



MINISTRY OF FINANCE MALAYSIA
MINISTRY OF NATURAL RESOURCES & ENVIRONMENTAL SUSTAINABILITY MALAYSIA

Sustainable Shifts: Malaysia's Climate Policy in Action



MALAYSIA CARBON MARKET PATHWAY



“The Government will introduce a Carbon Tax on the iron, steel and energy industries in Malaysia by 2026.”

-Budget Speech 2025-

“The Government has agreed to accelerate decarbonisation actions for the iron and steel industries...”

NATIONAL INVESTMENT COUNCIL– 17th February 2025

YAB Prime Minister

KEY DOMESTIC TARGETS



NDC

45% reduction in GHG intensity of GDP from 2005 levels



GHG Emissions

Net-Zero Emissions (2050 onwards)



RE Installed Capacity

31% (2025), 40% (2035), 70% (2050)



EE Savings

11% industrial and commercial
10% residential (2040)

Facilitate growth of domestic carbon offset ecosystem

KEY INTERNATIONAL PRESSURES



INTERNATIONAL
INDUSTRIAL
AND SUPPLY-
-CHAIN
DECARBONISATION
EFFORTS



ARTICLE 6
MECHANISM



EU'S CBAM
AND OTHER
POTENTIAL
BORDER CARBON
ADJUSTMENTS,

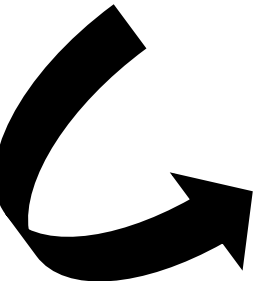
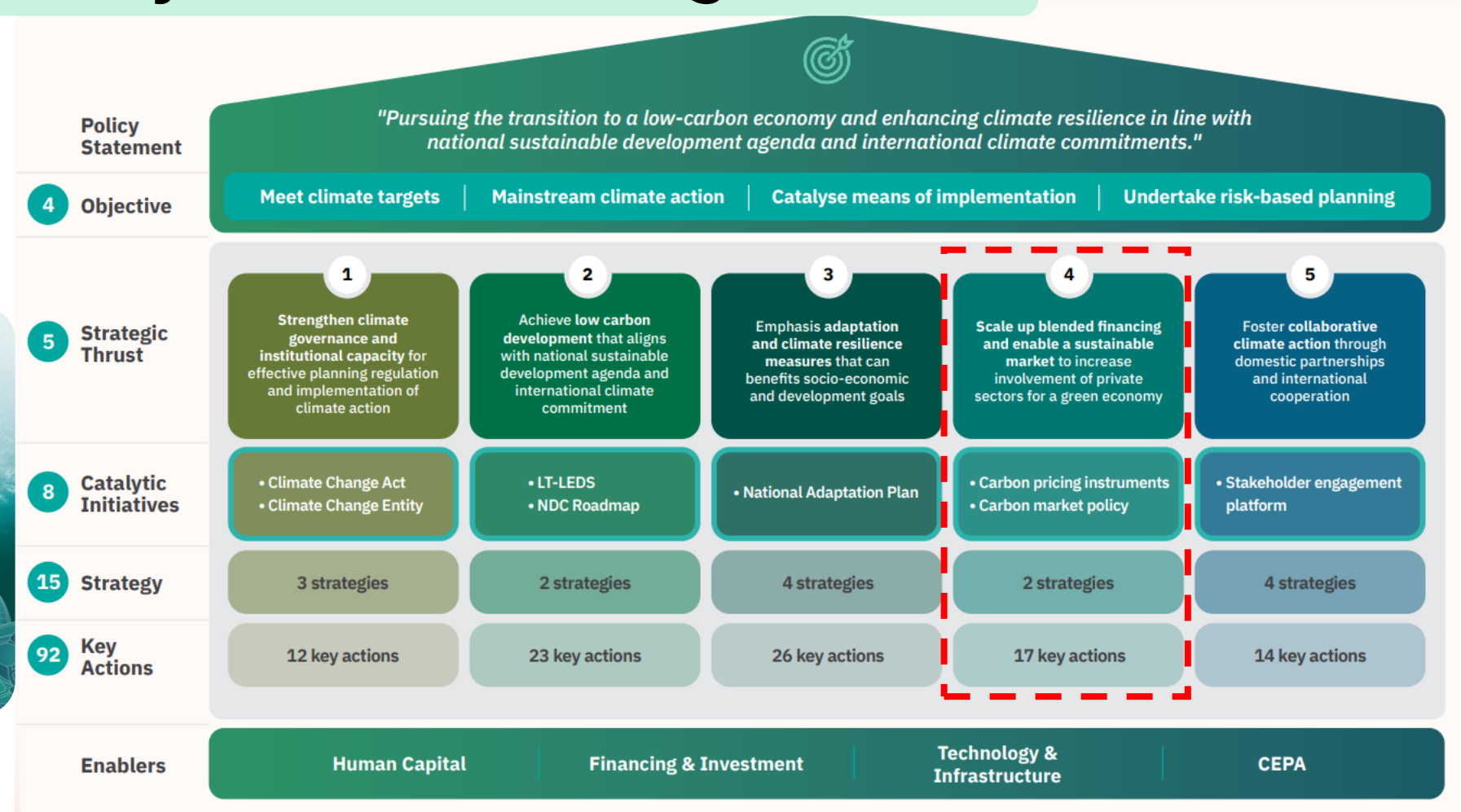
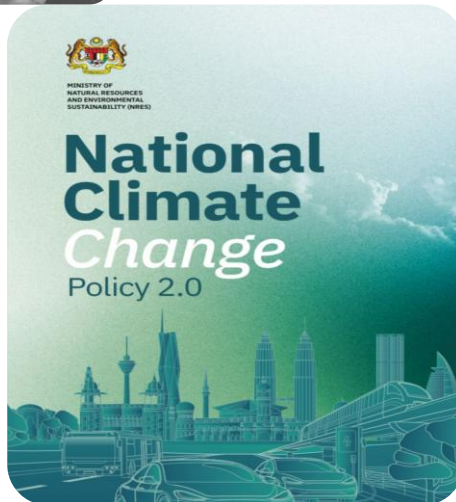
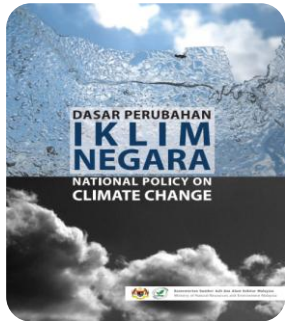


FOREST
PROTECTION
AND ANTI-
DEFORESTATION
INITIATIVES



Overview of Malaysia's carbon pricing and climate policy landscape

National Policy on Climate Change 2.0



NATIONAL CARBON MARKET POLICY

- To facilitate relevant stakeholders such as state governments and private sector to develop the local carbon market
- Provide strategic guidance on carbon market initiatives that will support efforts to reduce GHG emissions sustainable development
- Serve a key guidance enable the participation of varoious entities in Malaysia on carbon trading

2004 (1st phase)

Literature Review

International benchmarking

Domestic carbon market

Gap assessment and roadmap

2025 (2nd phase)

National Arrangements for Article 6

Institutional framework

Implementation framework

Guidance to operationalize UNFCCC decisions

Techno-economic analysis

Malaysia carbon market review

Development of National MAC Curve

Scenario analysis

Policy Document

Framework development (Article 6 and carbon pricing, reporting, legal requirements, etc)

Drafting of the DPKK

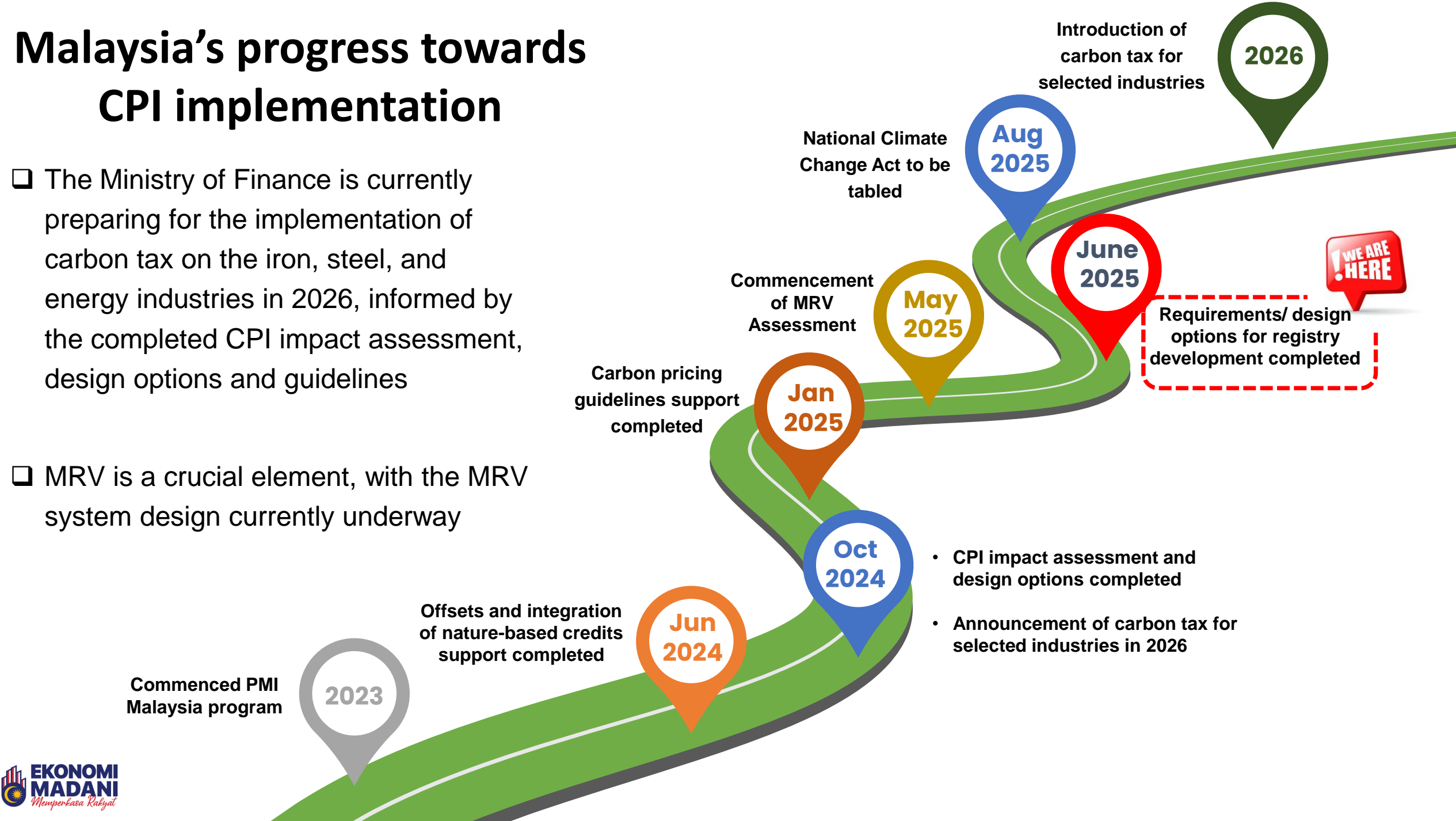


National Climate Change Bill

- Objectives: Enhancing Malaysia's climate change governance at the international and domestic level, strengthening the country's resilience towards climate change impacts and ensuring that the country's climate actions can be carried out effectively and inclusively at every level.
- Adopts a whole-nation approach in the process of its development
- The process of drafting the National Climate Change Bill examines the framework of climate change legislation from other countries, taking into account existing policies and legislation, impact analysis, stakeholder input, and others
- Provision related to Carbon Tax, ETS, Reporting & MRV and Article 6 will be covered under the National Climate Change Bill
- Expected to be completed by 2025

Malaysia's progress towards CPI implementation

- ❑ The Ministry of Finance is currently preparing for the implementation of carbon tax on the iron, steel, and energy industries in 2026, informed by the completed CPI impact assessment, design options and guidelines
- ❑ MRV is a crucial element, with the MRV system design currently underway



A photograph of a dark, moss-covered rock in a forest. The rock is the central focus, with vibrant green moss growing on its surface. The words "Thank You" are superimposed on the rock in a bold, orange, textured font. The background is a soft-focus forest scene with sunlight filtering through the trees, creating a warm, golden glow and bokeh effects. Various green leaves and branches are visible around the rock.

Thank You