Smoke rising from peat fire in Pekanbaru, Riau province in Indonesia. The country is now looking to reform its land and agrarian rights, which will help ameliorate social and economic inequalities while also shifting to more sustainable development of natural resources. PHOTO: AFP

Asean's active role in the greening of growth

The seeds for greening the region's growth have already been sowed, resulting in changes in the direction of Asean's economic development. BY SIMON TAY AND FAWZIAH SELAMAT

SUSTAINABILITY issues are still often seen as long-term concerns, rather than requiring urgent attention, despite the Paris agreement to take action to address climate change. Within the Association of Southeast Asian Nations (Asean), there have also been transboundary challenges – such as the fires and haze of past years – that question countries' real commitment to implementing sustainability pledges. Yet, while not in the headlines, the recent Asean Summit did take significant steps forward on sustainability.

Leaders endorsed efforts to recognise and develop the complementarities between the region's movement towards Asean Community Vision 2025 with the United Nations 2030 Agenda for Sustainable Development.

At the country level too, efforts are being made. The Summit noted that Thailand will take the initiative to develop an Asean Centre for Sustainable Development Studies and Dialogue.

The Summit also noted steps that are more specific to the agri-resources sector, specifically the palm oil sector, where Indonesia and Malaysia are taking steps to ensure sustainability. This industry has been associated, in the past, with the haze and fires and is even today being accused by critics in Europe of causing the clearing of rainforest.

Changes in this sector will impact not only the companies directly involved with palm oil, but across the value chain of traders and financial institutions as well as manufacturers and consumers.

These are not the only examples of how Asean is shifting towards a pathway of economic development that sets out green targets and rewards what is "clean and green". In part, this shift is driven by a re-assessment of risk.

The 2018 Global Climate Risk Index shows that four Asean members – Myanmar, the Philippines, Thailand and Vietnam – are among the 10 countries in the world that are being most heavily impacted by climate change.

Can Asean countries move away from "business-as-usual" patterns towards green growth and climate action? Can national-level actions coalesce into broader and stronger regional resilience? How will markets and companies be impacted by these shifts in policy direction?

With the Singapore Dialogue on Sustainable World Resources on May 18, the Singapore Institute of International Affairs (SIIA) will assemble policymakers and experts to assess green growth across the region, and especially how this might impact markets and corporations.

S-EA's GREEN CREDENTIALS

Malaysia's green growth pathway involves bringing sustainable and responsible investments into the mainstream of the financial system. It is the world's largest market for sukuk, Islam-compliant investments that also require environmental and/or social safeguards. The Malaysian Securities Commission is one of the first in the world to issue guidelines on what a wide range of funds, including private equity and real estate investment trusts, must do to be recognised as "sustainable and responsible investment funds", and thereby become eligible for tax benefits.

Over in Indonesia, the country is now looking to reform its complex system of land and agrarian rights. This would ameliorate social and economic inequalities while also shifting to more sustainable development of natural resources. For instance, a much anticipated extension of Indonesia's oil palm moratorium will include mandatory reviews of palm oil permits; this could result in the rezoning of areas as forest (which would then be off-limits for oil palm cultivation), the revocation of permits issued in violation of procedures, or criminal charges being pursued against law-breaking companies.

In the Philippines, the government is gearing up for a transition to renewable energy by increasing its tax on imported coal by 15 times to US$3 per tonne. The end result, the country hopes, would be a doubling of its installed renewables capacity by 2030, so that renewables account for at least 50 per cent of its energy mix.

Singapore is also betting on a carbon tax to be a game changer in greening its growth. From 2019 to 2023, facilities that produce 25,000 tonnes or more of greenhouse gas emissions annually will be taxed S$5 per tonne, with plans to raise it to between S$10 and S$15 per tonne of emissions by 2030. With the tax affecting major emitters – which account for 80 per cent of Singapore's emissions – environmental issues now carry a tangible cost which these companies cannot ignore. The financial services sector in Singapore, which is Asia's top performing and the world's third most competitive financial centre, will also be looking more closely at climate risks as the Monetary Authority of Singapore plans to include climate-related scenarios in industry-wide stress testing exercises to evaluate climate change's impact on significant insurers.

WHAT CAN ASEAN DO?

While the shift towards green growth can be seen to be gaining momentum, it will still be difficult for many Asean member states to meet their nationally determined contributions (NDCs) alone. Many countries will rely significantly on foreign and private investment to develop sectors such as renewable energy, green infrastructure, and high-tech agriculture. Some Asean countries have also yet to issue a clear implementation plan on how they plan to achieve their NDCs.

Asean, as a regional body, can assist by monitoring the NDC implementation of its members. More progressive members can assist in technology transfers and sharing of best practices to boost implementation of NDCs in states that are progressing slower.

Governments also need to encourage the private sector to step up and work with the public sector. Asean can lead the way by designing public-private partnerships aimed at reducing some of the financial risks involved in taking on large-scale development ventures, such as renewable energy production and sustainable land management, so that climate targets can still be met even as the region pursues economic development.

One need – and opportunity – is to create markets for more corporate sustainability bonds to attract long-term finance for projects and companies that spur green growth and improve rural livelihoods. To encourage this, Asean governments can promote initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

LOW-CARBON ECONOMY

These recommendations outline how companies should disclose climate-related information which will enable more informed investment decision-making. The TCFD recommendations must be widely adopted across the region so that governments and other stakeholders can determine better ways of managing climate risks and facilitate a smoother transition to a low-carbon economy. Such efforts can help harmonise standards so that companies can do more, and recognise those who disclose material information.

The seeds for greening the region's growth are being planted. Asean governments have begun to change the tone and direction of their economic development. This move will potentially grow stronger and faster, and those who do not watch for the changes will risk being surprised.

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