

# Chapter 11

## ASEAN Toward Circular Economy and Sustainable Energy in Tackling Climate Change: Islamic Green Financing Taxonomy for Sustainable Finance

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### ABSTRACT

*Considering the region is highly vulnerable to climate change, all ASEAN Member States have ratified the Paris Agreement and agreed to the Regional Roadmap for Implementing the 2030 Agenda for Sustainable Development in Asia and the Pacific. To provide the ASEAN taxonomy for sustainable finance, Islamic finance should be considered as a part of it. Therefore, this chapter will provide an Islamic Green Financing Taxonomy to help stakeholders determine which activities qualify as sustainable and which instrument is suitable for the activity. As a leading community in the world that drives the global halal industry, ASEAN also can be a best practice for implementing Islamic Green Financing. Through literature study, this chapter purposes to (1) describe the framework of ASEAN for the circular economy and sustainable energy in tackling the climate change, (2) describe the ASEAN taxonomy, and (3) describe the proposed Islamic Green Financing Taxonomy.*

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## BACKGROUND

All the Association of Southeast Asian Nations (ASEAN) Member States have ratified the Paris Agreement. The ASEAN Heads of State and Government applied the Declaration on Institutionalising the Resilience of ASEAN and Its Communities and Peoples to Disasters and Climate Change where the ASEAN Member States committed to hammering out a more resilient future by conforming to a changing climate, deterring the new risks, and minimizing the existent climate-related risks and disasters through the implementation of social, economic, physical, environmental, and cultural initiatives. All ASEAN Member States have signed to the United Nations Sustainable Development Goals (SDGs) and have approved the Regional Roadmap for Implementing the 2030 Agenda for Sustainable Development in Asia and the Pacific.

ASEAN Centre for Energy (ACE, 2021) reported that five ASEAN Member States in 2020 have proposed or renewed their Nationally Determined Contributions (NDCs), while the other five completed the NDCs in 2021. The newest NDCs of the ASEAN Member States perform more assertive commitments as a representation in the mitigation targets, the conditionality of NDCs, and wider coverage of greenhouse gases (GHG) and sectors. The fairness and ambition of the newest NDCs are assigned based on each national situation. Table 1 shows the some newest ASEAN member countries' commitments to emission reduction.

*Table 1. The ASEAN Member Countries' Emission Reduction Commitments in 2030*

Emission Reduction (MtCO <sub>2</sub> e)	Unconditional		Conditional	
	Previous NDCs	Newest NDCs	Previous NDCs	Newest NDCs
Indonesia	832.01	No change	1,176.29	No change
Malaysia	0.531 tCO <sub>2</sub> e/thousand Malaysian Ringgit			
Singapore	0.113 kgCO <sub>2</sub> e/SD and peaking at 65 MtCO <sub>2</sub> e			
Brunei Darussalam	n.a	5.90	n.a	n.a
Philippines	n.a	90.52	n.a	2,414.70
Thailand	111.00	No change	138.75	No change
Cambodia	n.a	n.a	3.1	64.5
Vietnam	62.99	83.51	196.85	250.53
Myanmar	n.a	244.52	n.a	414.75
Lao PDR	n.a	62.40	n.a	n.a

Source: ACE (2021)

In order to tackle climate change, Ellen MacArthur Foundation (2019, 2021), Musari and Sayah (2021), Musari and Zaroni (2021), Musari (2021c), Van Veldhoven and Schmidt (2021), Kaye (2021) convinced that circular economy has a critical role to decrease GHG. It can mitigate carbon dioxide emissions that emerge from extractive industries, transportation, construction, manufacturing, and other sectors. In the building sector alone, Englund and André (2021) claimed that circular economy actions can reduce emissions by up to 61%. Musari (2021c) also claimed that circular economy paradigm for

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