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ENERGY

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PETALING JAYA: Proper mechanism for the voluntary carbon market (VCM) is needed for corporate Malaysia as it will spur energy efficient technologies and boost its export competitiveness.

Besides that, economists and industry observers said the processes for such carbon exchange should be clear for companies to have a better grip of the mechanism involved for the exchange.

The exchange is scheduled to be launched sometime this year, barring any unforeseen circumstances.

Economist Shankaran Nambiar told *StarBiz* that given the seriousness with which environmental concerns are being taken, the country's interest in promoting VCM is timely.

"Although currently it might be difficult for companies to adopt VCM-friendly policies and get into carbon markets, the introduction of the mechanism will be a good start and a nudge that carbon neutrality is something that has to be included within the strategic thinking of companies.

"Concepts such as carbon neutrality, carbon trading and carbon offset credits will be new and understanding them will pose difficulties, especially to the small and medium enterprises (SMEs), perhaps even the bigger SMEs. But they are a necessary part of greening the economy.

"Furthermore, how VCMs function may not be clear to the smaller companies as they might see it as a cost and might see it as an unnecessary complication. But for those companies that are export-oriented, participation in the VCMs will prove to be useful," he added.

Nambiar, who is the head of research at the Malaysian Institute of Economic Research (MIER), opined that the initial transition, like all transitions, may be difficult as processes are not clear.

He said it may also not be clear how the trading would be done.

The VCM is expected to be introduced towards the end of 2022, he said, and hopefully, there would be awareness creating events and support from the Environment and Water Ministry in understanding how the exchange works.

Bursa Malaysia chief executive officer Datuk Muhamad Umar Swift recently said

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Proper mechanism will spur efficient technology

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that Petrolim Nasional Bhd, Tenaga Nasional Bhd and other public-listed companies have expressed interest to produce credits for the planned VCM.

He said that in addition to developing the carbon exchange, it was also seeking parties to produce the carbon credits.

VCMs are promoted as one of the best solutions to the problem of climate change due to their effectiveness in environmental protection and economic empowerment.

Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz in October last year said the VCM initiative would be launched at Bursa Malaysia in efforts to achieve a carbon-neutral country by 2050.

He said the initiative would act as a voluntary platform for carbon credit trading between green asset owners and others in the move towards low-carbon practices.

AmBank Group chief economist Anthony Dass, who is also a member of the Economic Action Council Secretariat, said the global trend for decarbonisation may lead to fresh opportunities for early movers.

Most of Malaysia's trading partners have subscribed to decarbonisation, he noted.

"Businesses with sufficient foresight will benefit from the implementation of carbon pricing mechanisms if they adapt ahead of competitors, for example, by developing new strategies and introducing energy-effi-

cient technologies.

"Consumers and investors are increasingly interested in a company's climate strategy, thus those prepared to innovate early may reap the benefits of their climate-friendly actions.

"And therefore, before designing systems for the VCM, the government and businesses must consider the future landscape of carbon pricing so as not to waste resources implementing short-term measures.

"Here, we must look at different forms of carbon pricing and its critical implications for the country across all business segments i.e. micro, small and medium enterprises and government-linked companies," he said.

On that note, it is pertinent for businesses and individuals to monitor proposals and identify emerging needs to stay ahead of the curve.

Dass said: "Our ambitious climate action goals come with the hefty challenge of decarbonising a fossil fuel-reliant economy.

"Although it is too early to predict precisely how our policymakers will implement carbon pricing, the time is ripe for businesses and individuals alike to assess their exposure to climate change-related risks, plan, and be ready to embrace this push for a carbon-neutral economy."

Sunway University economics professor Yeah Kim Leng agrees that the creation of the

VCM market is timely.

Apart from a carbon tax scheme, the market-based approach to meet the existential threat of climate change represents a "missing piece" in galvanising private firms and individuals to meet the country's net-zero carbon target by 2050.

Besides stimulating innovations and mobilising private investments for climate actions, he said the VCM would enable firms to make immediate and meaningful contributions on their net-zero commitments via the purchase of carbon credits.

Importantly, he said with rising global demand for carbon credits, Malaysian firms are presented with the opportunity to either increase revenue or reduce costs of climate-mitigation strategies.

As global businesses, especially in developed countries act on their net-zero pledges, Yeah said Malaysian firms would need to ensure that they do not lose their customer base due to high carbon footprints.

He said learning from the experiences of VCMs in other countries would be helpful in the launching of the VCM.

Yeah said: "The promoters of such exchange will also need to forge an alliance with an internationally recognised standard-setting body to govern the various registration, validation, monitoring, verification, methodology assessment and approval processes.

"The VCM, however, is not new to Malaysia as there were already 12 projects with eight involving methane emission avoidance, two hydropower, one biomass and one reforestation activities as at end-2018, as reported in the country's Third Biennial Update Report submitted to the United Nations Framework Convention on Climate Change in December 2020.

"Having an indigenous market will enable greater access and opportunities for Malaysian firms and individuals to participate in carbon emissions trading," he noted.