

**April 2022**

## Earth Day: Its Origin and the Way Forward

This year marks the 60<sup>th</sup> anniversary of *Silent Spring* publication by Rachel Carson. It is reputed as one of the most influential environmental science books in the modern world. The publication started a successful environmental movement and reversed a national pesticide policy. Synthetic pesticides have since been banned in the agriculture industry. Environmental awareness has increased substantially in later years, leading to the creation of Earth Day on 22 April 1970.

Thanks to the environmental movement, the US congress was pressurised to pass measures for cleaner air and water during the 1970s. United States Environmental Protection Agency (USEPA) was formed and environmental laws like the National Environmental Education Act, the Occupational Safety and Health Act, and the Clean Air Act were passed. The environmental laws were seen as highly disruptive to businesses which were used to industrialisation and profit-optimisation. In 1987, the term *sustainability* was coined by 1983 UN Commission on Environment and Development, leading to re-balancing acts in *profits, planet, and people* pillars.

Global warming and climate change became the top environmental agenda since former United States Vice President Al Gore's documentary film, *An Inconvenient truth*, was produced in 2006. Extreme weather

conditions such as floods, heat waves, forest fires, hurricanes have occurred more frequently over the last decade; causing severe damage to infrastructure and loss of human lives. According to National Oceanic and Atmospheric Administration, the cost of the damage to infrastructure amounts up to US\$145 billion in US in 2021. There is strong science-based evidence that climate change is caused by human activities that increase carbon emissions in the atmosphere. Hence, it is now imperative that businesses learn from the 1960s environmental movement and play a major role in reversing the effects of climate change.





## Stringent regulations

It is expected that government policies will be increasingly stringent to curb carbon emissions. Hence, businesses must expect disruptive environmental regulations such as higher carbon taxes. Businesses must also be cautious of data management and due diligence in this arena. Carbon footprint is a quantitative exercise and is data driven. In March 2022, the China government has announced the uncovering of fraud cases of carbon dioxide emission figures and false emissions reports in their national emissions trading scheme. The Chinese government has given each power plant a limit cap. Those that exceed their cap can buy more carbon credits through the trading scheme while those with a surplus can sell them. Instances of such fraud cases present possibilities of companies distorting their carbon footprint figures for profits. Hence, interested businesses need to conduct rigorous quantitative due diligence on prospective carbon buyers and sellers in the voluntary carbon market. Ideally, businesses should examine the parameters and factors used for the quantification of the carbon offsets.

It is not a certainty that every carbon offset project results in *true* carbon reductions. It is also not definite that the project will not result in other kinds of environmental impact such as biodiversity loss. However, it is established that tree planting activities or any other reforestation projects in nature can help to absorb carbon from the atmosphere. This rising awareness leads to a session that focuses on nature-based solutions in 2021's COP26. The international session aimed to address biodiversity loss, climate change issues and how countries can play a part. Thus, it is expected that carbon credits can no longer be viewed in isolation in the voluntary carbon markets. Projects need to be holistic and achieve net positive effect for the environment.

It is imperative that businesses start to assess their own carbon footprints. This is an important step for them to evaluate their actions. Only with this information, can they start to meaningfully look at the areas they can work on to reduce their emissions. Offsets should only be done after all efforts have been taken to reduce their carbon outputs.

### Invest in natural capital

The theme for Earth Day this year is “Invest In Our Planet”. Businesses must not only look and invest within corporate boundary but also look beyond because *no man is an island*. We must acknowledge that all businesses no matter how big or small, are inter-connected and form a part of the supply chain. Businesses should also start to understand and invest in our natural capital and ecosystem.

Economists have found it difficult to determine the valuation of nature assets. However, nature assets like mangroves do provide ecosystem services such as preventing soil erosion and protecting coastlines. Nature reserves contain diverse animal and plant species. They also serve as recreational spots such as nature trails and hiking tracks. Most importantly, such nature assets also absorb and store carbon. For example, mangroves can absorb carbon 2-3 times more than forests. With such crucial characteristics to preserve our ecosystem, it is now inexcusable to say that such nature assets have no valuation simply

because such a market for natural capital does not exist. Traditional finance does not have the necessary expertise to understand the value of such ecosystem services that nature assets provide. Hence, moving forward, it is of paramount importance for businesses to understand the contribution of such nature assets to their organisations from a sustainable finance perspective.

Sustainable finance has become increasingly pertinent. Investments must be made in both “natural capital” to absorb the carbon from the atmosphere, and also in processes, systems and technologies to help reduce carbon outputs. Only with concerted efforts, can we have a planet that “meets the needs of the present without compromising the ability of future generations to meet their own needs.”

### About RHT Green

RHT Green is a Singapore-based sustainability consultancy that provides thought leadership and sustainable transformations especially in the areas of carbon emissions and sustainable finance. With our team of dedicated sustainability consultants and vast capabilities of multi-disciplinary leaders in the ONERHT network, we help our clients derive purposeful growth and business value from strategy through to execution.

**Disclaimer:** The ONERHT Universe offers multidisciplinary professional services represented by a synergistic platform of brands, which include RHTLaw Asia LLP, RHT Consulting Asia, together with associated companies and networks. Collaborating as ONE, we seek to be a beacon of growth for our clients, stakeholders and communities, empowering them to achieve purposeful growth in Asia and beyond.

RHTLaw Asia LLP is a Singapore law practice separately registered as a limited liability law partnership in Singapore. It is part of the ASEAN Plus Group, with presence in 16 jurisdictions. No other entity in the ONERHT universe is an affiliate, branch or subsidiary of RHTLaw Asia LLP nor a Singapore law practice, which is authorised to provide legal advice.

**Third Party Links:** This publication may contain links to articles on external websites. Please note that the Privacy Policies on our websites do not apply to such external websites and the operations you perform on those websites.



[www.rhtgreen.com](http://www.rhtgreen.com)

✉ [info@rhtgreen.com](mailto:info@rhtgreen.com)

☎ +65 6381 6888