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How to sell thin air: Decoding key pillars of carbon economy

Borneo Post (KK), Malaysia



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Aspire to Inspire

By Joseph Tek Choon Yee



The introduction of a Carbon Tax in Budget 2026 represents a pivotal step in Malaysia's pursuit of a low-carbon economy, integrating fiscal measures with national energy transition and climate objectives. My hope is

that this layman's take on carbon makes the invisible a little more understandable. When we wrap climate discussions in too much jargon and complexity, we don't win believers - we create skeptics.

Once upon a carbon-heavy economy, the rule was simple: the more you burned, the more you earned. Now, irony reigns supreme - the smartest money is on the carbon that never leaves the ground. Air has become currency. Carbon, once the invisible villain of climate change, has reinvented itself as a tradable asset, a taxable pollutant, and even a farmable crop. It's still messy, full of acronyms and green jargon, but make no mistake: this may well be one of the biggest economic transformations the planet has ever seen.

Before we go any further, let's clear the air - literally. When people say "carbon," they rarely mean just carbon. In the climate economy, "carbon" is shorthand for all greenhouse gases (GHGs) - carbon dioxide (CO₂), methane (CH₄), nitrous oxide (NO₂) and a few tongue-twisters like hydrofluorocarbons. Each has a different heat-trapping power, but to make life simpler (and accountants happier), scientists convert them into a single unit called carbon dioxide equivalent (CO₂e). So when we talk about "reducing carbon" or "trading carbon credits," we're really talking about reducing the combined warming effect of all these gases, expressed in one universal currency - the carbon equivalent.

History: From Kyoto to Carbon Karaoke

Carbon trading first took the stage under the Kyoto Protocol (1997), when the world agreed that pollution could be priced like a commodity and that rich nations could pay others to sing part of their climate tune. Kyoto's three acts of Emissions Trading, Joint Implementation and the Clean Development Mechanism (CDM) created the first global carbon marketplace. But enthusiasm soon ran flat: too many cheap credits, too little credibility and some countries simply lip-synched their commitments.

Enter the Paris Agreement (2015) with its sequel under Article 6 - a more democratic jam session where every nation writes its own Nationally Determined Contribution (NDC) and trades verified reductions under clearer rules. Kyoto's rigid compliance market has morphed into today's hybrid of voluntary and regulated trading, powered by digital ledgers and transparency. The melody has changed from "pay someone else to cut" to "prove you really did."

To understand this new age of carbon, picture a house built on four pillars - credits, taxes, capture and farming. Credits create the incentives, taxes provide the price signal, capture delivers industrial mitigation and carbon farming anchors the natural sink. Each supports a different way of taming the fumes of progress and together they form a trillion-dollar architecture that's redrawing the boundaries between profit and planet.

Trading Air: The Curious Case of Carbon Credits

Let's begin with what sounds like financial alchemy - carbon credits. Once the stuff of climate conferences and consultant slides, these certificates now move billions of dollars across borders. A carbon credit represents one tonne of carbon dioxide kept out of the atmosphere. Companies that emit more than their allowed limit - say an airline or steel plant - must buy these credits to "offset" their excess pollution. In return, projects that protect forests, restore mangroves or generate renewable energy can sell the credits they've earned.

If that sounds like trading clean air, that's because it is. And business is booming. The global carbon credit market, valued at around USD 2 billion in 2022, could reach USD 250 billion by 2030 - or even touch USD 1 trillion under ambitious net-zero scenarios according to McKinsey and Morgan Stanley forecasts. Others project that by mid-century, carbon offsets and carbon-capture credits together could form a multi-trillion-dollar global market. But there's a catch: credibility. A recent review found that only about 16 percent of offset credits deliver "real emission reductions." The rest risk being little more than expensive feel-good tokens.

Still, for Malaysia, this is not an abstract debate. The Kuamut Rainforest Conservation Project in Sabah, covering more than 80,000 hectares, has become a model of what's possible. Certified by Verra's Verified Carbon Standard and awarded Gold Level recognition for its climate, community, and biodiversity impact, it produces premium credits valued internationally. In 2023, Bursa Malaysia's Carbon Exchange (BCX) auctioned 150,000 Verified Carbon Units - and the demand outstripped supply. The message was clear: this is a real market with real value.

Malaysia's mangroves, peatlands and seagrass meadows are quietly becoming the next frontier of "blue carbon," where even mud and mangrove roots earn their keep. These coastal lungs store several times more carbon than forests, turning once-forgotten swamps into premium carbon vaults. Across Matang, Setiu and Kota Marudu, scientists are mapping this hidden wealth while regulators work out how to measure and monetise it without muddying the waters.

Heavy industries, meanwhile, are venturing into carbon capture and storage (CCS). PETRONAS is developing CCS projects in Kasawari (Sarawak) and offshore Sabah - a bold pivot from wells to vaults, proving that even the fossil-fuel industry can quite literally bury its past.

Sabah has gone further still with its Climate Change and Carbon Governance Enactment 2025, one of the first in the region to legally define carbon rights, licensing and benefit-sharing. Not to be left behind, Sarawak has its own Carbon Storage and Forest Carbon Rules, giving carbon trading a legal home.

Together, these moves hint at a new Malaysian chapter where carbon is both currency and conscience - and where the country's natural assets, from forests to sea beds, might finally start paying their way without burning the house down. In short, our forests are no longer just trees; they're assets the world is willing to pay for. The challenge for Malaysia is to scale this responsibly - ensuring transparency, fair community benefits, and credible verification. Otherwise, we risk sitting on a gold mine and refusing to dig because we doubt the gold is real.

When Pollution Gets a Price Tag: The Carbon Tax

If carbon credits are the carrot, carbon taxes are the stick. Announcing the measure in the 2026 Budget on Oct 10, the Prime Minister said the tax will be rolled out in stages, starting with the iron, steel and energy sectors - major contributors to the nation's carbon emissions. The idea is simple: put a price on pollution. When emitting carbon costs money, companies suddenly discover the joys of solar panels, hydrogen fuel and efficiency audits.

Around the world, this logic is already transforming economies. As of

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2024, there are 75 carbon-pricing initiatives globally, covering almost 28 percent of all emissions. Together, they generated more than USD 100 billion in public revenue last year. Governments are reinvesting this money into green technologies, infrastructure and social rebates - making the carbon tax not just a punishment but a pivot towards innovation.

The European Union's Carbon Border Adjustment Mechanism (CBAM) adds urgency. From 2026, exporters of high-carbon goods like steel and aluminium will face extra charges at EU ports if their home countries lack comparable carbon pricing. Malaysia cannot afford to lag behind. By taxing emissions at home, we stay competitive abroad and build the fiscal foundation for our own net-zero transition. The proceeds from the Malaysian carbon tax are expected to fund green research, renewable energy infrastructure, and circular-economy projects. Eventually, the tax will expand to other sectors such as cement, aluminium, fertilisers, and hydrogen. In short, the tax sends a powerful signal: pollution is no longer free, and sustainability pays. To date, beyond the initial sectors identified - energy, iron, and steel - little has been disclosed about the scope, rate or collection mechanism of Malaysia's proposed carbon tax. The million-ringgit question, however, is whether this much-touted levy will finally see the light of day or remain yet another policy still waiting for its first puff of carbon to tax.



Carbon Capture: The Industrial Vacuum Cleaner

Carbon Capture, Utilisation and Storage (CCUS) handles the industrial carbon. Think of it as a giant vacuum cleaner for smokestacks - capturing carbon dioxide before it escapes, compressing it, and storing it underground or reusing it to make new products.

Around the world, CCUS is being hailed as a critical bridge technology. Globally, over a thousand carbon capture projects have been announced - from Norway's Sleipner field to Canada's Quest and Texas's Petra Nova - and projects like Quest and Petra Nova claim million-tonne capture capacities. Meanwhile, in China, Huaneng's Longdong effort is targeting around 1.5 Mt CO₂ per year. But not every plan is fully built or storing carbon yet - many are promises in search of the 3Ps of pipelines, permits and permanence."

Critics warn that CCUS could give fossil-fuel industries a free pass to

continue business as usual. Supporters argue it's the only realistic way to decarbonise heavy industries like cement and steel. Both are right. The truth is, we need every tool available and CCUS is one of the few capable of cutting emissions from sectors that simply can't shut down tomorrow.

Malaysia, with its oil and gas expertise, existing pipeline infrastructure, and favourable geological formations, is well placed to lead. The newly enacted CCUS Act 2025 sets out legal frameworks for ownership, liability, and safety, addressing long-standing regulatory gaps. With conditional and proper incentives - such as tax credits or tradable carbon

credits for captured emissions - Malaysia could develop a regional CCUS hub. Think of it as transforming our industrial smoke into stored wealth beneath our own seabeds.

Farming Carbon: Growing with a Purpose

While governments trade policies, corporations trade credits, and industries invest in CCUS, farmers are now being asked to do something entirely new - farm carbon.

It may sound like another buzzword, but the idea is firmly rooted in science. Through photosynthesis, plants naturally absorb carbon dioxide and store it in their biomass and soils. The better we manage that process, the more carbon we lock away.

In Malaysia, the concept is gaining traction within the oil palm sector, which covers about 5.6 million hectares and forms the backbone of our rural economy. Oil palms are already remarkable carbon absorbers, but emissions from mill effluent, waste/byproducts and unmanaged peat soils - especially methane - can tip the balance. Carbon farming seeks to correct this by encouraging practices that both reduce emissions and enhance soil carbon storage. Still, it's worth clarifying a common misconception: business-as-usual operations don't earn carbon credits. Without measurable additionalities - verifiable improvements such as reforestation, methane capture, soil carbon enhancement or reduced GHG emissions - there's simply no credit to claim. The carbon market rewards new climate gains, not routine estate management. In this emerging "climate currency," credibility still outweighs enthusiasm.

Done right, carbon farming could redefine oil palm cultivation - turning planters from perceived climate culprits into genuine climate custodians, and proving that sustainable agriculture can grow both yields and resilience.

The Carbon Quadrant: How It All Fits Together

At first glance, these four carbon pathways may seem like separate conversations. In reality, they form a single system: credits create the incentive and flexibility, taxes provide the price signal, CCUS delivers industrial mitigation and carbon farming anchors the natural sink.

In truth, they are interconnected gears in the same global engine. Carbon taxes create the financial pressure for industries to cut emissions. Carbon credits reward those who do. Carbon farming delivers nature-based reductions, while CCUS provides the technological ones. Each supports the other. When designed well, this synergy drives innovation, creates jobs, and attracts investment. When designed poorly, it becomes a bureaucratic labyrinth of forms, audits, and hypocrisy. The key is integration - aligning tax policies, trading systems, and sustainability standards so that carbon has one consistent price signal across the economy.

Globally, this integration is already taking shape. The World Bank reports that over 70 jurisdictions now have carbon pricing mechanisms; many linked through trade agreements. The International Maritime Organization is preparing to introduce a global carbon price for shipping before 2030. The G7 and G20 are discussing climate clubs that reward members with open trade if they adopt robust carbon pricing. Whether Malaysia joins as a leader or a latecomer remains to be seen.

Regulation, Reputation and the Carbon Counting Game

If carbon is to become the new currency, then credibility must be its central bank. Without proper accounting, the carbon market risks turning into a climate casino where everyone claims to have gone green - twice. Double counting is the industry's version of counterfeit money: one tonne of carbon saved, but two or more parties racing to cash it in. It can sneak in through double issuance (multiple credits for one project), double use (one credit spent on multiple pledges), or double claiming (several entities patting themselves on the back for the same forest). The cure is old-



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fashioned financial discipline in a new green suit - verifiable measurement, auditable data, and globally recognised registries. Clear international accounting rules under the Paris Agreement, backed by mechanisms like “corresponding adjustments”, must ensure every tonne traded has a single, traceable passport. Otherwise, the carbon economy may look like progress on paper while quietly inflating the atmosphere’s balance sheet - proof that even in climate finance, creative accounting is still bad for the planet.

Trumpism and the Carbon Crossroads

The political landscape often described as Trumpism reimagines climate policy through the lens of economic nationalism. Its mantra echoes the old rallying cry - “drill, baby, drill” - and it still serenades that enduring anthem of “clean, beautiful coal.” The US approach prizes energy independence, domestic jobs and deregulation, seeing fossil fuels not as a climate liability but as a cornerstone of prosperity. Supporters hail it as pragmatic realism; critics call it climate nostalgia with a hard hat.

While Washington hums this familiar tune, the rest of the world has changed the soundtrack. Europe is taxing carbon at its borders, China is expanding its carbon market, and Asia - Malaysia included - is building new exchanges to trade the very air we breathe. Even oil giants are learning to bottle their own emissions through carbon capture.

The global carbon economy is marching on, powered less by politics and more by profit and pragmatism. Whether the United States joins the chorus or takes a pause, the melody has shifted from burning fuels to balancing ledgers, and from carbon as commodity to carbon as currency.

Malaysia’s Choice: Not Whether, But How Fast

Malaysia is in a unique position. We possess the natural capital - vast rainforests, mangroves and peatlands that sequester carbon - and the industrial know-how from decades in oil, gas and plantation management. We have a credible stock exchange capable of hosting carbon trading. We have biodiversity assets that few countries can match. What remains uncertain is whether we have the urgency and coordination to move fast enough. Countries that act early will shape the rules, attract investors and build new export industries around carbon management. Those that hesitate will end up buying credits instead of selling them. The choice is stark: we can lead in the region, or we can watch others drive away with the profits and the prestige. In truth, carbon is no longer just chemistry. It is currency. And like all currencies, it rewards those who understand the market. The era of talking about sustainability is over; this is the era of monetising it.

Counting Carbon, Counting Blessings

Perhaps the best analogy to picture this new carbon economy is to think of carbon like chocolate. A little is fine - too much and you’re in trouble. For years, we gorged on it without thinking of the calories. Now the world has decided to charge us for every bar, or pay us to eat less of it. Some are learning to farm the cocoa more sustainably; others are inventing machines to trap the aroma before it escapes.

Malaysia has both the cocoa farms and the vaults. The world is ready to pay for the sweetness we can produce responsibly. The only question left is whether we will seize the opportunity, or stay stuck debating the recipe while others bake the cake. To thrive in this emerging climate economy, Malaysia must learn to treat carbon not just as a constraint but as a currency. That means building literacy, laws and leadership that can measure, verify and monetise emissions credibly. We’ll need more than slogans - we’ll need scientists, auditors, engineers, farmers, financiers and policymakers all speaking the same carbon language. The winners of tomorrow will not be those who emit less, but those who understand and implement better how the low-carbon world trades, taxes, stores and grows its air responsibly.

Note: As we decipher the details of Malaysia’s Budget 2026 relating

to carbon taxation, an upcoming conference on 5–6 December 2025 in Genting Highlands is expected to shed more light on the subject. Check it out: <https://www.mapsglobe.com/carbon-credit-conference>

Carbon, once the villain, has become the vault. The air we breathe could soon set to be the world’s most valuable commodity - if we know how to count it, capture it and cash it in wisely.

The views expressed by the writer do not necessarily reflect the official position of The Borneo Post.



THE FOUR PILLARS OF THE CARBON ECONOMY

