



26 OCT, 2026
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New Straits Times, Malaysia

ENERGY TRANSITION

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Malaysia's energy transition is held back by a shortage of viable projects that can deliver measurable emissions cuts and attract investment

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SOUTHEAST Asian countries, including Malaysia, have announced hundreds of billions of dollars in green investments. The real test is turning these commitments into projects on the ground. For Malaysia, closing the gap between ambition and execution is crucial to boosting industrial competitiveness and attracting investment.

Delays, infrastructure bottlenecks and financing constraints risk slowing the energy transition. Maybank group chief sustainability officer Datuk Shahril Azuar Jinnin said the biggest hurdle was no longer a shortage of capital or climate commitments, but a lack of bankable projects capable of delivering measurable emissions reductions.

The money has always been there but what remains scarce is the number of bankable projects available, he told Business Times.

The gap between climate ambitions and actual investment is evident globally. CDP's 'From Plans to Capital' report found that 72 per cent of nearly 12,000 companies reporting through the platform had initiatives to reduce emissions, but only 11 per cent disclosed capital expenditure aligned with their transition strategies.

CDP, formerly known as carbon disclosure project, is a global environmental impact disclosure system.

About US\$540 billion in green capital expenditure has been announced across Southeast Asia's power and electric vehicle value chains through 2030.

However, only around US\$15 billion is on a credible path to deployment, Shahril said.

The problem extends beyond financing. Regulatory uncertainty, permitting delays, grid connection constraints and unclear power purchase agreements have undermined project viability despite investor interest.

Bain's 2026 report on Southeast Asia's green economy found that 50 to 60 per cent of renewable energy projects in Vietnam, Thailand and Indonesia were cancelled between 2021 and 2025, Shahril said.

The findings highlight barriers beyond the availability of capital.

The challenge is particularly pressing as Malaysia pursues its National Energy Transition Roadmap, which aims for renewable energy to account for 35 per cent of installed electricity-generation capacity by 2030 and 70 per cent by 2050.

For Shahril, the priority is to ensure that businesses, financiers and policymakers can translate those targets into viable projects, the infrastructure needed to support them and measurable results.

It needs to establish a baseline for current emissions, set interim reduction targets, identify the required investments and demonstrate how they will be funded.

He said banks and investors needed to know whether a company's targets were achievable and adequately funded. Shahril identified five essential elements: a reliable emissions baseline; a defined pathway with interim milestones; a capital expenditure plan linked to expected returns; alignment with recognised sustainability standards; and strong governance, accountability and regular reporting.

The Joint Committee on Climate Change has agreed to adopt the Asean Taxonomy for Sustainable Finance as the basis for Malaysia's taxonomy, Shahril said.

Independent assessments can further strengthen investor confidence by validating a project's environmental credentials and giving lenders a clearer basis for evaluating its risks.

Maybank Investment Bank Bhd, for instance, acted as sustainability framework adviser in developing Tenaga Nasional Bhd's Transition Finance Framework. The framework received a second-party opinion from Morningstar Sustainability and referenced the Asean Taxonomy for Sustainable Finance Version 2 and the Asean Transition Finance Guidance.

Malakoff Corporation Bhd's Sustainable Finance Framework also received a 'Gold' Impact Assessment and a second-party opinion from MARC Ratings Bhd.

Such assessments translate broad climate ambitions into defined criteria that investors and credit committees can evaluate. Shahril said the assessments also help distinguish companies backing their climate targets with actual investment from those making long-term pledges without corresponding near-term spending.

FINANCING THE TRANSITION, NOT JUST GREEN PROJECTS
A further challenge is decarbonising industries that cannot immediately abandon conventional energy sources.

Financing only businesses that are already green would leave some of the

most difficult emissions reductions unaddressed, particularly in emerging economies where industrial activity and energy security remain critical.

Companies unable to switch technologies overnight need credible transition plans. These should demonstrate measurable improvements in emissions intensity, avoid locking in high-carbon assets indefinitely and allow for deeper decarbonisation as technology and infrastructure mature.

Shahril said two financing transactions illustrate how this can work. Malakoff's RM450 million SRI Sukuk Murabahah financed solar and hydropower projects, as well as identify the eligible project, which was assessed against the Asean Taxonomy's Amber Tier 2 lifecycle emissions thresholds.

The classification recognises a transitional role for high-efficiency gas while taking account of emissions criteria and energy security.

In Singapore, Maybank, DBS and OCBC jointly extended a S\$500 million transition loan to YTL PowerSeraya.

The financing supports a 600-megawatt hydrogen-ready combined-cycle gas turbine (CCGT) power plant. Shahril said it was the first transition finance deal aligned with the Singapore-Asia Taxonomy.

The H-class turbine is estimated to cut carbon dioxide emissions intensity by about 30 per cent compared with older F-class technology.

It can co-fire up to 50 per cent hydrogen at launch and could eventually be retrofitted to run fully on hydrogen as supply develops.

The project is targeted for completion by the end of 2027. When commercially viable hydrogen supplies become available, co-firing 30 per cent hydrogen could reduce emissions intensity by a further 12 per cent, he said.

These target give investors measurable benchmarks for assessing environmental performance and progress against the project's transition pathway.

However, lenders must also account for risks such as delays in hydrogen supply and supporting infrastructure.

Transition finance therefore requires the same rigour as conventional lending, with clear eligibility criteria, quantifiable performance indicators and contingency plans.

The quality of transition data is also increasingly influencing capital allocation. Indeed, CDP's Corporate Health Check 2026 reported that financial institutions managing US\$145 trillion in assets use transition-plan data in their due diligence.

Companies achieving CDP's leadership level also identified a combined US\$218 billion in environmental opportunities. The message for businesses is that credible data and measurable outcomes are becoming central to attracting capital, rather than optional add-ons to sustainability disclosures.

THE RISING COST OF NOT TRANSITIONING
For companies concerned about the economic risks of inaction are becoming harder to ignore.

The International Energy Agency estimates that Southeast Asia's fossil fuel import bill could rise from just over US\$80 billion in 2024 to around US\$245 billion by 2035 without structural changes.

Delivering on announced pledges could reduce that projected bill by roughly half, Shahril said.



Datuk Shahril Azuar Jinnin

is also becoming a factor in attracting investment in data centres, advanced manufacturing and other electricity-intensive industries.

Peak electricity demand is projected to rise from 23.3 gigawatts in 2026 to 33.5 gigawatts by 2035, according to the Energy Transition and Water Transformation Ministry.

Data centres could account for about a third of electricity consumption by 2035, compared with around seven per cent today, Shahril said.

Meanwhile, 90 per cent of data centre operators surveyed in Asean identified grid-connection delays as a major constraint, with many willing to pay a premium for a guaranteed connection date.

These companies are then choosing locations based on how quickly they can get reliable, increasingly green power.

"For Malaysia, the energy transition is therefore an economic policy. It can shape where companies invest and how industries compete."

MAKING THE TRANSITION COMMERCIALY VIABLE
Businesses do not necessarily need to begin with their most expensive decarbonisation investments.

A phased approach can prioritise projects with relatively quick payback periods, including energy-efficiency improvements, rooftop solar and battery storage to reduce peak-demand charges.

The Corporate Renewable Energy Supply Scheme also provides companies with a route to secure renewable electricity without developing generation assets themselves.

Matching long-term investments with appropriately structured financing can help support upfront costs and improve project economics.

Technology selection is equally important, Shahril said, as not every emerging solution will deliver the expected commercial or environmental returns.

Companies must assess technology maturity, cost, performance and scalability before committing capital.



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Malaysia's own programmes also demonstrate how transition investment can generate domestic economic benefits.

The 2026 Feed-in Tariff round is expected to catalyse RM4.3 billion in investment, create 7,788 jobs and generate about RM617 million in demand for locally manufactured equipment, he said.

These benefits strengthen the case for treating the energy transition as an industrial development strategy that can support local supply chains and employment, rather than solely as an environmental obligation.

BRING BANKS IN BEFORE PROJECTS ARE DESIGNED
Earlier engagement between businesses and financial institutions is another important factor in turning projects into bankable investments.

"It is incredibly critical, yet still underused. In fact, it is one of the biggest factors in whether a plan can reach financing at all," Shahril said.

When banks are approached only after a project has been designed, its financing structure may not adequately address technical assumptions, environmental requirements or risks.

Engaging lenders earlier allows companies to incorporate taxonomy criteria, disclosure requirements and investor expectations before key decisions are finalised.

Tenaga Nasional's Transition Finance Framework, developed with Maybank Investment Banking Group, enables the utility to issue green, sustainability and transition-labelled instruments, including SRI sukuk.

The framework comes as TNB plans to invest RM43 billion in strengthening the grid between 2025 and 2027, supporting the infrastructure needed to accommodate Malaysia's changing energy mix.

Shahril said YTL PowerSeraya engaged its financing banks early and throughout the process.

This allowed the CCGT's technical design, emissions performance and taxonomy alignment to be considered in the credit assessment from the outset.

The JC3 Climate Finance Innovation Lab reflects a similar approach.

It has onboarded 30 projects with combined funding requirements exceeding RM4 billion, while a second cohort of 22 projects is seeking RM1.73 billion, he said.

"Getting projects ready for financing early and ensuring they receive viability support are what make them bankable and, I think, really move the needle," Shahril said.

However, financing readiness must also account for infrastructure constraints that could undermine a project's financial assumptions.

Shahril said Peninsular Malaysia's grid could accommodate around six gigawatts of additional renewable capacity, compared with about 4.5 gigawatts already installed.

Studies suggest each additional 1,000 megawatts of renewable capacity may require around 500 megawatts of storage.

Projects that overlook grid access, connection capacity, storage requirements or delivery timelines risk being less viable than their initial financial projections suggest.

Coordination between utilities, regulators, developers and financiers is therefore essential to ensure that project design, infrastructure investment and financing move in tandem.

EXECUTION IS THE NEXT TEST
Malaysia has made progress in establishing its energy transition framework.

Its installed renewable energy capacity has reached 32 per cent, exceeding the 31 per cent target for 2025, Shahril said.

The National Energy Transition Roadmap and the Energy Transition and Water Transformation Ministry's Strategic Plan for 2026-2030 provide further direction.

The Large Scale Solar 6 programme is expected to attract about RM6 billion in private investment for two gigawatts of solar capacity.

But policy ambition alone will not close the financing gap.

He said disciplined execution was now essential, with each stakeholder having a different role to play.

Policymakers, for example, could make the project pipeline more visible and predictable.

Policymakers must provide predictable tender schedules, bankable power purchase agreements and reliable grid connection timelines.

Businesses, meanwhile, need credible investment plans backed by emissions data, realistic milestones and clear accountability.

Banks must go beyond lending to help structure transactions, assess transition risks and support projects with credible long-term potential, he said.

Under its ROAR3.0 strategy, Maybank aims to mobilise RM300 billion in sustainable finance between 2026 and 2030.

Shahril warned that Southeast Asia had an estimated 24 to 36 months to demonstrate that announced capital could be converted into delivered projects, with around US\$80 billion in investment at stake.

He said no single institution could close the gap alone and called for coordinated action to turn investment commitments into delivered projects.