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M'sia's Strategic Readiness for Article 6 of Paris Accord

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MALAYSIA'S readiness for Article 6 begins with its strong political commitment to climate action. The nation has embedded sustainability as a foundational principle in its national planning, particularly in the 12th Malaysia Plan.

This plan outlines a comprehensive development strategy that includes decarbonisation, energy transition and climate-resilient infrastructure as critical pillars.

In line with this vision, Malaysia submitted updated Nationally Determined Contributions (NDCs) in 2021, pledging to reduce its greenhouse gas emissions intensity of GDP by 45% by 2030 compared to 2005 levels.

It reflects the country's intent to contribute meaningfully to global climate efforts. Crucially, the scope and ambition of these targets set the groundwork for Malaysia to participate in Article 6 mechanisms, particularly those involving international cooperation.

Institutionally, Malaysia has been strengthening its governance architecture to implement its climate commitments.

The Ministry of Natural Resources and Environmental Sustainability (NRES) plays a central role in this effort, overseeing policy coordination and the implementation of climate strategies.

NRES is spearheading the development of Malaysia's Climate Change Act, a legislative framework that is expected to underpin future carbon pricing systems, emissions reporting requirements and compliance mechanisms.

Such legal instruments are essential for ensuring transparency, accountability and market confidence, three elements that are indispensable for successful participation in Article 6 carbon markets.

Malaysia's growing focus on carbon market infrastructure marks another significant step toward strategic readiness. The launch of the Bursa Carbon Exchange (BCX) in 2022, the world's first Shariah-compliant voluntary carbon market, was a milestone event.

Although still in the voluntary phase, BCX serves as a testing ground for broader market-based mechanisms and demonstrates Malaysia's intention to become a key player in regional carbon trading.

The platform has already attracted interest from domestic corporations and foreign investors alike, showing an increasing awareness of carbon as a valuable asset.

In parallel, the government is in

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the process of developing a national carbon registry, an essential requirement for tracking emissions reductions, ensuring environmental integrity and facilitating transparency under both Article 6.2 and 6.4 provisions.

Strengthening measurement, reporting and verification (MRV) systems is equally critical to Malaysia's readiness. Recognising this, the government has collaborated with international partners such as the World Bank, UNDP and the Japan International Cooperation Agency (JICA) to enhance its MRV capabilities.

A robust MRV system forms the backbone of any credible carbon market as it ensures that emissions reductions are real, measurable, and verifiable.

Malaysia has made notable progress in training government officials, industry stakeholders and NGOs in MRV-related methodologies, signalling a commitment to maintaining high standards.

Furthermore, academic institutions and think tanks have begun contributing to policy research and capacity-building in areas such as carbon pricing, environmental economics and climate finance.

These efforts are gradually building the technical and institutional foundation needed for long-term success under Article 6.

However, as Malaysia positions itself to benefit from Article 6, it must also ensure that its engagement aligns with its broader sustainable development objectives.

The country's economic structure, which remains heavily reliant on fossil fuels in sectors like energy, manufacturing and transportation, presents inherent challenges.

At the same time, Malaysia is home to vast forests and peatlands, which serve as important carbon sinks and biodiversity reserves.

Balancing economic growth with environmental preservation requires strategic interventions. To this end, the government is actively promoting nature-based solutions (NbS), such as reforestation, mangrove conservation and sustainable agriculture.

These initiatives not only



offer co-benefits like biodiversity protection and rural development but also have the potential to generate high-quality carbon credits under Article 6.4's Sustainable Development Mechanism, which replaces the Kyoto Protocol's Clean Development Mechanism.

At the regional level, Malaysia has been actively engaging with ASEAN member states to harmonise climate policy and create an integrated carbon trading environment.

Through platforms like the ASEAN Working Group on Climate Change (AWGCC) and the ASEAN Taxonomy for Sustainable Finance, Malaysia is contributing to the development of shared standards and guidelines that will facilitate cross-border transactions.

Regional cooperation is crucial for market liquidity and consistency in accounting rules, both of which are necessary for credible participation in Article 6 mechanisms.

Additionally, Malaysia is aligning its carbon credit standards with global systems such as the International Civil Aviation Organisation's (ICAO) CORSIA, which accepts credits generated under Article 6. This alignment enhances the credibility and marketability of Malaysian carbon credits on the international stage.

Technology is another pillar of Malaysia's strategic readiness. Emerging tools such as blockchain, satellite-based forest monitoring and digital MRV platforms are being explored to enhance transparency and reduce transaction costs.

These technologies can improve data accuracy, prevent double counting and ensure that traded

credits reflect real emissions reductions.

Moreover, investments in clean energy, electric mobility and energy efficiency are accelerating. These sectors are expected to generate the surplus mitigation outcomes necessary for international transfers under Article 6.2, which enables bilateral cooperation between countries in meeting their NDC targets.

Nonetheless, certain challenges could constrain Malaysia's ability to scale up its participation in Article 6 mechanisms. One major issue is the lack of detailed policies on corresponding adjustments.

These adjustments, which are necessary to prevent double-counting of emissions reductions, must be carefully managed and transparently reported in national inventories.

Malaysia has not yet published comprehensive guidelines on how corresponding adjustments will be administered, raising concerns among potential investors and partners. Until these rules are clarified, private sector participation may remain cautious.

Financing also remains a critical hurdle. Implementing Article 6-related initiatives, especially those involving infrastructure or technology upgrades, requires substantial investment.

While Malaysia has secured support from international climate finance instruments like the Green Climate Fund (GCF), it needs to further mobilise domestic resources.

Encouragingly, institutions like Bank Negara Malaysia and the Securities Commission have developed a climate finance taxonomy and sustainable finance disclosure standards.

These initiatives could help attract private capital through mechanisms such as green bonds, public-private partnerships and blended finance models. However, scaling up these instruments to the required level remains a work in progress.

Equally important is the need for inclusive stakeholder engagement. Civil society organisations, indigenous communities and youth advocates are increasingly vocal in demanding transparency, fairness and environmental integrity in

climate action.

For Article 6 projects to be effective and socially sustainable, Malaysia must ensure that they deliver genuine co-benefits and adhere to rigorous environmental and social safeguards.

The government has indicated its intention to develop such safeguards, in line with international best practices, to protect vulnerable communities and ecosystems.

Ensuring participatory governance will be key to building trust and legitimacy in both domestic and international markets.

Looking forward, Malaysia's pathway to full readiness for Article 6 requires a multi-pronged strategy that combines domestic reform, international cooperation and continuous capacity building.

The forthcoming National Carbon Market Policy is expected to serve as a comprehensive framework for integrating carbon markets into Malaysia's economic and environmental policies.

This policy will likely define eligibility criteria for carbon projects, establish baselines for different sectors and clarify the procedures for credit issuance and international transfer.

Its implementation will be crucial in creating a coherent, stable and transparent carbon market ecosystem.

Malaysia's geographical position, rich natural resources and financial infrastructure provide it with a unique opportunity to become a regional hub for climate action.

However, this potential can only be realised if the country commits to high standards of transparency, accountability and environmental integrity.

Engagement in Article 6 is both an opportunity and a test, an opportunity to access new climate finance, stimulate innovation and build international credibility and a test of governance, institutional readiness and political will.

The views expressed here are those of the writer and do not necessarily represent the views of Sarawak Tribune. The writer can be reached at khanwaseem@upm.edu.my.