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## Carbon markets, sustainable finance key to energy transition

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**They are necessary tools for industries to navigate rising power costs and aligning with Malaysia's net-zero ambitions, say experts**

**PETALING JAYA:** Carbon markets and sustainable financing instruments are set to play a pivotal role in helping Malaysian industries navigate rising energy costs while staying on track with the country's net-zero ambitions.

Bursa Carbon Exchange (BCX) assistant vice-president of business development and sales Muhammad Rizal Azmi said carbon credits and RECs (renewable energy certificates) were no longer optional tools but critical mechanisms for corporates to address residual emissions and demonstrate accountability.

Muhammad Rizal

Azmir

"Carbon markets are essentially a financing mechanism to channel private sector funding into decarbonisation projects. They allow companies to offset the balance of emissions that cannot be eliminated due to technical or financial constraints," he said during a presentation at the TERA Sharing Session and Panel Discussion yesterday.

Muhammad Rizal explained that while carbon credits can be used to offset Scope 1 and Scope 3 emissions, RECs are designed specifically to address Scope 2 emissions from purchased electricity.

"Companies often use both in combination, credits for their direct and supply chain emissions and RECs for electricity-related emissions," he said.

Since its launch in 2022, BCX has facilitated the trading of both instruments, conducting Malaysia's first carbon credit auctions through projects such as the Sabah Green Forest conservation initiative and methane capture at palm oil mills.

More recently, the exchange completed its first REC transaction from a hydropower project in Sarawak.

Muhammad Rizal noted that market dynamics were beginning to take shape, with solar RECs trading at around RM20 compared with RM5 for hydro, reflecting higher demand for solar-backed claims.

He added that Malaysia's forthcoming Climate Change Bill and national carbon market policy, expected after the tabling of Budget 2025, would provide greater clarity on carbon tax mechanisms, including pricing, thresholds and compliance obligations.

"The government's framework will determine how companies participate in carbon trading, but the direction is clear: decarbonisation is no longer optional for industry," Muhammad Rizal said.

CIMB Bank regional head of sustainable finance for group commercial and transaction banking Azmir Abdullah echoed this urgency, stressing that banks could not reach net zero without their clients doing the same.

"We have an ambition to achieve net-zero financed emissions by 2050, but this can only happen if our clients also decarbonise.

"Financing emissions is the real battleground," he said.

Azmir outlined CIMB's "Green Disruptions" umbrella, which focuses on sustainable lending, rebates and investment structures designed to make renewable energy adoption more accessible.

He cited examples of corporates securing cost savings through green financing, including a listed company that installed solar panels with CIMB's support, achieving both lower energy bills and improved ESG ratings.

In another case, a healthcare group upgraded its cooling systems through a green chiller financing facility, resulting in substantial efficiency gains.

"These are not theoretical solutions; they are already happening in the market. What we need now is scale, and greater participation from SMEs and corporates," Azmir said.

He acknowledged, however, that financing adoption among small and medium enterprises remained slow, despite multiple government incentives.

"SMEs need to start their journey sooner rather than later. Waiting will only increase the costs of transition," he said.

CIMB has committed to expanding its suite of sustainable finance offerings to accelerate the shift, including sustainability-linked loans and green asset financing.

"We want to be a catalyst that helps our clients future-proof their operations while contributing to national sustainability goals," Azmir said.

The session also underscored the interconnected roles of regulators, financiers and industry players in driving Malaysia's energy transition.

While BCX provides the market infrastructure for carbon trading and CIMB offers financing pathways, regulators such as the Energy Commission and the Malaysian Investment Development Authority are expected to set the policy framework to support long-term competitiveness.

The TERA Sharing Session and Panel Discussion brought together senior management, regulatory representatives and decision makers to explore the implications of the new electricity tariff structure on manufacturers. The event also showcased TERA's renewable energy solutions, including smart solar and energy efficiency systems, designed to help businesses manage costs while reducing their carbon footprint.