

KEMENTERIAN KEWANGAN  
MALAYSIA

# MALAYSIA'S INITIATIVES TO ACHIEVE NDC TARGETS

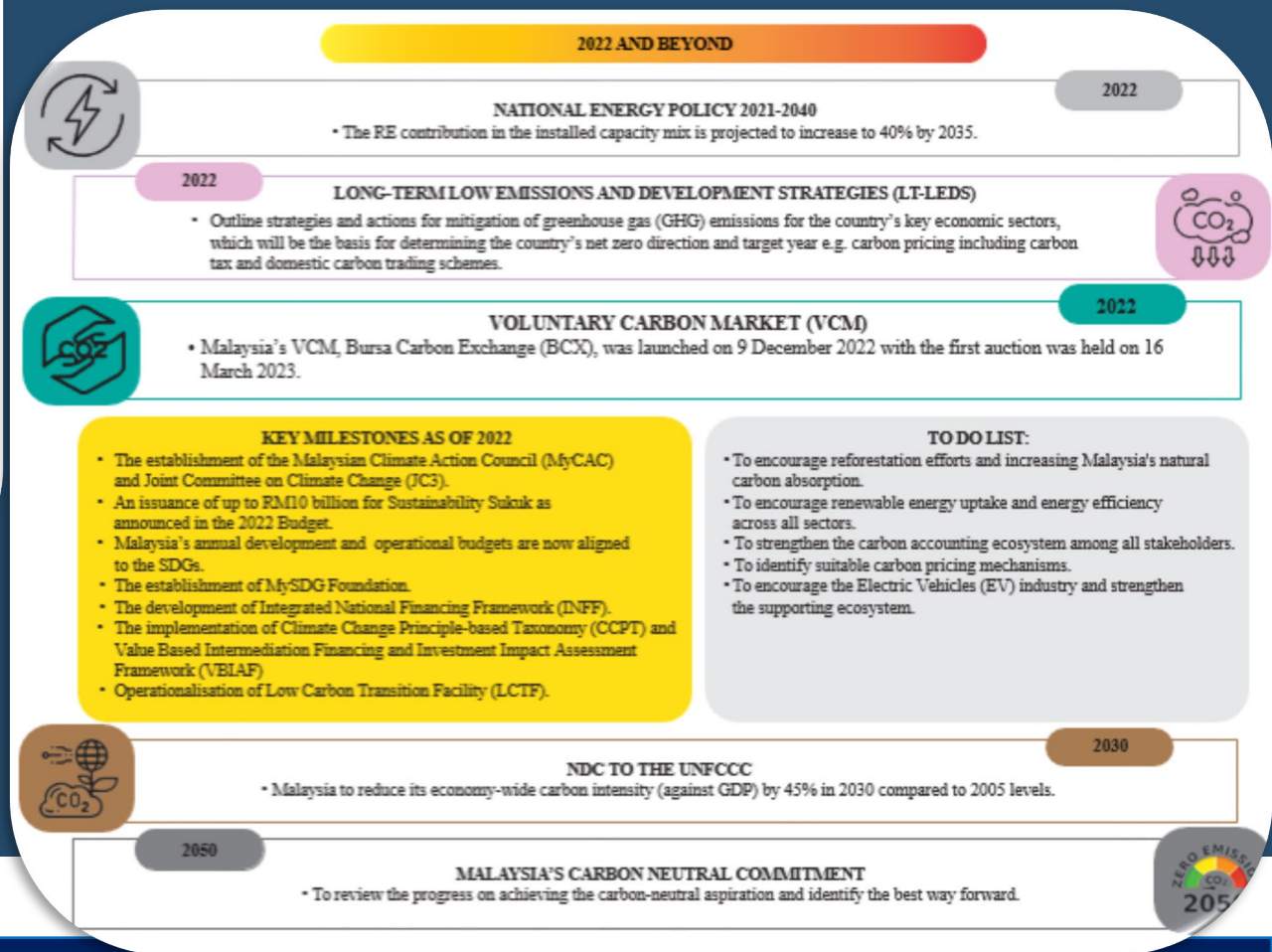
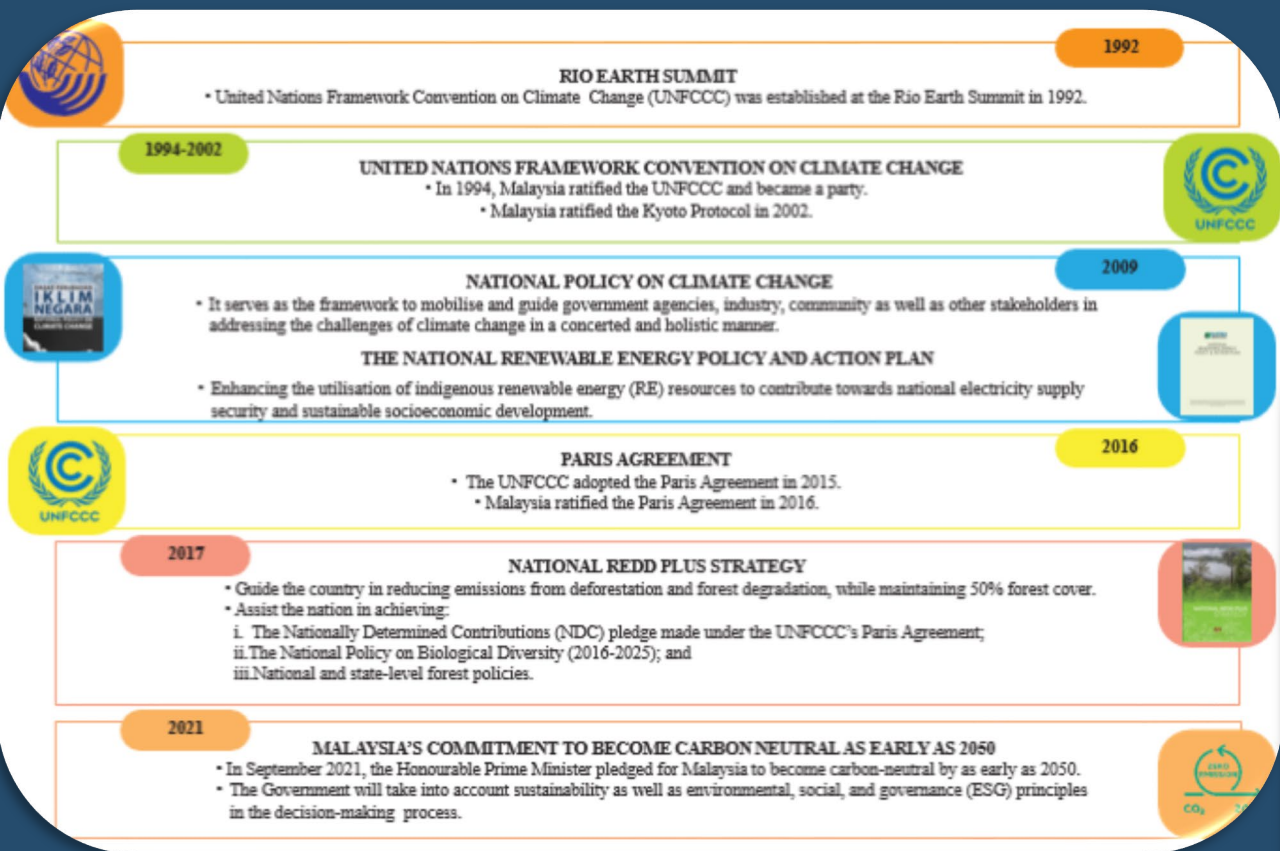
**DATE : 30 MARCH 2023**

**TIME : 3.30 PM**

**VENUE : KIGALI, RWANDA**



# Background – Overview of Malaysia’s Initiatives to Mitigate Climate Change and Achieve NDC Targets





## 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



# Voluntary Carbon Market (VCM) / Bursa Carbon Exchange (BCX)

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

## Key Features\* of Bursa Carbon Exchange

Exchange	Trading Mode	Continuous Spot Trading - Central Book order	Off-Market Transaction	Auctions
	Pre-trade conditions	Hold Cash and Carbon Credit in Trust		
	Settlement	Instantaneous		
Standardised Products	Project Type	Nature Based	Tech Based	
	Carbon Standard(s)	Verra		
	Vintage	2016 onwards		
	Project Origin	Global	Malaysia	
Participants	Markets	Domestic	International	
	Types	Suppliers	Traders	Brokers

Shariah Compliant

\*The functionalities and features may be introduced in phases.

Source: Bursa Malaysia



## On 16<sup>th</sup> March 2023, the Bursa Carbon Exchange successfully completed Malaysia's Inaugural Carbon Auction

**15** Local Bidders

**2** International Projects

**150,000** Verra Certified Units

### Successful Auction Bidders - 100% Malaysian Organisations

1. AmBank (M) Berhad
2. AmBank Islamic Berhad
3. AmInvestment Bank Berhad
4. AU Synergy Sdn. Bhd.
5. CIMB Bank Berhad
6. Malayan Banking Berhad
7. Malaysia Steel Works (KL) Berhad
8. MIDF Amanah Investment Bank Berhad
9. Permodalan Nasional Berhad
10. Pet Far Eastern (M) Sdn. Bhd.
11. Petroliam Nasional Berhad (PETRONAS)
12. Press Metal Aluminium Holdings Berhad
13. Telekom Malaysia Berhad
14. Yinson Holdings Berhad

### Contracts Offered for Auctions

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

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)







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THANK YOU

