CLIMATE CHANGE COMES TO FOREFRONT IN COVID AGE

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Efforts to address climate and environment remain nascent. From an economic perspective, achieving this entails accurately pricing the costs of greenhouse gas pollution and the resources or services provided by nature. At present, few nations achieve either; only nine countries price carbon at rates consistent with the achievement of the Paris Agreement targets,[1] while natural resources are often priced based on economic or political rationale,[2] usually to the detriment of climate and environment. For this reason, emissions continue to be oversupplied, causing climate change and natural resources to be extracted and exploited unsustainably, in turn leading to environmental degradation. While many countries are committing to increasingly ambitious climate targets,[3] these are long term – and remain, for the most part, insufficient. Nevertheless, the climate policy landscape of 2022 stands in stark contrast to the pre-Covid era. In an age of regular reminders of the extremities of climate-induced disaster, it is easy to overlook the important and almost momentous progress of the past two years.

Haze hazard

The year 2019 was in many ways a solemn one in the context of climate action. Weather-related disasters caused some US$40 billion in economic damages[4] and Intergovernmental Panel on Climate Change (IPCC) reports assessing the state of land and oceans issued further reminders on the need for urgent action to mitigate climate change.[5] Climate demonstrations peaked in frequency and voracity, culminating in a fourth "Global Climate Strike" just days prior to the 25th Conference of Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC). These were driven by a growing sense that policymakers' efforts towards addressing climate change were insufficient and reflective of a disconnect between climate policy and science. COP25 itself did little to dispel these notions, regarded by many observers to have delivered underwhelming outcomes.[6]

In Malaysia, the effects of pollution were noticeable throughout July-September 2019. The effects of deforestation-driven smoke caused an estimated RM1.5 billion damages through productivity losses and healthcare costs in 2013.[7] While estimates are not readily available for damage incurred during the 2019 haze season, the effects of economic and population growth and inflation are likely to ensure similarly high damages.[8] Malaysia's Academy of Sciences, a statutory body, estimates annual haze costs of roughly RM1.3 billion.[9] Amid the haze, September saw Malaysians participate in a climate strike to coincide with the UN's 2019 Climate Action Summit, calling for greater action on the part of the government to address environmental issues and declare a climate "emergency".

At the time, net-zero targets and the use of carbon pricing instruments, for instance, were political non-starters. Malaysia's commitment to addressing climate change came largely in the form of its nationally determined contribution (NDC) to reduce the emissions intensity of GDP by 35% relative to 2005 levels, a target which does not entail reductions in absolute greenhouse gas (GHG) emissions (and even serve to mask absolute emissions increases).[10] Little evidence pointed in the direction of increasing climate ambition.

Climate and environmental impacts of Covid-19

Then came the pandemic and, with it, an evolution in the global climate and environmental consciousness. In March 2020, Ensia, a leading climate journalism outfit based at the University of Minnesota, published a widely reprinted article[11] linking habitat and biodiversity loss with the spread of zoonotic disease. This complemented and added a contemporary flavour to studies finding that roughly 75% of all emerging infectious diseases (EIDs) originated in wildlife[12] with 31% of EIDs the result of biodiversity, ecosystem, and habitat loss and deforestation, including Ebola, Nipah and Zika.[13] Attention turned towards anthropogenic factors enabling and exacerbating cross-species pathogen transmission, and parallels were drawn between the pandemic, climate change and the loss of biodiversity in terms of these concrete links as well as a common need for concerted, coordinated policy action.[14]

Meanwhile, economic responses to Covid-19 were large in scale but risked diverting resources away from pressing, longer-term issues. Such risks were recognised when in April 2020 the UN Secretary-General António Guterres called for governments to "build back better" (BBB), outlining "six climate-related actions to shape the recovery and the work ahead" to ensure that stimulus packages and other recovery efforts were mindful, not only of Covid-led realities, but longer-term climate change-led concerns.[15] By June 2020, the Organisation for Economic Co-operation and Development (OECD) published a guide to assist policymakers in enhancing sustainability and resilience in Covid recovery efforts.[16]

> **In Malaysia, the focus on BBB was initially less explicitly linked to climate change, instead calling for action towards issues, such as economic insecurity, insufficient social protections, job and wage growth, and the achievement, to a degree, of the SDGs.**[17]

These were the long-standing bread and butter issues brought into starker light by the pandemic and its socioeconomic impacts on (lower-income) households and (small- and medium-sized) businesses alike.[18] Yet some of the climate impacts of business-as-usual practices were evident during the early phases of the movement-control order (MCO) from March 2020.

Air quality improvements were the most visible manifestation through reductions in industrial and transport pollution while restrictions on movement also curtailed open burning practices. Water pollution reductions were also recorded with an additional 21 monitored rivers categorised as "clean" in 2021 compared with a year earlier. On a global scale, emissions fell by 6.4% between 2019 and 2020.[19] This, however, masks a resurgence in the latter half of the year as countries began to emerge from lockdowns and other economic restrictions. In Malaysia, the loosening of MCO

restrictions and the resumption of economic activity led to air and water quality reductions.[20] Such trends are broadly in line with outcomes of the 1998 and 2008 financial crises, during which emissions dipped with the onset of recession.[21] For all the talk of building back better and a "new normal", it seemed that the world was headed back to its pre-Covid climate tumult.

Indeed, the pandemic itself brought on further environmental and related issues. Waste, already a complex and increasingly significant issue nationally, faced the burden of increasing medical waste (up 18.1% between 2019 and 2020),[22] largely in the form of personal protective equipment and masks17 and plastic usage, driven by the rise in food takeout and delivery as service industries remained partially open. Globally, deforestation saw an uptick during the pandemic due to loosened environmental regulations and the effects of economic stimulus,[23] yet data from Global Forest Watch indicated a decrease in deforestation in Malaysia in 2020 relative to its 2016–19 average. The Department of Wildlife and National Parks recorded a 60% reduction in smuggling between 2020 and 2021 and recorded zero cases of poaching in 2021, with the MCO, border controls and effective enforcement playing key roles.[24] The reopening of Malaysia's economy and borders has reignited concerns among experts over the re-emergence of wildlife trading.[25]

Green concerns at forefront

But from a policy perspective, some things stuck. Key among this was the realisation that business-as-usual practices would not constitute the necessary shift towards sustainability. A significant juncture for Malaysia was the passing of Budget 2021 with former prime minister Muhyiddin Yassin acknowledging the "promising path of green recovery" to spur economic growth and societal wellbeing, and enhance climate resilience and the nation's low-carbon efforts.[26]

A sustainable focus was instituted in the budget, and along with it a host of climate-positive initiatives. These came in the form of supply chain and technology focused programmes designed to support the nation's environmental, social and governance (ESG) ecosystem; increased allocations towards achieving the SDGs; steps towards enhancing the green financing ecosystem; and the introduction of mechanisms to support biodiversity conservation and protection.[27]

Indeed, the ESG agenda has since developed into a significant source of focus in Malaysia in the Covid era, driven by actions at the firm level, statutory bodies, such as Bursa Malaysia and Bank Negara Malaysia (BNM), and industry and professional coalitions, such as Climate Governance Malaysia (CGM), the CEO Action Network (CAN), and the Joint Committee on Climate Change (JC3). Much of this increased emphasis occurred during 2021. In April, BNM launched the climate change and principle-based taxonomy,[28] designed to assist financial institutions in assessing and categorising economic activities based on their climate friendliness as well as indicators of resource efficiency and biodiversity and ecosystem conservation.

It also took steps towards standardising the classification and reporting of climate risk exposures to encourage climate financing. Bursa, meanwhile, launched "#financing4ESG" in November, an initiative designed to encourage ESG practices across listed companies to build on its previous efforts to enhance sustainability reporting and its support of the Taskforce on Climate-related Financial Disclosures (TCFD). Private sector-led climate efforts also flourished. CGM and CAN organised a series of roundtable sessions launched by the Environment and Water Ministry (KASA) with the aim of exploring industry- and sector-level low-carbon interventions, serving to propel climate considerations into mainstream thinking.

Climate policy has seen renewed interest, too, in part due to the efforts of statutory bodies and the involvement of more pro-climate interest groups, formed of corporate professionals and industry leaders, academics, researchers and civil society.

The pandemic brought on a wave of commentary on sustainable recovery efforts and continued calls for the enhancement of climate measures to suit global business and investment pressures and even economic realities.[29] Indeed, Budget 2022 continued the previous year's emphasis on sustainability while the 12th Malaysia Plan (12MP), launched in September 2021, featured numerous initiatives catered towards low-carbon development, and proposed the deployment and enhancement of climate economic instruments, including carbon pricing, ecological fiscal transfers and payments for ecosystem services. The 12MP also coincided with the announcement of Malaysia's own net-zero target, following in an increasingly global trend and in the footsteps of a growing number of private sector entities, including Petronas, the state oil and gas company, and Tenaga Nasional Berhad, Malaysia's largest electricity utility.[30]

In late 2021, the long-delayed COP26 took place. With it, Malaysia marginally enhanced its NDC to the Paris Agreement, pledged to curtail deforestation and methane emissions by 2030, and committed to a halt in the construction of new coal-fired power plants. In line with the 12MP, it was reported that KASA would be developing a domestic emissions trading scheme (DETS); the Finance Ministry (MOF) a carbon tax; and Bursa Malaysia the Voluntary Carbon Market (VCM). Indeed, KASA is also in the process of reviewing and updating the National Policy on Climate Change (NPCC), first launched in 2009, as well as developing the NDC Roadmap and Long-Term Low Emissions Development Strategy (LT-LEDS) as part of its international climate obligations. These and other steps, such as the inclusion of biodiversity, climate change adaptation and mitigation, and water security concerns in structural development plans, such as the recently launched fourth National Physical Plan, constitute a significant shift in Malaysia's climate policy landscape.

Heeding clarion call

The links between Covid-19 and climate change and environmental degradation are complex, featuring many interrelationships and almost a blending of cause and effect. What was clear early on is that anthropogenic activities have contributed to the prevalence and growing threat of zoonotic disease, and recent experience has shown how pandemic response efforts can ameliorate and worsen climate and related outcomes. If the world wishes to eradicate itself of future reincarnations of Covid-19, more must be done to ensure environmental protections.

Clearer linkages can be drawn between climate policy and Covid-19: on the whole, the 2020s have coincided with an increasing climate consciousness and a burgeoning policy appetite for climate action. It can be argued strongly that this is in a big way a result of Covid-19.

> **From the early days of the pandemic, calls were made for sustainability to feature prominently in recovery efforts. Many governments listened and since then, record economic stimulus packages have come with stipulations towards boosting low-carbon development and growth.**

Malaysia was among this group, with the government's signals towards a green recovery first institutionalised in Budget 2021 and later iterated in the subsequent budget, as well as a litany of climate-focused policies and policy instruments in the processes of development and deployment. Attention must now turn to ensuring these policy directives deliver concrete and necessary change towards minimising Malaysia's adverse climate and environmental impacts while preparing for the consequences of climate change. While Malaysia's initial steps towards building back better are promising, much work remains.

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Endnotes

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3 This is evidenced by increasingly-stringent NDCs, commitments to "net-zero" emissions and the growing adoption of climate economic instruments globally, particularly carbon pricing and conservation measures.

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6 See the following for reviews of the shortcomings of COP25: Martin, C. (2020, January 3). *COP25 ended in disappointment. What does this mean for countries already suffering the consequences of climate change?* Resources. Retrieved from: https://www.resources.org/common-resources/cop25-ended-disappointment-what-does-mean-countries-already-suffering-consequences-climate-change/; Meyer, A. (2019, December 20). Reflections on a dysfunctional climate summit. *Union of Concerned Scientists – The Equation.* Retrieved from: https://blog.ucsusa.org/alden-meyer/a-dysfunctional-climate-summit/; Stavins, R. (2019, December 15). What did (and did not) happen at COP-25 climate talks in Madrid?. *An Economic View of the Environment.* Retrieved from: http://www.robertstavinsblog.org/2019/12/15/what-did-and-did-not-happen-at-cop-25-climate-talks-in-madrid/; United Nations. (2019, December 15). *An important opportunity lost as COP25 ends in compromise, but Guterres declares 'we must not give up'.* UN News. Retrieved from: https://news.un.org/en/story/2019/12/1053561

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16 OECD. (2020, June 5). *Building back better: A sustainable, resilient recovery after COVID-19.* Retrieved from: https://read.oecd-ilibrary.org/view/?ref=133_133639-s08q2ridhf&title=Building-back-better-_A-sustainable-resilient-recovery-after-Covid-19; indeed, guidance on ensuring "green" recoveries had proliferated during the pandemic. The International Labour Organisation (ILO), International Monetary Fund (IMF), UN and World Bank, for instance, all issued policy recommendations geared towards ensuring stimulus packages and broader reform measures created benefits in the context of climate action.

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