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‘Carbon tax impact seen limited across key sectors’

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> **RHB Research**

KUCHING: The proposed carbon tax under Malaysia's upcoming Climate Change Bill (CCB) is expected to have a limited impact on the oil and gas (O&G), utilities and building materials sectors, according to researchers with RHB Investment Bank Bhd (RHB Research).

While the government has yet to announce a formal carbon tax price, market estimates point to an initial rate of RM15 per tonnes of carbon dioxide equivalent (tCO2e), which would be gradually increased as the framework matures.

Based on this assumption, RHB Research conducted a sensitivity analysis using a RM15 carbon tax applied to Scope 1 emissions across energy, O&G and building material companies under its coverage.

Scope 1 emissions are direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by an organisation.

For the utilities sector, RHB Research said the impact varies widely depending on generation mix.

A RM15 per tCO2e carbon tax could affect FY26 earnings by between 1 and 14 per cent, with Malakoff expected to be the most affected due to coal contributing 72 per cent of its revenue.

In comparison, Tenaga Nasional Bhd (TNB) could see an 11 per cent earnings impact, as coal accounts for 21 per cent of its revenue.

In the oil and gas space, the overall impact is expected to remain minimal due to relatively low Scope 1 emissions.

However, it noted that Petronas Chemicals Group Bhd stands out as an exception as its financial year 2026 net profit may decline by 25 per cent in the absence of mitigating or cost pass-through mechanisms.

“Its high Scope 1 emissions are mainly due to flaring and venting activities at its manufacturing facilities.

“That said, the company is committed to reducing emissions by 20 per cent by 2030 (vs the 2019 baseline), and capping its Scope 1 and 2 emissions at 49.5 million tCO2e,” it said.

Its emissions have already declined by 8 per cent since 2019, supported by plans to develop renewable energy (RE) facilities and procure renewable energy certificates (RECs).

For MISC Bhd, the house said the earning impact is estimated to be modest at around 2 per cent for FY26

“However, we note the possibility of MISC receiving tax exemptions, as it is also subject to a potential global carbon tax of US$100 per tonne of CO2 emitted, regulated by the International Maritime Organisation (IMO) for shipping companies,” it said.

As for the building materials segment, the house said the impact is generally limited.

Although carbon tax is not expected to be imposed directly on cement and aluminium, RHBIB included Press Metal Aluminium Holdings Bhd and Malayan Cement Bhd (MCement) in its analysis due to carbon pricing exposure in export markets such as the European Union (EU).

Press Metal is expected to see only a 1 per cent impact on FY26 earnings, supported by its low-carbon operations that rely heavily on hydropower.

Its emissions profile may also enhance its competitiveness in the EU market, which contributes about 32 per cent of group revenue.

MCement, however, could face a higher earnings impact of around 13 per cent, although the company has taken steps to improve efficiency, including reducing heat consumption and increasing the use of alternative fuels, which lowered its carbon intensity by 4 per cent in FY25.

It noted that MCement's export exposure remains limited, with Singapore as its primary external market, where no carbon tax is imposed on imports.

The Climate Change Bill, currently under parliamentary debate, is expected to introduce a carbon tax framework initially targeting the steel, iron and energy sectors.

Once enacted, it will also establish a Monitoring, Reporting and Verification (MRV) system to standardise the measurement of greenhouse gas emissions and determine carbon pricing mechanisms across sectors.

The bill is undergoing final legal review by the Attorney General's Chambers and is part of Malaysia's broader commitment to align with the Paris Agreement and achieve net-zero emissions by 2050.