



14 JUL, 2025

Lower emissions, higher gains

The Star, Malaysia



Lower emissions, higher gains

Firms emitting GHG below set limits can trade surplus with higher-emitting industries

By SHERIDAN MAHAVERA and RAGANANTHINI VETHASALAM
newsdesk@thestar.com.my

PETALING JAYA: Industries that emit significant greenhouse gases (GHG) will be obligated to lower those emissions under the proposed National Climate Change Bill, say ministry officials.

The Natural Resources and Environmental Sustainability Ministry said those who are able to reduce their GHG emissions below the set limits will be able to sell to other industries that breach their emission levels.

According to the Bill, the trading of these emissions between industries will be done through a scheme developed and run by the ministry.

The GHG emission limits and the emissions trading scheme are all part of the Bill that is expected to be tabled in Parliament next month, two officials who worked on the proposed law told *The Star*.

"Facilities under the scheme will have to report their emissions."

"This will encourage these facilities to install low carbon technologies and adopt low carbon practices," said a ministry spokesperson.

"As an incentive to facilities that

are able to reduce their emissions below the stipulated threshold, the extra allowances can be sold to other facilities that emit more," the spokesperson added.

The trading scheme is one mechanism to help bring down Malaysia's overall GHG emissions as part of its commitment under the 2015 Paris Agreement.

Adopted by 196 parties at the 2015 United Nations Climate Change Conference, it is a legally binding world treaty aimed at reducing emissions of planet warming gases that are causing the climate crisis.

"Effective implementation (of Malaysia's commitments) at the domestic level will translate into a reduction of GHG at the national level," said a former senior official who worked on the Bill.

"Those with significant emissions such as in the energy and industrial sectors will be subject to clearer obligations to reduce emissions over time," the senior official said.

The ministry's spokesperson said the Bill will also set up mechanisms to oversee carbon credit transfers under Article Six of the Paris Agreement.

According to the United Nations Framework Convention on Climate Change's website, Article Six specifies that countries can transfer carbon credits earned

Main points of the National Climate Change Bill

- Sets national target for reducing green house gas emissions.
- Limits will be set for industries which are big emitters.
- Facilities that emit lower than their allowed limit will be able to sell this remaining allowance to facilities that breach theirs.
- Ministry will develop a scheme to trade these emissions.
- A specific authority will be set up to oversee implementation of the Bill.
- A National Climate Change Council will be set up to develop policies on climate change.
- Risk assessments will be done to help regions adapt to climate change.



Photo: Freepik

The Star graphics

from the reduction of GHG emissions to help other nations meet their climate targets.

Rather than forcing immediate deep cuts on businesses and industries, the Bill will likely establish a structured, predictable pathway for emissions reduction.

"Enforcement will likely be phased and supported by policy instruments such as carbon pricing, including a carbon tax or emissions trading, mandatory reporting and sector-specific mitigation plans which fall under various ministries," said the senior official.

The Bill also seeks to establish a National Climate Change Council that will be chaired by the Prime Minister and comprises ministers and chief ministers from all states and regions or their representatives.

"It will be the main platform to develop policies on climate change including low-carbon initiatives."

"A separate authority to oversee the Bill's implementation and encourage reducing emissions will also be established," the spokesperson said.

While the Bill looks similar to

the National Energy Transition roadmap, the senior official said the proposed law seeks to provide a broader foundation to grow Malaysia's green economy.

The new law will help boost investments in low carbon technologies and industries by introducing market-based systems such as an emission trading scheme, the official added.

"It provides obligations to facilities to change behaviours by internalising climate change via reporting their emissions."

"In addition, it also provides avenues to facilitate and incentivise transition via a carbon pricing mechanism."

The ministry's official said the new law would focus on measures to help the country adapt to climate change by performing national climate risk assessments.

"We will adopt a whole-of-nation approach to developing the Bill. This includes getting green groups and experts to provide feedback through a special platform called the Advisory and Consultation Panel," said the ministry's spokesperson.

Several stakeholder meetings with civil society groups had been held in February and September last year.

A consultation paper had also been published on the ministry's website to gather feedback.