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Malaysia prepares carbon pricing rollout

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Upcoming framework expected to lift Bursa liquidity

ENERGY

PETALING JAYA: Malaysia is expected to enter a more active phase once its carbon tax framework is formalised under the upcoming Climate Change Bill.

In a regional comparison, RHB Research noted that Malaysia remains at a “nascent stage of carbon price discovery”, while Singapore has already emerged as the region’s leading trading hub, generating about US\$500mil in annual carbon market value, while Indonesia is positioning itself as the largest supplier through forestry-based credits.

“This year, the government is taking foundational steps to introduce a carbon tax that initially targets the steel, iron and energy sectors.

“This should boost liquidity on the Bursa Carbon Exchange, supported by the Malaysia Forest Fund (MFF), which provides nature-based credits to help firms offset emissions,” RHB Research pointed out.

“The upcoming Climate Change Bill will introduce a carbon pricing mechanism, which will drive demand for carbon credits.”

The research house added that the exchange has already traded about 186,500 carbon credit units across 13 contracts, with an average price of around RM48 per tonne of carbon dioxide equivalent (tCO₂e).

Renewable energy certificates are also gaining traction, averaging RM10 per megawatt-hour (MWh).

RHB Research said based on market reports, an indicated initial carbon tax of RM15 per tCO₂e could serve as Malaysia’s starting benchmark, broadly mirroring the

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RHB Research

early phase of Singapore’s carbon pricing journey before rates climbed sharply.

Under that assumption, utility companies face meaningful earnings sensitivity.

Tenaga Nasional Bhd (TNB), for instance, could see an 11% impact on financial year 2026 earnings if the tax is fully absorbed, although analysts expect part of the cost to be passed through via tariff adjustments under the regulatory framework.

RHB Research said the impact may be moderated by thresholds, free allowances and offset mechanisms.

Emissions intensity

Companies may be allowed to offset up to 5% of taxable emissions through carbon credits, potentially boosting demand for domestic forest-linked instruments developed through the MFF.

The research house saw Malaysia’s strongest listed beneficiaries as firms already positioned for transition, including TNB, Press Metal Aluminium Holdings Bhd and YTL Power International Bhd, arguing that carbon pricing may ultimately reward businesses with lower emissions

intensity, stronger renewable exposure and clearer environmental, social and governance execution.

“TNB has put into place strategies to increase renewable energy (RE) capacity and reduce emissions intensity by 25% in 2035.

“We estimate that TNB will add another 8.8 gigawatts by 2030, which will further reduce its CO₂e emissions by 23%.

“We do not discount TNB qualifying its RE projects for carbon credits in the future,” it explained.

The research house noted that Press Metal’s aluminium carbon footprint is 70% to 80% lower than the global industry average, making it more resilient in the Carbon Border Adjustment Mechanism-regulated market.

As for YTL Power, RHB Research said the company has strategies in place, including commissioning more non-coal power plants, building carbon capture projects and purchasing carbon credits to offset emissions.

“Wessex Water also maintained 100% compliance last year, with no pollution incidents caused by stockpiles,” it added.