

Headline	Carbon market policy anticipated to lift solar energy adoption		
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## DOMESTIC EMISSIONS REDUCTION

# Carbon market policy anticipated to lift solar energy adoption

**KUALA LUMPUR:** The National Carbon Market Policy (NCMP), which prioritises lower-cost abatement measures for domestic emissions reduction, is expected to accelerate solar energy adoption and energy efficiency retrofitting, said Hong Leong Investment Bank Bhd (HLIB Research).

HLIB Research also anticipates a pickup in investments across the waste management infrastructure segment.

The firm said solar technology is already mature, scalable and

commercially viable, making it one of the earliest solutions likely to be adopted by corporates aiming to achieve voluntary environmental, social and governance and decarbonisation goals.

HLIB Research has kept its "overweight" call on the renewable energy (RE) sector.

"We understand the recent strength in RE names has been driven by several supportive factors, including more stable solar module prices (US\$0.11 to US\$0.12 per watt), rising national focus on energy security and the

continued rollout of new RE capacity schemes.

"We expect the NCMP to serve as a catalyst for gradually rising corporate demand for carbon reduction solutions and offset instruments," it said in a note.

HLIB Research said this is expected to benefit RE players that can supply green electricity bundled with RE certificates, supporting a strong long-term earnings outlook for the sector.

The firm said postponing the carbon tax may ease near-term economic pressure but it could

also weaken the progress required for Malaysia to meet its ambitious climate targets.

It said the absence of a clear carbon pricing signal may reduce the urgency for high-emission industries to speed up investments in low-carbon technologies.

"Furthermore, prolonged delays could also weaken the competitiveness of Malaysian exporters, particularly those exposed to the European Union's Carbon Border Adjustment Mechanism (CBAM).

"With the first quarter calendar

year 2026 CBAM reference price at 75.36 euros per tonne of carbon dioxide equivalent, exporters may eventually face carbon-related costs in overseas markets if equivalent domestic pricing mechanisms are not in place."

HLIB Research said a portion of the carbon value that could have been kept within the country may instead be transferred to foreign jurisdictions. The firm said if the strategic pause in implementing the carbon tax materialises, corporates could make productive use of the transition period.