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Can Asean harmonise climate claims?

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Demystifying sustainability

Can Asean harmonise climate claims?

ASEAN'S climate conversation does not stop at preventing double counting.

Even if accounting rules improve, a deeper question remains: can the region harmonise climate claims without undermining national sovereignty?

The potential is significant.

Cross-border trade in renewable energy certificates (RECs) and carbon credits can unlock investment, diversify supply, and accelerate decarbonisation. But every government wants its transition to deliver jobs, capacity, and local growth.

The fear is that freer markets will see benefits flow abroad while domestic projects languish.

The challenge is therefore not whether Asean should harmonise, but how to do so while keeping sovereignty intact.

Why sovereignty matters

Picture a Malaysian corporate claiming "100% renewable energy" solely through cheap Vietnamese RECs.

On paper, the company looks green. On the ground, however, Malaysia's grid remains unchanged and local solar developers lose buyers.

That dynamic undermines domestic investment, slows grid reinforcement, and weakens national transitions.

The challenge can be addressed through straightforward guidelines on REC usage that support the voluntary market and encourage trading, ensuring priority is not given solely to state-owned RECs but also to locally issued Malaysian RECs that carry international recognition.

Sovereignty is about ensuring national decarbonisation creates visible social and economic gains at home.

A calibrated cap, not an open floodgate

Singapore's carbon tax regime provides a useful model. Companies there may use international carbon credits to cover only up to 5% of their taxable emissions. The rest must be abated locally. Asean could adapt this principle for RECs.

For instance, capping imported RECs at 10% of a company's renewable procurement ensures flexibility while requiring most demand to support local projects.

This balanced cap protects sovereignty without shutting off cross-border flows.

This can be achieved by introducing clear guidelines requiring environmental, social and governance auditors, consultants, and international registries to only recognise RECs from locally grid-connected renewable assets.

Under the upcoming Malaysian Framework, eligibility for scope two carbon abatement should be limited to RECs issued through bundled or unbundled schemes from projects with a commercial operation date of less than 15 years.

Avoiding the trap of over-regulation

Yet, sovereignty must not become a pretext for heavy-handed regulation.

Some Asean countries have already veered toward restrictions that choke the very markets needed for investment.

The result has been slower market growth, lower liquidity, and reduced investor appetite.

The lesson is clear: Asean needs guidelines, not rigid regulations. We need solutions and not restrictions.

Governments should establish principles to safeguard integrity – ensuring transparency, disclosure, and alignment and be supportive of a free market and traded on platforms like Bursa Carbon Exchange thus enabling trade through well-defined rules and safeguards, rather than imposing restrictive measures. RECs can be govt registered but traded on free market locally.

Rules that are too restrictive risk deterring corporate buyers and starving renewable developers of capital.

Corresponding adjustments for RECs

The Paris Agreement's Article 6 offers a proven tool: Corresponding Adjustments (CAs). Under this mechanism, if a carbon credit is exported, the host country deducts it from its nationally determined contribution tally.

The challenge is therefore not whether Asean should harmonise, but how to do so while keeping sovereignty intact.

Only one claim stands. Asean should extend this principle to include RECs. Registries such as I-REC or TIGR can introduce "CA-requested" flags to mark export-linked RECs.

This protects host-country sovereignty while giving corporate buyers assurance that their claims will survive investor scrutiny.

Getting the plumbing right

Beyond caps and adjustments, harmonisation depends on the "plumbing" of energy markets:

> Registries: Some nations prefer national systems for example the Philippines' Prems, others rely on international registries. A hybrid approach with handshake protocols avoids market fragmentation. Brands like mRECs signify Malaysian RECs but are issued under the I–REC registry.

> Third-party access (TPA): Open grids matter. Independent developers must be allowed to use transmission lines on fair terms.

Transparent tariffs and neutral capacity allocation rules level the field and attract private investment.

> Neutral institutions: Grid operators and single buyers should be ring-fenced under independent oversight. This prevents conflicts of interest and reassures investors that markets are fair.

Corporate disclosure pressure

Global frameworks already raised the bar.

Greenhouse Gas Protocol requires companies to disclose both location-based emissions calculated using the average emissions intensity of the local grid where electricity consumption occurs.

And market-based emissions calculated using contractual instruments such as RECs, power purchase agreements (PPAs), reflecting the emissions from the electricity products a company has purposefully chosen to purchase.

This dual approach prevents imported certificates from masking continued fossil-heavy local consumption. In Malaysia, new International Sustainability Standards Board-aligned disclosure rules will further tighten standards.

Bold claims will need credible local evidence.

Imported RECs may complement but cannot substitute local action.

Asean's policy playbook

For Asean, the priority is to issue guidelines that steer, not strangle.

A practical playbook includes:

> Cap imports, but don't ban them. Keep flexibility while protecting domestic projects.

> Allow REC trade under Article 6. Require corresponding adjustments for exported RECs.

> Publish clear claim language. Distinguish between "local renewable use" and "support abroad."

> Guarantee fair grid access. Legislate TPA to unlock private capital.

> Safeguard neutrality. Ring-fence system operators and buyers.

> Regional clearing house. Empower the Asean Centre for Energy to reconcile claims with registries and ensure consistency with NDCs.

Crucially, these should be issued as guidelines, not prescriptive laws. Voluntary markets thrive on innovation and liquidity; heavy-handed controls risk suffocating them.

What companies can do

> Prioritise local procurement. Support host-country transitions through PPAs and domestic RECs ownerships of schemes like large scale solar.

> Use imported RECs within guidelines. Treat them as complements, not substitutes.

> Disclose precisely. State origin, CA status, and claim type.

> Engage regulators. Work with governments to shape balanced frameworks that avoid the pitfalls of over-regulation.

Harmonisation is not about a single Asean marketplace imposed from above.

It is about building trust – trust that national priorities will not be traded away, and trust that corporate claims will stand up to scrutiny.

With calibrated caps, Article 6 alignment, open grids, and neutral institutions, Asean can build markets that are both credible and investable.

And with guidelines instead of rigid regulations, governments can encourage liquidity, innovation, and cross-border flows, while preserving sovereignty.

Guidelines over regulations

The sovereignty dilemma is not an obstacle to harmonisation.

It is a reminder that cooperation must be carefully designed.

Asean governments must resist the temptation to follow the restrictive paths of Indonesia and the Philippines.

What the region needs are light-touch guidelines – clear principles that protect integrity without stifling markets.

Done right, Asean can attract billions in climate finance, safeguard national interests, and position itself as a hub for sustainable investment.

Done wrong, the region risks throttling the very voluntary markets that could fund its transition.

This is the second of a two-part series on Asean's evolving carbon claims debate.

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