

Malaysia

General Information

ETS Description

The Malaysian Ministry of Environment and Water (KASA) published the “National Guidance on International Voluntary Market Mechanisms” in 2021, which indicated its intent to participate in international voluntary carbon markets (VCM) and to establish a domestic ETS in the future. The Malaysian Cabinet endorsed KASA’s policy document and decided to introduce a carbon trading platform by starting with a VCM exchange and potentially a domestic ETS at a later stage. Bursa Carbon Exchange (BCX), the world’s first Shariah-compliant VCM platform, was launched in December 2022 and trading commenced in March 2023.

Malaysia’s ETS plans are also fueled by the country’s NDC commitments and net zero aspirations. It will also help to prepare industry players for international trade related instruments, such as the EU’s carbon border adjustment mechanism (CBAM), and support Malaysia’s low-carbon transition in the industrial sector.

Since 2021, the Malaysian government has been engaging with state governments and the corporate sector to align relevant policies and regulation. As part of this process, the Malaysian government, in close cooperation with the World Bank, is conducting a feasibility study on carbon pricing instruments under the Malaysia Partnership for Market Implementation (MY PMI) program. The initial part of the study is looking into the implementation of carbon pricing instruments such as a carbon tax and an ETS in Malaysia, and is covering several key aspects such as policy and market design frameworks, national registry development, and alignment with international standards. As of January 2025, work on the initial part of the study was still ongoing. The next part of the study is expected to start in 2025 and will focus on ETS design and infrastructure development.

At the sub-national level, in November 2023 the state of Sarawak passed a climate bill that includes provisions to introduce mandatory emissions thresholds for certain industrial emitters.

Similar provisions are contained in a consultation paper for a “National Climate Change Bill”, published by the Ministry of Natural Resources and Environmental Sustainability (NRES) in October 2024. It mentions “the establishment of a Domestic Emissions Trading Scheme (ETS) which entails an emission threshold at the facility level that enables facilities to manage and trade their greenhouse gas emissions allowances, ensuring compliance with the set emission threshold, while promoting economic flexibility and incentivizing emission reductions”. If approved, it would provide the legal basis for the introduction of a domestic ETS in Malaysia. The draft bill is expected to be introduced to the Malaysian parliament in 2025.

ETS Status

under consideration

Jurisdictions

Malaysia

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO₂e)

329.0 MtCO₂e (2021)

GHG reduction targets

By 2030: 45% reduction of economy-wide carbon intensity compared to 2005 levels (unconditional, updated NDC)

By 2050: Net-zero (“The 12th Malaysian Plan 2021-2025”)

Other Information

Institutions involved

Ministry of Natural Resources and Environmental Sustainability (NRES): Responsible for overseeing the implementation of national climate policy, including the national carbon market mechanisms.

Ministry of Finance: Jointly responsible with NRES and Bursa Malaysia for the voluntary carbon credit exchange.

Bursa Malaysia: National stock exchange, operates Bursa Carbon Exchange (BCX).

Regulatory Framework

[National Guidance on Voluntary Carbon Market Mechanisms](#) (2021)

[Consultation paper for a “National Climate Change Bill”](#) (2024)

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