

# Changing climate risk to opportunity

Covid-19 and other factors have given South-east Asia a respite from fires and the haze this year. Its countries should do more to encourage long-term solutions.

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The world last year suffered many outsized fires, which are recurring this year in the Amazon and parts of the United States. This year, South-east Asia has largely been spared the fires and haze that often trouble Indonesia and the region. Yet, there are risks if we are complacent and conversely, opportunities to be gained if action is taken.

Consider the reason why the haze has not returned to our skies – the weather has been unusually wet, even now, usually the driest time of year. Wetter conditions result in a sharp fall in forest fires. Burnt area in Indonesia totalled 1.65 million ha last year. But so far this year, from January to September, only 207,000ha were burned.

Additionally, Indonesian non-government organisations indicate that the economic impact of the pandemic has slowed the expansion of plantation lands, which otherwise often entails the use of fire to clear land.

These factors have led to a respite after the severe haze last year, but this is more a matter of luck and circumstances. Consider that, as a global average, this September was the hottest ever and that climate change will tend to make future years still hotter. If efforts are not renewed before weather patterns worsen, the region will again be prone to fires.

What needs to be done? Ideas are emerging on how to turn the risk of fires into opportunity and mitigate negative economic impact through business investment.

## DRAWING THE LINKS

The impact of the seasonal fires and haze extends beyond the toll taken on public health and the economies of Indonesia and neighbouring countries. The problem has global and long-term implications. Fires are a large-scale release of

greenhouse gases – it is estimated that Indonesian forest fires last year were comparable in terms of emissions to a major industrial economy such as Germany. Biodiversity also suffers as the ecosystems supporting species unique to the region are lost to mass land clearing.

Preventing and managing the fires and haze better can contribute to global efforts to avoid climate change and biodiversity loss. Forest conservation and restoration reduce greenhouse gas emissions, and help to store and increase carbon stock.

Take the peatlands, for instance, which disproportionately account for the haze and persistent fires. Indonesia alone is home to over a third of the world's tropical peat forests, which store large amounts of carbon. Each year, the amount of carbon emitted by South-east Asian peatlands from degradation and burning equals to 4 per cent of global fossil fuel emissions.

Experts have estimated that global natural ecosystems, if protected and restored, can provide a full one-third of the emission reductions needed to meet the Paris climate agreement's goal for 2030. Forest conservation and regeneration can be a significant nature-based contribution to meeting the climate challenge.

## FROM RISK TO OPPORTUNITY

Countries in the region are increasingly aware of the need to conserve forests, peatlands and other sensitive natural reserves. Indonesia has now made its moratorium on commercial licences for primary forest and peatland permanent.

In March, Vietnam announced a proposed national programme that would funnel payments from the country's largest carbon emitters towards forest conservation efforts.

These are important first steps, but protecting forests is not just about leaving them alone.

Nature-based climate solutions can be monetised through the generation of carbon credits,



turning climate risks into business opportunities.

A clear business case must be made to governments and investors.

Large-scale peat conservation projects are sometimes viewed as detrimental to local communities that cultivate cash crops on the land for their livelihoods. Nature-based solutions must therefore create value for both the environment and local communities. Carbon credits from such projects will be more attractive to companies purchasing offsets for their unavoidable emissions.

One path-finding example is the Rimba Raya Biodiversity Reserve, a peat swamp restoration project in Central Kalimantan. It is the first in the world to be certified as advancing all 17 United Nations (UN) Sustainable Development Goals. The project not only generates carbon credits, but also supports wildlife protection as well as local health and

education initiatives.

Meanwhile, efforts are being taken to strengthen the enabling environment. The International Union for Conservation of Nature's Global Standard for Nature-based Solutions, launched in July, enables prospective donors and investors to benchmark projects.

Although the UN Climate Change Conference of Parties (COP26) has been pushed back due to the pandemic, work is still ongoing to set up rules for a global carbon market. Many countries, including Indonesia, are preparing for that, and are moving to set up a national and even regional carbon

emissions-trading system. Singapore can benefit too, even without large forests of its own. Singapore is positioning itself as a regional carbon services hub for the future, which could include services supporting a robust carbon market. More companies are now making zero-carbon pledges, which will increase demand for carbon credits. Other financial

mechanisms such as green bonds may also allow companies in Singapore to invest in conservation.

Obstacles and gaps must be overcome. Many relate to national laws and systems. One significant challenge is to ensure that promises to set aside forests and other lands are effective, and can be monitored and verified.

## WHAT CAN BE DONE

There is much that corporations can and should do. Agribusiness and forestry companies that operate in forest and peatland areas are well placed to help conserve them. Some of the bigger and better companies are already setting aside areas of high value in conservation and carbon, while developing remaining concession areas for their production.

Most major companies that operate in peatlands have adopted "No Deforestation, No Peat, No Exploitation" (NDPE) policies, committing to the protection and

sustainable use of these sensitive landscapes. The commitments can be reinforced by investors who buy into these conservation efforts to offset their carbon emissions.

Such efforts can be assisted by government-to-government programmes as well. For instance, Norway has a longstanding commitment to invest US\$1 billion (\$1.36 billion) into Indonesia for schemes to reduce emissions from deforestation and land degradation.

Indonesia and the East Malaysian states have clear potential to offer carbon projects, in tandem with moves towards sustainable practices in their forestry and plantation sectors.

So does Myanmar, which has large reserves of forests and currently is a low emitter of greenhouse gases. This potential extends to other ecosystems as well, with efforts in the Philippines and Myanmar to generate carbon credits from mangrove forest restoration.

Often, the focus has been on technology and infrastructure, but governments can promote and protect investments in nature-based solutions too. One way would be to set out appropriate frameworks and rules, with agreements to govern and protect investments in sustainability and carbon credits – much as there are treaties for trade, foreign investment, tax and intellectual property.

As a think-tank, the Singapore Institute of International Affairs will convene its flagship conference – the Singapore Dialogue on Sustainable World Resources – next week to explore how the region and partners can scale up nature conservation and restoration to protect ecosystems while providing economic benefits. Not all countries in South-east Asia are equally ready to move, and the first pilot efforts may be between two countries or a subset of the region. Eventually, however, these first movers can contribute to a regional carbon market, drawing any relevant lessons from the European Union's example.

The Asean Community already has economic, security and socio-cultural pillars, and all countries in the group have made nationally determined contributions under the Paris Agreement on climate change.

Looking ahead, our region and key partners can work towards a "climate community" to assess and address risks, pool capacity and draw in investment.

The risk that fires and haze will return and worsen in the years ahead remains. But our focus on risk must be complemented by an outlook about the opportunities. When the skies are hazy, there is a sense of urgency to address the here-and-now problems; literally, fire-fighting.

With this year's respite and relatively clear skies, the region's governments, leading companies and experts must look further ahead at the emerging possibilities.

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