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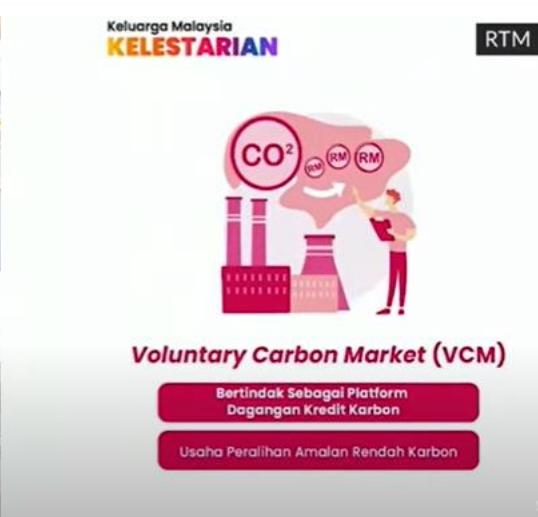
**EMPOWERING
ENERGY
TRANSITION**

Bursa Malaysia Voluntary Carbon Market (VCM) Exchange: Supporting ESG & Energy Transition

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Background

- In Budget 2022, the Government of Malaysia (GoM) announced the implementation of a voluntary carbon market (VCM) as one of the key initiatives to address the climate change agenda;
- The VCM is a collaborative effort between the Ministry of Finance (MoF), Ministry of Environment and Water (KASA), and Bursa Malaysia Berhad;
- The GoM is also exploring the implementation of a domestic Emissions Trading System (ETS) and carbon tax.



There are three main mechanisms for “pricing” carbon

Carbon credits can play a role in each of these three carbon pricing mechanisms

Voluntary Carbon Markets (VCM)

Companies purchase and “retire”, voluntarily, carbon offsets/credits, to fulfil either voluntary emissions reduction targets or to create “Carbon neutral” products for their customers.

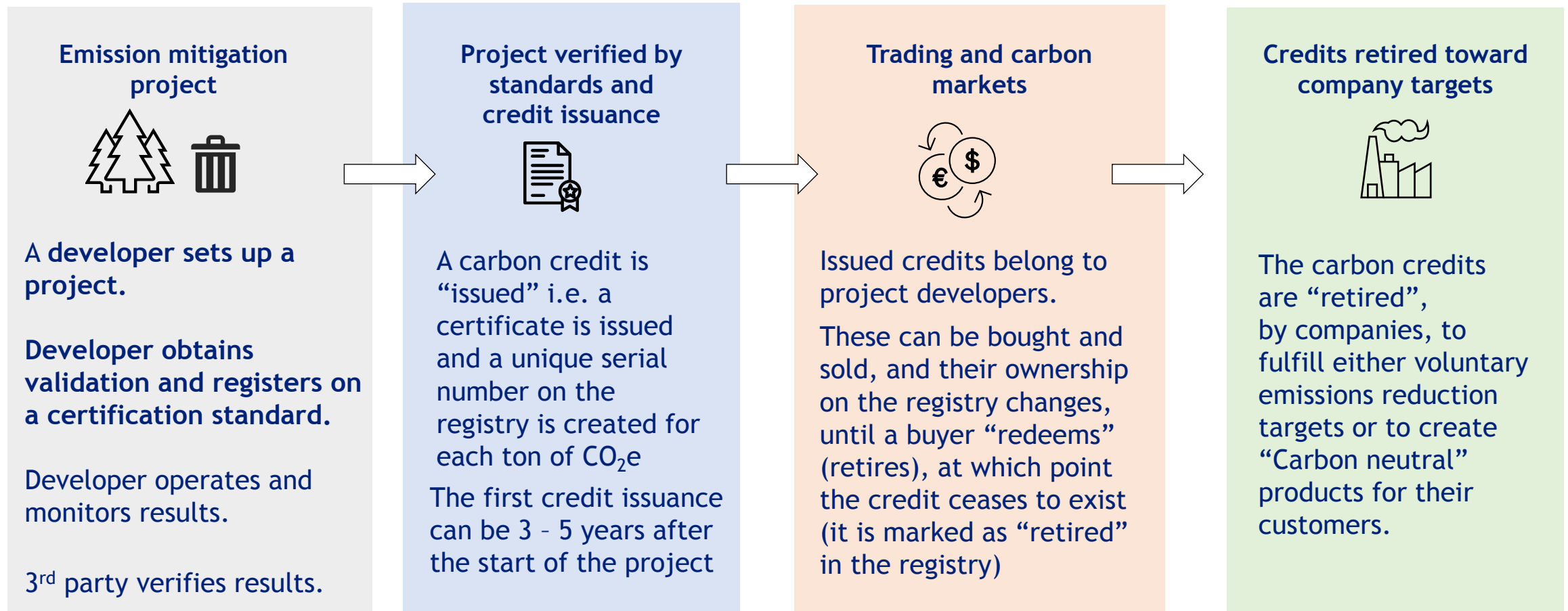
Emissions Trading System (ETS)

The regulator sets a fixed limit for the amount of CO₂ to be emitted, sometimes called 'cap'. They then issue the respective amount of emission allowances (or permits) to firms either directly or through auctions. One allowance typically grants the right to emit one ton of CO₂

Carbon Tax

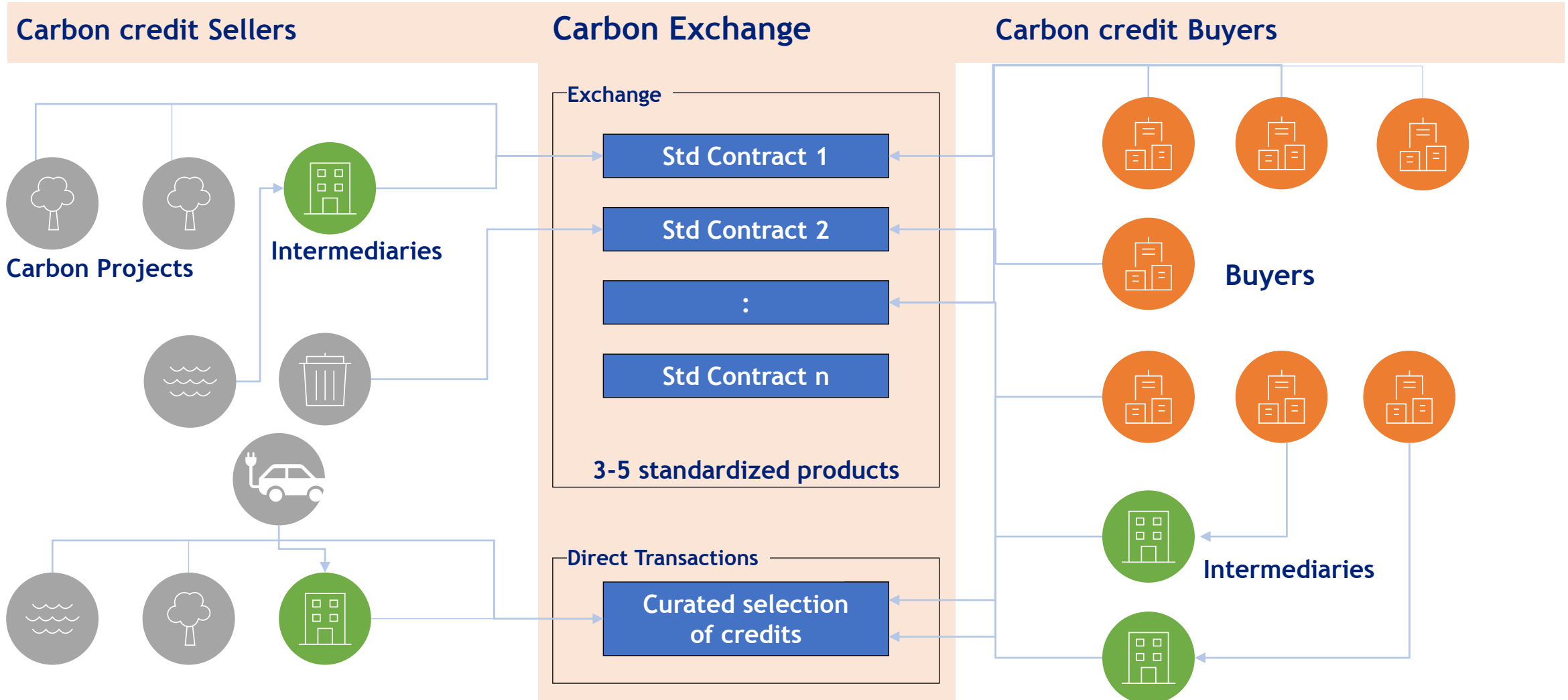
The regulator sets a fixed limit for the amount of CO₂ to be emitted and then taxes every ton of CO₂ emitted in excess of the defined limit at fixed rates. Depending on design, carbon credits may be acceptable, to a limit, to offset an organization’s exposure to tax

VCM enables trading of carbon credits and supports companies' climate goals



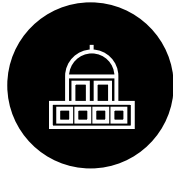
Today, companies buy carbon credits either for their own use in meeting their emissions targets, and hence will **retire** the credits after purchased or trade the carbon credits as part of their business, and hence will **transfer** the credits upon successful secondary trading.

VCM exchange offers standardized products and trade specific off market



A successful VCM relies on an ecosystem of actors

These players are necessary to generate carbon credit supply



Government



Standards



Financial Institutions



Validation and Verification Bodies (VVBs)



Technical experts



Project proponent



Project developers

Stakeholder	Role in VCM
Government	Sets conducive environment and policy stability for project development and may play an active role in facilitating VCM scaling
Project proponent	Owns land or assets of the crediting project
Project developer*	Plans, implements, and runs projects. Have expertise in applying the standards' procedures/methodologies
Technical experts*	Work with/as part of project developers to provide scientific/engineering expertise to assess mitigation potential and implement project
Standards	Create rules and procedures governing carbon credit market and maintain registry of issuances
VVBs*	Validate project design (prior to implementation) and verify periodically (to issue credits). To validate/ verify projects of a particular standard they must be accredited with that standard
Financial Institutions	Unlock green financing by allocating capital and steering financial flows towards more low carbon, climate resilient activities

*A robust local ecosystem is required for successful VCM scaling

Launch VCM Exchange through an Auction by end of 2022



Bursa Malaysia intends to hold an auction to launch new standardised carbon credits products that will be offered on the VCM Exchange

Why auction?



Facilitate price discovery for new products on VCM Exchange



Provide reference price for carbon credit trading on VCM Exchange



Tangible price signal for potential issuers to embark on domestic carbon credit projects

Potential Products For 2022 Auction

Given the scarcity of locally-generated Verra-certified carbon credits, we may offer carbon credits sourced from other countries for the auction:

- **Technology-based carbon credits** such as biogas utilisation, methane capture, green mobility etc.
- **Nature-based carbon credits** such as forest conservation, mangrove protection, reforestation etc.

Potential Total Volume of Carbon Credits for Auction 100k to 150K

Further details regarding VCM exchange rules, auction mechanism and market participant onboarding process will be announced soon.

How can I be part of this inaugural auction?

- Register as a market participant of the VCM Exchange
- Participate in the inaugural auction year-end. Companies may choose to purchase small volumes of Verra-certified carbon credits to kick-start their offsetting journey.

Bursa Malaysia will announce the **names** of the first batch of market participants after the inaugural auction. However, we will not disclose the price and volume bids submitted.

VCM Exchange Can Support Corporates Climate Commitments

You can be part of the VCM market participant:

As A Buyer



Access high-quality standardised carbon credit products offered on VCM Exchange to offset carbon footprint from operations and/or product value chain



Support development of domestic carbon credit projects which can help Malaysia achieve its net zero GHG emissions aspirations through voluntary offsetting

As A Supplier



Leverage on VCM Exchange to finance internal climate-friendly projects and solutions that can help corporates reduce emission intensity of their operations and value chain

Please register your interest via the forms provided QR code below:

Potential Buyers



Potential Suppliers



