

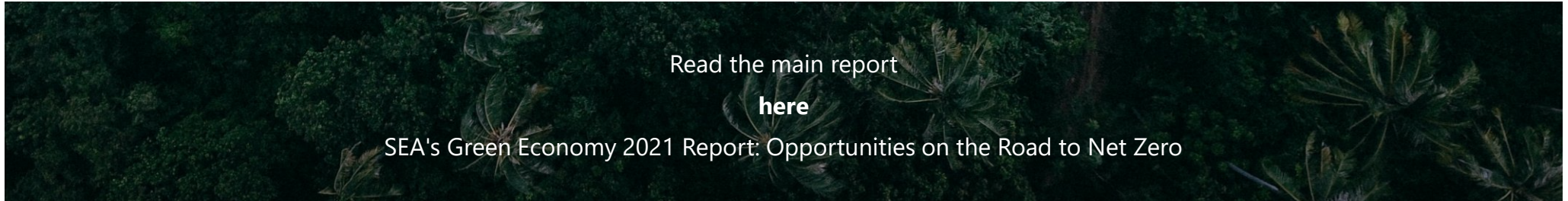


# Malaysia

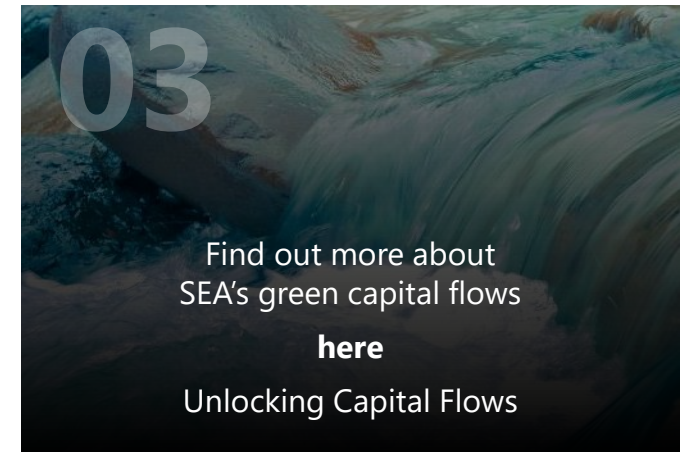
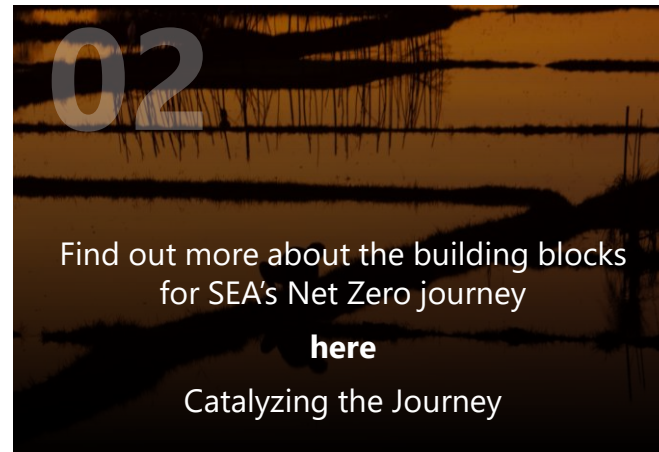
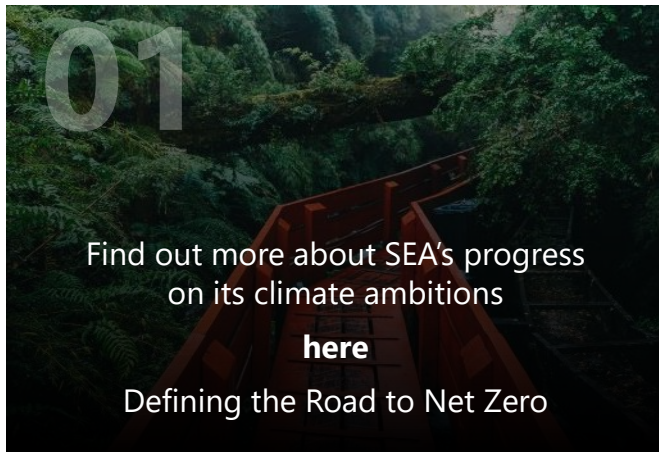
## Perspectives on the Green Economy

2021

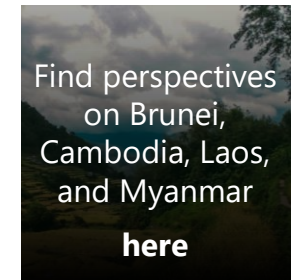
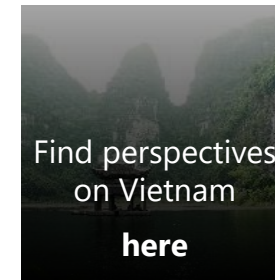
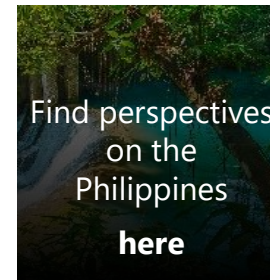
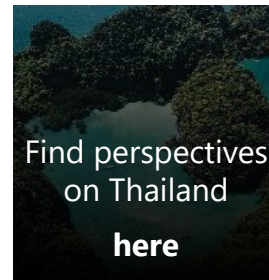
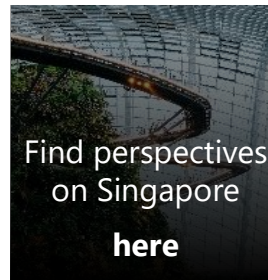
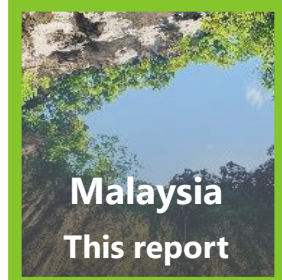
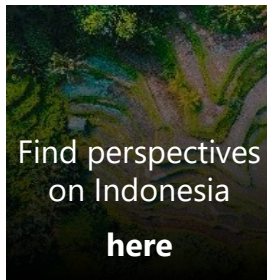
Main report



Deep-dive sections



Country insights





MALAYSIA

# Key takeaways

A

## Malaysia can decarbonize its fuel industry while managing its natural capital more sustainably and promoting circularity

Malaysia has a carbon-intensive fuel industry but is also abundant in natural capital. It can decarbonize its fuel industries through more efficient processes and carbon capture technologies while also investing in building nature-based solutions and a circular economy.

Key opportunities:



Petroleum and natural gas carbon capture



Nature-based solutions



Halal-certified agri-food supply



Development of sustainable palm oil



Plastic waste management



Availability of green finance

B

## Increasing push by the government and companies for sustainable growth, but absolute annual emissions are projected to continue increasing until 2030

While Malaysia has no official Net Zero target, it is pushing to reduce emissions intensity through installation of renewables and protection of its natural areas. In line with government commitments, businesses are also answering the call with 3 Science Based Targets initiative (SBTi) signatories in 2020 and multiple others with Net Zero targets for 2050. However, based on its latest nationally determined contributions (NDC), Malaysia's 2030 emissions are still expected to increase from 2018 and exceed Southeast Asia (SEA) 2030 averages, whether in terms of absolute annual emissions, emissions per capita, or emissions intensity for GDP.

C

## Green investment space has not picked up fully, though Malaysia leads the region in sustainable public funds

Green investments in Malaysia have fallen since 2016. While sustainable public funds AUM has grown steadily, investments in the other asset categories are declining and small compared to the GDP.



MALAYSIA

# Malaysia can decarbonize its fuel industry while managing its natural capital more sustainably

Key opportunities:



## Petroleum and natural gas carbon capture

Given the unavoidable emissions arising from petroleum and natural gas (20% of GDP), carbon capture and storage (CCS) technologies will play a critical role in Malaysia's Net Zero journey. Petronas' Kasawari CCS project, which studies the feasibility of injecting CO<sub>2</sub> into a depleted gas field, is an essential first step.



## Development of sustainable palm oil

In 2020, Malaysia was second in palm oil production worldwide. However, palm oil covers ~6 million ha of land (most of any crop in Malaysia) and is a leading cause of cropland expansion. Sustainable production of palm oil will be vital for the green economy transition (e.g., high-yield palm on existing lands), and is also a source of carbon credits (e.g., biogas by capturing methane from effluent ponds).



## Nature-based solutions

Malaysia's forests can produce \$2.6 billion worth of carbon credits annually, but the carbon credit market is still nascent today, with majority of credits generated from the palm oil industry. Given growing demand for carbon credits, businesses that can protect and grow Malaysia's forests will thrive.



## Plastic waste management

Malaysia's mandatory extended producer responsibility scheme shifts responsibility for recycling onto producers and importers, including for a product's end of life. This can spark demand for recycling solutions across the value chain, such as higher recyclability packaging or AI sorting systems.



## Halal-certified agri-food supply

In addition to its Muslim population (~20 million people), Malaysia is the biggest exporter in the \$1.2 trillion global halal food economy.<sup>1</sup> To comply with halal standards, most practices in the Malaysian food industry adhere to high sustainability standards. Green food supply is therefore not just an opportunity, but an imperative.



## Rise of green financing

Bank Negara issued the Climate Change and Principle-based Taxonomy (CCPT) in 2021 to elevate climate considerations in financial institutions. Banks have responded: CIMB committed to phasing out coal and Maybank ceased financing new coal activities, with capital being reallocated to green businesses.

Notes: 1. 2015 market size

Sources: Offshore Energy; Eco-Business; CBD; MPOC; Koh et al.; Bank Negara; Malaysian Reserve; Malaysian Gas; Allied Offsets; FABLE Consortium; Company websites; Bain 2020 SEA Green Economy Report



MALAYSIA

# Increasing push by government and companies for sustainable growth

## Governmental policies for climate change

**No** Net Zero target

**45%** emissions intensity reduction from business-as-usual by 2030<sup>1</sup>

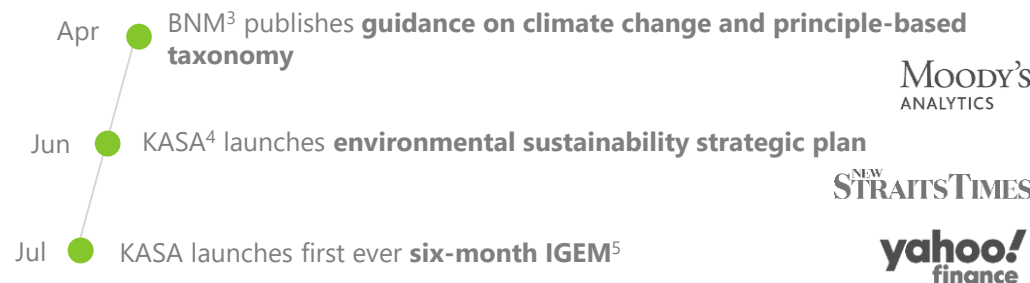
**No** carbon pricing or emissions trading scheme

**40%** to be renewables by 2035<sup>2</sup>  
of total installed capacity

**20% & 10%** of terrestrial and coastal areas to be protected, respectively, by 2025

## Landmark moves in the past year

In 2021



Notes: 1. Target reduction of economy-wide carbon intensity (base year: 2005); 2. Compared with 30% in 2020; 3. Bank Negara Malaysia; 4. Ministry of Environment and Water in Malaysia; 5. International Greentech & Eco Products Exhibition & Conference; 6. Also aims to be carbon neutral by 2030

Sources: UNFCCC; CBD; Ministry of Energy and Natural Resources; Moody's Analytics; New Straits Times; Yahoo Finance; SBTi; Company websites

## Business commitments to Net Zero

**3** SBTi signatories

Joined in...

2020



Tai Wah Garment Industry

**Multiple others** with Net Zero targets

Non-exhaustive

By...

2050



Maybank<sup>6</sup>



<sup>6</sup>

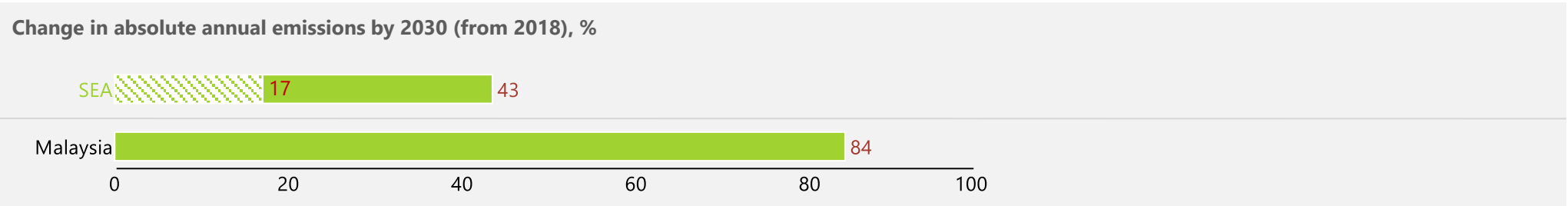


MALAYSIA

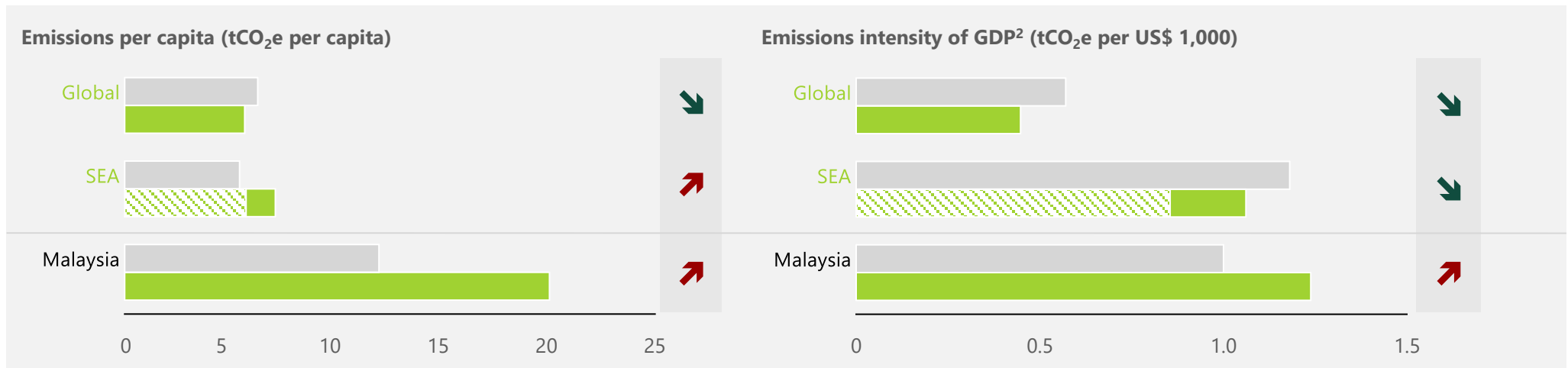
# From 2018 to 2030, Malaysia's absolute annual emissions and emission intensities expected to increase more than SEA overall

Based on latest NDC targets

Malaysia's absolute annual emissions set to increase ~2-5x more than SEA<sup>1</sup> overall from 2018 to 2030



Malaysia's emissions per capita and emissions intensity of GDP set to increase from 2018 to 2030, remaining higher than global and SEA overall for the former, and amidst falling global and SEA overall for the latter



■ 2018 (actual) ■ 2030 (conditional NDC) ■ 2030 (unconditional NDC)

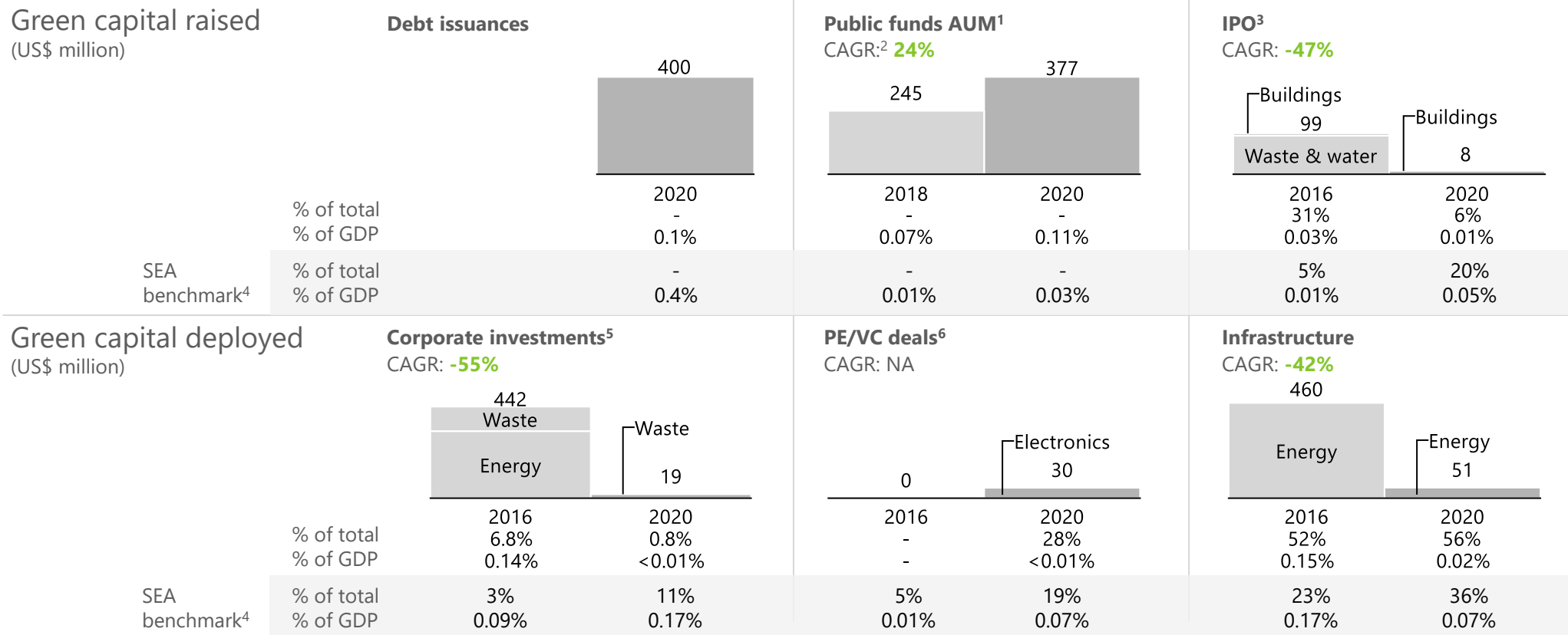
Notes: 1. SEA benchmarks include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, the Philippines, and Vietnam. For countries with only one emission target, it is taken to be both conditional and unconditional; 2. GDP at constant prices (2010) used except for Brunei, Cambodia, Laos, and Myanmar (current prices used)

Sources: Bain analysis; EIU: Euromonitor; Climate Watch; Country NDCs



MALAYSIA

# Green investment space has not picked up fully, though Malaysia leads the region in sustainable public funds



Notes: 1. Includes funds raising capital for environmental and social sustainability objectives. Assets under management (AUM); 2. Compounded annual growth rates; 3. Initial public offering; 4. Total value of asset category and GDP only includes SEA countries with available data; 5. Excludes investments <\$15 million; 6. Private equity/venture capital. Excludes investments <\$10 million

Sources: Climate Bonds; Asia Assets Domicile; Dealogic; Pitchbook; Capital IQ; AVCJ; Preqin; World Bank

### Key insights:

- Green capital deployed as % of GDP is small – lower than SEA overall
- Sustainable public funds AUM in Malaysia is largest in the region (~4x of SEA benchmark)
- Larger share of PE/VC deals and infrastructure spending are green when compared with SEA, but value of investments in absolute term is low
- Green investments in 2020 were spread out across all sectors – unlike 2016 investments, which were concentrated in **Waste** and **Energy**



For queries on Malaysia's Green Economy, please reach out to:

Dale Hardcastle, Co-Director of GSIC ([Dale.Hardcastle@Bain.com](mailto:Dale.Hardcastle@Bain.com))

Gerry Mattios , Co-Director of GSIC ([Gerry.Mattios@Bain.com](mailto:Gerry.Mattios@Bain.com))

Francesco Cigala, Malaysia Office Head ([Francesco.Cigala@Bain.com](mailto:Francesco.Cigala@Bain.com))

