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A green leap forward for Malaysia with Budget 2025

The Star, Malaysia



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Malaysia is tackling pressing environmental issues while building a foundation for long-term resilience

AS Malaysia embarks on an ambitious journey towards sustainability, the recent allocation of over RM300mil under the National Energy Transition Roadmap (NETR) signals a significant commitment to renewable energy and environmental stewardship.

Collaborating with industry giants PETRONAS and Tenaga Nasional Berhad (TNB), the Malaysian government is setting the stage for transformative changes that position the nation as a potential leader in the sustainability space.

Investment and financing for a greener future

The energy transition in Malaysia is gaining momentum, marked by significant investments and initiatives. UEM Lestra and Tenaga Nasional Berhad (TNB) are set to invest RM16bil to upgrade the grid and decarbonise industrial areas, while the National Energy Transition Facilitation Fund has seen its allocation increase from RM100mil to RM300mil for 2024.

To further promote sustainable energy, the Net Energy Metering (NEM) programme has been extended until June 30, 2025.

Additionally, innovative projects such as the installation of solar panels on walkways and parking lots in Putrajaya, are being introduced. Moreover, new skill training initiatives led by government-linked companies like TNB are being rolled out to prepare the workforce for the evolving energy landscape.

Climate mitigation strategies

The nation is actively pursuing climate mitigation strategies, including the introduction of a carbon tax targeting the iron and steel, as well as energy industries, set to take effect by 2026. The revenue generated from this tax will be allocated to support green research and technology programmes, fostering innovation in sustainable practices.

Additionally, the Green Technology Financing Scheme has been extended through 2026, with a substantial funding commitment of RM1bil. These initiatives reflect Malaysia's dedication to reducing carbon emissions and promoting green technology as part of its broader environmental goals.

The government is also incentivising carbon capture, utilisation, and storage (CCUS) activities

through investment tax allowances and income tax exemptions under the New Investment Incentive Framework (NIIF).

Electric vehicle initiatives

The government is making significant strides in promoting electric vehicles (EVs) as part of its sustainable transport initiative. Perodua is set to produce locally assembled EVs priced under RM100,000, aligned with newly restructured tax incentives designed to boost local EV production.

There is allocation of RM10mil for the Electric Motorcycle Use Promotion Scheme, which offers rebates of up to RM2,400 for the purchase of locally assembled electric motorcycles to individuals earning less than RM120,000 annually.

Furthermore, EV development is set to be prioritised by the Skills Development Fund Corporation. A total of RM100mil has been dedicated to enhance skills in this growing sector.

Commitment to biodiversity and climate adaptation

The government's commitment to sustainability extends beyond energy transition and climate miti-



gation. The Ecological Fiscal Transfer (EFT) fund is set to increase to RM250mil, up from RM200mil, supporting state-level efforts to protect forests and wildlife.

Moreover, RM3bil has been earmarked for 12 flood mitigation projects, alongside RM600mil allocated to the National Disaster Management Agency to enhance preparations for flood disasters.

Over RM250mil has also been set aside for repairing hazardous slopes across the country, reinforcing Malaysia's resilience against climate-induced challenges.

With a clear focus on renewable energy, climate mitigation, EV development, and biodiversity preservation, Malaysia is not only

addressing immediate environmental concerns but also laying the groundwork for long-term economic resilience and leadership in the green energy landscape.

StarESG has gathered expert opinions from Universiti Malaya's Dr Noor Zalina Mahmood, Deloitte Malaysia's Karina Mohamad Nor and Sim Kwang Gek, Yinson Holdings Bhd's Dr Renard Siew, Universiti Kuala Lumpur's Prof Dr Aimi Zulhazmi Abdul Rashid, UCSI University's Prof Dr Mohd Tajuddin Mohd Rasdi, PwC Malaysia's Richard Baker and SME Corp Malaysia regarding sustainability-related allocations tabled in Budget 2025. Read on to learn more.