 billion in 2024.[9] The U.S. has used tariffs and trade negotiations to address these deficits. As a result, many Asian countries are now committing to buy more U.S. energy including LNG.

A Breadth of Treasury Solutions for Energy Clients

Citi® Services supports the energy sector's diverse payment, liquidity and working capital needs in over 90 countries.

Solutions to Support Energy Clients Responding to U.S. Tariffs

As countries agree trade deals to purchase more energy and invest in various countries including the U.S., Asian energy clients are developing new trade flows. Citi is helping them manage working capital and navigate risk through solutions such as:

- **Import Letters of Credit (LCs) –** As Asian energy buyers agree to new commercial terms with U.S. energy sellers, LCs are often required to enhance buyers' payment capacity. Citi provides assurance of payment to exporters, provided LC terms are met.
- **Financing Larger Shipments –** Longer transit times from Asia to the U.S. encourage buyers to purchase larger quantities, increasing working capital needs. With a presence in over 90 countries, Citi can provide financing under several solutions including an LC, enabling Asian buyers to secure extended payment terms while U.S. sellers receive immediate payment.

- For Energy sector clients grappling with escalating costs and seeking enhanced cash flow, Citi's Supply Chain Finance solution provides a balance sheet-optimizing approach. This enables Energy clients to strategically extend payment terms to their suppliers without adversely affecting supplier cash flow, as suppliers retain the flexibility to receive early payment for their invoices. In addition to payables finance, Citi's Trade Receivables Finance solutions are used by energy clients to mitigate risk and improve financial stability, best practices showing that 40% of Energy clients are using receivables discounting solutions to shorten Days Sales Outstanding (DSO) and/or increase sales.
- **Digital Liquidity Transfers via Citi® Token Services** – Asia-headquartered energy companies increasingly seek to establish U.S. entities. Opening and funding accounts quickly and digitally is critical. Citi Token Services, a blockchain-enabled solution, allows clients to move USD liquidity between Singapore, Hong Kong, London and New York 24/7 – including bank holidays – with virtually no payment cut-off times.

For energy clients, Citi Token Services can be used for:

1. Funding planned payments, such as intercompany transactions or dividends, via near-instant liquidity transfer.
2. Funding time-sensitive payments that require immediate settlement.
3. Managing liquidity 24/7 to optimize cash intraday, after hours, on weekends and on bank holidays.
4. Settling capital markets trades outside of market hours, on weekends, or on public holidays.
5. Coordinating and pre-positioning large sums to support asset sales or purchases in advance.

Solutions to Support Energy Clients Transitioning Into New Energy Sources Such as Solar, Wind and Battery Energy Storage

Solar photovoltaic (PV) investment is projected to reach $450 billion in 2025, making it the leading area of global energy investment.[10] For global solar project sponsors, the life cycle of these projects include:

- **Pre-development Feasibility Studies –** Securing government approvals to develop sites; Bid Bonds are often used to assure payment to the government if the bidder fails to sign the contract.
- **Development and Construction –** Obtaining permits and signing construction contracts, which may require Financial Standby LCs and Performance Bonds.
- **Project Management and Maintenance –** Assisting with smooth operation over the life cycle (up to 30 years for solar farms), often supported by Warranty Bonds.

By the end of this decade, wind power will likely become the second-largest source of global renewable electricity generation, behind solar PV and ahead of hydropower.[11] Given the high capital expenditure required for wind turbines, treasury teams need innovative funding approaches and balance sheet diversification strategies.

Export Credit Agency (ECA) Financing offers an alternative means to access long-tenor financing (up to 10 years) and an additional source of liquidity.

- Iberdrola signed a €500 million green loan with Citi and Eksfin, the Norwegian ECA, to finance offshore wind farms.[12]
- In Asia, Citi is also providing ECA financing to support the transition of power stations from coal to LNG-fired operations.

Best Practices in Liquidity Management for Energy Clients

Especially given geopolitical changes or shifts in the energy mix, strong liquidity management is essential. Leading energy clients maintain daily visibility over at least 95% of their global cash balances – a target already achieved by 60% of Citi's global energy client base.

Global demand for real-time treasury solutions is growing. Citi is helping energy clients implement Real-Time Funding to automate cross-border or domestic liquidity deployment. Fund movements are based on triggers – for example, sweeping funds between countries when balances fall below a set threshold. Real-Time Funding can help to reduce idle cash, improve forecasting accuracy, and facilitate activity on non-business days.

Working With the Right People

The Asian energy market is being reshaped. The share of renewables is growing steadily, while traditional oil and gas trade routes are being reconfigured. Together, these developments highlight the complexity and opportunity in Asia's evolving energy landscape, underscoring the need for flexible strategies, advanced technologies and innovative financing solutions to work towards a stable and sustainable energy future.

The energy sector's diverse financing needs – ranging from managing counterparty risks to optimizing liquidity – require tailored, sophisticated strategies that combine liquidity and working capital solutions.

Opinions expressed are subject to change without notice. The expressions of opinion are not intended to be a forecast of future events or a guarantee of future results.

Citi works with over 900 energy clients globally, including many within Asia, and is committed to helping them grow as they shift their business models toward integrated energy.

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