

# Malaysia

## General Information

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### ETS Description

The Malaysian Ministry of Environment and Water (KASA) published the “National Guidance on International Voluntary Market Mechanisms” in September 2021, which indicates its intent to implement a domestic ETS. It also provides guidance to entities that intend to participate in international voluntary carbon markets (VCM). The Malaysian Cabinet endorsed KASA’s policy document, proposing to introduce a carbon trading platform by starting with a VCM exchange and potentially complementing this with a domestic ETS at a later stage.

Bursa Carbon Exchange (BCX), the world’s first Shariah-compliant VCM platform, was launched in December 2022. It features continuous spot trading, off-market transactions, auctions, and pre-trade conditions, which allow cash and carbon credits to be held in trusts. Both nature-based and technology-based activities accredited by Verra are traded, with vintages from 2016 onwards. Voluntary market trading on the BCX officially commenced in March 2023.

Malaysia’s ETS plans are also fueled by the country’s NDC commitments and net zero aspirations. They will also help 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 the Malaysia Partnership for Market Implementation (MY PMI). It 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. It is expected to conclude in 2024.

At the subnational level, in November 2023 the state of Sarawak passed a climate bill that includes provisions to introduce mandatory emissions thresholds for certain industrial emitters. According to Sarawak officials, covered entities will be required to report their annual emissions to the state regulator and to set themselves binding emissions thresholds. Entities that fail to do so will be subject to a carbon tax, the rate of which is still to be determined by the state Cabinet.

### ETS Status

under consideration

### Jurisdictions

Malaysia

## Emissions & Targets

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### Overall GHG Emissions excl. LULUCF (MtCO<sub>2</sub>e)

330.4 MtCO<sub>2</sub>e (2019)

### GHG reduction targets

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

**By 2050:** Net-zero (The 12<sup>th</sup> Malaysian Plan 2021-2025)

## Other Information

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### 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)

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