



ASEAN Sets Course for a Carbon Neutral Future

Climate action is urgent since the ASEAN region is acutely vulnerable to the various impacts of climate change. Its long coastlines, heavily populated low-lying areas, and high dependence on agriculture expose it to the threat of rising sea levels, severe floods, and prolonged dry seasons. Germanwatch's Global Climate Risk Index noted that five of the world's 20 most at-risk countries are from ASEAN.

Climate action is also crucial to maintaining ASEAN's economic growth. Climate-related regulations such as the Carbon Border Adjustment Mechanism (CBAM) that will be introduced by the European Union in 2026 will impact trade and investment in the region, given the tariffs imposed on carbon-intensive products. Additionally, investors are increasingly considering climate action when deploying new investments and large corporations are demanding more access to renewable energy supply before committing to investments or capacity expansions. An analysis by the Boston Consulting Group (BCG) highlighted that pursuing a carbon-neutral future holds

the potential to create a value-add of between USD 3,0 and USD 5,3 trillion to ASEAN's GDP by 2050. This can attract USD 3,7 to USD 6,7 trillion green investments, and generate between 49 and 66 million additional jobs in ASEAN.

Recognising this potential, the ASEAN Economic Ministers endorsed the ASEAN Strategy for Carbon Neutrality on 19 August 2023, a visionary strategy that provides a springboard to propel forward ASEAN's green transition while unlocking huge economic opportunities in the region.

ASEAN Strategy for Carbon Neutrality

The ASEAN Strategy for Carbon Neutrality aims to accelerate an inclusive transition towards a green economy by fostering sustainable growth and complementing ASEAN Member States' national policies in achieving their respective Nationally Determined Contributions target. The strategy leverages ASEAN's structural advantages to identify appropriate actions



that can be taken collectively at the regional level to accelerate decarbonisation and achieve a carbon-neutral economy.

The strategy defines carbon neutrality as the state where the net carbon dioxide emissions of a geographical area reach zero. This means that the carbon dioxide emitted within a geographical boundary is offset by an equivalent absorption of carbon dioxide within the same boundary through carbon sinks or appropriately agreed-upon and accounted-for carbon transfers. ASEAN Strategy for Carbon Neutrality outlines eight strategies that will deliver four key outcomes for the region namely: i) development of green industries; ii) interoperability within ASEAN; iii) globally credible standards; and iv) development of green capabilities.

Eight Carbon Neutrality Strategies for ASEAN

- Accelerate green value chain integration by establishing cooperation frameworks and remove trade barriers between member states to bring green products to market faster.
- Strengthen regional circular economy supply chains by developing waste taxonomy and facilitate trade deals to support circular economy via regional trade.
- Connect green infrastructure and market through building interconnectivity for green technologies and decarbonisation solutions to underpin regional deployments.
- Develop carbon markets that are interoperable with each other within the region as well as globally.
- Credible and common standards through the development of taxonomies and definitions on GHG reporting, carbon credits, and energy efficiency that align with the requirements of key markets.
- Attract and deploy green capital by building effective pathways to attract necessary capital to the region and between member states.
- Green talent development and mobility classifying and ensuring regional access to skills needed for carbon neutrality journey.

- Green best practices sharing in R&D, technology, and green transition from within ASEAN and borrowing from the best practices in the world.

Why the ASEAN Strategy for Carbon Neutrality matters for businesses

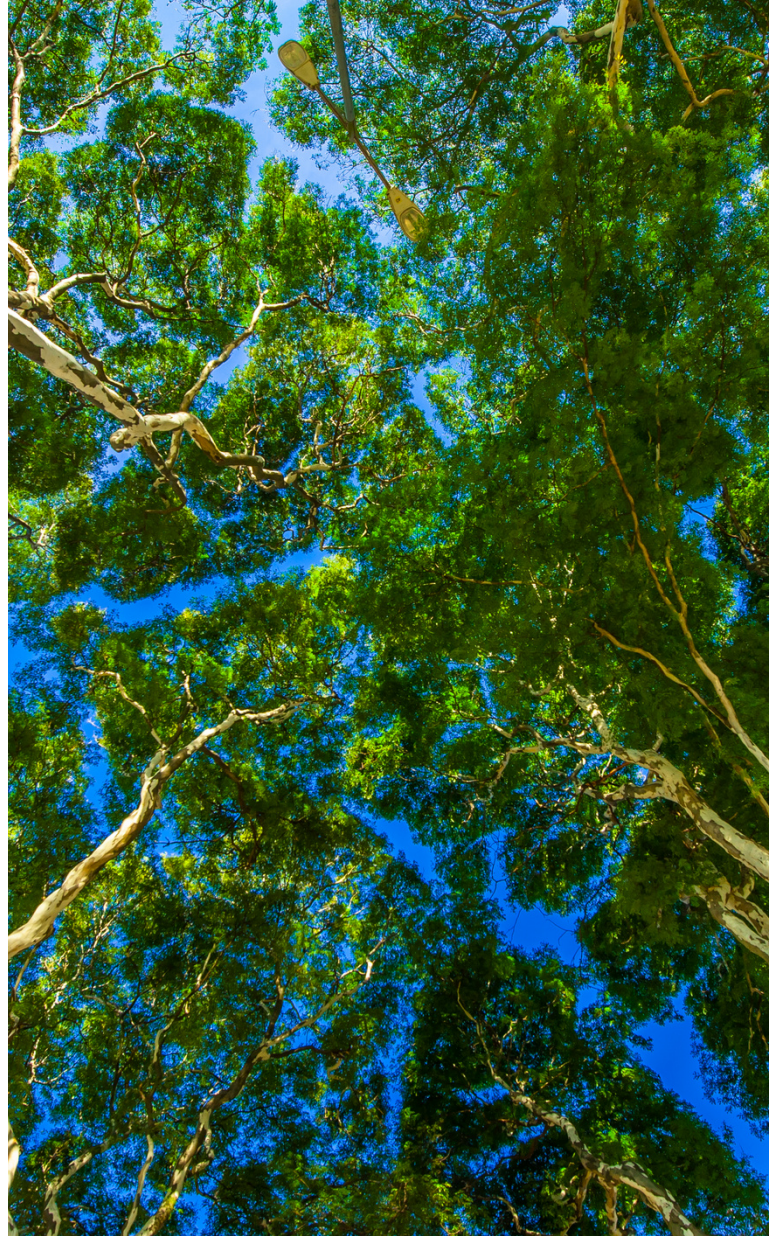
Market Opportunity and Green Competitiveness

Demand for sustainable products and services is skyrocketing globally. Consumers are increasingly conscious of environmental impact and prioritise brands that demonstrate commitment to sustainability. Aligning with the ASEAN strategy positions businesses to tap into this growing market and strengthen their brand image.

The transition to a green economy opens up new opportunities for innovation and investment. Businesses can develop and leverage cutting-edge clean technologies, circular economy models, and carbon-neutral processes, gaining a competitive edge in the region's rapidly evolving market.

Regulatory Compliance and Risk Mitigation

Carbon neutrality is not just an aspiration, it is becoming a regulatory reality. Countries across ASEAN are implementing stricter environmental regulations and carbon pricing mechanisms. The ASEAN strategy helps businesses anticipate future regulations and avoid potential penalties or operational disruptions.



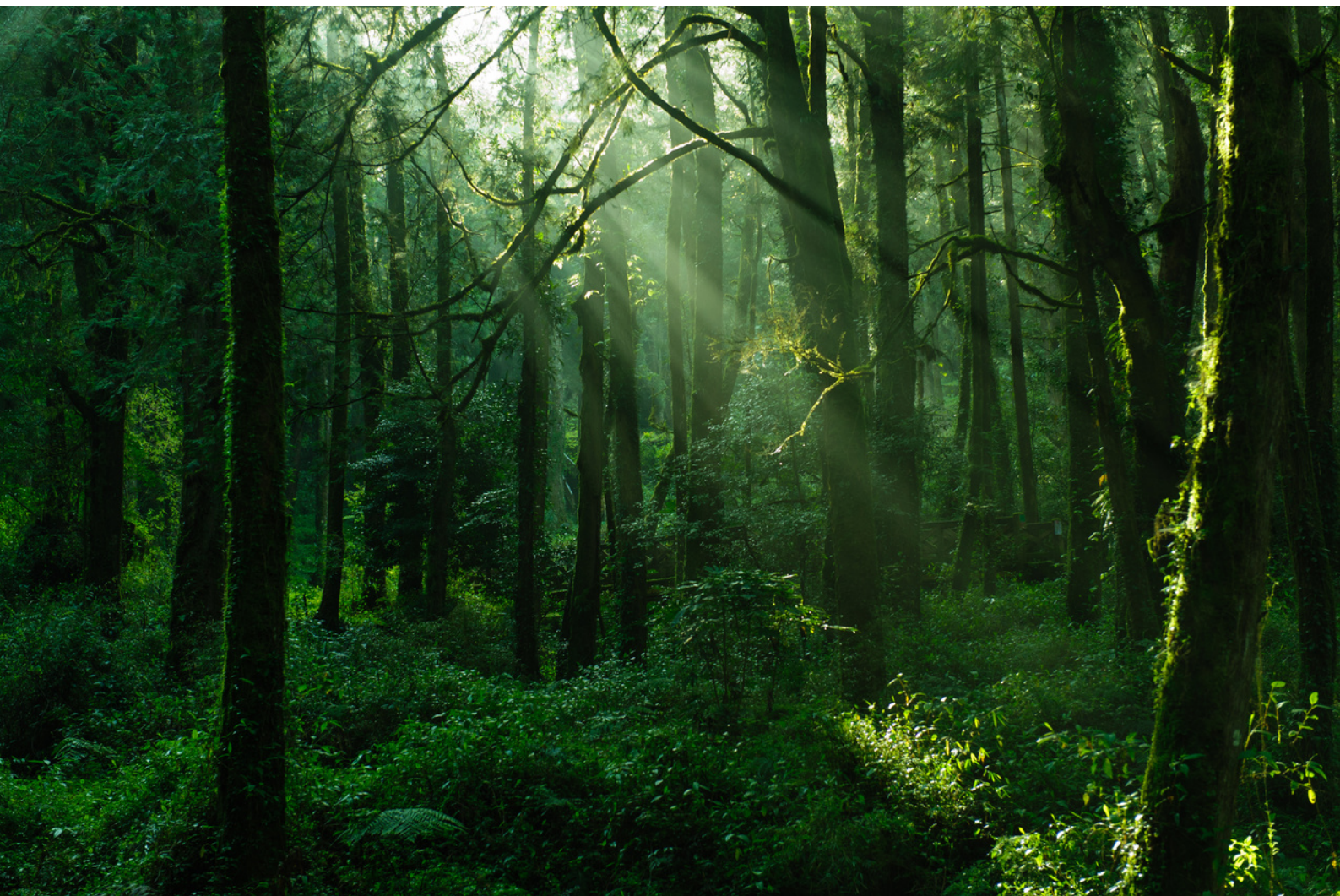
Climate change poses significant risks to businesses, including supply chain disruptions, resource scarcity, and extreme weather events. The strategy's goals are to help businesses build resilience, mitigate these risks, and ensure long-term operational sustainability.

Read Further the Brochure



Collaboration and Shared Value Creation

The ASEAN strategy emphasises regional cooperation and collaboration. Businesses can participate in cross-border partnerships, knowledge sharing initiatives, and joint ventures to access resources, expertise, and scale up their climate action efforts.



CARBON NEUTRALITY: DELIVERING ENVIRONMENTAL AND ECONOMIC BENEFITS FOR ASEAN

EDITORIAL

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The ASEAN Strategy for Carbon Neutrality, which was recently developed and adopted with support from the Australia for ASEAN Futures (AUS4ASEAN) initiative, represents a significant step in ASEAN's journey towards sustainable development and economic resilience. This ambitious strategy is pivotal for ASEAN in that it unlocks a clear pathway to mitigate the considerable climate-related threats faced by ASEAN while simultaneously accelerating economic development throughout the region.

According to analysis conducted by Boston Consulting Group as part of the development of the Strategy, the pursuit of Carbon Neutrality could unleash between US\$3.0 and US\$5.3 trillion in GDP value-add, attract a substantial US\$3.7 to US\$6.7 trillion green investment and unlock between 49 and 66 million additional jobs for the ASEAN region by 2050. Significantly, these benefits will accrue to all member states, with the most substantial economic benefits accruing to the region's least developed countries. This potential for economic upliftment is crucial, as it highlights the potential of carbon neutrality to narrow the development gap within ASEAN and promote more equitable growth across the region.

The pursuit of carbon neutrality will propel the region towards a greener economy, enhance trade competitiveness for all member states, and create a common approach that respects the diverse economic backgrounds and pre-existing commitments of each member state.

While ASEAN has a critical role to play in fostering a regional environment that encourages the pursuit of Carbon Neutrality, the investments and technologies that drive decarbonisation will ultimately be rolled out by member states and the private sector. Accordingly, extensive consultations were held with a diverse set of private sector stakeholders to shape a strategy that integrates global best practices with ASEAN's existing initiatives and business environment.

These consultations revealed that the private sector already recognises the importance of carbon neutrality, with companies embarking on their own initiatives and in some cases taking action well ahead of governments. To support this, companies highlighted the need for consistency and harmonisation of frameworks and regulations to minimise the regulatory burden, create level playing fields and improve the attractiveness of the region to investment. The need for interoperability and cross-border trading was also raised as a key need, particularly with respects to green power and carbon trading.

The ASEAN Strategy for Carbon Neutrality presents both challenges and opportunities for businesses in the region. Companies will need to innovate and adapt their operations to align with the regional trend towards decarbonisation, which will require a shift in focus and potential capital investments. However, the transition will also create significant new business opportunities and drive operational efficiencies that lead to cost savings.

Businesses can position themselves at the forefront of the transition by focusing on capacity building, fostering innovations to support the green economy, taking the long-term view needed to support investment in new technologies (such as renewable power purchase agreements) and continuing to engage with member states and ASEAN on the support they need to accelerate the transition to a green economy. By aligning with these changes, businesses will enhance their brand reputation, increase resilience against environmental and regulatory risks and tap into the enormous business potential posed by the growing global demand for sustainable products and services.



The endorsement of the ASEAN Strategy for Carbon Neutrality by the ASEAN Economic Community Council (AECC) and acknowledgement by the ASEAN leaders at the 43rd ASEAN Summit highlights the region's commitment to this environmental and economic initiative. Initiatives highlighted in the Strategy will be taken up by ASEAN Sectoral Bodies for further investigation and implementation, including integration into existing ASEAN structures. Continuous engagement and collaboration with stakeholders, including the private sector, will be key to ensure all parties are engaged and bought into outcomes, paving the way for a comprehensive and effective execution of the strategy.

The ASEAN Strategy for Carbon Neutrality is a testament to the ASEAN region's commitment to a sustainable and prosperous future. It identifies a win-win approach to tackling one of the most pressing challenges of our time while ensuring critical economic growth and development for the ASEAN region. By addressing the diverse starting points and needs of each member state and leveraging their collective strengths, ASEAN is well positioned to lead a green transformation that will benefit the broader region and set an example for the rest of the world.



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