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Carbon tax approach to achieving green future

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► Implementation could force polluters to clean up act, while revenue generated could be channelled into research, innovation and infrastructure: Academic

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PETALING JAYA: A carbon tax does not have to hurt the average Malaysian, but it could force polluters to clean up their act. That is the message from experts as the country prepares to roll out the levy by 2026.

Taylor's University research cluster lead for innovative management practices Prof Dr Poon Wai Ching said the carbon tax should not be viewed simply as a revenue-raising measure but also as a vital tool in steering Malaysia toward a more sustainable, low-carbon future.

"It reduces greenhouse gas emissions by assigning a monetary cost to emitting carbon dioxide," she said.

"For instance, if a company emits 10,000 tonnes of CO₂ and the tax is RM10 per tonne, it would owe RM100,000, putting real financial pressure on businesses to invest in cleaner technologies and energy efficiency."

The policy is expected to initially target high-emission sectors such as iron, steel and energy. Revenue generated could be channelled into green research, innovation and sustainable infrastructure, including climate adaptation projects and circular economy initiatives.

Poon added that although Malaysia has long been aligned with global climate frameworks like the Kyoto Protocol and Paris Agreement, recent shifts in international trade dynamics have intensified the need for action.

"One key factor is the EU's Carbon Border Adjustment Mechanism, which will tax imports based on their carbon content," she said.

"If Malaysia doesn't act, we risk losing competitiveness in global trade."

She also stressed the importance of revenue recycling – using income from the carbon tax to benefit the wider public, such as by supporting low-income communities, subsidising green technologies and strengthening national sustainable development goals.

While the carbon tax underscores Malaysia's commitment to achieving net-zero emissions, Poon said the recent rationalisation of RON95 fuel subsidies helps ease the public into the idea of paying closer to the true environmental cost of energy.

"It makes the shift to carbon pricing



Siti Ayu called for targeted government incentives, including grants and tax breaks to encourage companies to adopt low-emission fleets such as electric and hybrid trucks. – **AMIRUL SHAFIQ/THESUN**

smoother over time," she added.

Poon also pointed out that 37 countries have introduced carbon tax frameworks, including Singapore and European nations such as Finland, Sweden, Norway and Denmark.

She said Malaysia could draw valuable lessons from these international models by adopting a phased approach, ensuring transparent pricing and protecting vulnerable communities.

"If businesses adopt sustainable and circular economy strategies now, they can boost their ESG (environmental, social and governance) performance and tap into regional growth opportunities," she said.

Universiti Teknologi Mara Malaysian Institute of Transport head of legal and quality Dr Siti Ayu Jalil said the transport and logistics sector, which contributed 5% to Malaysia's GDP in 2024, will face both short-term and long-term challenges under the new policy.

"In the short term, the carbon tax and fuel subsidy cuts will raise operational costs in freight, haulage and ride-hailing services. This may lead to higher prices for essential goods, especially in Sabah and Sarawak, where transport distances are greater," she said.

Over time, the carbon tax will become a fixed cost for businesses, incentivising them to adopt low-emission fleets such as electric and hybrid trucks and to shift towards rail and maritime transport, she added.

Green certifications may also become

essential to stay competitive, she said.

To support the transition, Siti Ayu called for targeted government incentives, including grants and tax breaks for low-emission vehicles, as well as expanded EV charging infrastructure.

She also recommended increased investment in freight rail and urban logistics hubs to reduce urban congestion and emissions.

"Part of the carbon tax revenue should be used to fund research and innovation in sustainable transport technology," she added.

"This includes adopting digital solutions like GPS-based tracking and AI-driven route optimisation to reduce fuel consumption."

Siti Ayu also underscored the importance of protecting low-income groups and rural populations from the knock-on effects of rising transport costs.

She proposed targeted cash transfers and rebates for B40 and M40 households, continued support for public transport passes such as My50 and My100 and the reintroduction of My30 to ensure affordable unlimited travel.

In rural areas, she suggested logistics subsidies for essential goods such as food and medicine to prevent price surges.

"Reform is unavoidable. Malaysia must do its part in combatting climate change and aligning with the UN Sustainable Development Goals. This is not just a tax. It's a path to a climate-resilient, productive and fair future," said Siti Ayu.