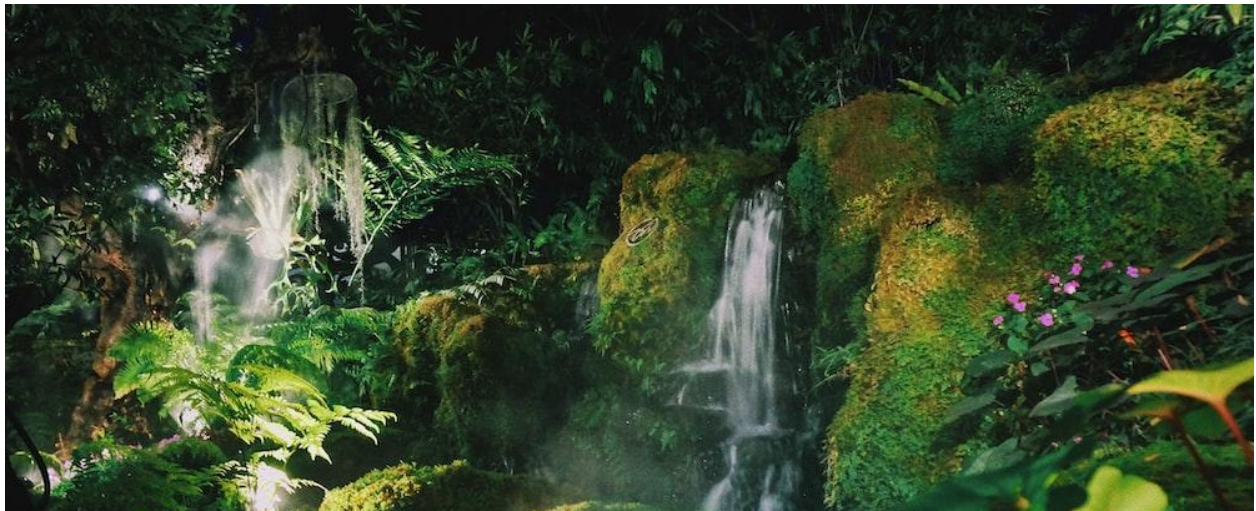


# ASEAN businesses gearing up for a net zero transition through carbon market with the launch of ASEAN Alliance on Carbon Market this year

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- **ASEAN Alliance on Carbon Market (“AACM”) was launched under Indonesia's chairmanship of ASEAN BAC in 2023 as the first private sector led body to advocate for cross-border efforts in the areas of carbon market development.**
- **AACM will foster a regional ecosystem and act as a focal point for international partnerships, with activities including capacity building and technical assistance**

Southeast Asia holds significant untapped potential to help meet the global Net Zero challenge while offering ~USD \$10 billion in economic opportunity for regional economies along with environmental and social benefits. [BloombergNEF report in 2022](#) reveals the total value of carbon credits produced and sold to help companies and individuals to meet their decarbonization goals could approach \$1 trillion as soon as 2037. Moreover, according to Imperial College London’s research, the ASEAN region has some of the world’s most valuable investable carbon stock – making ASEAN countries well-placed to benefit from the growth of carbon markets, with some already taking steps to implement rules locally. That enormous opportunity could create a strong and robust ASEAN carbon market that will contribute to a thriving carbon removal industry as a major GDP contributor with high-quality capital investments and green jobs created.

Although eliminating emissions as much as possible is a critical part of achieving Net Zero goals, carbon offsets will play an important strategic role in compensating for hard-to-abate emissions. Southeast Asia has some of the world’s most valuable investable carbon stock, and avoiding deforestation in the region represents a valuable source of carbon offsets, as well as important community and biodiversity benefits.

Nowadays, a high number of governments and companies want to implement their commitment to tackling climate change through their carbon pledge. We are seeing the benefit of the carbon financing

scheme, not just through helping humanity to reduce carbon emissions, but also the projected economic benefits created through the capital investment and green jobs. For reference, according to the [Africa Carbon Markets Initiative \(ACMI\)](#), the Africa region is projected to benefit from up to \$200 billion capital investment and 190 millions jobs created & supported by 2050. We are expecting similar numbers for the Southeast Asian region, with the total value of carbon credits projected to reach \$1 trillion before 2040, this could be a powerful climate financing source for Southeast Asian economies.

However, the carbon trading market is complex with a plethora of asset types, mechanisms, systems, and stakeholders – not to mention an abundance of acronyms and jargon. Existing information may be limited in terms of its scope or target audience, and users often cannot be sure about the reliability of the data. This is exacerbated by the fact that the lack of harmonised regulation or standards agreed across the ASEAN countries. Carbon developers and buyers who want to start their carbon trading journey might find it difficult to start with no centralised players that could guide and advocate their needs.

AACM is launched under the legacy program of Indonesia’s chairmanship of ASEAN BAC in 2023, the Carbon Center of Excellence (CCoE). CCoE aims to promote an understanding of carbon markets for business leaders, market participants as well as regulators. It was built from B20 Indonesia legacy initiatives and is currently continuing the momentum with the launch of AACM. AACM will champion scaling up voluntary carbon markets and compliance markets across ASEAN and will help launch the voluntary carbon market (VCM) in Southeast Asian countries as a key part of accelerating progress on the climate change commitment.

A veteran in carbon financing, Dharsono Hartono, founder and CEO of PT. Rimba Makmur Utama, reiterates the importance of launching this alliance in advancing the carbon market in the region. Hartono, who is also the legacy lead for CCoE, said that,

*“I believe that the ASEAN Alliance Carbon Market will accommodate the enormous potential of the carbon market in Southeast Asia and accelerate our net-zero and sustainability transformation. The region needs a voluntary carbon market that is large, transparent, verifiable, and environmentally robust”*

PT Rimba Makmur Utama launched the Katingan Mentaya Project in 2007 to provide sustainable livelihoods to local communities. Today, the Katingan Mentaya Project manages 157,000 hectares of land, encompassing 35 villages, generating an average 7.5 million triple gold certified carbon credits annually. It is one of the largest carbon projects verified by Verra, globally. Through the launch of AACM, we hope to support more Dharsono to flourish in the Southeast Asia region.

There will be three key focus areas of AACM:

### **1. Supply & Generation**

It is recognised that generating high quality and high integrity carbon credits could be triggered through a series of capacity building and policy advocacy. Improving capacity and quantity of project developers will then support the scaling of voluntary carbon markets and shaping of respective compliance markets.

### **2. Intermediation & Infrastructure**

Intermediation costs and frictions are often quoted as one of the highest costs in developing a robust carbon market. This includes the lack of access to finance and the lack of global market interconnectivity. AACM aims to support Southeast Asian exchanges in marketing the differentiated ASEAN domiciled carbon credits to both Southeast Asian and global buyers (incl. overseas listed carbon funds).

### 3. Demand & Assurance

The awareness on the quality and quantity of carbon credits available in the Southeast Asia region could definitely be increased. In order to do so, there is a need to improve transparency across the market. Much of the awareness building will be done through collaboration with independent carbon rating providers.



AACM is currently supported by global organisations such as BloombergNEF, London Stock Exchange Group, The Integrity Council for the Voluntary Carbon Market (ICVCM), International Emission Trading Association (IETA), World Business Council for Sustainable Development (WBCSD), and others, noting the cruciality of such alliance in the region. This alliance also receives strategic support for the secretariat from the ASEAN Business Advisory Council (ASEAN-BAC), Indonesian Chamber of Commerce and Industry (KADIN), and Equatorise Advisory.

A successful carbon market strategy can not be achieved without synergy. The government could take the lead in designing the right regulatory framework; the business actors need to set decarbonization goals and explore low-carbon solutions; and the industry association needs to bring the two together by creating public-private task force collaborations and other targeted forums.

Building an effective voluntary carbon market will require a concerted effort across a number of fronts, where action can support the scaling up of the voluntary carbon market. By enabling more carbon offsetting to take place, a voluntary carbon market would support progress toward a low-carbon future.

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#### **About ASEAN Alliance Carbon Market (AACM):**

Under Indonesia's chairmanship of ASEAN-BAC in 2023, the ASEAN Alliance on Carbon Markets (AACM) aims to promote scaling Voluntary Carbon Markets across ASEAN and to support the implementation of compliance markets. AACM will be the first private sector-led body to advocate for cross-border efforts in the areas of carbon market development. AACM will foster a regional ecosystem and act as a focal point for international partnerships, with activities including capacity building and technical assistance.

#### **About ASEAN Business Advisory Council (ASEAN-BAC):**

Launched in April 2003, ASEAN-BAC was set up with the mandate to provide private sector feedback and guidance to boost ASEAN's efforts toward economic integration. Aside from providing private sector feedback on the implementation of ASEAN economic cooperation, the Council also identifies priority areas for consideration by the ASEAN Leaders. Accordingly, ASEAN-BAC's activities primarily focus on reviewing and identifying issues to facilitate and promote economic cooperation and integration.

#### **About Indonesia Chamber of Commerce and Industry (KADIN):**

KADIN is the umbrella organization of Indonesian business chambers and associations. KADIN is focused on all matters relating to trade, industry, and services, and is highly committed to tapping potentials and synergies of the national economy, offering a strategic forum for Indonesian CEOs. It is privately funded, hence an independent spokesperson of private sector interests. It is also the only nationwide business

organization mandated by Law No. 1/1987 to speak on behalf of private businesses, maintaining a privileged liaison to Government Officials and covering all relevant sectors. 34 regional Chambers (KADIN Daerah) and 514 district branches ensure national coverage. Because of this huge network, KADIN Indonesia is the preferred partner for foreign companies initiating their engagement in Indonesia to become a member of KADIN Indonesia.

**About the Equatorise Advisory:**

Equatorise is an international advisory house supporting Indonesian corporates and family offices to seize opportunities in the UK and the EU as well as helping UK/EU based companies and institutions to unlock values and thrive in Indonesia, the rising powerhouse in the Indo-Pacific region. We help our clients to navigate disruptions from the Covid-19 pandemic and to discover opportunities from the twin transformation of the decade – stemming from digital transformation and sustainable transition into a net-zero post-pandemic future.