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Malaysia forges ahead in low-carbon transition

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BY MOHD FAIZ ABDULLAH

It borders on a truism to suggest that transitions to clean energy are about making an investment in our future, until it dawns on us that some quarters are only paying lip service. But not so for Malaysia, which is taking energy transition seriously.

A renewed sense of optimism for our energy sector was evident throughout 2023, with a steady flow of policy decisions sparking lively discourse both within and outside the industry.

Recognising the global urgency to accelerate climate action, Malaysia has doubled down on its commitments, with the numbers to show we mean business — reducing carbon dioxide intensity relative to gross domestic product by 45% by 2030 based on 2005 levels and achieving net-zero emissions as early as 2050. There is also an ambitious goal to reach 70% share of renewable electricity capacity by 2050 from the current 25%.

Throughout last year, key opinion leaders and a broad spectrum of stakeholders, both local and international, convened across several major domestic forums, hosted by national champions, including Petroliam Nasional Bhd, Tenaga Nasional Bhd and Sarawak Energy Bhd, to chart the path towards a sustainable and just energy transition.

Taking the spotlight was the National Energy Transition Roadmap (NETR). Initially teasing with 10 high-impact flagship projects in August, Prime Minister Datuk Seri Anwar Ibrahim unveiled it in its entirety a month later.

Pledging to shift from an economy driven primarily by fossil fuels to one that is greener and more sustainable, the prime minister emphasised that the NETR is not just a set of aspirational targets, but a comprehensive plan that embodies the principles of the Madani framework and adopts a whole-of-nation approach to accelerate the decarbonisation of the energy sector.

Action items

It is a misperception to constrain clean energy merely to the realm of environmentalism. Thus, employing a multifaceted strategy, NETR outlines 69 action items across a diverse range of transition levers — energy efficiency, renewable energy (RE), hydrogen, bioenergy, green mobility and carbon capture, utilisation and storage (CCUS) — and cross-cutting enablers such as finance, human capital, policy, technology and governance.

Crucially, the road map is crafted as a living document with the capacity to exploit emerging technologies and economic trends, yet it is agile enough to pivot in the face of global uncertainty and disruption.

Mindful of the shadow that falls between the idea and the reality, it bears stressing that the stream of initiatives announced in quick succession after the NETR demonstrates a strong desire by the government to operationalise these ideas.

While the New Industrial Master Plan 2030 and National Industry ESG (environmental, social and governance) Framework emphasise a greener manufacturing sector, the Energy Efficiency and Conservation Act aims to manage consumption and reduce wastage. Significantly, the Hydrogen Economy and Technology Roadmap lays the groundwork to capitalise on potentially game-changing innovations.

Without a doubt, funding the energy transition will be an immense challenge, as Malaysia is estimated to require about RM1.3 trillion up to 2050, highlighting the critical role that the business and investment community must play to help turn policy into reality.

The government has pledged RM2 billion as an initial seed fund to launch a National Energy Transition Facility, with an additional RM200 billion expected to come from financial institutions. Budget 2024 further underlines the NETR's commitments with a slew of other measures, notably in RE and green mobility.

But what about the blanket subsidies currently in place for fuel and electricity? While that is an undeniable constraint in the energy agenda, initial efforts to rationalise low energy prices for all into targeted assistance are already in place. Suffice it to say, more sweeping measures are in the pipeline.

Optimal solutions

The need to liberalise the energy sector has also been recognised as a crucial step forward. The lifting of a 2021 ban on RE exports will set the stage for increased cross-border energy trade and facilitate third-party access to the national grid that industry players have long requested.

The jury is still out on the decision to lift the ban on RE exports. Advocates see it as an opportunity to capitalise on the strong demand in the region, particularly across the Causeway, thereby unshackling and spurring growth in the domestic RE sector.

Detractors contend that all green electrons should be retained domestically to displace fossil fuels and attract ESG-focused investments. This is buttressed by the de rigueur argument that banning RE exports could further boost foreign direct investment, enhance job creation and generate competitive advantages to local RE players.

In any event, an optimal solution must be found, since greater interconnection of regional energy systems is inevitable and momentum is building for an Asean power grid as the catalyst for collective decarbonisation. With Malaysia occupying a strategic position on both mainland Asia and Borneo, as well as assuming the role of Asean chair in 2025, it is imperative that we get our act together and take on a leading role in making this happen.

Peninsular Malaysia is ideally situated to serve as the primary corridor connecting the vast RE resources in the north of Asean to the key energy market of Singapore.

A historic milestone in regional multilateral energy trading was achieved when the Lao PDR (Laos)-Thailand-Malaysia-Singapore transboundary connection commenced in 2022, allowing Singapore to import low-carbon hydroelectricity from Laos. This backbone demonstrated a successful proof-of-concept and will only go from strength to strength as ongoing system upgrades promise greater capacity for future RE transfers.

Sarawak has also made great strides on multiple sustainable energy fronts and is poised to serve as the national hub for green hydrogen and CCUS. Furthermore, vast hydropower reserves and a central location create ideal circumstances for pursuing RE exports to Singapore and Kalimantan while bolstering the decarbonisation efforts of Sabah and the peninsula.

Energy opportunities and challenges among the regions in Malaysia are not homogeneous. For Sabah, added emphasis has been placed on energy security and sustainability, with the establishment of the Energy Commission of Sabah and launch of the Sabah Energy Roadmap and Master Plan heralding greater energy autonomy.

COP28 showcase

At COP28 in Dubai, Malaysia underlined its ambitions to the global community by sending its biggest and highest-profile contingent in recent years. The Malaysia Pavilion, launched by Yang di-Pertuan Agong Al-Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah, showcased a diverse array of programmes from climate finance to indigenous participation to planetary health and more.

Natural Resources and Environmental Sustainability Minister Nik Nazmi Nik Ahmad, leading the delegation, reiterated Malaysia's clean energy commitments by exploring the potential to expedite coal phase-out, tackling methane emissions, expanding the use of RE and embracing new technologies, such as hydrogen and CCUS.

He also highlighted the need to focus on adaptation in tandem with mitigation, and rightly urged wealthy countries to stop moving the goalposts on climate financing for developing countries while espousing greater transparency and equity in operationalising the landmark Loss and Damage Fund, which was announced to great fanfare at COP28.

This echoes the point raised by the prime minister at the 2023 Asia-Pacific Economic Cooperation Summit on Malaysia's unwavering commitment to combating climate change, provided there is adequate financial and technical support.

If 2023 was a year that strongly signalled the earnest intentions of Malaysia to bring about a just energy transition, then 2024 must inevitably be a year of action. It falls on all layers of society to answer the call and ensure that this challenge is addressed equitably while balancing the sustainability, security and affordability of energy in a manner that allows the nation to prosper.

Prof Dr Mohd Faiz Abdullah is chairman of the Institute of Strategic and International Studies (ISIS) Malaysia