



GABUNGAN DARURAT IKLIM MALAYSIA (GDIMY)
[The Climate Emergency Coalition of Malaysia]
@The Triune Center For Social Engagement
B01-A-09-1, Menara 2, KL Eco City
No. 3 Jalan Bangsar, 59200 Kuala Lumpur, Malaysia
E: info@gdimy.org
W: www.gdimy.org



CARBON TRADING FOR CARBON NEUTRALITY? MALAYSIA CAN DO BETTER

In announcing the 12th Malaysia Plan (RMK12) on 27 September 2021, the Prime Minister stated that Malaysia will be carbon neutral as early as 2050 and that carbon pricing and a carbon tax will be introduced. A carbon tax is welcome news provided it is priced and administered correctly, but we need to ask how the government intends to achieve this ‘carbon neutrality’ or rather what its definition of carbon neutrality is. If it means what is often called “net zero emissions”, then this would refer to the attempt to attain a zero-sum balance of greenhouse gas (GHG) emissions produced and GHG emissions taken out of the atmosphere.

The Trouble with Net Zero and Carbon Trading

Of late, there is a global push for national “net zero 2050” targets which have emerged as a keystone strategy to combat global warming. Many valid concerns regarding “net zero” initiatives have arisen in recent years mainly tied to carbon trading. The key critique is that the term is being used by a majority of climate polluting governments and corporations to orchestrate escape clauses so as to evade responsibility, shift burdens, disguise climate inaction, and in some cases, even to scale up fossil fuel extraction, burning and emissions. The term is used to greenwash business-as-usual or even more-business-than-usual.¹

In this light, it was with great concern that we noted that on 18 September 2021, the Minister of Environment and Water declared that Malaysia approved a Voluntary Carbon Market (VCM) and a Domestic Emissions Trading Scheme (DETS) designed apparently with a heavy corporate involvement component.

Many net-zero pledges are not grounded in deep decarbonisation and rely heavily on carbon markets to deliver carbon offsets mainly in developing countries. Offsetting involves paying developing countries to do emissions reductions in their countries and buying the carbon credits to offset the emissions generated by the country paying for the offsets, instead of making real domestic reductions.

The net-zero pledges are essentially based on a theoretically flawed assumption that “net zero” will be “achieved” when there is a balance between sources of greenhouse gas emissions and sinks. In reality, the carbon dioxide from fossil fuels being dug up and burned is additional to the carbon that is already cycling between the active pools².



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Negative Impacts on Developing Countries

Carbon trading creates a huge demand for sinks mainly located in the forests, wetlands and grasslands in developing countries. What the science shows is that the quantity of the sinks needed would exceed the sequestration capacity of the planet by several-fold.

The Intergovernmental Panel on Climate Change (IPCC) outlined that between 500 million and 6 billion hectares of land will be required in order to implement this dangerous carbon offsetting approach. Developing countries are likely to be the target of this new focus on land use for mitigation. This massive demand for land will eventually drive land grab and the dispossession and displacement of Indigenous Peoples, peasants and local communities in the Global South.

So-called “nature-based solutions” (NBS) are being used in the carbon offset game as sinks to sequester carbon emissions. The precursor to NBS is the UN's Reducing Emissions from Deforestation and Forest Degradation (REDD+) programme, which not only failed to reduce deforestation or emissions over the past twelve years, but also badly affected local communities, especially by cutting off their access to agricultural lands and forests and contributing to land conflicts.³ Malaysia should not fall prey to such NBS schemes.

In sum, climate trading detracts and derails the world from genuine and real climate solutions and this counterfeit system must be deconstructed immediately.

Corporate-driven Solutions Not the Answer

The INTERPOL, as early as 2013, warned that if financial instruments related to carbon trading became too complex, the world's carbon markets could spark a financial crisis on par with 2008; stating that law enforcement agencies must be cautious of ‘carbon crimes’. To quote Interpol: “Unlike traditional commodities, which at some time during the course of their market exchange must be physically delivered to someone, carbon credits do not represent a physical commodity but instead have been described as a legal fiction that is poorly understood by many sellers, buyers and traders.”⁴

It is also not surprising that a large investor group found in its latest benchmark analysis that almost all of the corporate net zero pledges were both distant and hollow, in addition to the lack of information and transparency about methodologies to support their so-called decarbonising goals.⁵ A recent study by a business consultancy found that the past two decades of corporate “sustainability” programmes have had a 98% failure rate.⁶ It is unrealistic to expect corporations to voluntarily take actions that will impede or not bring them profits, and the government should not rely on corporations as the main players in its proposed VCM and DETS programmes. Rather it should rely on people-driven solutions.



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Along this line, the entanglement between net zero pledges and the gas industry is also deeply troubling. The International Energy Agency (IEA) states that exploitation and development of new oil and gas fields must stop this year (2021) and no new coal-fired power stations can be built if the world is to stay within “safe” limits of global warming.⁷ Burning gas is the third most carbon-intensive method of generating electricity, and it leaks methane, a greenhouse gas 86 times more potent than carbon dioxide over a 20-year time period.

Malaysia should also not be distracted by geo-engineering and carbon capture and storage technologies that are not only ridiculously expensive and will utilize (and waste) precious remaining natural resources but have not been tested let alone proven to work at scale anywhere in the world.

Cross-Sectoral Decarbonisation and a Just Transition for Malaysia

From the climate equity perspective, developed countries have overused their share of the carbon budget, and their relentless push for a distant net zero commitment and carbon markets distracts us from pursuing real solutions. The true course of action for developed countries and their corporations is rapid and steep decarbonisation. The focus needs to be on systems change and stopping all forms of extractivism.

Limiting temperature rise to 1.5°C requires the sharing of the remaining carbon budget in an equitable manner. Malaysia must do its fair share of real emissions reduction; however, engaging in carbon markets will simply entangle Malaysia within a system which runs counter to the principles of climate justice and equity and which will ultimately hurt, not help, the country and the world at large.

Malaysia needs to initiate a rapid phase-out of fossil fuel power plants and focus on energy efficiency and renewable energy. Replacing coal with gas is not a solution given the state of urgency of the climate crisis. Real mitigation must take place through deep emission cuts at source across sectors and a plan for a just transition from fossil fuel. It is noteworthy that the Prime Minister mentioned stopping new coal plants in his speech announcing the RMK12; this should be incorporated in black and white in the plan as a permanent measure along with halting the expansion of existing coal plants.

Malaysia should invest in proven win-win measures that will not only cut emissions, but also protect precious carbon sinks, ecosystems and biodiversity; ensure food security; and build community resilience including adaptive capacity. These measures necessitate decarbonising all sectors, maximising energy efficiency, and switching to sustainable renewable energy in order to reach ‘real zero’ (not counting offsets from carbon sinks) in a matter of a few decades while scaling up clean technologies and creating new jobs in our just, new, green economy.



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Related to land use, in particular, actions should include: (1) protecting forests, peatland and other ecosystems; (2) transforming agriculture: shifting from industrial crop and livestock production towards agroecology and agroforestry, reducing consumption of meat, dairy and calories, and cutting down food waste; and (3) strengthening the forest area under indigenous and community land rights.⁸ These three pathways alone have been shown to have the potential to effectively sequester enormous amounts of excess greenhouse gases.

So, rather than pursuing false and inequitable solutions, let us support genuine solutions to the climate crisis that are developed and defined by the people, and serve the needs of people and planet. We call on the new government to lead the country in this right direction.

Signed by

- **The Gabungan Darurat Iklim Malaysia Committee**

- **Organizations**

- 1) Pertubuhan Pelindung Khazanah Alam (pekamalaysia.org)
- 2) Jaringan Ekologi dan Iklim (JEDI)
- 3) Free Tree Society
- 4) Glimpse of Malaysia
- 5) Persatuan Kesedaran dan Keadilan Iklim Malaysia (Klima Action Malaysia - KAMY)
- 6) Alliance Of River Three
- 7) Malaysian Progressives in Australia
- 8) Five Arts Centre
- 9) Sahabat Alam Malaysia
- 10) Third World Network
- 11) Parti Sosialis Malaysia
- 12) Greenpeace Malaysia

- **Individuals**

- 1) Clare Westwood
- 2) Deanna Rustham
- 3) Dominic O'Sullivan
- 4) Fathiah Almira
- 5) Sharifah Sofia
- 6) Kennedy Michael
- 7) Mathini Arveena Ravee



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¹ <https://twm.my/title2/resurgence/2021/347/cover01.htm>

² <https://www.foei.org/resources/publications/chasing-carbon-unicorns-carbon-markets-net-zero-report>

³ WRM & GRAIN, "How REDD+ projects undermine peasant farming and real solutions to climate change," October 2015: <https://www.grain.org/en/article/5322-how-redd-projects-undermine-peasant-farming-and-real-solutions-to-climate-change>; Jutta Kill, "REDD+: A Scheme Rotten at the Core", WRM, September 2019: <https://wrn.org.uy/articles-from-the-wrm-bulletin/section1/redd-a-scheme-rotten-at-the-core/>; REDD-Monitor, "How the poorest of the poor end up paying for REDD," 11 April 2019: <https://redd-monitor.org/2019/04/11/how-the-poorest-of-the-poor-end-up-paying-for-redd/>

⁴ <https://www.climatechangenews.com/2013/08/05/interpol-warns-of-criminal-focus-on-176-billion-carbon-market/>

⁵ <https://www.ft.com/content/12fd1c09-61fb-444e-a9cc-0b50fe0ea411>

⁶ Bain & Co. "98% of Corporate Sustainability Programs Fail," March 2017: <https://www.bain.com/about/media-center/bain-in-the-news/2017/corporate-sustainability-programs-fail-ways-to-boost-the-success-rate/>

⁷ <https://www.theguardian.com/environment/2021/may/18/no-new-investment-in-fossil-fuels-demands-top-energy-economist>

⁸

https://static1.squarespace.com/static/5b22a4b170e802e32273e68c/t/5bef947f4fa51adec11bfa69/1542427787745/MissingPathwaysCLARAreport_2018r2.pdf