

Joint Recommendation by the ASEAN-Business Advisory Council,
Keidanren, and the Economic Research Institute for ASEAN and East Asia
on the Asia Zero Emission Community Platform

20 August

In conjunction with the 2nd Asia Zero Emission Community (AZEC) Ministerial Meeting, the ASEAN Business Advisory Council (ASEAN-BAC), Keidanren (Japan Business Federation), and the Economic Research Institute for ASEAN and East Asia (ERIA) (collectively, 'we') affirm the following:

We recognise the importance of addressing decarbonisation, economic growth, and energy security simultaneously through diverse and realistic pathways. This includes leveraging technologies like energy efficiency, power grid development, low carbon hydrogen and ammonia, and carbon capture, utilization, and storage (CCUS), while considering each country's unique circumstances.

We welcome the launch of the Asia Zero Emission Center, which will develop strategic programmes for decarbonisation roadmaps, sector-specific actions, and market enablers. The Center will engage stakeholders and collaborate with ASEAN organisations such as the ASEAN Center for Energy and the ASEAN Center for Climate Change to support AZEC activities, including the AZEC Advocacy Group.

To advance carbon neutrality projects and solidify the AZEC concept, we emphasise the need for partner countries to closely cooperate in policy and institutional coordination. This includes rulemaking, financing, supporting individual projects, expanding AZEC's reach to include more countries and fostering broader understanding of its activities.

We recognise the importance of strengthening policy coordination and regional cooperation to ensure a high-integrity carbon market. This includes considering current regional market developments, promoting necessary capacity building, knowledge sharing, facilitating cross-border trading, and benchmarking against global standards. In this regard, we acknowledge and support the ASEAN Alliance on Carbon Markets (AACM) as the first private-sector led body to promote the scaling of carbon markets across ASEAN and advocate for cross-border efforts in the region. We also acknowledge the need for a comprehensive strategy that harmonises frameworks for emissions monitoring, reporting, and verification, and establishes an Asian data linkage platform.

We acknowledge carbon credits, particularly through the Joint Crediting Mechanism (JCM), as vital in enabling AZEC's decarbonisation goals. Addressing credit transfer restrictions, expanding partnerships, and broadening the JCM's scope to include key decarbonisation technologies like hydrogen, ammonia, synthetic fuels, CCUS, and eco-friendly equipment upgrades will enhance its effectiveness.

Developing markets for green products is crucial for achieving carbon neutrality and necessitates a system that promotes green values. It is preferable to use

indicators that quantitatively assess emission reduction efforts, such as the extent of emissions reduced due to a company's investment and reductions achieved beyond the company, as measures of green value.

Given the importance of low-carbon hydrogen and ammonia for decarbonising the industry, transport, and power sectors, we propose standardising carbon intensity calculations, technical specifications across the value chain, harmonising import/export procedures, and safety protocols and standards across AZEC partner countries to accelerate cross-border projects.

To promote environmentally friendly goods and green infrastructure investment, we encourage AZEC partner countries to expedite tariff reductions on goods covered by their Free Trade Agreements/Economic Partnership Agreements and eliminate investment barriers, including restrictions on foreign investment.

To attract private capital for transition projects, we recognise the need for coordinating public-private collaborative frameworks and expanding financing measures such as promoting blended finance and utilising regional savings. We advocate for deepening discussions within the Asian Transition Finance Study Group and GX Consortium, linking these dialogues to concrete projects, and addressing bottlenecks in transition finance. Expanding the Technology List and Perspectives for Transition Finance, aligning them with the ASEAN Taxonomy, particularly for integrating technologies to decarbonise coal-fired power plants, disseminating guidelines and technology lists to financial sector stakeholders, and exploring the use of green digital finance to accelerate energy transitions are all essential.

To promote AZEC projects, we encourage AZEC partner countries to provide economic incentives and implement fiscal and regulatory reforms to overcome barriers. We welcome the Japan Business Federation's recommendations for ASEAN and each country, which provide a foundation for advancing decarbonisation within the partnership.

We encourage the Second Ministerial Meeting to finalise key policies and projects in power, transport, and industry, with the Senior Official Meeting detailing these efforts. ERIA's Asia Zero Emissions Center will track progress and report to bolster AZEC's international recognition.

To effectively implement agreements reached at ministerial meetings, it is crucial to establish a system that includes the formation of cross-ministerial and agency task forces within AZEC partner countries.

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