

Options Paper

What does it look like for Australia to be a ...

Partner in Climate Leadership in Southeast Asia

SUPPORTED BY



Australian Government
Australian Civil-Military Centre



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Why it Matters

As one of the primary security threats¹ of this century, climate change is a foreign policy dilemma – but it is also a foreign policy opportunity.

There is a window of opportunity for Australia to demonstrate transformative climate leadership in Southeast Asia. Australia has the capabilities to work with Southeast Asia on climate risk assessment and disaster preparedness and to be part of the region's green economy transition as a renewable energy superpower helping meet Southeast Asia's energy needs.

Without a major shift in global, regional and national policy approaches and targeted, coordinated efforts to advance adaptation and mitigation activities, the world is on track to experience significant impacts of climate change including rising temperatures and sea levels, potential spread of infectious disease, more frequent and extreme weather events and shifts in resource availability. The cumulative impacts will drive major and new security threats and cause significant disruption to lives and livelihoods.

Australia and the region are already experiencing the impacts of climate change in terms of environmental, human and financial costs. This has profound implications for emergency services, community resilience and food security. There is an increasing burden on Defence as a first responder to disaster relief.

In an era of disasters, Australia needs to avoid getting caught in a spiral of simply responding to events, rather than seeking measures to mitigate them.² It is in Australia's national interest to have safe and prosperous countries in its immediate region. This is beneficial both economically and to Australia's security.

¹ International Military Council on Climate and Security, *World Climate and Security Report*, June 2021: <https://imccs.org/wp-content/uploads/2021/06/World-Climate-and-Security-Report-2021.pdf>

² Robert Glasser, *Preparing for the Era of Disasters*, Australian Strategic Policy Institute, 6 March, 2019: <https://www.aspi.org.au/report/preparing-era-disasters>

If the emerging energy demands of Southeast Asian countries – particularly Indonesia, Vietnam, Thailand and Malaysia – are going to be fuelled by hydrocarbons, this will create even more environmental stresses than at present. There is an increasing risk of climate refugees and climate migrants across the region, as well as growth in extremist ideology in response to these stresses.

At the same time, the energy demands of Southeast Asian emerging markets present major opportunities for Australian businesses. Australia has a major competitive advantage due to its significant renewable energy resources. These can be exported via cable from northern Australia or via green hydrogen shipped from elsewhere in the country.

Australian renewables can be used to support domestic production of new green commodities for Southeast Asian markets. Australia's natural endowment of minerals such as nickel, copper, lithium and cobalt, critical to the development of solar panels and electric vehicles, positions it well to continue to support the energy needs of its neighbours. This will lead to job creation in raw materials, technological development and service delivery.

This provides an opportunity to develop a new pillar of engagement with Southeast Asia, supporting Australia's objective of looking less to Northeast Asia for trade opportunities.

Renewables can be a diplomatic as well as an economic tool. Exporting hydrocarbons until they are no longer viable is not a long-term strategy. Australia can move to a renewables model of regional influence. This includes directly supplying energy, green commodities and critical minerals, as well as associated infrastructure. There will also be an opportunity to work with Southeast Asian governments on policy creation, including establishing regulations, standards and certification regimes for the energy transition.

In the coming decades several Southeast Asian countries will develop economies to match their populations, changing Australia's relative standing in the region. Australia needs to start preparing for this transition while it is still a significant player.

“Australia faces a challenge it has never experienced before – a changing strategic order that has governed the Indo-Pacific for decades occurring in conjunction with a change in the biophysical environment, of which climate change is the most visible manifestation”

Brendan Sargeant, “Challenges to the Australian Strategic Imagination”, Centre of Gravity Series, Strategic & Defence Studies Centre, May 2021



“Within a decade, as the climate continues to warm, the relatively benign strategic environment in Maritime Southeast Asia – a region of crucial importance to Australia – will begin unravelling. Disruptive climate events (individually, concurrently, or consecutively) can cause cascading, security-relevant impacts, such as disruptions of critical supply chains, galvanized separatist movements, climate refugees, opportunistic intervention by outside powers, political instability, and conflict.”

Robert Glasser, The Rapidly Emerging Crisis on our Doorstep, Australian Strategic Policy Institute, April 2021



“The resilience of developing Southeast Asia functions as the protective membrane for Australia’s own prosperity and security.”

Hervé Lemahieu, “The Case for Australia to Step Up in Southeast Asia”, Brookings Report, October 2020



Aligning Views

AUSTRALIAN VIEWS

Australia has an official target to achieve net zero emissions by 2050. It also wants to deepen Southeast Asia engagement. Climate cooperation can contribute to both goals.

SOUTHEAST ASIAN VIEWS

Due to their environmental realities, countries in Southeast Asia are developing policy approaches and strategies to address climate change. While there is no single view, a number of countries have made commitments to net zero by 2050 or earlier. ASEAN has also expressed this aspiration.

Southeast Asian countries are highly exposed to the effects of climate change. ASEAN has stated that the issue of climate change is a major concern as Southeast Asia is one of the most at-risk regions in the world to the impacts of climate change.³ The likely impact of disasters, coupled with the need for sustainable development, means that this is very high among Southeast Asia's policy priorities.

There is a huge appetite for addressing climate as part of a “green and resilient recovery” from COVID-19. ASEAN's vision is for member states to upgrade and redesign national policy frameworks, effectively changing the flow of finance, diffusing relevant technologies, reshaping the market and local community, and transforming entire societies towards the direction of global goals.

Those Southeast Asian countries which are most ambitious in their aspirations will increasingly be looking for renewable energy sources, green commodities and critical minerals, as well as supporting technologies and infrastructure. They will be recalibrating their development models around renewable energy. Australia should be in a position to facilitate this. Southeast Asian countries are actively looking for partners in their energy transition not just within ASEAN but also to other countries such as Australia.

³ ASEAN Secretariat, *ASEAN State of Climate Change Report*, 12 October 2021: <https://asean.org/wp-content/uploads/2021/10/ASCCR-e-publication-Final-12-Oct-2021.pdf>

OPPORTUNITIES FOR ALIGNMENT

Australia and the members of ASEAN are all signatories to the Paris Agreement, committing themselves to the current iteration of the United Nations Framework on Climate Change. Alongside this, they are members of regional institutions such as Asia-Pacific Economic Cooperation (APEC) which has sought to facilitate trade in a manner that is sensitive to climate concerns.

Australia and Southeast Asian countries are both concerned about the impact of natural disasters and already work together on humanitarian and disaster response. They are both concerned about water and energy security and sustainable development in the region.

Both Australia and Southeast Asia share similar but distinct challenges in responding to climate change. There are differences in geographic realities, development needs and economic goals. But there are strong similarities in the need to encourage innovation and problem-solving, attract and mobilise private capital to achieve emissions targets and find alternative sources of income for regions currently reliant on fossil fuel extraction.

The most positive scenario would see these shared concerns about the effects of climate change within both Australia and Southeast Asia leading to significant cooperation, including within the renewable energy sector.

There is already some alignment of private sector interests in Australia and in Southeast Asian countries. Over time, the influence of Australian private sector actors who sense new market opportunities may be greater than governments, non-government organisations or analysts when it comes to shifting perspectives towards a renewable-fuelled future for Southeast Asia.

Because of the diversity among ASEAN members, there will be leaders and laggards in achieving net zero emissions by 2050, providing opportunities for Australia to work with those that wish to opt into specific initiatives.

“We are going through incredibly difficult times in which the livelihood and lives of our people are under threat by the COVID-19 pandemic while the economic and social life is in disarray, and further aggravated by severe natural disasters, storms, floods and droughts.”

Remarks by HE Nguyen Xuan Phuc, Prime Minister of Vietnam at the Opening Ceremony of the 37th ASEAN Summit, November 2020



“Australia is also partnering with our region... on climate change which is, as we know, a major risk to sustainable development in the Indo-Pacific.”

Minister for Foreign Affairs Marise Payne, Speech to the Australian Council for International Development, March 2021



“In the midst of enormous challenges, Indonesia and Australia must focus on strengthening our partnership... we must work together to protect the environment... to commit to lowering carbon emissions and to develop renewable energy and other green technologies.”

HE Joko Widodo, President of Indonesia “Speech to Australian Parliament”, February 2020



Barriers

In recent years Australia's domestic political calculations have been built around concerns that energy transition may affect energy reliability or cost, or impact regions currently reliant on fossil fuel extraction. This has led to a lack of strong domestic goals. Fossil fuel dependent communities may need a multi-decade government investment plan that allows their regions a just and clear transition away from an economic reliance on coal and gas, leading to new viable and geographically specific industries.

Persistent subsidies for fossil fuels in Australia skew market incentives away from future renewables opportunities.

Vested interests and political calculations are also present throughout Southeast Asian countries. For example, there are strong political incentives to subsidise fossil fuels in some countries. Unless other avenues are found to provide electricity to the poor, these will be hard to shift. Finding ways for elites to benefit from renewables, for example as equity investors, may be necessary to help them transition from fossil fuel exploitation.

These inhibitions and negative incentives have limited the market's ability to innovate and gain experience delivering major renewables projects. Investors may balk at facilitating such endeavours until viability can be proved. The proposed Sun Cable link between Northern Australia and Singapore has a scale and complexity never before attempted.

Furthermore, these inhibitions and negative incentives have also led to a lack of investment by rich countries such as Australia in funding climate programs within Southeast Asia.

There has been a lack of coordination between various sectors and political jurisdictions within Australia. Southeast Asia shares this lack of institutional coordination between various sectors. For example, Southeast Asia does not yet have strategies for hydrogen. A transition to renewables will not happen organically and needs organisation around it.

The scale of Southeast Asia's need for expanded access to energy has major implications for climate

and environmental policy. Yet the current thin capabilities in the region to tackle environmental problems, including limited budgets and state capability, will potentially restrict how effectively programs can be designed and implemented. Southeast Asia's clean energy transition will be hugely costly.

Australia will not be the only player in seeking to service Southeast Asia's renewable energy demands. Japan, China and South Korea will provide considerable competition, as well as European powers as they pivot towards the Indo-Pacific.

Despite the efforts of some notable organisations, Australia still lacks the cultural literacy to engage well with Southeast Asia. These deficiencies work in concert with the general lack of Australian corporate sector confidence with Southeast Asian governance and legal systems, creating structural hurdles to be able to take advantage of the region's energy shift. There needs to be sufficient motivation to overcome the cultural, financial and technological barriers involved.

Most recently, the COVID-19 pandemic has diverted much-needed attention and investment away from climate change. On the other, it has heightened the need for decision-makers to lift ambition on the interrelated challenges of human and planetary health and security, and reinforced the fact that addressing these issues requires multilateral and multi-stakeholder approaches.

The Vision in Practice

What does it look like for Australia to partner in climate leadership in Southeast Asia?

Australia will commit and position itself as a significant player and partner in achieving the global goal of net zero by 2050 in Southeast Asia, a region that will be a litmus test for the rest of the world.

Australia will become actively involved in influencing the shape of Southeast Asian economies towards sustainable infrastructure and renewable energy sources, further integrating Australia's economy with Southeast Asia.

Australia's private sector advances in transitioning away from fossil fuels towards renewables. Sub-sea cables and green hydrogen will become major Australian energy exports to the region, with Australia also becoming a significant exporter of green commodities and the critical minerals used in renewable technology. Industry will be aware of the opportunities for Australian renewable exports and volume will rise.

Australia takes leadership in the development of green ports, encouraging ships to reduce carbon dioxide and sulphur oxides emissions and setting conditions on port entry. Australia will be active in carbon offsets programs and encouraging adaptation by the insurance sector.

This will involve Australia seeking opportunities in climate finance, promoting investment mechanisms that support climate goals and bringing climate considerations into investment decisions. This may be through existing mechanisms, such as the Emerging Markets Impact Investment Fund (EMIIIF), or through building on other initiatives, such as the Australian Infrastructure Financing Facility for the Pacific (AIFFP).

Australia uses its diplomatic skills to build trust in international processes in climate financing. It will provide presence and gravitas in multilateral forums and organisations in support of global climate goals. Australia will use its talent for devising rules to develop governance around global climate agreements that work equitably and have positive social and environmental impacts.

In particular, Australia will be active in working with Southeast Asian governments and other regional governments and multilateral institutions to develop policy frameworks for the necessary energy transition, including establishment of relevant regulations, standards and certification regimes. Australia will focus its diplomacy on creating green energy pathways in the region.

Australia will maintain engagement with current regional institutions and work towards buy-in from existing elites.

Policies developed within regional multilateral institutions will link with local priorities within state, territory and municipal governments, businesses in a range of industries, scientific communities and the broader civil society.

Australia's development cooperation program will support climate leadership in Southeast Asia, for example development of an ASEAN electricity market.

Beyond opportunities in renewable energy cooperation, Australia will also collaborate with Southeast Asia on sustainable landscape management, limiting the encroachment on wild habitats and exposure to zoonotic disease, and on marine innovation and preservation.

The protection and careful management of wild habitats and marine environments presents an opportunity to bring Indigenous perspectives to the fore, allowing for the ability to integrate traditional knowledge and local wisdom into contemporary climate change dialogue and responses.

Australia's knowledge base will enable it to work with Southeast Asia to develop renewable energy and other technology through partnerships between Australian and Southeast Asian universities. Australia becomes a major educational partner to develop Southeast Asia climate skills through scholarships and training across the tertiary sector. Australia will

increasingly be involved in low-emissions technology partnerships.

Looking across the Tasman, Australia follows New Zealand's lead in developing a defence policy response to the risks and challenges of climate change. Defence and development will continue to work closely in humanitarian assistance and disaster response.

Australian and Southeast Asian defence forces will continue to enhance their disaster relief coordination, building both interoperability and trust. Australia will support enhanced civil-military coordination in disaster and humanitarian response.

Australia recognises that it is not the only player in this space and will work with other partners to achieve positive objectives. For example, on the development of a green energy market in Southeast Asia, Australia has the ability to work with other countries such as Japan, China and South Korea. Australia should be realistic about its value-add.

Australia can use its diplomacy, including its membership in multilateral and minilateral groupings like the Quad, to progress its vision on climate change.

Defence integrates a climate perspective into its bilateral defence cooperation and defence diplomacy, raising awareness of how climate risks manifest. Through its engagement with ASEAN defence dialogues it can promote a preventive approach. Through a focus on human security, it can contribute to regional resilience in the face of climate change. Defence attachés can build on existing relationships with counterparts on disaster access in a way that respects national autonomy. As a consumer of energy, Defence can contribute to the emergence of sectors such as green fuel, building renewables into its supply chains.

Australia will also recognise that it has huge potential to use the major asset of its diaspora communities to engage on climate change issues with Southeast Asia. Alongside this, greater people-to-people links will be developed through the creation of young climate leader programs, which promote interactions between young Australians and young leaders in Southeast Asia.

Being perceived as a climate leader in Southeast Asia will bring Australia positive benefits in terms of its image and soft power. It will demonstrate

that Australia is listening to the needs and wants of Southeast Asia and will help Australia develop a national identity more closely linked to its neighbourhood.

Pathways

Immediate

Domestic Political Vision

Overcome ambivalence and inconsistency around Australian climate and energy policy. Lack of policy certainty for energy market operators inhibits their ability to effectively plan projects and seek market opportunities within the region.

Climate Risk Assessment

Work with ASEAN on a climate risk assessment for the region. It is becoming increasingly problematic to base disaster management strategies, policy assumptions, operational arrangements and funding on the historical experience of disasters in a stable climate. States need integrated national assessments of climate risk and its implications for poverty, inequality and instability. Australia can be a partner in developing an assessment of climate risk to reflect the changing nature of disasters, building on initiatives like Australia's National Recovery and Resilience Agency.

Disaster Preparedness

Engage with Southeast Asian states to build capacity for disaster preparedness. This will involve working with existing mechanisms and guidelines as a pathway to better forward strategies for prevention, such as the cooperative protocols essential to partner with Southeast Asian response teams and negotiating the pre-positioning of materials.

This will require enhancing the diplomatic buy-in from Southeast Asian countries for Australia to have legitimacy as a significant humanitarian partner in the region.

Defence should add to its operational level expertise by working preventively with the command level at ASEAN to get policy principles in place. Australia can draw on the example of its engagement with the Pacific Islands Forum in assisting with policy settings.

There is also great potential for sharing new technologies for weather prediction, modelling and geo-spatial mapping of hazards developed by Australian institutions such as the CSIRO and Bureau of Meteorology. The upcoming Asia-Pacific Ministerial Conference on Disaster Risk Reduction (APMCDRR) in Brisbane in the second half of 2022 could showcase these collaborations.

Medium-term

Climate Partnership

Develop an Australia-Southeast Asia Climate Partnership bringing together existing and new initiatives for practical action including in technology, water, energy and infrastructure.

Recent case studies include Australia's Statement on Climate Action pledging \$500 million to support Southeast Asian countries through better management of forests, land and agriculture and the Australia-Vietnam Joint Statement on Commitment to Practical Climate Action.

Australia can aspire to become a hub of training for climate change adaptation and mitigation. It should look at how it can get the next generation of climate change experts in Southeast Asia to study and partner with Australia. This can be done through university-to-university and institution-to-institution links, including through programs like the New Colombo Plan as a vehicle for greater people-to-people connections around climate change.

Green Export Promotion

Compile and promote up-to-date assessments of regional needs and Australia's opportunity to supply these, including in critical minerals, green steel, green aluminium and hydrogen.

Work with regional bodies on related policy issues, including standards, certification and regulation.

ASEAN Electricity Market

Assist with development of a region-wide ASEAN electricity market to provide green energy pathways to meet Southeast Asia's overriding need for energy security. This will require surmounting existing barriers, including vested interests, to create legitimacy for the concept of a regional framework.

Australia has expertise around energy market design. It has limited leverage but does have access to the ASEAN Secretariat and motivated member governments can humbly share its expertise. Australia should identify the countries that are most aligned with its aims and work outwards on a forward-looking program.

Ambitious

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