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## Winners and losers in carbon-priced climate

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THE move towards carbon pricing is unlikely to produce immediate winners and losers among investors, but it will gradually widen the gap between companies prepared for a low-carbon operating environment and those still dependent on older, emissions-heavy business models.

In the near term, the clearest beneficiaries are likely to be companies already positioned within the renewable energy and energy-efficiency ecosystem.

This includes solar engineering, procurement, construction and commissioning players, renewable independent power producers, firms involved in battery storage, and businesses linked to grid modernisation.

As carbon begins to carry a measurable cost, renewable generation becomes more financially attractive because it avoids the recurring carbon charges.

This shift strengthens the long-term economics of solar power purchase agreements, corporate renewable energy supply arrangements and green electricity products already emerging in Malaysia.

The Green Electricity Tariff programme offers an early example of how this transition is already taking shape.

Under the scheme, companies pay a premium of only three sen to five sen per kilowatt-hour to secure renewable electricity supply, a cost that may become increasingly competitive once carbon pricing starts raising fossil-based electricity costs.

For corporates with ambitious sustainability commitments, locking in renewable power early may eventually prove cheaper than absorbing rising carbon-related tariff adjustments.

Companies that provide energy-efficiency solutions may also emerge stronger.

As carbon costs feed into electricity bills, demand is expected to rise for technologies that reduce power consumption, improve cooling systems, optimise industrial machinery and lower energy waste.

For manufacturers, reducing electricity intensity could become one of the fastest ways to defend margins against carbon-related cost increases.

Utilities may also not necessarily be outright losers, provided they move quickly.

Although Tenaga Nasional

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Bhd (TNB) faces direct exposure because of its existing coal and gas generation assets, the company stands to benefit from the transition if it successfully accelerates deployment of renewables, expands grid-related services and deepens its role in green electricity products.

Its existing control over transmission infrastructure gives it a strategic advantage as the country expands solar capacity, battery systems and cross-border electricity integration.

A local bank-backed analyst notes that while carbon pricing creates immediate cost pressure, early retirement of coal assets remains financially difficult because of long-term liabilities tied to existing plants.

That means TNB's more realistic path lies in gradually diluting carbon intensity through new renewable capacity rather than abrupt asset closure.

In that sense, utilities with credible transition plans may remain investable despite short-term earnings pressure.

MARC Solutions head of sustainability Leslie Jong Vui Min says investors should focus less on sector labels and more on management preparedness.

"The winners and losers are not static. From an environmental, social and governance assessment perspective, companies that demonstrate credible transition plans, capital expenditure allocation discipline and alignment, adherence to national and global climate policies as well as transparent disclosure practices, can positively reposition themselves."

This means even companies traditionally viewed as carbon-intensive may emerge stronger if they adapt early.

The clear losers, at least initially, are businesses with high electricity dependence but limited pricing power.

Steel producers, cement manufacturers, chemicals players and heavy industrial processors are among the most exposed because electricity forms a large part of production cost while profit margins often remain cyclical and sensitive to global competition.

For these sectors, even modest tariff increases can compress margins quickly if export prices cannot be adjusted.

The risk becomes more acute when firms also face external carbon-related trade measures such as the European Union's carbon border adjustment mechanism.

Without credible emissions reporting and lower-carbon production pathways, some exporters could face both higher domestic energy costs and additional overseas carbon charges.

Manufacturers operating on thin margins may therefore face a double pressure – higher cost at home and stricter carbon scrutiny abroad.

RAM Rating Services senior economist Woon Khai Jhek says this may initially weigh most heavily on companies that are less prepared operationally.

"Firms with the capacity to adapt processes, adopt lower-carbon energy inputs, manage transition costs and align with evolving global standards are generally better positioned to adjust to higher carbon-related levies."

That is why carbon pricing increasingly becomes less about industry identity and more about operational flexibility.

In the early phase of carbon pricing, compliance itself may become a competitive differentiator.

That is because the National Climate Change Bill does not only impose future pricing pressure – it also requires stronger emissions monitoring, reporting and verification.

For companies unprepared to measure emissions accurately, the burden may not be tax but compliance cost.

Over time, investors are likely to reward firms that treat carbon not merely as a regulatory obligation but strategic planning.

In a carbon-priced economy, the strongest balance sheets may increasingly belong not only to the biggest companies, but to those that can show investors exactly how they intend to stay profitable as emissions begin to carry a permanent price.

