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Energy Asia 2025: Malaysia at the forefront of ASEAN`s energy transition

The Malaysian Reserve, Malaysia

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The region's growing energy demand and net-zero ambitions present both an urgent challenge and a strategic opportunity

by NURUL NAJMIN ABU BAKAR & AKMAR ANNUAR

ASEAN'S shift to a low-carbon economy calls for a coordinated push from governments, industries and capital markets with Malaysia positioning itself as a regional frontrunner through whole-of-nation efforts and financial innovation.

Speaking at the Energy Asia 2025 conference recently, Malayan Banking Bhd (Maybank) president and group CEO Datuk Khairussaleh Ramli said the region's growing energy demand and net-zero ambitions present both an urgent challenge and a strategic opportunity.

"Seven out of 10 ASEAN countries have committed to net zero by 2050. Malaysia is guided by the National Energy Transition Roadmap (NETR). Institutions like Maybank are supporting not just through financing, but by guiding stakeholders on how to move forward," he said.

Citing the recent Petrovietnam-Sembcorp Industries Ltd agreement to export renewable energy (RE) to Malaysia and Singapore,

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Khairussaleh described the move as a positive example of cross-border collaboration.

However, he cautioned that carbon capture technologies remain commercially not viable without blended finance mechanisms.

He added that financial institutions must back both the expansion of renewables and the decommissioning of legacy assets to achieve real decarbonisation.

Meanwhile, Bursa Malaysia Bhd CEO Datuk Fad'l Mohamed said Malaysia's energy transition would require RM220 billion in investment by 2030, with capital markets expected to play a central role.

"To support this, Bursa has introduced a RE sub-sector, updated listing requirements and launched a Centralised Sustainability Intelligence platform," he said.

Globally, sustainable investments reached US$3.2 trillion (RM13.98 trillion) in 2024, underscoring the scale of capital now moving into climate-aligned opportunities.

Institutional investors are also stepping up. Permodalan Nasional Bhd (PNB) president and group CEO Datuk Abdul Rahman Ahmad said the group has committed RM5 billion to green assets and aims to reduce its portfolio emissions intensity by 30% by 2030.

"If companies show no credible progress, we are prepared to vote against their board leadership," he said.

On the ground, oil and gas (O&G) players are beginning to adapt — but not all are moving at the same pace.

Malaysian O&G Services Council (MOGSC) president Syed Saggaf Syed Ahmad noted that while large companies are making strides, smaller firms still need support to align with environmental, social and governance (ESG) goals.

To help bridge this gap, MOGSC signed a partnership with Petroliam Nasional Bhd (Petronas) during the conference, aimed at helping small and medium enterprises (SMEs) enhance their sustainability capabilities.

Energy Shift Remains Complex

Regional and global energy leaders said Asia's energy transition will remain heavily reliant on fossil fuels despite accelerating investment in renewables.

Speaking at Energy Asia 2025's "Navigating the Multi-dimensional Transition" leadership dialogue, S&P Global senior VP and chief energy strategist Dr Atul Arya said the transition must reflect regional realities.

"The idea of a linear transition is no longer applicable globally," he said.

Meanwhile, Vitol Inc CEO Russell Hardy projected that oil demand will peak in the mid-2030s and stressed the importance of continued investment to offset declining fields.

"If prices are too low, we get an investment pause," he said.

While Asia is rapidly expanding renewables, Hardy warned that electric vehicles (EVs) powered by coal-fired electricity defeat the purpose of decarbonisation.

Petronas senior VP for corporate strategy Marina Md Taib described Asia's transition as "multi-speed", noting that up to 80% of the region's energy will still come from fossil fuels by 2040.

She stressed the need to balance energy security, affordability and sustainability.

Petronas is allocating 20% of its group capital expenditure (capex) to low-carbon ventures and is restructuring its portfolio to support its net-zero 2050 goal.

Hardy said Vitol is investing in carbon capture in the UK, biofuels and liquefied natural gas (LNG) bunkering to decarbonise its energy supply chain. He also cautioned against over-reliance on regional power grids.

"Never forget about energy security," he said.

Marina added that strategic partnerships across governments, technology providers and financiers will be essential.

Petronas is working with Japan's Ministry of Economy, Trade and Industry (METI), Ente Nazionale Idrocarburi (ENI) and Euglena Co Ltd on hydrogen, carbon capture and storage (CCS) and bio-refinery projects to scale transition efforts.

Source: Petronas

Natural gas will remain central to Asia's energy mix as the region works to balance economic growth and decarbonisation

Pic by Muhd Amin Naharul

Abdul Rahman says PNB aims to reduce its portfolio emissions intensity by 30% by 2030

Bloomberg

Hardy stresses the importance of continued investment to offset declining oil fields

Source: Malakoff Corp Bhd

Malaysia needs a strategy that fits our context, not one forced by external pressure, says Che Khalib

Gas as Cornerstone Energy Security and Transition

Meanwhile, energy leaders agreed that natural gas will remain central to Asia's energy mix as the region works to balance economic growth and decarbonisation.

Executives from Petronas, Inpex Corp, PTT Exploration and Production Public Co Ltd (PTTEP) and Mubadala Energy pointed to South-East Asia's (SE Asia) strong demand, infrastructure readiness and political stability as key drivers for gas investment and long-term collaboration.

Inpex president and CEO Takayuki Ueda said Asia's rising energy needs make localised production essential. He noted Malaysia's fiscal transparency and pipeline network as strategic advantages.

Inpex holds six upstream blocks in Malaysia and is advancing the Abadi LNG project in Indonesia, which integrates CCS from the outset.

PTTEP CEO Montri Rawanchaikul said Malaysia is now a growth focus, following its 2019 acquisition of Murphy Oil's assets. The company is monetising recent gas finds through "grey-to-green" strategies and expanding across Thailand, Oman, the United Arab Emirates (UAE) and Algeria.

"Natural gas remains the most pragmatic transition fuel. It complements evolving grids and provides a reliable energy base," he said.

Mubadala Energy COO Adnan Bu Fatema said 70% of its portfolio is now gas-focused, with key assets in Malaysia and Indonesia. He cited SE Asia's demographic and economic weight and the urgent need to replace coal with cleaner alternatives.

Petronas' Malaysia Petroleum Management senior VP Datuk Bacho Pilong noted that Sabah is a new growth area, with rising demand from green industries.

He cited record production and investments in 2023 and efforts to attract investors through accessible geological data.

Panellists agreed that regulatory stability, infrastructure and technology, especially CCS, are vital to unlocking SE Asia's gas potential. They also stressed deeper collaboration across governments, national oil companies (NOCs), international oil companies (IOCs) and service providers.

"If we are serious about energy security and transition, we must work together," Bacho said.

Reindustrialisation Push Facing Hurdles

Malaysia's reindustrialisation ambitions are at a crossroads as stakeholders warn of inconsistent policies, talent gaps andconflicting energy narratives that could stifle progress despite strong fundamentals in sectors like semiconductors.

Khazanah Nasional Bhd MD Datuk Amirul Feisal Wan Zahir said Malaysia risks remaining in the "middle-income trap" without bold steps to develop high-value industries, especially where it already has comparative advantages.

"Our semiconductor sector is among the best at backend packaging. But we need to go beyond being 'wire benders' — there is room for innovation in advanced packaging. We are producing limbs and bodies, but not the brains," he said.

He also cited the success of global players like Samsung Electronics Co Ltd and Taiwan Semiconductor Manufacturing Company (TSMC), who were supported in scaling up but were expected to be globally competitive.

Malaysia's earlier experiment with Proton Holdings Bhd, he argued, was stifled by prolonged protectionism.

Mid-tier companies, which contribute significantly to GDP, must also be incentivised to reinvest and expand.

"If you are already earning millions, why push harder?" Amirul Feisal said, highlighting the role of catalytic funds like Dana Impak to transform promising firms.

But while capital is not a constraint — with over RM5 trillion in Malaysia's equity, bond and banking markets — structuring investments for long-term transformation remains a challenge.

On another note, Malaysian Industry-government Group for High Technology (MIGHT) president and CEO Rushdi Abdul Rahim said public-private partnerships must be clearly defined with built-in exit strategies

"The government must know when to take off the training wheels. We need foresight, a systemic approach and follow-through," he said.

Yet perhaps the most controversial remarks came from MMC Corp Bhd MD Tan Sri Che Khalib Mohamad Noh who strongly reminded that every energy transition needs to be gradual and realistic. He was particularly critical towards financial institutions for penalising coal plants while still relying on them for baseload power.

"Banks have always been seen as a dirty business. Today, they refuse to finance coal but hike rates instead.

"Who pays? The rakyat. Electricity from coal or solar is still an electron. Malaysia needs a strategy that fits our context — not one forced by external pressure," he said.

He warned that Malaysia's 70% renewable target by 2050 could be unattainable if policy contradictions persist, especially with energy-intensive investments like data centres.

"Industrialisation takes 30 to 40 years. We need stability, not goalposts that keep moving," he added.