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Reconsider climate strategy to address worst impacts of climate change

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BY TAN ZHAI YUN

With the failure of developed countries to provide sufficient climate finance to developing countries at the recent COP29, US President Donald Trump's second term in office and a shift towards the right in Europe, there is a likelihood that climate action will take a backseat globally.

In this context, Malaysia should recalibrate its climate strategy, ahead of the submission of new national targets or the nationally determined contributions (NDCs) by February this year, and focus more on adaptation to climate change as the Paris Agreement goal may not be met.

This was part of the perspectives presented in a Khazanah Research Institute (KRI) report, "What is to be done? Confronting climate crisis in Malaysia", published in November.

"I made the argument that the fundamental focus of our climate policy should focus on climate security and resilience. If you look at the climate policy now, it's primarily focused on compliance with the Paris Agreement and the UNFCCC (United Nations Framework Convention on Climate Change), and it's mainly in terms of reporting and mitigation obligations," says Yin Shao Long, lead author of the report and deputy director of research at KRI.

"Of course, the most long-term sustainable route towards ensuring climate resilience is through mitigation. But if large emitting countries are not going to play ball with mitigation, then correspondingly, we have to increase the amount of adaptation that we have to do and expect to take in more loss and damage."

PRIORITISE THE PEOPLE

Reports by Malaysia's government to the United Nations and projections by the Intergovernmental Panel on Climate Change have shown that more intense flooding and rainfall, sea level rise and hotter temperatures are expected with climate change, resulting in reduced yields, coastal erosion and damaged critical assets.

Yin observes that adaptation to these impacts are the next big policy gap that needs to be filled, and it must involve local and state governments. Some corporations are already taking action but they need cooperation from the authorities.

"I spoke to one of the port operators in Klang about his experience in the December 2021 floods. He said he wasn't too badly affected, but his problem was that the town was so flooded that his workers couldn't get to the port," he says.

"He took care of everything within his property but the zone outside his property was inundated. For the situation to be resolved and ensure business continuity, you would need to engage with businesses and the local council."

This should be seen as a priority given how it will impact Malaysians in their everyday lives.

However, ESG or sustainability standards and targets seem to be dictated by external agents, which are mainly the western countries. But this is changing, as the West has "hit peak ESG," says Yin, "but it may be cyclical". However, he does expect ESG to continue to be weaponised in trade through policies like the Carbon Border Adjustment Mechanism (CBAM) and the European Union Deforestation Regulation (EUDR).

The EUDR has been postponed due to protests from EU's local industries, including the farmers, while the

CBAM has been criticised for reducing the competitiveness of the EU's industry. There have been suggestions to slow down the pace of CBAM implementation so that the carbon tariff imposed on importers does not rise too quickly.

"I think there is a space for countries like Malaysia to articulate our own ESG priorities, because we have excellent environmental campaigners here and people who are knowledgeable about sustainability. I've always felt it's more important for us to take care of children fainting because of toxic fumes coming from Sungai Kim Kim rather than dealing with someone's emissions reporting requirements for exports," says Yin.

IT'S NOT JUST ABOUT INVESTMENTS

Another argument that Yin and his colleagues made in the report is that the ultimate objective of a national climate strategy should not be investment, which is the



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Wan Amirah

purview of industrial policy. Instead, it should focus on long-term climate resilience and security for Malaysia.

On the other hand, industrial policies can be utilised to support climate transition, they believe, compared to conventional climate policy tools such as carbon pricing. Subsidies, financing, performance requirements and other industrial policy measures can tackle supply-side issues and profitability of green solutions, which they believe is far more supportive of investment and business activities.

Former US president Joe Biden's Inflation Reduction Act (IRA) is highlighted as an example. Instead of taxing carbon and making things more expensive, in the hope of triggering behavioural change, the IRA makes it cheaper to go green by offering subsidies, tax credits and production subsidies for relevant technologies.

If the rate of return for investing in solar panels is higher than investing in fossil fuels, it would naturally attract investors and businesses, says Yin, offering an example.

But having such incentives can be a costly exercise. The report highlights that Malaysia's National Energy Transition Roadmap requires investments of up to RM1.3 trillion, which is broadly equal to the country's current sovereign debt, excluding contingent liabilities.

Either of the solutions — carbon tax or incentives — could result in higher costs being passed on to consumers, contributing to a "green inflation".

In response, Yin says revenue-neutral subsidies can be used, such as tax credits and tax holidays. "For example you could give tax credits and pioneer status to companies doing adaptation work. Those incentives are often offered to multinational companies to invest in Malaysia [as they are] seeking low wages and cheap land, energy and water. Why not offer it for activities that also create great benefits for Malaysians?"

A LOCALISED CLIMATE ADAPTATION PLAN

Malaysia is preparing a National Adaptation Plan, which is expected to be finalised by 2026. The plan is funded by the German government and the Green Climate Fund. It takes a longer-term approach to managing climate change impacts, encompassing flood and coastal management, food security, infrastructure and impact caused by heat, among others.

The plan's focus on governance, which sets out clear responsibilities for each stakeholder, is important because it requires cooperation from the federal, state and local governments, says Yin.

"Lessons from international studies and countries show that you need a lot of place-based localised consultation with communities and local governments to understand what the particular adaptation issues are in any given sub-national zone. The local government is best equipped for that," he says.

"We don't have a strong policy signal yet to empower the local government to take action on adaptation. In contrast, South Korea has had a law in place for 10 years now that mandates the local government as the entity to take action on climate adaptation."

It will also require action from different ministries. Increased flooding will damage agricultural land and livestock production, for instance, as will higher temperatures.

"We also have heat impacting our farmers, and this will require more work from the Ministry of Human Resources, for example. We have all these challenges coming in on our food security and agriculture, and it requires a lot of inter-ministerial talk and discussions," says Wan Amirah Wan Usamah, research associate at KRI.

However, one aspect that Yin is concerned about is the timing of the adaptation policy development. By the time it is completed, it will take another few years for the local plans to be developed.

"We're talking about 2029, which is at the cusp of 2030 already, which is [a year that is] kind of a tipping point in terms of the scientific knowledge about climate change. Whether we will have sufficient information feeding into those 2030 studies is a big question. How are we going to have accurate policies to base our plans on from 2030 to 2050?" he says.



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Adaptation to impacts of climate change like flooding is the next big policy gap that Malaysia must address



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