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## Petronas' green credentials stand up to scrutiny

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➤ Experts say national oil & gas company shows that it is serious in upholding ESG principles

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**PETALING JAYA:** Petrolia Nasional Bhd (Petronas) is not forsaking environmental, social and governance (ESG) principles for profits, as it is allocating 20% of its capital expenditure (capex) for sustainability and green project investments over the next five years.

In recent years, corporate investments in ESG outpaced non-ESG allocations as oil prices were low and there was a lot of buzz about clean energy. However, oil and gas prices have soared this year, and some major companies seem to be prioritising profits over sustainability. Additionally, there is "greenwashing", whereby a company purports to be environmentally conscious for marketing purposes but actually is not making any notable sustainability efforts.

Agenda Advisory Sdn Bhd principal consultant & Kristoff Capital Group business development director Daniel KS Chang said further capex on research and development initiatives for environmental and social impact by Petronas is welcome but the group needs to manage the innovation output and be the catalyst in energy and environmental ecosystem reform.

"The pressure on ESG fulfilment is not just decorative; Petronas has demonstrated that it has infused capex to the right project on greenhouse gas (GHG) 25% emission reduction. From an investor's perspective, Petronas checks all boxes on Canslim



## PETRONAS

investment criteria (a system for selecting growth stocks by using fundamental and technical analysis techniques).

"In moving forward, institutional investors expect to see not only projects that deliver immediate results, but also more projects that position the group in mitigating environmental and corporate governance risks. The black swan events of 2020, where Brent crude oil fell into negative values, are still fresh on the investment horizon," he told *SunBiz*.

ESG Associates Sdn Bhd partner Bryan Paul said Petronas is serious in its sustainability commitments and it wants other players in the industry to start thinking about transforming their business operations, models, and strategies into a low-carbon economy and, at the same time, re-evaluating their roles in changing the industry landscape to reduce their impacts in line with internationally ratified sustainability-related targets such as the Paris Climate Agreement.

"The International Energy Agency reported that on average investments into a low-carbon economy by the industry's players represent less than 1% of their annual capex, although in some leading

companies these investments can go up to about 5%," he said.

Larsfy Social Finance Network co-founder Nur Lalua Rashidah Mohd Rahsiad said Petronas' green projects will draw more foreign direct investment inflows and high-quality investments.

"The largest foreign investment growth is from the energy business (between 4% and 81%) in 2021, and it would be promising to expand foreign investors in sustainability-focused investment projects. A significant investment would make Petronas a more prominent global energy producer and streamline the existing supply networks, boosting the return on production investment and promoting sustainable economic growth," she said.

Petronas' clean energy solutions operations include Gentari Sdn Bhd, introduced in June 2022 to accelerate the adoption and commercialisation of clean energy. Gentari has made progress in its three core offerings: renewable energy, hydrogen, and green mobility solutions.

To date, Gentari has surpassed 1.1GW of renewable energy capacity in operations and under development and completed Malaysia's largest single solar roof installation (7.4MWp) at Universiti Teknologi Petronas.

Under the vehicle-as-a-service (VaaS) model, Gentari deployed 18 two-wheeler electric vehicles for delivery riders via collaboration with Eclimo Sdn Bhd in Malaysia and delivered 158 three-wheeler electric vehicles in India. Additionally, 107 charge points were installed as part of VaaS in India while two were deployed in Malaysia.

Petronas said its upstream segment recorded a 25% reduction in GHG emissions in the first half of 2022 compared with the same period last year following the execution of multiple emissions reduction projects.