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BY TAN ZHAI YUN

Bank Negara Malaysia will support Malaysia's Asean chairmanship theme of "Inclusivity and sustainability" by focusing on two areas: Financing for energy transition projects in Asean, and supporting small and medium enterprises (SMEs) in their journey on the low-carbon transition.

These were also issues discussed at the recent Asean Finance Ministers' and Central Bank Governors' Meeting in Kuala Lumpur earlier this month.

On the energy transition front, Bank Negara will facilitate funding mechanisms and solutions to support the Asean Power Grid (APG) project, says assistant governor Madelena Mohamed, who oversees the central bank's new strategy and sustainability sector.

The APG, which kicked off in 2018, aims to construct an integrated regional power grid system, which would enhance electricity trade across borders, including for renewable energy. For this to materialise, investments are needed to upgrade existing infrastructure.

At the Asean Investors Roundtable, one of the events held in the week of meetings, project champions, investors and philanthropic capital providers were brought together to discuss potential financing modalities, challenges faced and supportive measures to advance the project, says Madelena in an email interview with *ESG*.

"This marks an important step towards realising this long-term, highly complex and economically significant infrastructure project," she adds.

On the other hand, Bank Negara will expand its Greening Value Chain (GVC) programme, which provides SMEs with tools and financing to measure and report their greenhouse gas emissions, to the region. This programme was launched in Malaysia in 2023.

A playbook, titled *Building Supply Chain Resilience: Insights into Greening Value Chains for Asean*, was also released that week, based on learnings from the GVC rollout in Malaysia. The playbook identified key challenges, tactical levers and key steps that can be taken by various stakeholders.

"We envisage GVC to be rolled out in at least one other Asean country this year, and for the playbook to serve as a key reference by businesses and financiers," says Madelena.

NAVIGATING A CHALLENGING ENVIRONMENT

The tasks ahead for Madelena, who was appointed as assistant governor in January, are plenty as the world grapples with worsening impacts of climate change. She has served the central bank for 32 years, and her most recent leadership position was in the sustainability unit.

"The stakes are high. After all, our operating environment is becoming more challenging. The public and other stakeholders trust and expect us to discharge our mandates well, and this should not be taken lightly," she says.

"They also expect BNM to be more responsive, inclusive and collaborative. That is why, while I am honoured to be entrusted with the responsibility to lead this new sustainability sector, I am also humbled by what is expected of this role."

The financial sector plays a key role in assisting the country to achieve net zero emissions by 2050 by channelling financing towards the right areas. The foundations for the sector to do so are in place, says Madelena, as it was first set by Islamic financial institutions (FIs) who spearheaded sustainable finance in the country.

"This provided us valuable lessons that shaped our approach to climate finance and risk management," she says.

The Joint Committee on Climate Change, launched in 2019 with other key stakeholders, evolved into a co-creation platform to address the industry's needs.

"With the foundation in place, we are shifting the gear towards impactful implementation. Realising this ambition requires Bank Negara to work collaboratively with our stakeholders, particularly peer regulators, government ministries and agencies, and industry players," says Madelena.

"Our close collaboration with regional central banks through many of the Asean platforms, including the Asean Taxonomy Board, is a testament to this commitment."

The Asean Taxonomy Board released its latest version of the Asean Taxonomy for Sustainable Finance (version 3) in December 2024. The taxonomy is known for its "traffic light" approach that acknowledges companies that are transitioning, and it is the first regional transition taxonomy in the world.

Bank Negara's Climate Change and Principle-based Taxonomy, which FIs must use to categorise economic activities, is aligned with the Asean taxonomy.

The central bank, according to Madelena, is accelerating efforts to integrate climate considerations into its internal operations and develop its transition plan. To enhance

its stewardship on these matters, it has introduced a structured capacity development programme, which is being progressively implemented.

The Asean Investors Roundtable also touched on the use of Islamic finance as a funding tool to support large-scale and complex climate projects in Asean. Last year, SRI (sustainable and responsible investment) sukuk issuance amounted to RM11.9 billion, which is a threefold increase from 2021, she says. Under the VBI (values-based intermediation) framework by Islamic FIs, over RM26 billion were extended for green and decarbonisation activities. ■