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Govt looking to introduce energy transition financing

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► We'll collaborate with finance and banking sectors to create new stream of funding that will include supporting industries involved in green projects, says Rafizi

PETALING JAYA: The government wants to work with the financial sector to introduce transition financing to support Malaysia's energy transition agenda, said Economy Minister Rafizi Ramli (pic).

He said that while the government and the banking industries have supported green projects through green financing, it does not encompass all forms of sustainable projects and "there are sectors or industries or even projects that may not qualify for green financing".

Taking "equipment which increases energy efficiency" as an example, he said that by definition it does not qualify as a green project. However, he pointed out that increasing energy efficiency is an integral part of energy transition.

"We are looking at working with the banking and finance industries in order to develop another set or another stream of financing, which we call transition financing," he told reporters after the ASLI Banking & Finance Summit 2023 themed 'Future of Finance & Financing the Sustainable Development Goals' yesterday.

"For energy transition to work and for the National Energy Transition Roadmap (NETR) to achieve its objectives, we need to create the overall ecosystem," said Rafizi.

He added that the transition financing aims to include supporting industries which contribute towards green projects and ultimately to support the country's green ambitions.

"For hydrogen projects ... most probably it will not pass your standard banking evaluation in terms of returns, but if we have a 10-15 years roadmap to build a hydrogen economy, you

can't wait for everything to be ready before you provide funding. The funding has to start from now and that is where the idea of transition financing has to be developed in the economy," he said.

Through NETR, he reiterated that the government has allocated RM2 billion in financing for energy transition projects.

"My ministry will work with banks and financial institutions with the RM2 billion fund allocation," said Rafizi, adding that it would need to make calculated decisions in terms of approval for project financing.

With that, he hopes that the public funding will also be complemented by additional funding from the financial industries, to support the government's transition initiatives.

"As much as we are trying our best to allocate catalytic funds to the industry ... the public funding alone will not be adequate. If we were

to do this (transition) in the next few years, we do require every single one on board.

"The reality is that, comprehensive large scale progress is best undertaken by the private sector, catalysed by the financing from the banking and finance industry. With the support of the government, there has never been a more opportune time for the banking and finance sector to act," said Rafizi.

