07 DEC, 2025

WHY MALAYSIA TRAILS ASEAN IN EV ADOPTION

New Sunday Times, Malaysia

CRITICAL JUNCTURE

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The approaching end of EV tax incentives puts policy decisions under sharper focus. NSTP FILE PIX

DESPITE offering one of the region's most generous tax holidays for electric vehicles, Malaysia has yet to see the mass-market uptake achieved by its Asean neighbours, particularly Thailand and Indonesia.

With the tax exemption for completely built-up (CBU) imported EVs set to expire on Dec 31, the country faces a critical juncture.

While the tax holiday stimulated initial interest, several structural barriers to broad adoption of battery EVs remain unaddressed.

If Malaysia wants to meet the goals of the National Energy Transition Roadmap, it must devote more thought to a long-term policy framework focused on production and infrastructure.

THE ADOPTION GAP

After three years of a full tax holiday, Malaysia's EV market share in 2025 is projected at 5.0 to 6.0 per cent-well behind Thailand, where adoption is approaching 20 per cent of total industry volume. Indonesia is also ahead, nearing 10 per cent this year.

Three main barriers are slowing Malaysia's transition.

BARRIER 1: LOW PETROL PRICES UNDERMINE EV ECONOMICS

The strongest drag on EV purchases is Malaysia's low petrol price, currently RM1.99 under the subsidy structure that gives all eligible users 300 litres of RON95 per month.

This alone makes battery EVs unattractive, even if priced on par with internal combustion engine (ICE) vehicles.

While EV prices in China have already dipped below ICE prices, this is not the case in Malaysia, where there is a price floor of RM100,000 for all imported EVs.

Even as Proton and Perodua begin to offer affordable EVs priced below RM60,000, cheap petrol will make the total cost of ownership of conventional cars attractive to the average buyer in a market that is highly price-sensitive.

The government's reluctance to raise petrol prices is understandable, as energy costs can make up more than 15 per cent of B40 household expenditure, and any move towards market pricing for RON95 would trigger public backlash.

BARRIER 2: INADEQUATE CHARGING INFRASTRUCTURE

Even if M40 and B40 families are convinced that EVs are the best way forward financially, they will find themselves up against another structural wall: the lack of charging infrastructure.

With 2025 waning fast, the government's goal of 10,000 public chargers seems unattainable, especially for lower-speed alternating current (AC) chargers.

As of October 2025, there are 5,149 public chargers nationwide.

While direct current (DC) chargers seem to have exceeded the 1,000-unit target, charge point operators are reluctant to spend money on AC chargers even though they are significantly cheaper to purchase and install.

A brief conversation with any charge point operator reveals that the key issue is lack of regulatory clarity. And when regulations do exist, they are poorly formed or simply adopted from the telecommunications industry.

Prohibitive endorsement costs necessary for local council approval mean that even low-cost AC chargers suddenly become too expensive to install unless deployed in large numbers. This keeps destination chargers out of smaller hotels and other properties.

It appears that on commercial property, an AC charger could cost more than RM30,000 per unit to install, requiring nearly 10 years to recoup the investment.

While the main issue is availability of power supply, even if small- and mid-sized properties have available excess power and are willing to spend the time and money installing a large number of AC chargers to make the endorsement costs worthwhile, they run into another problem: applying for an electricity reseller licence, which is not easy to obtain.

BARRIER 3: POLICY AND REGULATORY CONFUSION

The main reason for this hodgepodge of regulations is the lack of clarity at the federal level when it comes to EV infrastructure policy.

While the tax holiday was effective at allowing the free market to find its own level and attract sizeable interest from manufacturers, infrastructure requires more than a laissez-faire approach.

Infrastructure demands a more detailed strategy, addressing many issues from grid structure and local supply constraints to streamlining regulations and — perhaps, if the word is not too controversial — subsidies and tax incentives.

THE PATH FORWARD: RIGHT TO CHARGE

Malaysia needs a "Right to Charge" policy to impress upon all parties that the ability to add electrons to batteries is a right and not a privilege.

The policy should make it very difficult to refuse permits to install charging facilities without a clearly articulated technical reason related to safety issues.

Key players must make it their priority to convince the government that this policy must be approved before the end of the EV tax holiday for locally assembled vehicles at the end of 2027.

It may be worth establishing a strategic EV infrastructure fund to offer subsidised financing to charge point operators and commercial property owners.

LOCALISATION: BUILDING ON EXISTING STRENGTHS

Once the government has granted Malaysians the right to charge, we can turn our attention to localisation.

It appears that the combined EV volume of Proton and Perodua will reach around 5,000 to 6,000 units per month once both of their affordable sub-RM100,000 models are in full production.

This is sufficient seed volume for attracting localisation efforts of key modules.

Since Malaysia has an established supply chain for the conventional automotive industry, we only need to focus on localisation of batteries, battery management systems, and traction motors.

To secure the necessary foreign direct investment (FDI) — and it must be FDI since Malaysia does not have the technology to develop these core components — we must provide a clear and competitive tax and incentive regime for CKD assembly that extends well beyond the current 2027 deadline.

Incentives should specifically target high-value EV components — such as battery packaging, power electronics, and thermal management systems — to move the country beyond basic assembly and establish it as a key technology player in the Asean region.

THE CASE FOR STANDARDISATION

Tax incentives alone may not work if there is no requirement for national standardisation of specifications that will allow components to be used across company lines. At the very least, Malaysia should consider some form of battery pack standardisation.

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Fuel subsidies continue to influence consumers' preference for conventional vehicles.

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This is not as outlandish as one may think, because we know that CATL is offering standardised battery packs for use by all manufacturers.

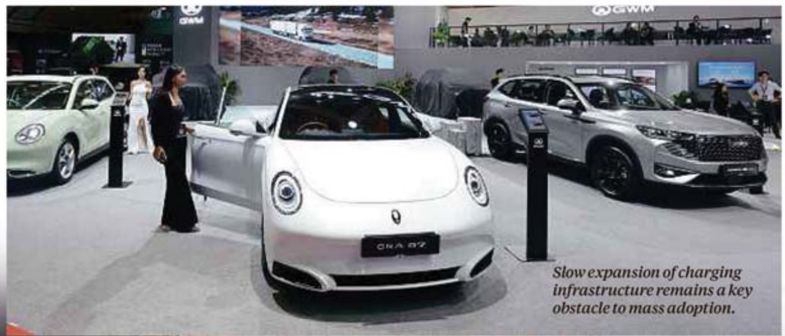
Therefore, the pathway already exists, and it is up to Malaysia to take the lead as a country.

Standardisation is not an easy task, but if executed correctly, it could lead to important cost and localisation breakthroughs that would not be possible otherwise.

THE STRATEGIC IMPERATIVE

As with anything, we need to be clear about why we are embarking on this EV journey. Is it merely to reduce our carbon footprint, or do we see much deeper strategic importance in taking the step towards renewable energy?

Pivoting to renewable energy has the benefit of reducing our carbon footprint, but the more significant benefit is increased national energy efficiency and energy independence.



Slow expansion of charging infrastructure remains a key obstacle to mass adoption.

Rising production from national carmakers signals the next phase of Malaysia's EV shift.