



Malaysia's Carbon Pricing Journey

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Malaysia PMI – Summary of Progress



Objectives

1. Support the government's **preparations for the introduction of carbon pricing instruments**
2. **Enhance stakeholders' understanding of CPIs** and roles in Malaysia's low-carbon transition



TWG hosted by MOF, with 9 Ministries and agencies

Progress to-date (March 2023 – June 2024)

- Developed **support plan** covering knowledge-transfer; CPI impact assessment; policy design options; MRV and national registry development; domestic crediting system enhancement; capacity-building support; just transition action plan and communication strategies.
- Completed **review of international carbon tax and ETS experiences and best-practices** to illustrate key lessons applicable to Malaysia
- Completed **Carbon Pricing Impact Assessment** and **Carbon Pricing Design Options** reports and conducted capacity-building workshop on CPI design for policymakers
- Completed report on **Carbon Crediting and Offset System Framework for Malaysia** and conducted capacity-building workshop on offset system design for policymakers
- Commenced work on **Registry Development**, with needs assessment framework nearing completion
- Developed a **capacity building plan** to enhance stakeholder understanding of CPI design, implementation, and administration

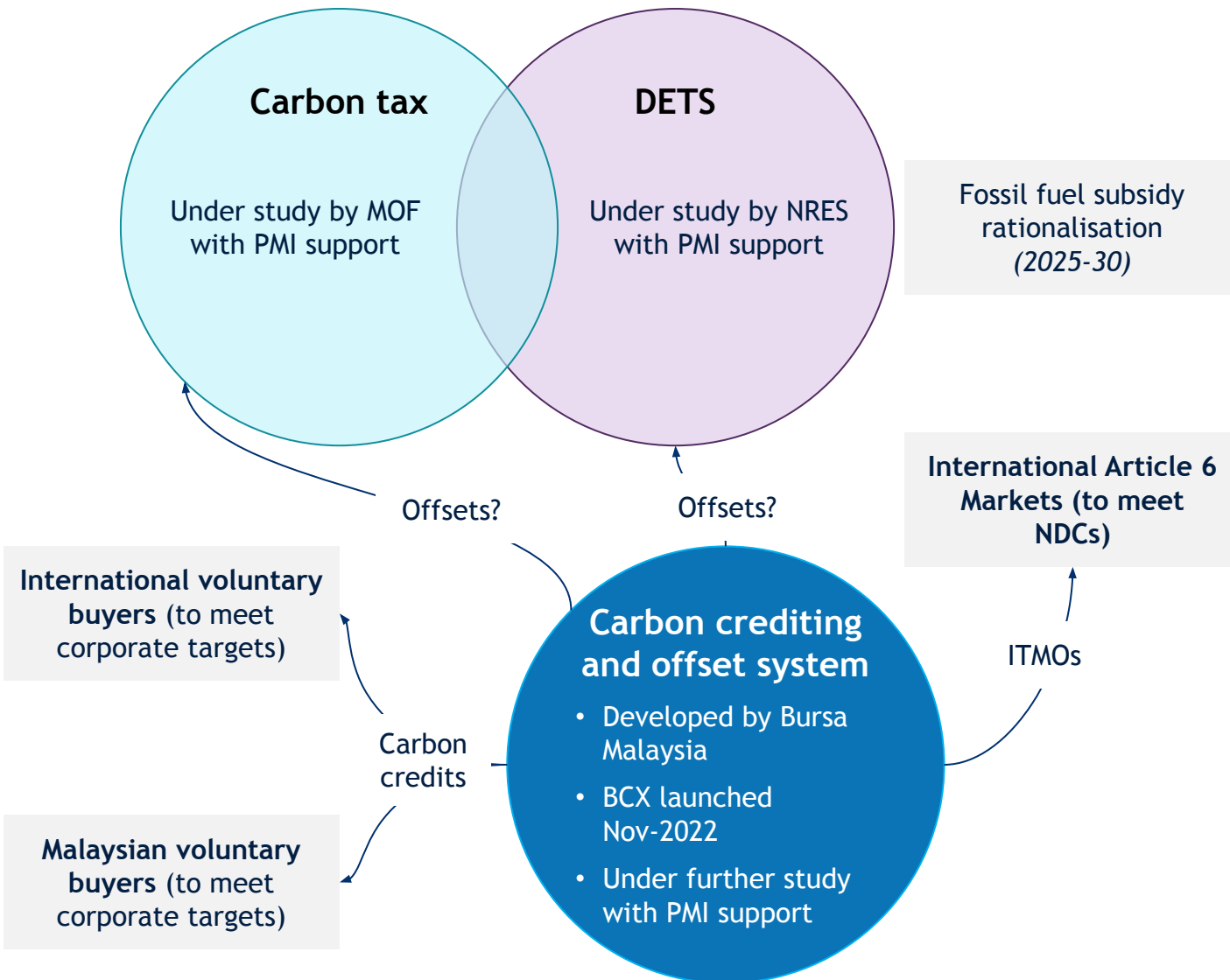
Next Steps

1. **Delivery of remaining reports:**
 - Registry Assessment Report and Implementation Recommendations
 - Legal Study on MRV for CPI Implementation
 - MRV Assessment Report
 - Just Transition Action Plan
2. **Delivery of capacity building modules for policymakers, private sector**

Outcomes

- **Enhanced Government's understanding** of CPIs, including design, implementation, and administration
- **CPIs seen as key tool to achieve low-carbon targets**, across RE, EE, NDCs, and net-zero carbon emission by 2050, while stimulating credit and offset market development
- **Develop robust systems for GHG emissions** reporting and information management in Malaysia

Malaysia's Consideration of Carbon Pricing Instruments



Key Domestic Policies

1. 12MP, indicating study of CPIs, expansion of EFTs, PES
2. Energy sector transition efforts, guided by NETR, MyRER, DTN
3. Industrial decarbonization efforts, guided by iESG FW, NIMP
4. Cross-sectoral plans in development, including NPCC, LT-LEDS, NDC Roadmap, NAP, National Carbon Policy
5. State- and city-level decarbonization measures

Key Domestic Targets

1. NDC: 45% reduction in GHG intensity of GDP vs 2005 levels (2030)
2. GHG Emissions: Net-Zero Emissions (2050 onwards)
3. RE Installed Capacity: 31% (2025), 40% (2035), 70% (2050)
4. EE Savings: 11% industrial and commercial, 10% residential (2040)
5. Facilitate growth of domestic carbon offset ecosystem

Key International Pressures

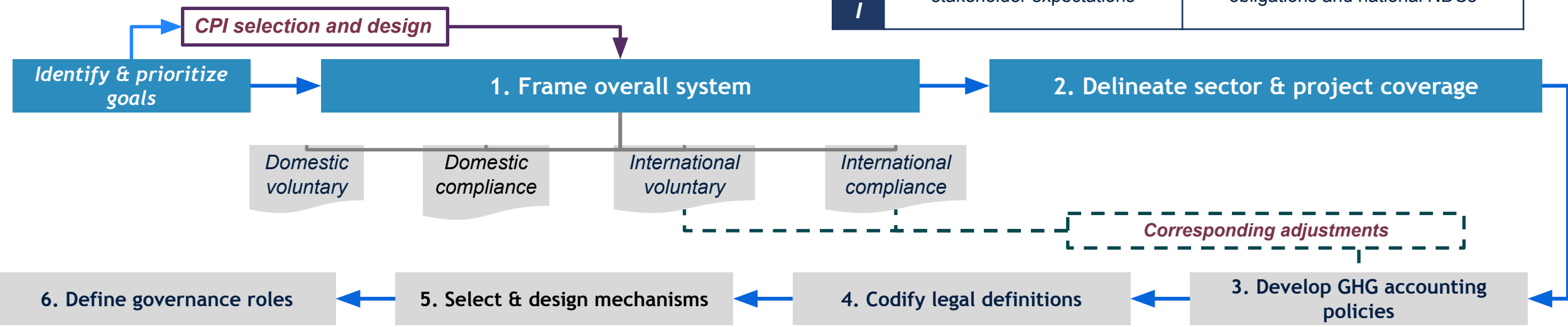
1. International industrial and supply-chain decarbonization efforts
2. Article 6 mechanisms
3. EU's CBAM and other potential border carbon adjustments
4. Forest protection and anti-deforestation initiatives

Considerations in Malaysia's Carbon Market Development

The Government of Malaysia is considering various applications of carbon credits, domestically and internationally, to stimulate market growth and development

- The Bursa Carbon Exchange was launched in 2022 to facilitate and support domestic companies meeting climate targets.
- The Malaysia PMI provides insights into Type 2 and 4 markets; while National Carbon Market Policy will cover all four market types, including potential engagement in Article 6 markets, in the context of Malaysia's climate commitments
- Beyond this, Malaysia is in early stages of developing its crediting and offset ecosystem in a stepwise manner, as outlined below:

	<i>Voluntary</i>	<i>Compliance</i>
<i>D o m e s t i c</i>	<p>Market Type 1 e.g., VCM/BCX</p> <p>Companies meeting pledges, stakeholder expectations</p>	<p>Market Type 2 i.e., integration with domestic c-tax/ETS</p> <p>Governments seeking decarbonization and meeting national NDCs; Companies offsetting compliance market liabilities</p>
<i>I n t e r n a t i o n a l</i>	<p>Market Type 3 e.g., Article 6.4</p> <p>Companies meeting pledges, stakeholder expectations</p>	<p>Market Type 4 e.g., Article 6.2</p> <p>Governments meeting international obligations and national NDCs</p>



Thank you..

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