

All eyes on Malaysia's next moves after COP27

BY ADELINE PAUL RAJ

With the recent conclusion of the United Nations Climate Change Conference (COP27) in Sharm-el-Sheikh, many are wondering what the implications are for Malaysia from the agreements struck in the Egyptian city.

Market observers have pointed out that the two-week summit, which ended on Nov 20, did not make any meaningful progress on targets to cut emissions.

"The summit's final cover text also excluded a commitment to phasing out all fossil fuels. As a result, global commitments remain well short of what will be needed to limit global warming to 1.5°C above pre-industrial levels," notes Moody's Investors Service.

Consulting firm PwC's Asia-Pacific climate change lead, Low Lit Ping, points out that although the possibility of staying within the 1.5°C target, as set out in the 2015 Paris Agreement, is rapidly diminishing, all participating governments have agreed to continue emphasising the target.

Specifically, the governments restated a pledge from last year's conference that they would be accelerating efforts towards the "phase-down of unabated coal power".

"Malaysia's energy mix will need to continue to decarbonise to be aligned with this overall ambition, mainly at the expense of coal. Neighbouring Indonesia also now has

the backing of the Just Energy Transition Partnership (JETP), where several advanced economies have pledged to mobilise US\$20 billion (RM88.25 billion) into helping to accelerate a just energy transition, and move away from coal. As Malaysia's top import partner for coal, this initiative may also have indirect implications on Malaysian energy sources," Hong Kong-based Low tells *The Edge* when asked what the COP27 outcome means for Malaysia.

The JETP is aimed at helping Indonesia, the world's third largest coal producer after China and India, retire coal plants and accelerate its peak coal emissions date by seven years to 2030. Malaysia is still heavily reliant on the use of coal to produce energy.

On another note, Low points out that "ocean, forest and agriculture" were, for the first time ever, mentioned in the cover text of a COP conference.

"As a nation rich with natural resources and biodiversity, Malaysia will, on the one hand, be pressured to do more to protect these, but will, on the other hand, potentially be a beneficiary of some of the technical or financial assistance that will flow into the protection of nature and biodiversity," she opines.

Low noted that companies or businesses had been active during COP27, launching initiatives big and small, from Scope 3 emissions to innovative solutions and just transition initiatives.

"A key highlight was the focus of the UN



High Level Expert Group's Integrity Matters report, which calls out the increasing risk of greenwashing. In light of this development, Malaysian corporates need to be even more vigilant about what they are claiming in terms of environmental targets and actions. They will be expected to look at emissions not just from within their own operations but also from along their value chain (known as Scope 3 emissions), and to measure and reduce these emissions with transparency and greater precision," she says. "There needs to be a basis for any emissions reduction targets set, such as following the guidelines of initiatives like the Science Based Target Initiative (SBTi). Targets that have been set will need to be tracked and reported over time in a transparent manner and potentially verified by third parties."

Meanwhile, one of the key outcomes from COP27 was an agreement to establish

new funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage.

Malaysia is not one of the countries expected to benefit from this so-called loss and damage fund, says Low, adding that the fund is likely to be for those deemed to be the least developed.

"Malaysia, as a mid-income country, however, can expect to tap into the funding opportunities proposed around mitigation and adaptation financing, although this has yet to materialise in full. Partnerships such as the JETP in Indonesia are more plausible for Southeast Asian economies, where investments are mobilised to help shift the energy mix into cleaner energy or for nature and forest conservation," she says.

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Details on reaching net zero anticipated next year

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As it stands, rich, developed countries have been late in delivering the US\$100 billion a year that they promised by 2020 to help developing countries cut emissions and cope with the impacts of climate change.

All eyes on new NDCs

Malaysia had last year announced a target to reach net zero by 2050, although details are yet to come. It has also committed to reduc-

ing emissions intensity per gross domestic product by 45% by 2030 compared with the 2005 level.

After COP26 in Glasgow last year, countries were asked to revisit their 2030 nationally determined contributions (NDCs) to align them with the goal to limit global warming to below 1.5°C. However, only five countries — namely Australia, Norway, Singapore, the United Arab Emirates and Thailand — have since strengthened their targets ahead of COP27.

Malaysia won't be doing it this year, given that it updated its NDC last year.

"We have the option to revise the NDCs every five years. We hope that after our Long-Term Low Emissions Development Strategy (LT-LEDS) report is completed, we can have a new NDC. That could be any time before 2025," Malaysia's COP27 lead delegate Datuk Seri Dr Zaini Ujang, secretary-general of the Ministry of Environment and Water (KASA), told *ESG* last month.

The LT-LEDS, which will detail Malaysia's strategy to reach net zero as early as 2050, as well as an NDC Road Map are both expected to be ready next year. Industry observers have voiced hope that the recent change of government and ensuing change in ministers will not slow down the planned issuance of these documents. Malaysia had sent its biggest ever delegation, comprising over 100 individuals registered under KASA, to this year's COP27 and had set up a

Malaysia Pavilion to showcase local solutions to tackle climate change.

Under the National Energy Policy 2022-2040 that was launched in September, Malaysia set out a target to increase the total installed capacity of renewable energy from 7.6 gigawatts (GW) in 2018 to 18.4GW in 2040 and the overall percentage of renewable energy in the total primary energy supply from 7.2% to 17%. The policy targets reducing the percentage of coal in installed capacity from 31.4% to 18.6%. **E**