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Letter to Editor

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SAM welcomes efforts to accelerate climate action through the financial sector

Sahabat Alam Malaysia (SAM) welcomes the efforts of Bank Negara Malaysia (BNM) and the Securities Commission (SC) in accelerating climate action through the financial sector, via the Joint Committee on Climate Change (JC3) established to spearhead this.

We laud the efforts of both BNM and the SC in taking the lead in accelerating climate action in the private sector, by ensuring that domestic financial institutions are adequately measuring, mitigating and building buffers against climate risks.

We are glad to note that members of the JC3 (in their recent statement of Sept 15) have affirmed the importance of managing climate change “given the significant risks and systemic impact that climate events can inflict on our lives and livelihoods.”

We agree with the JC3 that the current COVID-19 pandemic has taught us many lessons, including over the “demand and supply shocks spreading across borders”, from which we have to learn.

SAM welcomes the realisation that “this has raised a further sense of urgency to the work of JC3 in supporting efforts to build resilience against climate and environmental-related events, and secure an orderly transition to a more sustainable economy.”

It is vital indeed through these efforts to push the financial sector towards making responsible and ethical financing investments in scaling up environmental and low-carbon financing, as well as in giving equal attention to investments in climate adaptation.

Adaptation deals with implementing measures to increase the nation’s resilience to climate impacts, such as in the implementation of early warning systems to reducing the risk of flooding; or to enable other economic activities to adapt to climate change.

What is most startling from recent studies globally, is the apparent lack of sufficient preparedness in many cities and countries around the world, including our own, in addressing the possible climate impacts of climate change.

More than two in three cities around the world are already noticing the effects of climate change, from more heatwaves to worsening flooding, but few have effective plans in place to deal with the threats. Apparently, budget restrictions are a key reason cities say they are failing to act, particularly on long-term threats.

Hence, investing in adaptation now is most vital. It is well known that financing for mitigation (reducing emissions) is usually prioritised over adaptation, as the former can be revenue generating while the latter is not. But to ignore adaptation actions will lead to severe economic losses, as exemplified by forest fires and impacts from flooding.

In the case of investments in mitigation-related efforts, we stress the need to put an end to fossil fuel financing.

It is troubling to know that Malaysian banks are at risk of being left to prop up a dying industry, given the huge investments in thermal coal and coal power, while the global landscape of renewable energy continues to expand rapidly.

While some Malaysian banks have stated that they are taking a phased approach to ease up on coal financing, more urgency is needed in ending this altogether.

A recent report of the Intergovernmental Panel on Climate Change (IPCC) states that global warming is likely to reach 1.5°C between 2030 and 2052 if emissions continue to increase at the current rate. Some have even predicted that the 1.5°C level will be breached much sooner rather than later.

Already at a current 1°C rise, the world is witnessing dramatic changes in the climate, such as rainfall intensities which have not been heard of before, including in this country, as well as forest fires of mega proportions.

Hence, doing more on climate change with the urgency required is imperative, especially in the financial sector, which can shape the direction of where we head.

Our financing choices will determine whether we are on the path to a low-carbon and safe future which is also resilient to climate impacts, or whether we are exposed to a whole load of risks similar to the Covid-19 pandemic that will have far-reaching consequences across all sectors, including our lives and the economy.

Hence, we reiterate the urgency for the financial sector and banks to ensure climate-friendly investments.

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