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Achieving a sustainable economic plan



Last month, Economy Minister Rafizi Ramli said the ministry's biggest bets are on the digital and green economy – which intersect in many areas – and to scale up tech talents in a targeted way so as to build the necessary capabilities.

PETALING JAYA: Certain considerations should be taken into account if the green economic sector is to thrive as one of the potential economic growth drivers of corporate Malaysia, say economic experts.

While the move by the country to focus on the green economy is a noble one, they said factors like less intervention by the government, appropriate tax and market driven policies should be implemented for the nation to thrive as a regional leader in energy transition.

Last month, Economy Minister Rafizi Ramli said the ministry's biggest bets are on the digital and green economy – which intersect in many areas – and to scale up tech talents in a targeted way so as to build the necessary capabilities.

He pointed out that Malaysia has ambition to be the leader in the region for energy transition, noting that it would require an estimated RM627bil in transition towards renewable energy (RE) within the region.

Malaysia University of Science and Technology economics professor Geoffrey Williams said the focus on the digital economy is good for the country but he viewed the digital green economy as more “problematic” and could be negative in socio-economic terms.

“While green technology can be beneficial for specific companies or product types, the claims for the contribution of the green economy to overall socio-economic development are overstated. In many instances the costs far outweigh any benefit over a reasonable timescale.

“Green technologies such as RE or electric vehicles (EVs) simply cannot replace existing hydrocarbon conventional technologies and so the limit to the green growth contribution must be acknowledged,” he told StarBiz.

For the green economy, he said there should be as little government investment and interference as possible.

Easy tax options and freeing the market to allow companies to innovate and adopt green technology on a market-driven, commercial basis is the best option, Williams said.

He added the previous governments' track records on green economy initiatives was not to the mark and huge amounts of money had been wasted with very little impact. The unity government should not continue with this approach, he said.

Economist Shankaran Nambiar, who is the Malaysian Institute of Economic Research head of research, acknowledges the fact that there is a need to embark on energy transition but said the process may not be swift.

“Firstly, we do not have the fiscal bandwidth to promote the transition. Secondly, transition requires new equipment and technology. With the weak ringgit, capital acquisition will not be a priority, particularly for the small and medium enterprises.

Lastly, the softening global environment will have companies struggling to keep their books in order, and energy transition will be seen as desirable but not requiring immediate attention,” he said.

Williams said the RM627bil needed for the transition towards RE would pose a challenge due to the huge investment as it is one-third of current gross domestic product.

“If this all came from the government it would be unaffordable and would deny resources to other priorities such as health and education.

“So the costs must be found commercially, and this could mean higher costs for conventional electricity for example. Consumers today, including those on very low incomes, will pay this cost and may not benefit for many years or decades.

“Even based on the most optimistic projections Malaysia will still rely on hydrocarbon conventional energy for 70% of its energy use. So the question is whether the 30% in renewable options is worth the socioeconomic costs in lost income, social spending and investment,” Williams added.

Bank Muamalat (M) Bhd chief economist and social finance head Mohd Afzanizam Abdul Rashid felt the transition towards EVs would help spur the interest among the industry players to upgrade their capacity building in this respect.

“This may include the production of batteries, charging infrastructure as well as parts and accessories. Not to mention, the research and development would also boost the demand for high skilled workers.

“So I think the country needs to focus on the quick win, for example in EVs, in order to garner interest from various stakeholders,” he pointed out.

UCSI University Malaysia assistant professor in finance Liew Chee Yoong, who is also a research fellow at the Centre for Market Education, said digital and green economic sectors could help resolve environmental concerns as well as drive the economy.

The digital sector could help increase productivity, create more jobs and help increase competitiveness.

“Furthermore, the green economy drives sustainability by promoting the use of RE sources, implementing eco-friendly practices, and generating clean technologies.

“These sectors can generate new business opportunities, increased investments, and create a more sustainable and resilient economy,” he said.

Liew said the government’s aim to make Malaysia a leader in energy transition is respectable. To achieve this, a thorough and effective strategy is required, he noted.

This strategy should include different policies, such as setting RE targets, providing incentives for RE investments, promoting energy efficiency measures, and encouraging research and development in clean technologies.

“Collaboration with the private sector, international organisations, and other countries can also help in accessing financing and expertise to support the energy transition,” he added.

Liew said while the digital and green economic sectors are important, other sectors should also be focused upon to drive economic growth.

Sectors such as manufacturing, tourism, healthcare, and agriculture are important to drive the economy and could complement the growth of the digital and green sectors,” he noted.

The Economy Ministry is expected to roll out an Energy Transition Roadmap in phases starting this month, putting the country’s net-zero ambition into action by identifying key impact initiatives and implementation plans for the next two decades. The roadmap addresses the number of investments as well as what projects the government is going to push through.

Meanwhile, Nambiar said based on the 12th Malaysia Plan digitalisation and the green economy are the two wings on which the country’s growth and development would ride.

But he said It is not so clear if the digital economy could play that role. “Digitalisation is a double edged sword - it will lead to job disruption and creation. On balance, the net effect is likely to be negative in the short run.

“As such, care will have to be taken in executing the full launch of the digital economy, although the Covid-19 pandemic did help initiate the process. This is not the best of times to see people lose jobs.

“However, digitalisation that facilitates manufacturing and reduces dependence on foreign labour should be actively encouraged,” Nambiar said.