

TARIKH : 27 JUN 2023
AKHBAR : THE SUN
MUKA SURAT : 11

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➤ Transition will be done phase by phase as it requires the right financing and fiscal policy, says Rafizi

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KUALA LUMPUR: The government is gradually phasing out the current blanket subsidy system and moving towards a more targeted subsidy system, said Economy Minister Rafizi Ramli.

"Blanket subsidies have always been a feature in the Malaysian economy for decades. It is not an easy task of trying to slowly bring everyone on board to phase out the blanket subsidies system, but the government has taken those steps and held on steadfastly in the last six months," he said at a ministerial session on "Policies and Pathways for Sustainable Asia" at the Energy Asia 2023 conference yesterday.

Rafizi said that since the retargeting of electricity subsidy has been implemented, the government will next move towards addressing diesel and petrol subsidies.

He added that it will be "a phase by phase transition" as it requires the right financing and fiscal policy.

"It requires ... the right incentives for society to move in phases away from fossil fuels, more towards green energy. Also to make sure that we will be able to leverage on our existing strengths in oil and gas (as well as) other industries to bring the right



Rafizi says the government will next move towards addressing diesel and petrol subsidies. — AMIRUL SYAFIQ/THE SUN

capability in the market to build green economy and energy transitions," he remarked.

In addition, Rafizi said energy transition allows for "greater access to affordable electricity and power in the future". He noted that the public has to feel the change in energy transition, and to feel that the cost is justified.

"That's the kind of policies and frameworks that we are putting together and this requires not just government and private sectors in Malaysia as it requires our international partners as well," he said.

Rafizi pointed out the role of gas as a transition fuel in decarbonisation. He noted that there is a global call to expedite the development of alternative, cleaner fuels such as hydrogen and ammonia, but "we need to be working on these efforts within the framework of gas as the baton for it".

In terms of energy mix, he said that gas remains the majority feedstock for Malaysia's energy generation.

"We plan it in such a way that while gas becomes the stabilising factor, it will allow us in the next 20 to 25 years to rev up our renewable capacity, not just for our domestic consumption, but to contribute towards building a renewable breed in Asean," he explained.

Rafizi said the government has reversed a policy which disallowed cross-border energy export.

Countries such as Malaysia need to strike a balance between the need for transition and the costs and availability for transition, he said. "Gas will become that important element and ... in the past few weeks, the discussion about gas as a transition fuel is getting the kind of focus and attention that it gets in energy transition discourse around the world," he added.

Meanwhile, Rafizi reiterated that Malaysia will maintain its phase-down approach on energy transition stage by stage, "rather than an abrupt quitting of any particular fossil fuel," which is seen in "some other economies".

He was referring to an earlier comment by Prime Minister Datuk Seri Anwar Ibrahim, who said that while Malaysia is moving towards energy transition, it "must not be dictated by any group of countries". Instead, the transition needs to be determined by all and is "subjected to the requirements of each country".