

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

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1. Introduction

The Asia Zero Emission Community (hereafter “AZEC”) was launched to realize three interlinked visions simultaneously across Asia: decarbonization, economic growth, and energy security, through various and practical pathways tailored to the circumstances of each country. These visions reflect the recognition that no single approach can serve all economies equally. Instead, one goal and various pathways—rooted in local resources, technological options, and national development priorities—are required to achieve a just and inclusive transition.

Since its launch, AZEC has served as a valuable platform for collaboration among governments, industries, and financial institutions. It is aligned with existing national strategies and regional frameworks such as the ASEAN Plan of Action for Energy Cooperation (hereafter “APAEC”), the ASEAN Economic Community Strategic Plan, ASEAN Strategy for Carbon Neutrality, and country-specific energy transition roadmaps.

The past two years have shown strong and growing interest in AZEC from governments, industries, and financial institutions, with increasing expectations. Progress is visible in policy dialogues and early project implementation. Yet challenges remain in the areas of financing, regulatory harmonization, and cross-border cooperation. Addressing these challenges will be crucial if AZEC is to fulfill its potential as a cornerstone of Asia’s energy transition. To do so, AZEC must continue to position itself as a transparent, well-governed platform that fosters trust and enables effective collaboration among stakeholders.

2. Current Status and Challenges

Among the AZEC Partner Countries, some common situations and challenges can be observed.

2.1 Key Observations

- **Regulatory alignment remains a priority.** The diversity of national rules on emissions calculation, renewable energy permitting, and product certification creates barriers to investment and slows project implementation.

- **Financial mechanisms need strengthening.** Businesses and investors continue to emphasize the importance of predictable and transparent financing tools adapted to regional conditions.
- **Project activity is uneven.** While Indonesia, Viet Nam, and Thailand are home to numerous decarbonization projects, progress in other countries has been more gradual in mobilizing investment or scaling pilot initiatives.
- **Private sector commitment is strong but constrained.** Many companies across the region are pursuing or planning decarbonization projects, yet hurdles related to regulatory clarity, market access, and finance continue to limit progress.
- **Technology barriers.** Limited research and development in regionally appropriate technological solutions remains a challenge.

2.2 Challenges to Address

1. **Slow project approval and permitting processes**, which reduce predictability for investors.
2. **Fragmented standards and certification systems**, leading to duplication of efforts and higher costs.
3. **Limited financial frameworks** suited to the diverse risks and profiles of transition projects.
4. **Capacity gaps**, especially in local governments and smaller enterprises that need support to engage in the transition.
5. Absence of transparent processes to address Nationally Determined Contributions and Article 6 requirements of the Paris Agreement.

Addressing these issues requires deeper collaboration between governments and businesses across the AZEC region—moving beyond bilateral dialogues toward a truly regional framework. Financing, regulatory clarity, and cross-border cooperation are the most critical enablers, supported by project bankability, transparent governance, and stronger institutional capacity.

3. Policy Coordination across AZEC

Policy coordination under AZEC serves as the foundation for scaling up investment and accelerating transition. Four areas require particular attention:

3.1 Harmonization of GHG Emission Data and Disclosure Standards

Transparent and consistent GHG accounting is essential for both corporate disclosure and policy implementation. Currently, approaches differ significantly across countries, creating uncertainty for companies operating regionally.

- AZEC should promote common calculation rules compatible with international standards such as the GHG Protocol but adapted to local realities. However,

outstanding issues within the GHG Protocol need to be resolved. These include the recognition of carbon credit offsets and the deduction of direct CO₂ emissions when waste is used as a fuel source.

- Cross-border data spaces should be developed to improve traceability of emission reductions along supply chains supported by reliable and transparent information-sharing across countries.
- Countries should invest in capacity building for regulators and companies to ensure accurate reporting and monitoring.

By advancing this agenda collectively, AZEC can become a leader in establishing internationally credible yet regionally practical data governance frameworks.

3.2 Unification of Standards and Certification Systems

A thriving regional market for low-carbon products depends on shared rules. Divergent standards increase compliance costs, discourage innovation, and fragment markets.

- AZEC should work toward alignment and mutual recognition of standards and certifications, particularly for renewable energy, hydrogen, ammonia, sustainable aviation fuel (hereafter “SAF”), biofuel, and low-carbon materials.
- Unification efforts should align with ASEAN initiatives on industrial standards and trade facilitation, to strengthen economic integration while supporting decarbonization.

3.3 Recognition of Environmental Value

The adoption of low carbon products and services depends on clear recognition of their environmental value. Without transparent indicators, consumers and investors cannot properly evaluate their benefits.

- AZEC should support the development of environmental performance indices that capture lifecycle emissions, energy efficiency, and resource circulation.
- These indicators should be designed to serve as a reference for both financial institutions (to guide investment) and governments (to shape procurement and incentives).

3.4 Coordinated Roadmaps

To provide investment certainty, countries should develop sectoral roadmaps that identify priority areas for deployment, timelines for market introduction, and policies to support uptake.

- AZEC, through ERIA and its partners, can assist governments in preparing these roadmaps, ensuring they reflect both domestic priorities and regional opportunities.

- Coordination of roadmaps across countries will enable cross-border project scaling, reduce duplication, and open opportunities for integrated supply chains.

4. Promotion of Decarbonization Projects

While policy frameworks are essential, concrete projects are the true measure of AZEC's success. Three dimensions are critical:

4.1 Financing Mechanisms

Even when a project's business viability is established, financing remains a key challenge to scaling up. Beyond financing, regulatory feasibility and broader questions of bankability continue to pose significant hurdles. While capital markets within ASEAN are developing, they remain limited, and securing funds from outside the region faces challenges including country risk, exchange rate volatility, and reputational concerns related to environmental impact. These constraints are reflected in the fact that, while ASEAN's green investment opportunities are estimated at around USD 3 trillion cumulatively between 2016 and 2030¹, the actual amount disbursed remains limited.

AZEC should:

- Promote blended finance models combining concessional loans, guarantees, and private equity to reduce risks, along with early-stage risk-sharing instruments to improve project bankability.
- Encourage the development of local capital and bond markets and support the mobilization of sustainable financing through a broader perspective on transition.
- Support inclusive transition finance frameworks not covered by conventional green finance, particularly those recognizing incremental improvements in emissions intensity and enabling investment in hard-to-abate sectors, while contributing to the overall transition of the economy.
- Work with experienced bilateral development banks and agencies such as JBIC and JICA, as well as multilateral development banks including ADB and the World Bank, and private financial institutions (including local ones), to develop bankable structures for priority projects and mobilize larger pools of capital.

4.2 Carbon Markets

A well-functioning carbon market can mobilize investment at scale. Yet Asia's carbon markets are still fragmented, largely voluntary, and have limited cross-border recognition.

¹ FC, ADB, UNEP (2017), *Green Finance Opportunities in ASEAN*, International Finance Corporations

AZEC should:

- Promote cooperation in priority areas, including methodology development and registries; coordinate capacity-building efforts; and expand sectoral and technology coverage such as agriculture, hydrogen, CCS, and transition credits.
- Ensure high integrity and transparency to build investor confidence.
- Encourage cross-border trading mechanisms aligned with Article 6 of the Paris Agreement to link supply and demand more efficiently.
- Support emission-intensive sectors to offset parts of their emissions following fair and good practices that align with decarbonization objectives.
- Encourage and support the development of carbon projects that produce high-quality credits and contribute to local economic development.
- Conduct focused technical dialogues to address challenges and promote convergence toward an integrated regional carbon market.
- Promote the establishment and maintenance of national registries of carbon credits to ensure credibility, traceability, and market confidence.

4.3 Promoting Tangible Projects

Pilot projects—such as geothermal expansion in Indonesia, rooftop solar programs in Viet Nam and Thailand, SAF initiatives in the Philippines, SAF and ammonia projects in Malaysia, transition credits in the Philippines, and hydrogen projects in Australia—demonstrate the feasibility of diverse pathways. Showcasing these as regional achievements and coordinating them in networks will help build political momentum, attract investors, and encourage replication. It is important to advance tangible projects, including those related to energy efficiency, LNG contributing to the transition, and sustainable fuels for vehicles.

5. Strengthening Regional Cooperation

AZEC's comparative advantage lies in its ability to foster cooperation beyond national boundaries. Four areas are especially important:

5.1 Government–Business Dialogue

Governments and businesses must co-create solutions. The bilateral government–business dialogue that aims to resolve issues in concrete projects should be further strengthened, including through the expansion of existing AZEC dialogue frameworks and their regular convening. Structured dialogues should focus on:

- Permitting and regulatory clarity, including transparent rules for low-carbon energy access and environmental and cross-border value attribution.
- Infrastructure planning, such as grid upgrades, interconnections, and storage investments.

- Local participation, ensuring SMEs and communities benefit from the transition through capacity building, procurement, and employment opportunities.

5.2 Knowledge Sharing and Joint Research

- Expand joint research programs on technologies such as CCUS, hydrogen, ammonia, biofuel, and SAF, leveraging regional expertise.
- Encourage peer learning among regulators to accelerate policy harmonization.
- Develop networks of pilot projects in similar technology or resource groups.
- Share energy-saving technologies and know-how to accelerate energy efficiency promotion.

5.3 Capacity Building

Many partner countries require support to develop the institutions and skills needed for an effective energy transition. AZEC should:

- Provide training programs for policymakers, regulators, and utilities.
- Support SMEs and local enterprises with technical assistance and access to finance.
- Partner with universities and vocational institutes to prepare the next-generation workforce.

5.4 Inclusive Transition

Equity is central to AZEC's vision. The transition must:

- Prioritize affordability and clean energy access for consumers.
- Support workers and communities affected by structural changes, such as coal phasedowns.
- Ensure that women, youth, and marginalized groups benefit from new opportunities in the green economy.

5.5 Alignment with Regional and Global Frameworks

To maximize impact, AZEC should complement and align with:

- **ASEAN frameworks** such as APAEC, ASEAN Strategy for Climate Neutrality, and the ASEAN Economic Community Strategic Plan.
- **Global initiatives** such as the Paris Agreement, CORSIA for aviation, and IMO regulations for shipping.
- Other regional partnerships (e.g., OSOWOG, Asia Clean Energy Forum) to avoid duplication and enhance synergies.

6. Conclusion

Addressing climate change and accelerating the energy transition towards net zero is the defining challenge of this century. For Asia, it is also a profound opportunity—to build a new model of growth that is sustainable, inclusive, and resilient.

AZEC embodies this opportunity by offering a framework for cooperation across governments, businesses, and financial institutions. Its guiding principle—various pathways to achieve decarbonization, economic growth, and energy security—resonates deeply in a region where circumstances differ but ambitions converge.

The framework for realizing the AZEC vision is taking shape. What is now needed is to deliver at scale:

- Harmonized standards and transparent, high-integrity carbon markets.
- Predictable and accessible financing mechanisms, including transition finance that supports the overall economic transformation.
- Stronger cooperation among stakeholders, ensuring that communities across Asia share the benefits of transition.

To this year's Ministerial Meeting, we convey our united message: **Asia will lead the way in demonstrating that climate ambition and economic development are not competing goals, but complementary imperatives.**

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