MALAYSIA’S INITIATIVES TO ACHIEVE NDC TARGETS

DATE: 30 MARCH 2023
TIME: 3.30 PM
VENUE: KIGALI, RWANDA
Background – Overview of Malaysia’s Initiatives to Mitigate Climate Change and Achieve NDC Targets
Carbon Pricing Mechanism

Partnership for Market Implementation (PMI)
PMI Readiness Support Plan (RSP)

- World Bank will undertake the Partnership for Market Implementation (PMI) for Malaysia’s PMI Readiness Support Plan (RSP) on the feasibility of carbon pricing mechanism implementation in Malaysia
- Approved on August 26, 2022
- Established the steering committee and technical working group comprising the relevant agencies
- Looks at the whole carbon pricing instruments including carbon tax and ETS & VCM that could possibly be implemented in Malaysia

Domestic Emissions Trading Scheme (DETS)

- Emissions Trading Scheme (ETS)
- Collaborating with NRECC in establishing the ETS mechanism that enables carbon trading to be carried out domestically
- To enact the relevant laws/regulations for domestic carbon credit transaction
Potential Considerations for Carbon Pricing

**What is carbon pricing? What can it achieve?**

- Uses market mechanisms to pass cost of emitting GHG emissions on to emitters
  - Extent of positive climate impacts depends on instrument design, implementation, complementary policies and targets, periodic assessments, adjustments
- Source of public revenue that can be put to productive use
  - Revenues can be recycled to reduce other conventional taxes, protect lower-income households, support cleaner technologies, address fairness and competitiveness concerns, or channel public funds toward other public policy objectives
- Enhances attractiveness of low-carbon solutions and supports green transition
  - A ‘nudge’ towards the development and adoption of low-carbon solutions

**What carbon pricing is not? What can it not achieve?**

- One-size-fits-all, solitary solution to climate change
  - Complementary instruments needed to support RE, EE, clean transport, industrial decarbonization, efficient resource use, etc.
  - Broader environmental issues beyond GHGs not a direct objective, e.g. biodiversity and ecosystem conservation; but there are co-benefits including reducing other harmful local air pollutants which can improve health outcomes and productivity
- Redistributive tool to address socioeconomic challenges
  - Revenues raised can fund greater social protection, reductions in distortionary taxes, but raising standards of living beyond immediate remit
- A threat to economic growth
  - Over 70 CPIs have been implemented globally with little to no evidence of negative impacts on GDP growth
Bursa Malaysia has developed the Voluntary Carbon Market (VCM) known as the Bursa Carbon Exchange (BCX) that was launched on 9 December 2022.

The BCX will provide unique opportunity to access the Malaysian carbon ecosystem including suppliers and corporate buyers.

What Makes BCX Unique?

**Established Player**
- Facilitate public-private sectors engagements
- Access to Malaysian based carbon credits
- Unique access to over 900 listed companies

**Shariah-Compliant**
- World's first Shariah - compliant carbon exchange
- Fulfills both Shariah and ESG principles

**Market Driven**
- High-quality carbon credits per international standards
- Reduced counterparty and delivery risk

Source: Bursa Malaysia
On 16th March 2023, the Bursa Carbon Exchange successfully completed Malaysia’s Inaugural Carbon Auction

**Successful Auction Bidders - 100% Malaysian Organisations**

1. AmBank (M) Berhad  
2. AmBank Islamic Berhad  
3. AmInvestment Bank Berhad  
5. CIMB Bank Berhad  
6. Malayan Banking Berhad  
7. Malaysia Steel Works (KL) Berhad  
8. MIDF Amanah Investment Bank Berhad  
9. Permodalan Nasional Berhad  
11. Petronas Nasional Berhad (PETRONAS)  
12. Press Metal Aluminium Holdings Berhad  
13. Telekom Malaysia Berhad  
14. Yinson Holdings Berhad  

**Contracts Offered for Auctions**

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Contracts</th>
<th>Project</th>
<th>Volume Available for Auction</th>
<th>Auction Reserve Price</th>
<th>Auction Clearing Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vitol Asia Pte Ltd</td>
<td>Global nature-based plus carbon contract (GNC+)</td>
<td>Southern Cardamom REDD+ with Climate, Community &amp; Biodiversity (CCB) certification, Cambodia</td>
<td>100,000 contracts</td>
<td>RM68</td>
<td>RM68</td>
</tr>
<tr>
<td></td>
<td>Global technology-based carbon contract (GTC)</td>
<td>Linshu Biogas Recovery And Power Generation Project, China</td>
<td>50,000 contracts</td>
<td>RM18.50</td>
<td>RM18.50</td>
</tr>
</tbody>
</table>

Source: Bursa Malaysia
## Opportunities

- Strong global demand for carbon credits. Potential market size for carbon credit in 2030 could potentially be USD5bn – USD30bn
- Malaysia has huge domestic potential to generate high quality carbon credits from both nature and technology-based solutions
- Powerful market mechanism that can help facilitate Malaysia to achieve our net-zero goal by as early as 2050
- Spillover benefits to the country - spawning a resilient and more sustainable economy with green employment
- Aligns with the Government of Malaysia’s core values on sustainability, prosperity, innovation, respect, trust and care & compassion.

## Challenges

- Development of national/state policies or regulations which support the growth of VCM ecosystem
- Lack of awareness on VCM and carbon credits among the investment communities
- The need to overcome initial inertia in developing carbon offset projects
- Willingness of financial institutions to support financing of carbon offset projects
- Investment in low quality carbon offset projects by domestic project developers and investors may cause it to end up resulting in stranded assets as global standards for carbon credits become more stringent
- Negotiation for a more equitable climate justice in international negotiations as developed countries imposing their climate ambition on developing countries (e.g. EU’s CBAM)
THANK YOU