ASEAN STRATEGY FOR CARBON NEUTRALITY
Effects of climate change will have a significant impact on ASEAN

11% GDP loss by 2100 if left unaddressed

87M People living in areas at risk of flooding

5 of 20 Most impacted countries are from ASEAN

1. Below 2M above sea level; data available for Indonesia, Malaysia, Myanmar, Thailand, and Vietnam
2. Most affected by extreme weather events on average between 2000-2019 per Germanwatch’s Global Climate Risk Index
Source: Asian Development Bank (ADB); Hooijer and Vernimmen, 2021; Germanwatch; BCG analysis
However, pursuit of carbon neutrality could be a win-win for climate and the economy.

**USD 3.0 - 5.3T**
GDP value add by 2050

**USD 3.7 - 6.7T**
Green investment by 2050

**49 - 66M**
Additional jobs by 2050

Note: lower range is based on ACE APAEC Targets Scenario (APS) for renewables and Least-Cost Optimization (LCO) Scenario for transmission and battery; upper range is based on IRENA 1.5°C 90% RE Scenario and DBS-UNEP data.
Source: ASEAN Centre for Energy (ACE); International Renewable Energy Agency (IRENA); DBS; UN Environment (UNEP); BCG analysis.
The ASEAN Strategy for Carbon Neutrality aims to accelerate an inclusive transition towards a green economy, fostering sustainable growth and complementing national efforts as part of a regional collective effort. Building on ASEAN's strengths, existing efforts, and extensive consultation, the strategy presents a detailed analysis and roadmap of initiatives to empower ASEAN's journey toward carbon neutrality.
4 key outcomes of the Carbon Neutrality Strategy ensuring ASEAN's competitiveness on the global stage and readiness for the transition

- Developed green industries
  Capturing the full value of regional green value chains to unlock ASEAN manufacturing and export potential

- Interoperability within ASEAN
  Enabling exchange of green electricity, products, and feedstocks to accelerate roll out of green technologies

- Globally credible standards
  Ensuring ASEAN remains a top destination for international capital to increase liquidity in regional markets

- Green capabilities
  Developing the necessary green talent and expertise within ASEAN to drive the climate transition
Eight strategies to accelerate the journey towards carbon neutrality

1. **Accelerate green value chain integration**
   Establish cooperation frameworks & remove barriers to bring green products to market faster

2. **Regional circular economy supply chains**
   Incorporate definitions & facilitate trade deals to support circular economy via regional trade

3. **Connect green infrastructure & market**
   Build interconnectivity for green technologies & decarbonization solutions to underpin regional deployment

4. **Interoperable Carbon Markets**
   Develop credible carbon markets that are interoperable with each other & global markets

5. **Credible & common standards**
   Develop taxonomies & definitions on GHG reporting, carbon credits & energy efficiency that align with requirements of key markets

6. **Attracting & deploying green capital**
   Build effective pathways to attract necessary capital to region and between member states

7. **Green talent development & mobility**
   Classify and ensure regional access to skills needed for carbon neutrality journey

8. **Green best practice sharing**
   Share best practices in R&D, technology & green transition from within ASEAN and borrowing from the best of the world
The eight strategies were detailed out into sixteen priority initiatives that will kick-start ASEAN's journey towards carbon neutrality.
Identify & boost opportunities for greenification of the manufacturing value chains regionally
Assess trade complementarities to promote AMS value chain cooperation and provide policy support to boost greenification of manufacturing

Enable ASEAN feedstocks pathways for biofuels to capture global markets
Assess regional biofuel feedstocks & refining pathways (e.g., CPO\textsuperscript{1}) to drive regional and global acceptability of locally produced biofuels and SAF\textsuperscript{2}

Coordinate development of regional policies and regulations to support CCS/CCUS infrastructure
Identify high-potential CCS/CCUS hubs (e.g., SG-ID-MY) and provide policy support to enable cross-border CO\textsubscript{2} movement

1. Crude Palm Oil  2. Sustainable Aviation Fuel
Regional circular economy supply chains

Upgrade ATIGA\(^1\) to comprehensively include circular products
Include all circular product types (e.g., used products, recycled products, valuable waste) in ATIGA\(^1\) tariff schedules & value content definitions

Connect green infrastructure & market

Enable regional power trading, physical interconnection, and policy cooperation
Establish multilateral power trading mechanisms (e.g., cPPA\(^2\), REC\(^3\)), harmonize technical standards for grid interconnection and encourage AMS to support regional priorities (e.g., third party access)

Enable interoperability of regional transport & logistics infrastructure
Standardize cross-border infrastructure for electric, hydrogen, flex-fuel vehicles (e.g., charging plugs/sockets, protocols) across land-connected AMS, incl. public transportation and commercial logistics

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Interoperable Carbon Markets

Harmonize measurement, reporting & verification standards and policies to access global liquidity and regional carbon sink potential

Develop regional MRV\(^1\) framework to enable high quality carbon credits and provide policy support to enable seamless international exports of carbon credits (e.g., advise on double-counting issues)

Credible & common standards

Promote regional energy efficiency and conservation

Develop common regional minimum energy efficiency standards for high-impact devices (e.g., air conditioning, lighting) to enable market scale for manufacturers

Establish globally credible regional GHG inventory to flow from national reports

Develop consolidated database of internal reporting to track GHG emissions on a regional level, incl. incorporation of best practices (e.g., deployment of digital tracking tech)

Standardize globally credible frameworks for corporate climate reporting

Develop recommendations to standardize climate reporting framework and principles in line with international standards (e.g., ISSB\(^2\))

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1. Measurement, reporting & verification. 2. International Sustainability Standards Board
Attracting & deploying green capital

**Encourage adherence to ASEAN Taxonomy on Sustainable Finance**
Promote consistent & uniform regional adoption of ASEAN taxonomy to streamline regulatory complexity and advocate global recognition

**Promote de-risking through adoption of innovative sustainable finance instruments**
Promote capital de-risking practices such as deployment of ASEAN green/sustainability linked bonds and sukuk standards, as well as risk sharing mechanisms

**Incentivize green fund managers to locate in ASEAN, and local fund to develop**
Provide policy support and incentivizes to regionalize operations of green investment funds and encourage local funds to develop in ASEAN
Green talent development & mobility

Establish green skills taxonomy & facilitate movement of natural persons
Harmonize qualification standards for green skills and provide policy support for green upskilling and closing talent supply/demand gaps

Green best practice sharing

Facilitate best practice sharing to support effective just transition at national level
Facilitate best practice sharing and provide policy support in designing and implementing a Just Transition (e.g., jobs, affordability)

Conduct capability building for sustainable infrastructure and smart cities
Share best practices on development of sustainable infrastructure (e.g., energy efficient buildings) and deployment of smart city technologies (e.g., waste management, traffic light phasing)
Through the Strategy for Carbon Neutrality, ASEAN will be able to leverage the benefits of regional complementarity, create economies of scale, promote economic growth and drive opportunities for more ambitious climate pathways for the region.
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