



KEMENTERIAN
SUMBER ASLI DAN
KELESTARIAN ALAM
(NRES)

National Carbon Market Policy





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National Carbon Market Policy (NCMP)



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Executive Summary

Climate Change and Paris Agreement

Climate change presents substantial risks to Malaysia's society, economy, infrastructure, and natural ecosystems. As a Party to the United Nations Framework Convention on Climate Change (UNFCCC) and a signatory to the Paris Agreement (2015), Malaysia has undertaken proactive measures to mitigate these impacts and strengthen national resilience. The Paris Agreement allows Parties to use offsets under Article 6 in achieving their Nationally Determined Contributions (NDC). In this context, Malaysia's NDC 3.0 sets an absolute emission reduction target of 15 to 30 million tonnes of carbon dioxide equivalent by 2035 from Malaysia's peak emission level. This target comprises an unconditional reduction of up to 20 million tonnes of carbon dioxide equivalent, with an additional conditional reduction of 10 million tonnes of carbon dioxide equivalent, subject to the availability of climate finance, technology transfer, and capacity-building support from international sources. Based on current projections, Malaysia is expected to reach its peak GHG emissions level between 2029 and 2034.

NCCP 2.0 and NCMP

Through the National Climate Change Policy 2.0 (NCCP 2.0 or DPIN 2.0), Malaysia seeks to steer the transition toward a low-carbon, climate-resilient economy and to operationalise the Paris Agreement at the domestic level. NCCP 2.0 identifies the National Carbon Market Policy (NCMP) as a catalytic initiative to advance market-based mechanisms that accelerate decarbonisation, including through the integration of carbon credit revenues into project financing to improve the bankability of domestic carbon projects, and support a whole-of-nation approach.

National Arrangement

NCMP provides Malaysia's national arrangement for international compliance carbon markets in alignment with Article 6 of the Paris Agreement, including provisions for Other International Mitigation Purposes (OIMP) and the Paris Agreement Crediting Mechanism (PACM), encompassing both CDM transition activities and new project development under the Paris Agreement.

Ecosystem

The policy also outlines the necessary ecosystem and infrastructure to ensure a robust and effective carbon market operations including UNFCCC-aligned guidelines for reporting and accounting of international carbon market activities and enable carbon pricing mechanisms. At the domestic level, NCMP establishes a coordinated system for domestic and international market participation, supported by a National Carbon Registry and a comprehensive MRV framework. The ecosystem action plan further recognises the importance of strengthening Malaysia's domestic carbon methodologies.

High-Integrity Carbon Market

NCMP establishes a robust foundation for a high-integrity carbon market, anchored in national arrangements supporting infrastructure, and clear eligibility criteria. This enables domestic project developers to access both domestic and international climate finance through carbon credit transactions.

MAC Curve

The policy provides National Marginal Abatement Cost Curve (MAC Curve), a commonly used tool, to compare the costs of different measures to reduce GHG emissions by ranking the measures from lower to higher cost. The MAC Curve is used to support policy decisions by identifying lower-cost measures for domestic implementation, while highlighting higher-cost and hard-to-abate measures that may be considered for international cooperation under Article 6.

Trading readiness and linkages

Additionally, NCMP introduces measures to enhance market readiness by building capacity among project developers and regulatory authorities, while address financing gaps for high-impact carbon projects. The policy also emphasises alignment with national and international climate mitigation efforts. Overall, NCMP provides the essential legislative, governance, and technical foundation to establish a credible, transparent, and effective carbon market ecosystem in Malaysia.



1

Preamble



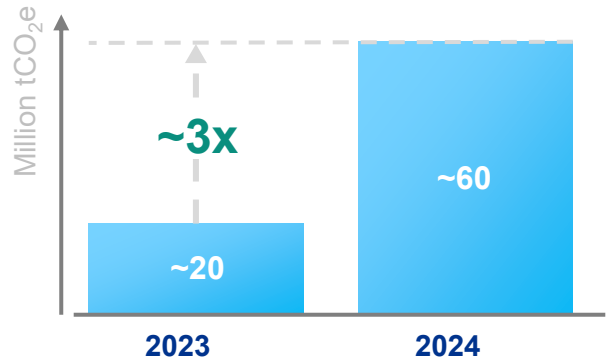


1.1 Global Carbon Market Overview

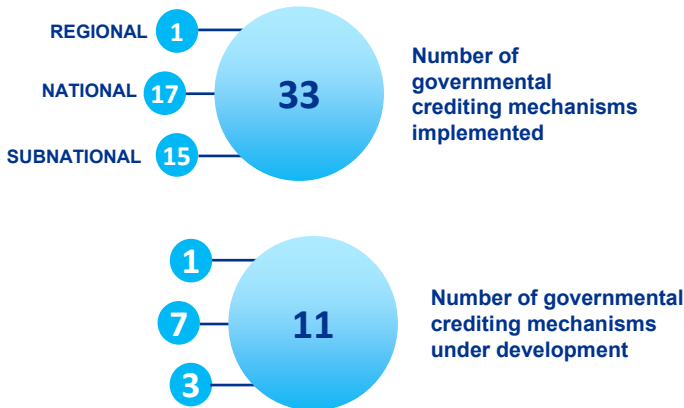
Carbon markets are increasingly driven by compliance obligations, with a rising share of carbon credits being retired to meet regulatory requirements rather than voluntary corporate commitments. This reflects the expansion of carbon pricing instruments such as emissions trading systems and carbon taxes, which require regulated entities to surrender allowances or eligible credits to meet emissions limits or tax liabilities.

At the same time, international and sectoral mechanisms are reinforcing compliance-driven demand, contributing to a shift towards a more regulated and structured market. While voluntary demand remains relevant, this trend signals a maturing carbon market where greater emphasis is placed on credit quality, transparency, and robust monitoring, reporting, and verification (MRV) systems to ensure environmental integrity.

The global carbon market has seen an increase in the issuance of carbon credits. As of 2025, 6 billion carbon credits⁸ have been issued through a combination of international, independent, and governmental mechanisms.

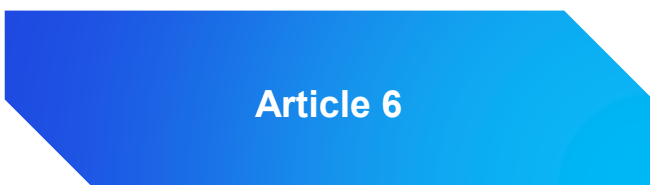


Retirements reflect the annual use of carbon credits toward, for example, making specific claims or complying with a carbon pricing obligation. Retirements serve as a useful proxy for demand in the carbon markets.



1.2 Introduction of Paris Agreement

Following the adoption of the Paris Agreement¹ under the United Nations Framework Convention on Climate Change (UNFCCC) in 2015, global efforts to address climate change have intensified through a combination of national, regional and international instruments over the past decade. The objective of the agreement is to limit the post-industrial global average temperature rise to “well below 2°C” by 2100, while pursuing efforts to cap warming at 1.5°C.



The collective achievement of this global pursuit is underpinned by the preparation, communication and maintenance of NDCs in accordance with Article 4, paragraphs 2 and 3. Malaysia has ratified the Paris Agreement in 2016 and reviewed its NDC in accordance with the above and paragraph 24 of decision 1/CP.21.

In parallel, the Agreement provides Article 6 for voluntary cooperation among Parties in achieving their NDCs. Article 6, paragraph 2 enables cooperation through internationally transferred mitigation outcomes (ITMOs), while Article 6, paragraph 4 introduces a mechanism to contribute to mitigation and support sustainable development.

¹ The Paris Agreement, The United Nations Framework Convention on Climate Change (UNFCCC)



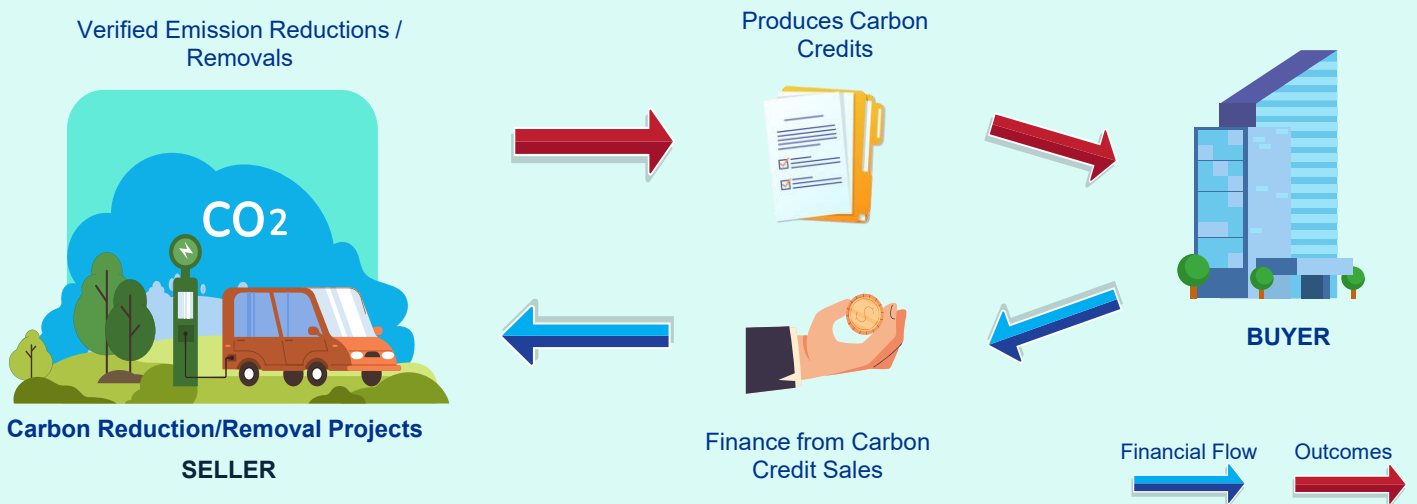
1.3 Alignment to National Climate Change Policy 2.0

NCCP 2.0 guides Malaysia’s climate action by aligning national policy with the Paris Agreement. It identifies the National Carbon Market Policy (NCMP) as a catalytic initiative under Strategic Thrust 4 to drive decarbonisation, mobilise blended finance, and generate revenues for low-carbon and nature-based investments². This is supported by the governance framework under Strategic Thrust 1, including the proposed Climate Change Act (RUUPIN), which establishes the legal basis for regulating compliance carbon markets and enabling the use of offsets in future carbon pricing instruments.

Carbon markets allow for targeted financing of projects engaged in emission³ reduction or removals across sectors through a carbon crediting program.



Buyers of carbon credits channel finance to project developers, who utilise the revenue from carbon credit sales to achieve financial viability for projects that would not otherwise be feasible.



² National Climate Change Policy 2.0, Ministry of Natural Resources and Environmental Sustainability, Malaysia, 2024.

³ In this policy we will use the word carbon to represent the subject of economic analysis involving GHG.



1.4 Scope of National Carbon Market Policy

NCMP provides policy guidance for the buyers and sellers of carbon credits generated from Malaysian carbon projects for three main compliance usage – 1) NDC achievement, 2) Other international mitigation purposes (OIMP) and 3) Offset use for domestic compliance. In doing so, NCMP also supports spillover benefits for the voluntary carbon market, allowing carbon credits to be used for voluntary purposes where applicable.

		How is the credit used?	
		Voluntary	Compliance
Where buyers use credits & sellers implement projects?	Domestic		
		Domestic corporates buying Malaysian carbon credits for voluntary objectives using domestic (e.g., FCO) or international carbon crediting mechanisms.	Offsets used in domestic compliance or carbon pricing to achieve NDC as recognised under a Climate Change Act ⁴ .
	International		
		Domestic or foreign corporates buying non-Malaysian or Malaysian carbon credits using domestic or international carbon crediting mechanisms, including PACM A6.4.	Article 6 of Paris Agreement (i.e. ITMOs) for NDC Achievement and / or OIMP such as CORSIA.

Note: CORSIA refers to Carbon Offsetting and Reduction Scheme for International Aviation.

Buyers in the carbon markets generally fall into two broad categories:

- **Voluntary:** Allow entities to purchase carbon credits on a voluntary basis, often as part of corporate sustainability strategies, internal mitigation goals, or preparatory efforts for future regulation.
- **Compliance:** Operates under regulatory frameworks requiring participants to reduce emissions, with the option to use offsets under carbon pricing instruments and cooperative approaches like Article 6.

These buyers exist within both domestic and international contexts, forming the foundational typology of carbon markets.

⁴ Referred to Catalytic Initiative under Strategic Thrust 1 of NCCP 2.0

2

The Need for this Policy





2.1 Policy Coherence

NCMP is designed to operate in synergy with Malaysia's broader policy ecosystem by drawing on the priorities, targets, and implementation strategies set out in national climate plans and relevant sectoral policies, roadmaps and strategic plans. It complements Malaysia's overarching development agenda by supporting national efforts to strengthen climate governance and the transition towards a more sustainable and competitive economy.



RM/tCO₂e

The policy is a key deliverable under RMK13 to strengthen climate change and environmental management. It supports Malaysia's transition towards low-carbon economy by facilitating carbon trading and related market instruments, in line with RMK13's objectives to enhance environmental sustainability and economic competitiveness.

As Malaysia develops its wider carbon-pricing architecture, NCMP provides the foundational governance for authorisation, reporting, tracking, and environmental integrity. This enables appropriate use of offsets within carbon pricing instruments and allows high-integrity carbon credits to interface coherently with future market-based policy instruments such as ETS or carbon tax, as they emerge, consistent with relevant government policies and climate change-related laws.

Through this alignment, NCMP reinforces existing mitigation pathways across key economic sectors by ensuring that market signals support, rather than replace, sectoral planning. Overall, the framework strengthens coherence across Malaysia's climate and development agenda, allowing for more coordinated and mutually reinforcing national mitigation efforts.

Table 1: Non-Exhaustive List of Relevant Policies

Policy	Ministry
Malaysia's Third Nationally Determined Contribution under the Paris Agreement	Ministry of Natural Resources and Environmental Sustainability
National Climate Change Policy 2.0 (NCCP 2.0)	Ministry of Natural Resources and Environmental Sustainability
Nationally Determined Contribution Roadmap and Action Plan 2024	Ministry of Natural Resources and Environmental Sustainability
Malaysia Policy on Forestry	Ministry of Natural Resources and Environmental Sustainability
Malaysian Aviation Decarbonisation Blueprint 2024	Ministry of Transport
National Agricommodity Policy 2021-2030	Ministry of Plantation and Commodities
National Agrofood Policy 2021-2030	Ministry of Agriculture and Food Security
13th Malaysia Plan (RMK13)	Ministry of Economy
National Energy Policy 2022 - 2040	Ministry of Economy
National Energy Transition Roadmap (NETR)	Ministry of Economy
National Industrial Master Plan 2030 (NIMP)	Ministry of International Trade and Industry
Sabah Action Plan on Forest Plantation Development (2022 – 2036)	Sabah Forestry Department



2.2 Malaysia's NDC and Article 6 of the Paris Agreement

Malaysia's NDC 3.0 reflects a strengthened commitment to reducing GHG emissions in line with the long-term goals of the Paris Agreement. In this context, carbon markets and the use of offsets play an important role in mobilising international carbon finance and investment, particularly to support the conditional elements of Malaysia's NDC. These commitments under the NDC directly inform Malaysia's strategic engagement with international cooperation mechanisms, including Article 6 of the Paris Agreement.

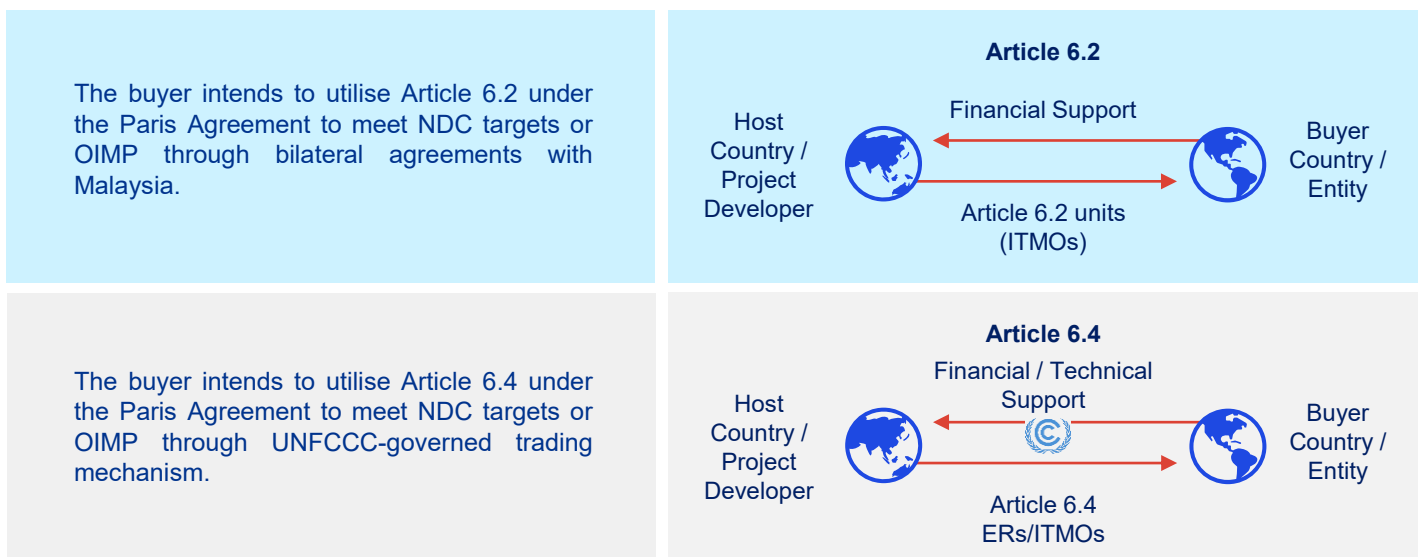
NDC 3.0: Absolute emission reduction of up to 30 MtCO₂e by 2035

Malaysia intends to achieve an absolute reduction of 15–30 million tonnes of CO₂ equivalent by 2035 from the peak level between 2029 and 2034.⁵ Achieving this commitment will require a mix of domestic mitigation actions and international cooperation, particularly for higher-cost and hard-to-abate emissions.



Article 6 of the Paris Agreement

Article 6 of the Paris Agreement sets the principles, scope, and governance for market-based cooperation, pairing cooperative approaches under Article 6.2 with a centralised crediting mechanism under Article 6.4 (Paris Agreement Crediting Mechanism, PACM).



In practice, Article 6.2 enables countries to enter bilateral or multilateral arrangements to transfer mitigation outcomes with full accounting safeguards, supporting cross-border cooperation to achieve NDCs. In this context, NCMP provides policy guidance on how Malaysia can utilise cooperative approaches under Article 6.2, including through existing bilateral MOUs, to support NDC achievement while ensuring alignment with international accounting, authorisation, and reporting requirements such as corresponding adjustments.

⁵ Malaysia NDC 3.0 to UNFCCC 2025 final.pdf



PACM complements this by providing a centralised pipeline to generate credits under standardised rules, methodologies, and oversight. For Article 6.4, NCMP focuses on enabling the operationalisation of PACM at the domestic level, including establishing the necessary institutional arrangements, MRV systems, and registry infrastructure to support project development and credit issuance. While transition of existing mechanisms such as CDM may be considered, this is expected to be limited and transitional in nature.

In addition, Malaysia may participate in Other International Mitigation Purposes (OIMP), particularly through sectoral schemes such as CORSIA, supported by the policy framework established under NCMP.

Transition of CDM to Article 6.4



The Clean Development Mechanism (CDM), introduced in the 1997 Kyoto Protocol⁶, allowed emission-reduction projects in developing countries to earn certified emission reduction (CER) credits for each ton of CO₂ reduced or sequestered. These CERs can be traded and sold and used by industrialised countries to meet a part of their emission reduction targets.

Malaysia joined the CDM voluntarily as one of the non-Annex I countries and became a member in the Protocol officially on September 4, 2002. As of July 2024, there are 143 CDM projects (excluding those with rejected and withdrawn status) registered in Malaysia, of which most of these projects are waste handling and disposal, and energy.

The CDM concluded on December 31, 2020.

With the adoption of Article 6.4 mechanism as a central UNFCCC market mechanism, eligible CERs from CDM projects can be transitioned as 6.4ERs under the governance and oversight of UNFCCC. Decision 3/CMA.3 provides the rules, methodologies and procedures.

The NCMP ensures that eligible local developers can maintain the validity of their credits under the updated international regulatory landscape by formalising the Host Party Participation (HPP) with the UNFCCC.



⁶ CDM: About CDM. (unfccc.int)



Other International Mitigation Purposes (OIMP)

OIMP refer to the use of internationally transferred mitigation outcomes for international or sectoral schemes that sit outside a country’s NDC. Under Article 6 of the Paris Agreement, mitigation outcomes may be authorised for OIMP use, subject to national approval and accounting rules to ensure environmental integrity and avoid double counting.

Beyond participation in Article 6 cooperative approach for NDC achievement, Malaysia may participate in Other International Mitigation Purposes (OIMP), including sector-specific schemes such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) that will be mandatory starting the year 2027. The NCMP provides the necessary regulatory mechanism for the authorisation of carbon credits intended for OIMP. This includes meeting the mandatory obligations of Malaysian entities under international sector-specific schemes, such as CORSIA for the aviation industry where "Host Party Authorisation" is explicitly required to prevent double counting and uphold environmental integrity.

Under this arrangement, NCMP provides the policy framework to support participation in OIMP, while implementation of schemes such as CORSIA is led by the Ministry of Transport (MOT) and NRES is responsible for the authorization of Internationally Transferred Mitigation Outcomes (ITMOs) in accordance with national procedures.

Figure 1: CORSIA Implementation Phases

PILOT PHASE			FIRST PHASE			SECOND PHASE								
2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
VOLUNTARY						MANDATORY								
<i>States volunteer to be part of the scheme from 2021 (more States are encouraged to volunteer).</i>						<i>With exemptions for: Small Islands, Least Developed Countries, Land-locked Developing Countries and States which have less than 0.5% of air traffic (although they can still volunteer).</i>								
Operators flying routes between volunteering States will offset emissions based on the average CO ₂ growth of the aviation sector						Operators will offset based on average CO ₂ growth of the sector			Offset obligations shift to include over 20% of individual operator growth			Offset obligations shift to be over 70% based on individual operator growth		
OVER 80% OF THE GROWTH IN AIR TRAFFIC CO₂ AFTER 2020 WILL BE OFFSET														

Source: IATA CORSIA Handbook and Malaysian Aviation Decarbonisation Blueprint 2024

International aviation’s OIMP, CORSIA is the International Civil Aviation Organization’s (ICAO) global market-based measure for addressing carbon emissions from international flights. Under CORSIA, only high-integrity emission units that meet ICAO eligibility requirements may be used to fulfil aviation sector offset obligations. CORSIA aims for carbon-neutral growth in the aviation sector by requiring all airline operators with annual emissions over 10,000 tCO₂e must monitor and report their emissions and offset any growth in CO₂ emissions above 2020 levels.

Positioning OIMP and CORSIA within the broader market framework ensures that Malaysia can supply eligible units to international aviation markets while safeguarding domestic climate objectives and maintaining environmental integrity. To meet the needs for Malaysian carrier’s ability to reach net zero, Malaysian Aviation Decarbonisation Blueprint 2024 identified a need for formulating National Carbon Market Strategy under its Multi-Sector Co-operation.

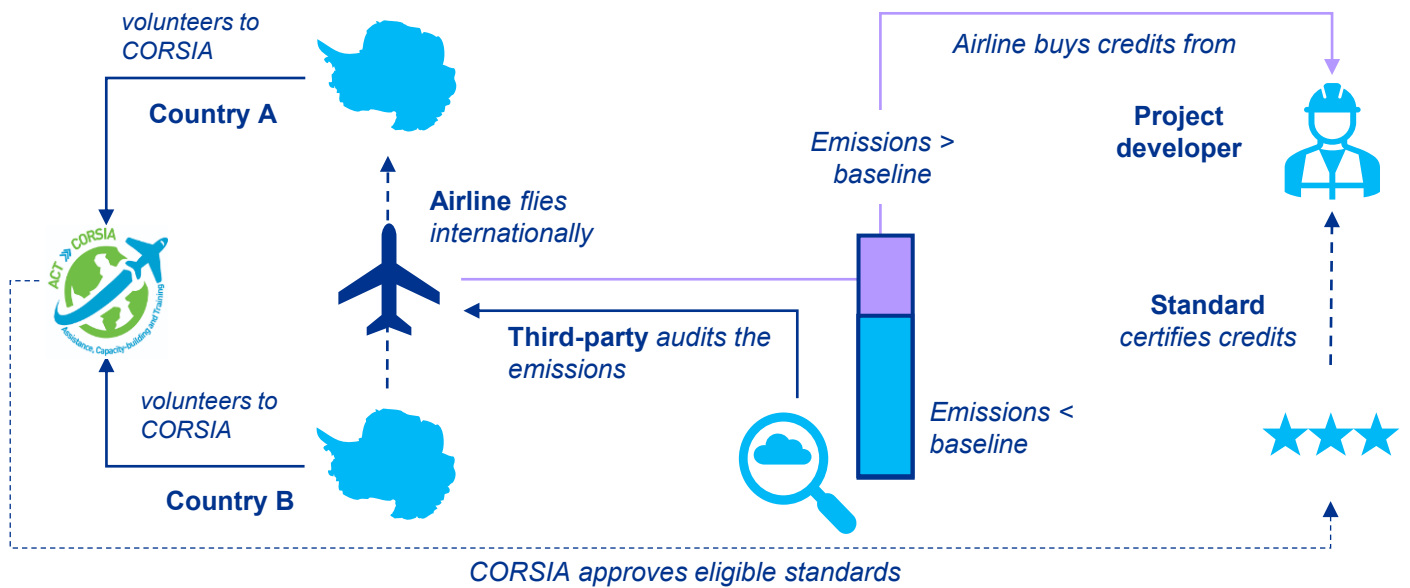


The **International Civil Aviation Organization (ICAO)** is a UN agency that coordinates the development of policies for the standardization of international air transport. In 2022, ICAO adopted a long-term aspirational target for international aviation to reach net-zero emissions by 2050, in support of the Paris Agreement goal.

Figure 2 Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

Example of CORSIA “route-based approach” application (Phase 1)

NB: if one or both States do not participate in the CORSIA scheme, only MRV applies.





Reporting obligations to the UNFCCC and the avoidance of double counting

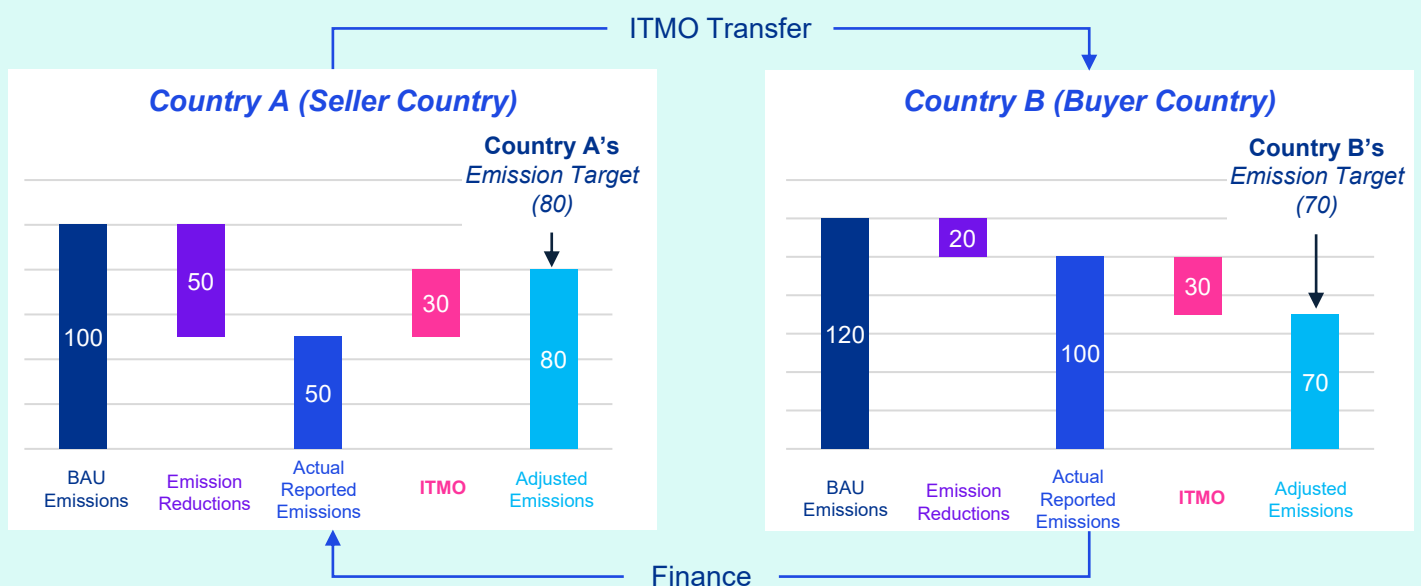
As part of the commitments under the Paris Agreement, Parties are required to adhere to robust reporting and accounting obligations. By following these established procedures, Parties contribute to the collective effort of tracking progress in maintaining the integrity of the international climate regime.

Malaysia is subject to prepare and submit 4 different reports to UNFCCC under the requirement of **Enhanced Transparency Framework (ETF)**:

Report	Description and Requirement
Biennial Transparency Report	Submitted every two years and it must contain information on national greenhouse gas inventories, adaptation actions, and progress towards achieving NDCs.
Initial Report	Triggered when a Party is preparing to authorise ITMOs and is required to submit no later than the authorisation of the first ITMO. The report must also include accounting approach and corresponding adjustments.
Annual Report	Annual information by 15 April of the following year through Agreed Electronic Format (AEF)
Regular Report	Once the cooperative approach has been initiated and the initial report submitted

Corresponding Adjustments (CA), are a requirement for countries wishing to use Article 6.2 and Article 6.4 to exclude double counting and preserve environmental integrity.

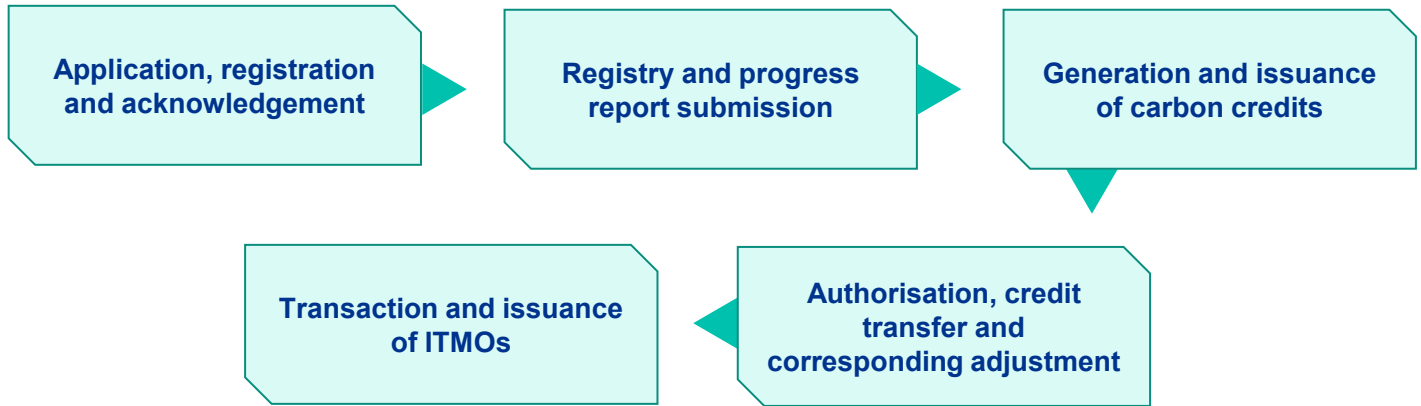
Corresponding Adjustment between Two Countries





2.3 National Arrangement

NCMP serves as the primary framework for the National Arrangement, to streamline the procedures for authorisation, reporting, and tracking of Internationally Transferred Mitigation Outcomes (ITMOs). The arrangement covers both Article 6.2 and Article 6.4, with the authorisation process structured into two distinct pathways: Article 6.2, which facilitates cooperative approaches between Parties, and Article 6.4, which establishes the Paris Agreement Crediting Mechanism.



The implementation of the National Arrangement is expected to streamline the procedures for authorisation, reporting, and tracking of ITMOs. It will also ensure that robust governance and transparency requirements are met, thereby enhancing Malaysia's credibility in international carbon markets. As above diagram, the general Article 6 authorisation process aims to facilitate effective participation by both public and private sector stakeholders.

Note: Refer to Annex 7 for full Article 6.2 and PACM authorisation process.





2.4 Marginal Abatement Cost Assessment

A Malaysia's National Marginal Abatement Cost Curve (MAC Curve) required under NCMP to support evidence-based climate policy and investment decisions. MAC Curve enables a clear, visual comparison of emissions reduction options, showing both their mitigation potential and cost per tCO₂e, which cannot be easily achieved through sectoral targets or action lists alone. This allows policy makers and investors to prioritise interventions while aligning with national emissions reduction goals.



Abatement Cost-Benefit Analysis

Sectoral marginal abatement cost analysis undertaken using available data and assumptions to provide cross-sector comparison

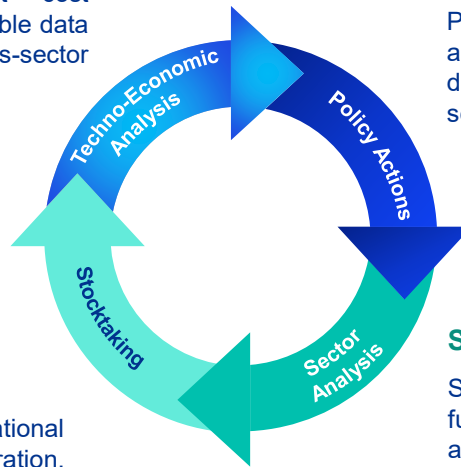
Macroeconomic and sector analysis

Other analysis on macroeconomics, sector, trade, UNFCCC commitments, etc.



Stocktaking

Revisions of GHG inventory, national targets for abatement/ sequestration, etc. against sector/ regional policy actions.



Policy Direction & Prioritisation



Policy actions on GHG targets aligned to broader economic and development goals. i.e. cap setting, giving signal to industry.

Sector Analysis



Sectoral analysis conducted based on future sectoral targets, forestry planning and technology adoptions. E.g., power generation development plans, energy security, cross-sector dependencies, etc.



Low-cost abatement options are prioritised for domestic mitigation, while higher-cost and hard-to-abate measures are most suitable for international cooperation under Article 6.

The MAC Curve groups mitigation options into negative, low-positive, and high-positive categories based on their marginal abatement costs and contribution to overall abatement potential. It provides a clear basis for optimising mitigation decisions by showing how different options contribute to national abatement potential at varying cost levels. For analytical purposes, the distinction between lower and higher cost options is based on an indicative threshold of around RM100 per tCO₂e.

Malaysia's assessed abatement potential of

56 MtCO₂e in 2030

120+ measures across six key sectors

~70% of Malaysia's abatement potential comes from **negative** or **low-cost** initiatives

Approximately 39 MtCO₂e, or about 70% of the assessed 56 MtCO₂e potential, falls within the negative and low-cost range. These represent the most cost-effective opportunities and include energy efficiency improvements, renewable energy deployment, and waste management measures that collectively support progress towards Malaysia's NDCs at minimal cost. The remaining 17 MtCO₂e, or roughly 30%, consists of higher-cost mitigation options that are technically viable but require substantial investment. Examples include carbon capture, utilisation and storage, and large-scale nature-based solutions. These options are less suited to domestic cost recovery and are more effectively supported through international climate finance, including the use of ITMOs under Article 6, with appropriate accounting safeguards to protect the integrity of the national NDC.

Table 2: Sample Abatement Activities across MAC Curve regions













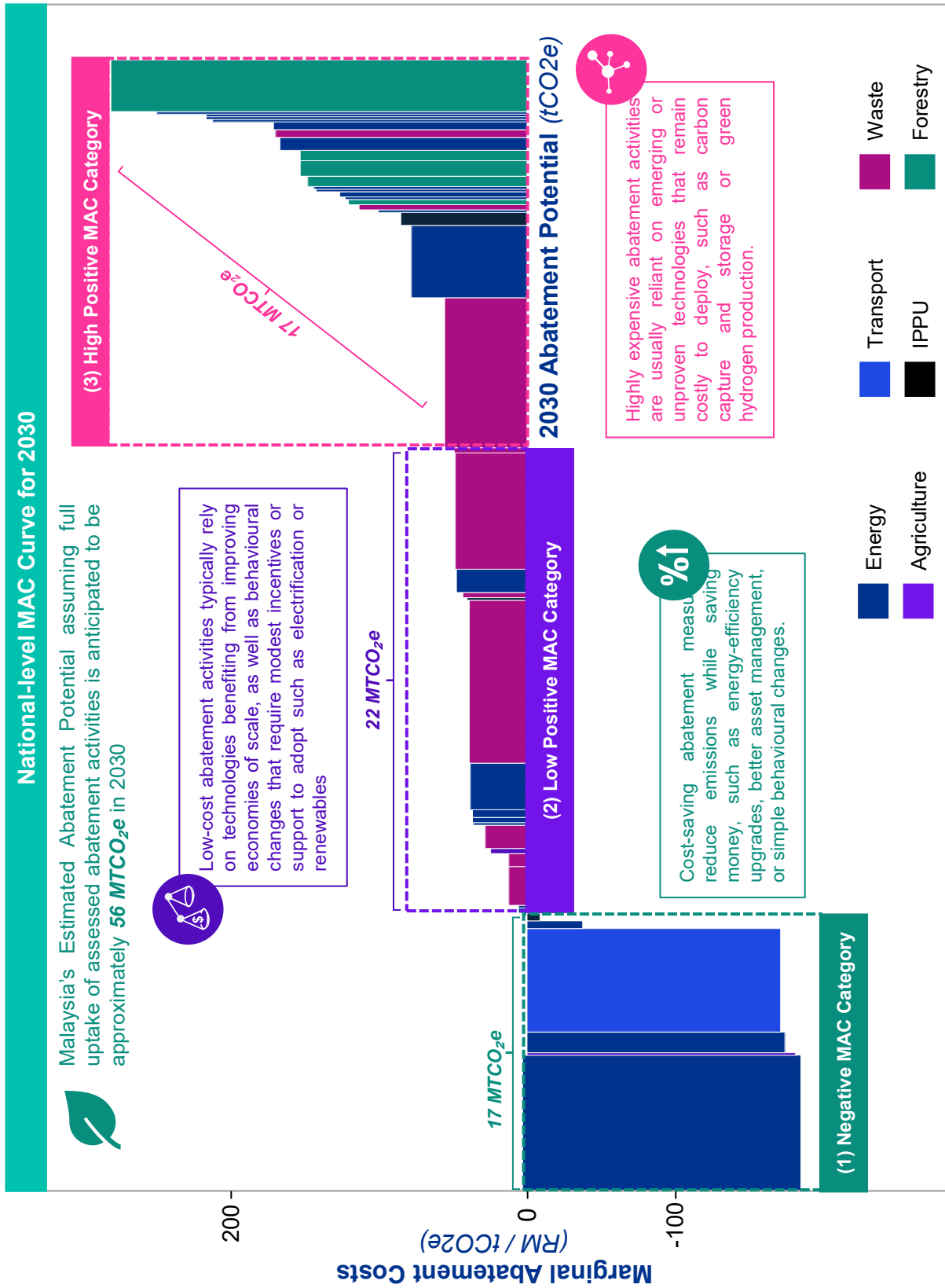
Negative MAC Category	Low Positive MAC Category	High Positive MAC Category
 Energy Efficiency Retrofits	 Electrification of Light-Duty Vehicles	 Carbon Capture, Utilisation and Storage (CCUS)
 Behavioural Changes (e.g., waste sorting, energy-saving practices)	 Rooftop Solar for Commercial Buildings	 Hydrogen-based Industrial Processes
 Fleet Use Optimisation (e.g., reducing idle time, batching)	 Landfill Gas-to-Electricity (Small-Scale)	 Concentrated Solar Power with Thermal Storage
 Regular Vehicle Maintenance	 Biogas Capture from POME	 Clinker Replacement in Cement



Figure 3 presents Malaysia's MAC Curve, with the vertical axis indicating the cost of reducing emissions (RM per tonne of CO₂e) and the horizontal axis showing the amount of emissions that can be reduced (tonne of CO₂e). Each bar represents an abatement activity, where lower or negative values indicate lower-cost options, and the width of each bar shows how much emissions can be reduced.



Figure 3 Malaysia's National Marginal Abatement Cost Curve (MAC Curve)



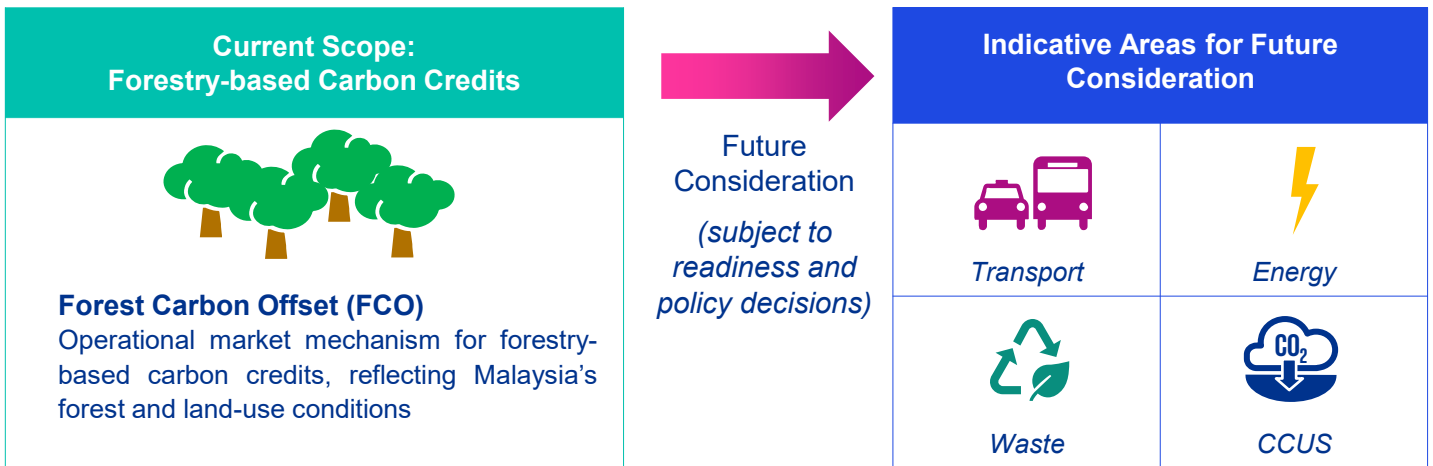
Note: This MAC Curve is presented for illustrative and policy-interpretation purposes. To improve readability, the abatement cost axis is limited to – RM200 to RM200 per tCO_{2e}. The underlying analysis includes abatement options beyond this range, which are not displayed in full due to scale and visual clarity considerations.



2.5 Government Crediting Programs

NCMP is designed to pave the way for government crediting programmes to guide the design and governance of crediting programmes in a manner that supports national climate goals while maintaining environmental integrity.

Malaysia's government crediting programme is currently limited to forestry-based carbon credits. Additional sectors may be considered in the future subject to readiness and policy decisions.








Within this current scope, forestry-based carbon credits are implemented through the Forest Carbon Offset (FCO), which serves as Malaysia's operational government crediting mechanism. The FCO sets out the core requirements for credit issuance, including accounting, monitoring, verification, and integrity safeguards.

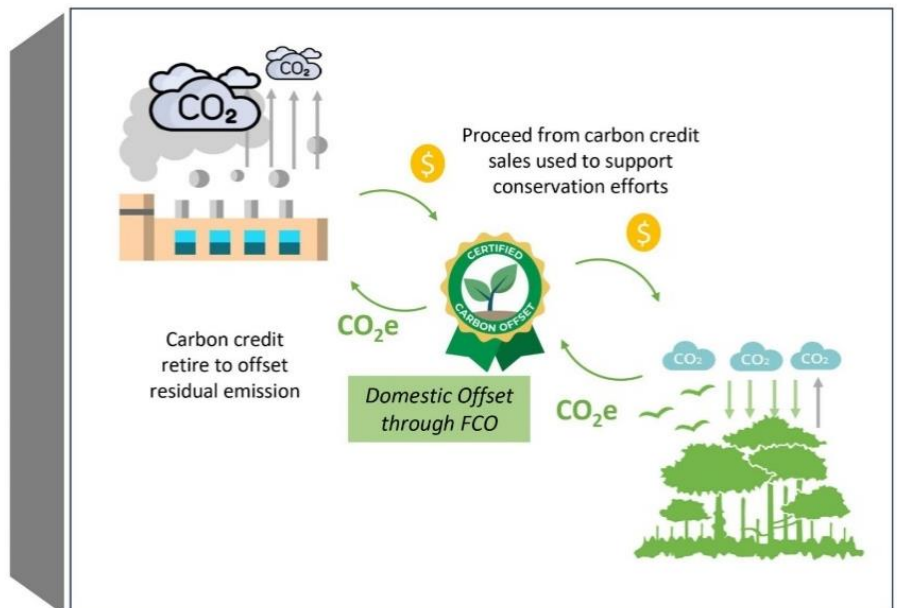
Forest Carbon Offset |

FOREST CARBON OFFSET is a market mechanism that allows the transfer of emissions reduction from forests to the buyers, in the form of carbon offsets



The FCO shall include:

- 
 - robust accounting system
 - methodologies for GHG estimation
- 
 - environmental integrity
 - address permanence, leakages through buffers and/or adjustment
- 
 - include independent assessment
 - monitoring and reporting of emission reductions/enhancement in removals
- 
 - independent review and verification
- 
 - the issuance of credits and guidance on crediting period



3

Structure and Key Elements of NCMP





3.1 Policy Goals

The overarching goal and vision of NCMP is to set out a structured framework that catalyses cost effective climate action through a high integrity, inclusive carbon market that accelerates national decarbonisation goals while delivering sustainable development co benefits. This will be achieved through the following core objectives, which align with the guiding framework of this policy :

- 1. To Establish a High-Integrity Market that aligns with National Climate Targets:** Development of a transparent, credible, and robust carbon market ensures all emissions reductions are verifiable, cost-effective and contribute to meeting Malaysia's NDC and net-zero aspirations.
- 2. To Stimulate Investment and Innovation through Clear Signals:** Establishment of a robust and predictable market framework provides clear signals to the private sector, creating strong economic incentives for investment in low-carbon technologies.
- 3. To Promote a Just and Equitable Transition:** Ensuring a just transition through a carbon market mechanism advances sustainable development, strengthens social inclusivity, and supports all affected communities and sectors in the shift to a low carbon economy.

The guiding principles of the policy are aligned to NCCP 2.0.

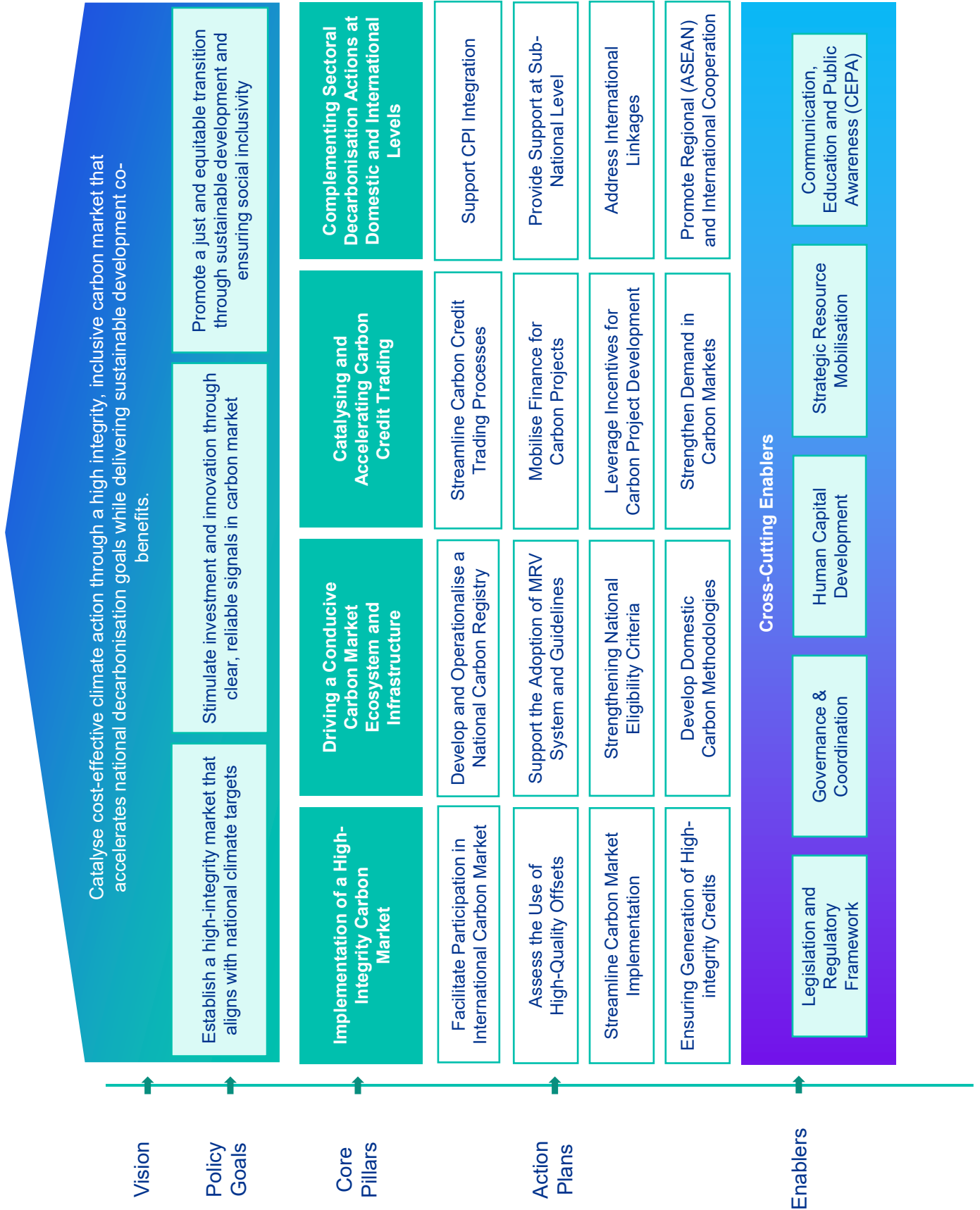
- 1. Common but Differentiated Responsibility and Respective Capabilities:** Malaysia's participation in Article 6 carbon markets at the international level will adhere in an equitable manner in accordance with the Paris Agreement's principle of "common and differentiated responsibilities with respective capabilities in the light of national circumstances".
- 2. Just and Equitable Transition:** The shift to a low-carbon economy is managed in a way that advances sustainable development, ensures social inclusivity, and supports all affected communities and sectors of society.
- 3. Whole of Society and Nation Approach:** Planning and implementation of carbon markets initiatives to support climate action must be carried out in a participatory, inclusive and transparent manner with all segments of society.
- 4. Integrated and multi-sectoral solutions:** The carbon market initiatives should strive for an integrated solution view for the rakyat and deliver co-benefits through green job creation and health benefits.





The framework is crafted based on the structure below:

Figure 4: National Carbon Market Policy Framework





3.2 Core Pillars

1

Core Pillar 1: Implementation of a High-Integrity Carbon Market

Establishing a high-integrity carbon market grounded in robust systems that ensure transparency, traceability, and accountability to facilitate participation in international carbon market. This includes streamlining carbon market implementation processes and assessing the appropriate use of high-quality offsets. Ensuring the generation of high-integrity credits and enabling international participation will build trust, uphold market integrity, and support Malaysia's NDC and net-zero commitments.

2

Core Pillar 2: Driving a Conducive Carbon Market Ecosystem and Infrastructure

Building a supportive ecosystem with the institutional, technical, and regulatory infrastructure needed for a well-functioning market by developing and operationalising a national carbon registry, standardised MRV system and guidelines, strengthening national eligibility criteria, and expanding domestic carbon methodologies. These measures will create clear, reliable market signals, stimulate innovation, and grow investor and participant confidence.

3

Core Pillar 3: Catalysing and Accelerating Carbon Credit Trading

Catalysing carbon trading activities by improving the efficiency and accessibility of market mechanisms. Key actions include streamlining carbon credit trading processes, mobilising finance for carbon projects, strengthening demand for carbon credits, and leveraging incentives to encourage project development. Together, these efforts will accelerate market activity and support long-term market growth.






4

Core Pillar 4: Complementing Sectoral Decarbonisation Actions at Domestic and International Levels

Enhancing linkages across domestic and international carbon mechanisms to unlock market access and improve competitiveness. This includes support integration with potential carbon pricing instruments (CPIs), providing support at sub-national level, addressing international linkages and promoting regional cooperation through ASEAN initiatives. Strengthened linkages will encourage broader participation, safeguard environmental integrity, and support a just and equitable transition.

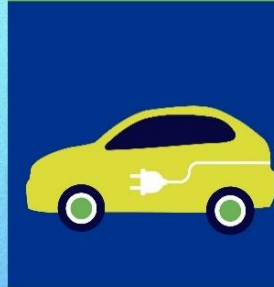


3.3 Enablers

	Legislation and Regulatory Framework	Provide the legal basis to govern market activities, ensure compliance, and facilitate cross-sectoral collaboration required to achieve Malaysia's climate targets, anchored by the Climate Change Act.
	Governance and Coordination	Ensure the clear delineation of authority among relevant bodies and rigorous oversight on policy implementation.
	Human Capital Development	Equip the regulatory authorities, market actors and communities with necessary skills and knowledge to ensure institutional readiness to operate in the carbon market, aligned with international standards.
	Finance and Revenue Recycling	Support funding requirement for carbon market infrastructure through carbon market revenues and, where appropriate, complementary sources such as direct government provision or other funding sources, while ensure effective use of carbon market proceeds and compliance with Article 6.4 by guiding revenue allocation, supporting studies, and fulfilling Malaysia's share-of-proceeds obligations.
	Communication, Education and Public Awareness	Builds public trust and social inclusivity by connecting the public's understanding of carbon market actions to tangible benefits for both the public and industry.

4

Pillars





4.1 Pillar 1: Implementation of a High-Integrity Carbon Market

The National Carbon Market Policy establishes a coherent framework to ensure effective participation by stakeholders through generation and issuance of high-quality offsets to be utilised in market-based instruments, such as in international carbon markets under Article 6 of the Paris Agreement and cooperation for other international mitigation purposes including carbon pricing design. The framework is intended to support cost-effective mitigation across priority sectors by strengthening demand for high quality offsets, while aligning domestic mitigation efforts with Malaysia’s national climate objectives and international commitments.

A phased and structured approach is adopted to support institutional readiness and stakeholder participation, while progressively facilitating Malaysia’s engagement in international carbon markets. This approach focuses on streamlining carbon market implementation and providing clear and credible market signals to catalyse investment in low-carbon activities and support an orderly transition across sectors.

Recognising the role of Article 6 cooperation for both NDC achievement and other international mitigation

purposes, including schemes such as CORSIA, the policy places strong emphasis on robust governance, interoperability, and environmental integrity. Particular attention is given to ensuring the generation of high-integrity carbon credits and to assessing the appropriate role and use of high-quality offsets within the national carbon market ecosystem, in order to safeguard national interests, avoid double counting, and maintain market confidence.

To operationalise this pillar, a set of action plans is introduced to facilitate participation in international carbon market, assess and guide the use of high-quality offsets, streamline carbon market implementation processes, and ensure the generation of high-integrity credits. Collectively, these actions aim to strengthen market participation, enhance demand for credible mitigation outcomes, and support Malaysia’s national and international climate commitments.

P1-AP1	P1-AP2
Facilitate Participation in International Carbon Market	Assess the Use of High-Quality Offsets
P1-AP3	P1-AP4
Streamline Carbon Market Implementation	Ensuring Generation of High-integrity Credits

P1-AP1: Facilitate Participation in International Carbon Market

Malaysia’s participation in international compliance carbon markets, including under Article 6 of the Paris Agreement and OIMP (e.g., CORSIA), ensures that the development of the carbon market in Malaysia is relevant to the current carbon market landscape at the national and international level.

4.1.1 National Arrangements

As part of the requirement, the National Arrangement (NA) for Malaysia has been set up to oversee participation in the international carbon market under Article 6 of the Paris Agreement. The arrangement focuses on 3 different dimensions namely, Institutional Arrangements, Operational Framework and Implementation Guidance.



4.1.1.1 Institutional Arrangements

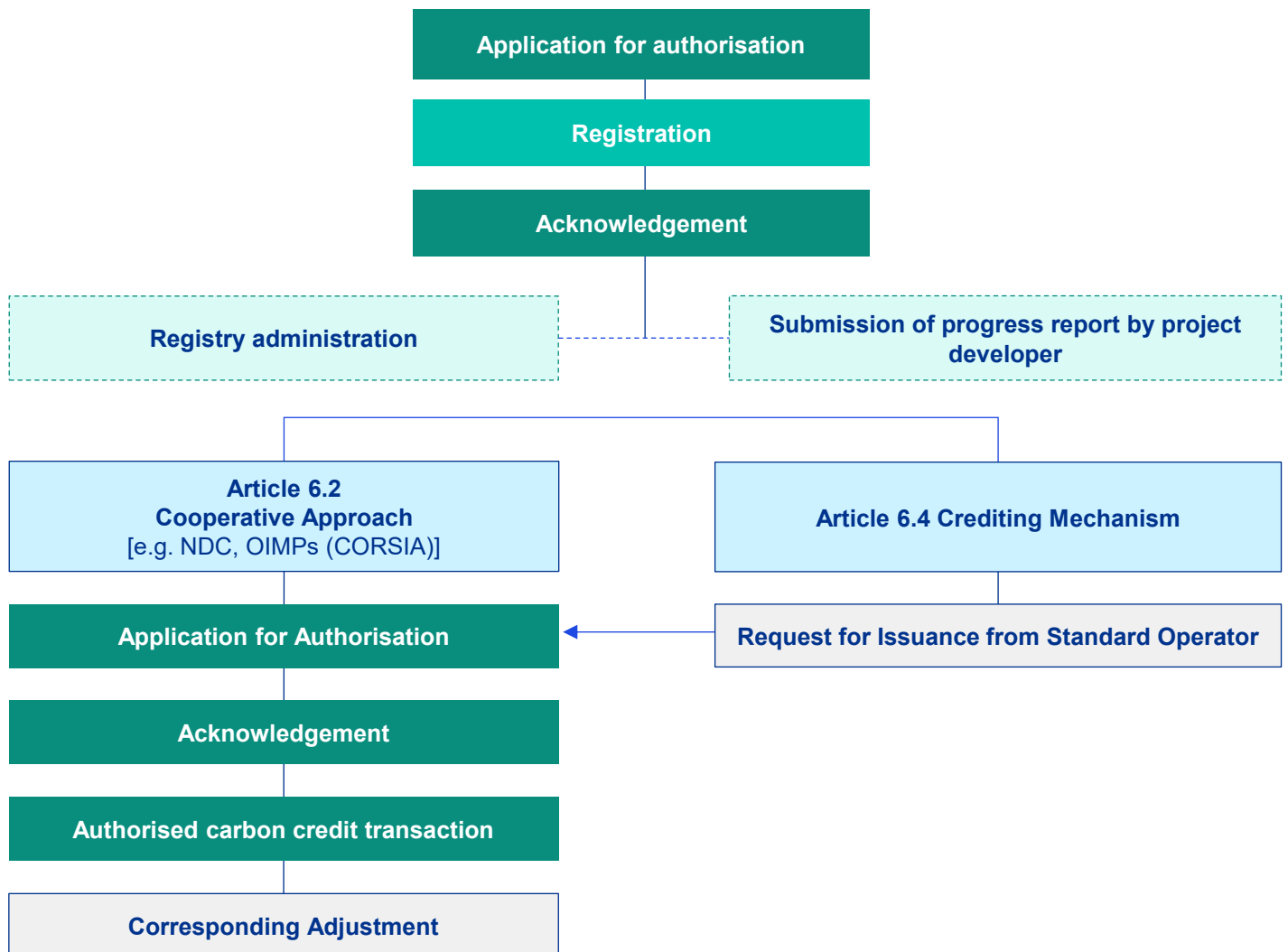
To meet UNFCCC host-party obligations under Article 6, Malaysia will utilise clear, tiered institutional arrangements that delineate rulemaking role and operational role to facilitate stakeholder participation through positioning MTPIN and its relevant sub committees as the highest-level oversight body, providing strategic direction on Malaysia’s decarbonisation agenda as well as the direction of the carbon market. The institutional arrangement will also take into account the introduction of a climate change law that incorporates elements of the National Climate Change Policy.

The Jawatankuasa Dekarbonisasi Kebangsaan (JDK) plays an advisory role, offering policy and technical input to the Ministry of Natural Resources and Environmental Sustainability (NRES) in its capacity as the Designated National Authority (DNA). NRES is responsible for establishing the detailed mechanisms, procedures, and governance framework for Article 6 implementation, including authorisation, reporting, and coordination requirements. These arrangements are then operationalised through line ministries and agencies, which implement the relevant measures within their respective sectors in line with the national framework.

4.1.1.2 Operational Framework

The authorisation process for carbon trading under Article 6 is divided into two pathways, Article 6.2, which enables cooperative approaches, and Article 6.4, which establishes the Paris Agreement Crediting Mechanism.

Figure 5 National Arrangement for participation in Article 6



Note: For other international mitigation purposes (OIMP), such as CORSIA, project activities follow the same procedural pathway as Article 6.2 up to the stage of ITMO issuance. Prior to ITMO authorisation, the project proponent is required to obtain the CORSIA scope label in order to proceed with the issuance of CORSIA-eligible label.

4.1.1.3 Implementation Guidance

This section outlines key aspects of implementing Article 6 mechanisms, structured into four main subsections: UNFCCC reporting, corresponding adjustment, cooperative approaches, and documents for UNFCCC requirements. Each subsection provides guidance on the mandatory steps and processes Malaysia must follow to participate in international carbon markets, fulfil reporting obligations and ensure the integrity and transparency of emissions accounting under the Paris Agreement.

a) UNFCCC Reporting

As part of the mandatory participation requirements for Article 6, Malaysia will need to put in place the necessary arrangements to facilitate the fulfilment of meeting UNFCCC mandated reporting requirements. There are three (3) specific types of reports which must be provided by a Party for Article 6: Initial Report, Annual Information (AI), and Regular Information (RI).

b) Corresponding Adjustment

Corresponding Adjustment as per 2/CMA.3, are a requirement for countries wishing to use Paris Agreement carbon market mechanisms (A6.2 and PACM) to exclude double counting and preserve environmental integrity. In principle, a seller country would add the emission reduction and/or removal it has transferred to its emission account, while the buyer country would subtract based on the value of the mitigation outcome it has obtained from the transaction.

c) Cooperative Approaches

Under Article 6.2, Parties can voluntarily cooperate through bilateral or multilateral arrangements involving ITMOs to support NDC achievement. Article 6.2 cooperation is formalised through Memorandum of Understanding (MoUs) between participating governments. At point of writing, Malaysia has established such cooperative arrangements through signed MoUs with Singapore and South Korea.

4.1.2 Marginal Abatement Cost Curve

The NCMP provides the framework to implement the MAC Curve findings in a structured manner. Low-cost abatement measures will be driven through domestic policies, regulations, and offset use for domestic compliance to support Malaysia’s NDC achievement.

Higher-cost mitigation options identified in the MAC Curve, which are less likely to be implemented under normal market conditions, may be considered for participation in international carbon markets under Article 6.

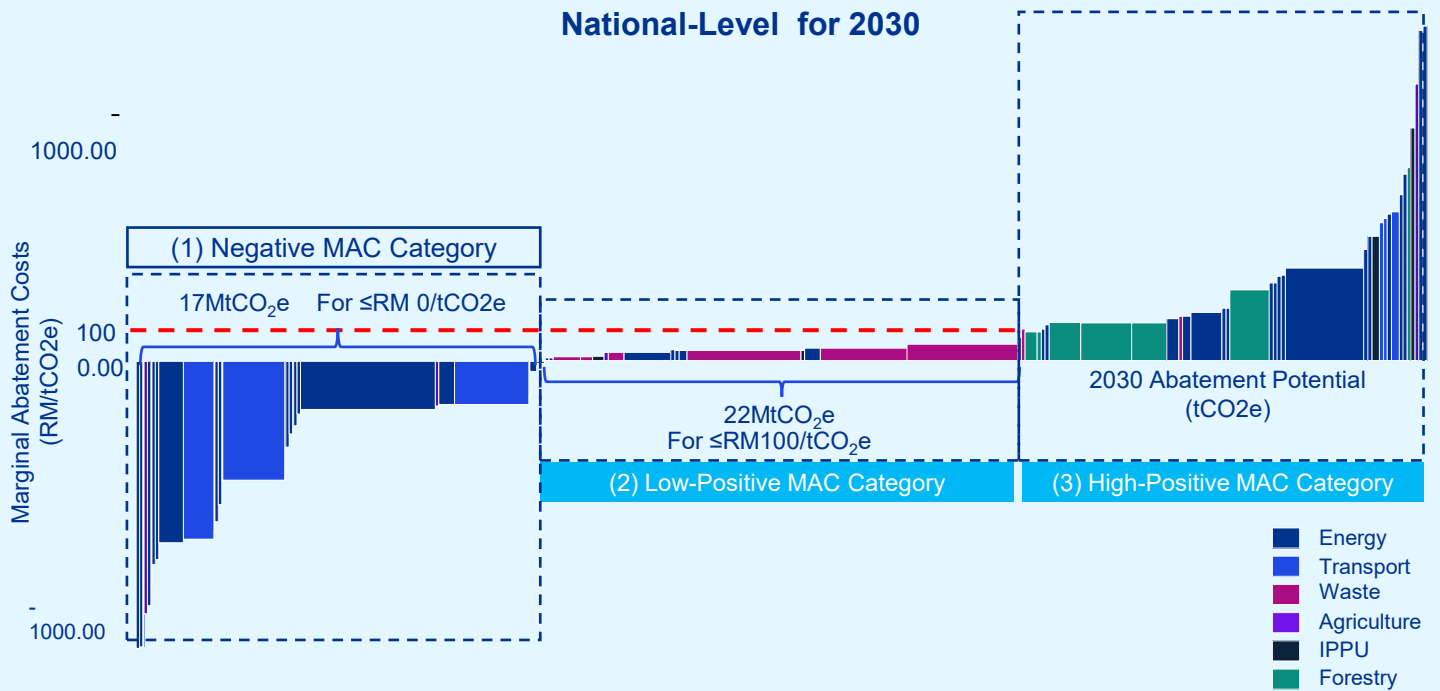


Figure 6: MAC Curve provides one reference for Financing Emissions Targets



In summary, the MAC Curve and NCMP together support a balanced approach: Malaysia prioritises domestic action to meet its climate targets, while using international cooperation to unlock additional emission reductions that support global climate ambition.

Figure 7: Malaysia's National MAC Curve



Source: Literature Review with Stakeholders Inputs; The reference price of RM 100 / tCO₂e is only for illustration.

Note: This graph is intended for visualising outputs from the MAC Curve analysis; however, it may not accurately represent the associated figures due to rounding and limitations of visualisation tools.

Malaysia's MAC Curve identifies approximately 56 MtCO₂e of emission-reduction potential in 2030. About 70% (39 MtCO₂e) comprises low-cost options that form the basis of the domestic mitigation pathway. The remaining 30% (17 MtCO₂e) consists of higher-cost measures with strong additionality potential, making them suitable for Article 6 cooperative approaches.

These high-cost measures span across sectors such as large-scale nature-based solutions, industry, transport, waste, and carbon capture technologies. Their deployment can be supported through international cooperation, as shown in Figure 6 where international finance and technology serve as enablers. Focusing Article 6 participation on these higher-cost options ensures that internationally transferred mitigation outcomes do not undermine domestic NDC achievement.

The MAC Curve's mitigation options assessed are aligned with national transition priorities under the National Energy Transition Roadmap (NETR) and the National Industrial Master Plan 2030 (NIMP). NETR identifies key technologies, such as renewable energy, energy efficiency, hydrogen, and CCUS, that correspond directly to the MAC Curve's sectoral abatement opportunities. NIMP drives industrial decarbonisation and technology upgrading, reinforcing the MAC Curve's identification of mitigation options within energy-intensive and manufacturing sectors. Together, NETR and NIMP ensure that MAC Curve-informed prioritisation supports Malaysia's broader energy and industrial transformation while guiding the sequencing of domestic and international mitigation actions.

The MAC Curve assumptions and inputs will be periodically updated to remain responsive to technological progress, evolving market conditions, and national decarbonisation priorities. Regular updates will ensure that the MAC Curve continues to reflect the latest mitigation technologies, sectoral development trends, and cost trajectories, thereby supporting long-term policy alignment with national climate ambitions.



P1-AP2: Assess the Use of High-Quality Offsets

Malaysia will assess the potential role of high-quality offsets within future domestic compliance instruments, should offsets be permitted, including their interaction with a carbon tax and a potential Domestic Emissions Trading Scheme (DETS). This assessment will consider implications for environmental integrity, appropriate sequencing between instruments, and alignment with emerging international best practices.

For a future DETS, Malaysia will evaluate the institutional, legal, and technical requirements for incorporating offsets in a manner consistent with Climate Change Act and broader national climate objectives. This includes examining approaches to ensuring additionality and managing interactions between covered sectors and offset-generating activities. Pilot or phased implementation may be undertaken to test key design features and gather evidence before wider deployment of offset use within a compliance framework.

P1-AP3: Streamline Carbon Market Implementation

Malaysia will strengthen national coherence in carbon market governance by applying the NCMP as the common reference point for aligning all carbon market or crediting initiatives with national climate commitments, accounting rules, and international obligations. The Jawatankuasa Dekarbonisasi Kebangsaan (JDK) has been established by MTPIN, will serve as the primary platform for ensuring alignment between federal and state governments on carbon market initiatives.

P1-AP4: Ensuring Generation of High-integrity Credits

Malaysia will strengthen the quality and credibility of carbon credits by promoting high-impact projects that deliver strong mitigation and sustainable development co-benefits, including through recognition schemes or preferential considerations for Article 6 authorisation.

To enhance transparency, Malaysia will maintain a publicly accessible list of accredited Validation and Verification Bodies (VVBs) authorised to operate within the national carbon market. Clear information will be provided on applicable accreditation frameworks and recognised standards to ensure consistency, quality assurance, and stakeholder trust across validation and verification activities.

In summary, Pillar 1 strengthens demand for credible mitigation outcomes by establishing a structured framework for Malaysia's participation in international carbon markets under Article 6 of the Paris Agreement and other international mitigation purposes such as CORSIA, while supporting the strategic use of high-quality offsets. Through phased implementation, clear governance arrangements and MAC Curve-informed prioritisation, Malaysia aims to ensure environmental integrity, avoid double counting, and enhance market confidence. This pillar enables cooperation for NDC achievement and OIMP, supports domestic compliance readiness, catalyses investment in low-carbon activities, and promotes a just, transparent, and inclusive transition across all sectors.



4.2 Pillar 2: Driving a Conducive Carbon Market Ecosystem and Infrastructure

Pillar 2 focuses on establishing the institutional, technical and digital infrastructure required to support a credible, transparent, and well-functioning carbon market in Malaysia. A strong ecosystem underpinned by trusted systems, such as a MRV framework, a national registry, and clear eligibility rules, is essential to building confidence among market participants and ensuring that mitigation outcomes are measurable, verifiable, and consistently accounted for across the carbon market. By laying these foundations, Malaysia strengthens market coherence and ensures that mitigation activities can operate with integrity under both domestic and international frameworks.

This pillar emphasises the support of approved MRV arrangements, transparent issuance and tracking of mitigation outcomes, and clear rules governing project eligibility and crediting. Together, these systems safeguard environmental integrity, enhance data reliability, and reinforce accountability across all carbon market transactions. The Registry plays a central role in ensuring traceability of mitigation outcomes and internationally transferred mitigation outcomes (ITMOs).

Through these measures, Malaysia aims to build a trusted market ecosystem that supports domestic participation, facilitates Article 6 cooperation, and strengthens international confidence in the credibility of mitigation outcomes generated within the national carbon market. By improving consistency in how emissions and removals are measured, reported, and verified, Pillar 2 enhances interoperability between domestic mechanisms and international carbon markets. Strengthening traceability and data quality also helps prevent double counting, improves transparency, and enhances Malaysia’s overall market readiness.

To operationalise this strategy, a set of action plans has been introduced to support the adoption of MRV system and guidelines, establish and operate a National Carbon Registry, strengthen national eligibility criteria, and develop domestic carbon methodologies. Collectively, these initiatives form the backbone of a transparent, resilient, and well-governed carbon market ecosystem that supports Malaysia’s national climate objectives and international cooperation goals.

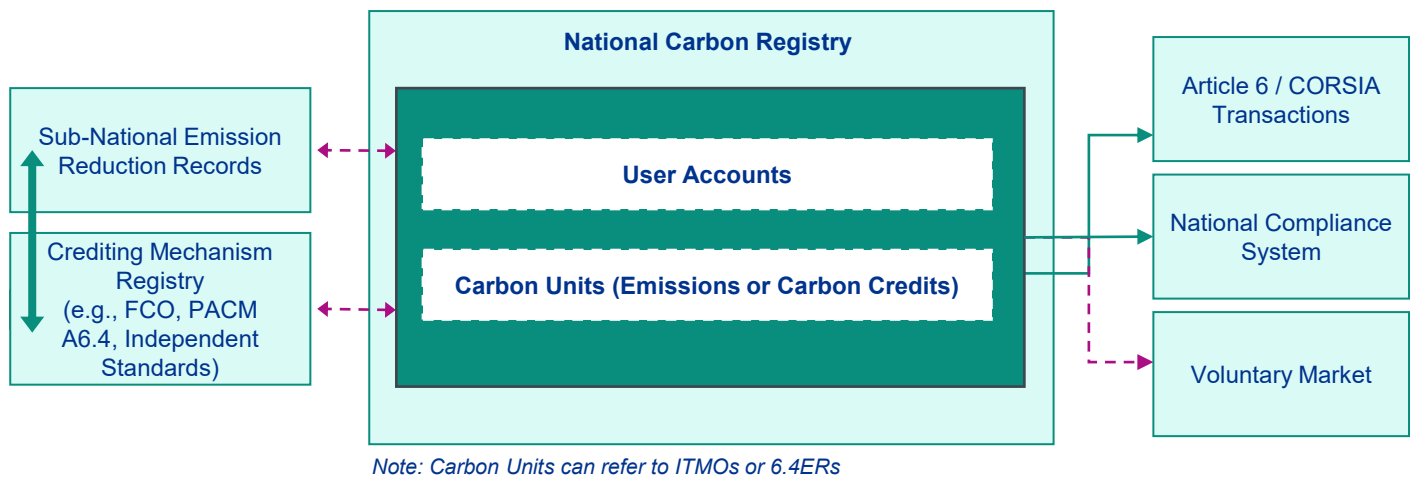
P2-AP1	P2-AP2
Develop and Operationalise a National Carbon Registry	Support the Adoption of MRV System and Guidelines
P2-AP3	P2-AP4
Strengthening National Eligibility Criteria	Develop Domestic Carbon Methodologies



P2-AP1: Develop and Operationalise a National Carbon Registry

To ensure robust governance, transparency, and environmental integrity in Malaysia’s carbon market, an integrated National Carbon Registry architecture is required. This architecture comprises user accounts with differentiated access rights for policymakers, administrators, carbon project developers, and buyers (for retirement), as well as carbon units representing emissions allowances or carbon credits. A fully synchronised national registry framework relies on clear national coordination throughout its development and implementation phases.

Figure 8: Overview of the proposed National Carbon Registry architecture



Source: NCMP stakeholder workshop

The National Carbon Registry will serve as the authoritative repository for all carbon emissions data and assets, ensuring traceability of carbon assets in accordance with the agreed process under MTPIN. It will also manage market-facing functions of the carbon market, including the facilitation of allowance auctions and carbon credit trading.

Table 3: Comparison of the different needs for registry

	Article 6 for NDC	Article 6 for OIMP	Offsets for domestic compliance
Mitigation Outcome	ITMO or 6.4ERs	ITMO or 6.4ERs	Domestic Offsets as per NRES guidance
Retirement Target	Buyer Party NDC	OIMP	Domestic NDC as per NRES guidance
Corresponding Adjustment	Yes	Yes	NO
Reporting	Initial Report Annual Report Regular Information	Initial Report Annual Report Regular Information	BTR
Decision	2/CMA.3	2/CMA.3	As per NRES guidance

Aligned to NCCP 2.0's Strategic Thrust, the carbon market needs to be supported with adequate infrastructure for carbon registry and offset tracking including ITMOs. For reporting and accounting across the different mechanisms the carbon registry needs to interact with domestic compliance to ensure no double counting for retirements across domestic and international markets.

NCCP 2.0 identified the need for a system and NCMP provides a framework for registry interactions to be considered to meet the needs of Article 6 core elements.

P2-AP2: Support the Adoption of MRV System and Guidelines

To establish a high-integrity carbon market in Malaysia, the adoption of a robust MRV system is critical to ensure transparency, credibility, and consistent application across sectors and jurisdictions. MRV serves as the structured backbone for tracking and validating GHG emissions and for quantifying emission reductions from mitigation activities eligible for carbon crediting and compliance offset use.

The market must be underpinned by robust infrastructure, including MRV systems and a national registry, to enable transparent tracking of emission allowances, carbon offsets, and ITMOs.



P2-AP3: Strengthening National Eligibility Criteria

To ensure the environmental credibility, transparency, and integrity of Malaysia's carbon market, encompassing both domestic and international carbon credits, guidance on market integrity shall be established. The following criteria reflect commonly applied principles to ensure that carbon credits represent genuine, measurable, and verifiable emission reductions or removals, while helping to prevent greenwashing and build trust among domestic and international stakeholders.

Table 4: Key Integrity and Governance Criteria for Carbon Market Mechanisms

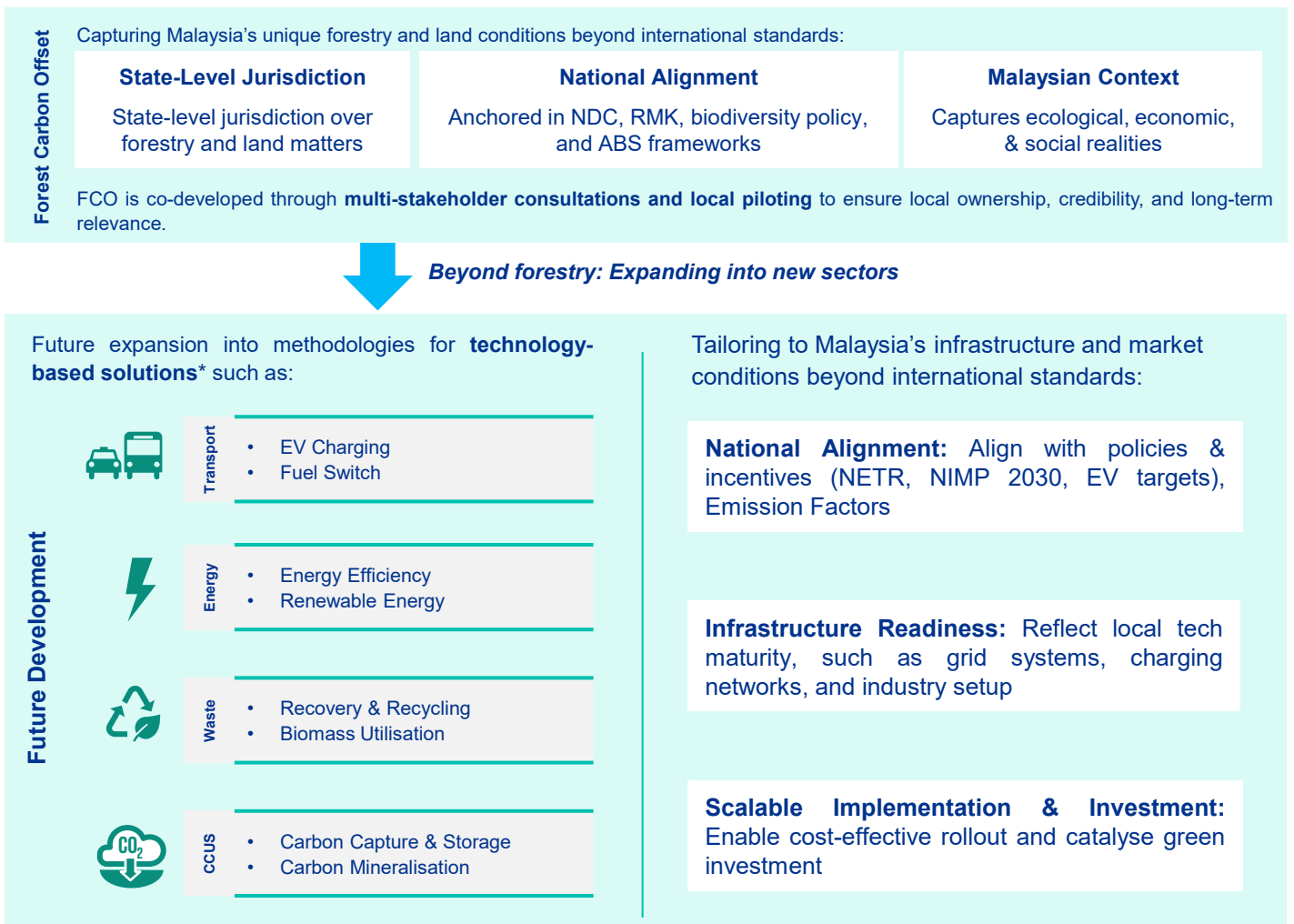
Type	Criterion	Description
Project Criteria	Additionality	Credits must represent reductions beyond regulatory or business-as-usual scenarios.
	Permanence	Reductions must be permanent, with measures to address reversal risks.
	No Leakage	Prevent or account for emissions shifted outside project boundaries.
	No-Net-Harm	Avoid harm, such as community displacement or emission leakage.
	Co-benefits	Projects are encouraged to deliver social and environmental benefits, e.g., biodiversity.
Governance Criteria	Transparency	Public access to project details, methodologies, and credit data.
	MRV Framework	Clear rules for Monitoring, Reporting, and Verification.
	Third-Party Verification	Independent accredited validators and verifiers.
	Anti-Greenwashing	Prevent fraudulent claims or unverifiable credits.
	No Double Counting	Prevent multiple claims on the same reductions.
	Grievance Mechanism	Enable reporting of fraudulent practices.
	Enforcement	Penalties for violations to ensure compliance.
	Equitable Access	Support participation of local and Indigenous communities.

P2-AP4: Develop Domestic Carbon Methodologies

A well-designed carbon crediting mechanism supports Malaysia’s climate aspiration, including its NDC commitments, strategic positioning for participation in international carbon markets, and the growth of a robust domestic voluntary market.

While the Forest Carbon Offset crediting mechanism being developed by Malaysia Forest Fund addresses unique forestry and land conditions, broader consideration of local technology-based mitigation priorities is also relevant.

Figure 9: Overview of Carbon Crediting Methodologies for national context



* Examples of technology-based solutions were gathered from independent carbon crediting programmes (such as Verra and Gold Standard)

Source: NCMP stakeholder workshop

In summary, Pillar 2 establishes the institutional and technical foundations needed for a credible and transparent carbon market by strengthening MRV systems, developing an integrated national carbon registry, and providing comprehensive market-integrity guidance. Through robust data governance, transparent tracking of mitigation outcomes, clear rules for market participation, and safeguards such as corresponding adjustments and anti-greenwashing criteria, this pillar ensures that emissions reductions are measurable, verifiable, and accurately accounted for. These measures prevent double counting, enhance trust among market actors, support alignment with Article 6 requirements, and create a resilient, well-governed ecosystem that underpins both domestic participation and international cooperation.



4.3 Pillar 3: Catalysing and Accelerating Carbon Credit Trading

Pillar 3 focuses on catalysing and accelerating Malaysia’s carbon market by improving the efficiency of carbon credit trading processes, expanding access to finance, deploying well-designed government incentives, and strengthening sustained demand for high-integrity carbon credits. A well-functioning market relies on a steady pipeline of credible mitigation activities across priority sectors, supported by clear rules, technical readiness, and enabling conditions that reduce barriers to participation. This pillar therefore emphasises practical measures to improve project readiness, enhance technical and institutional capability, address early-stage constraints such as financing gaps, technical uncertainty, and capacity limitations, and stimulate market demand to ensure long-term liquidity and credit uptake.

Together, the action plans under Pillar 3 aim to create the enabling environment needed to scale the supply and use of high-integrity carbon credits within a stable and well-functioning market ecosystem. Streamlined processes reduce transaction burdens. Expanded financing options address upfront investment challenges that hinder project initiation. Targeted, time-bound incentives de-risk participation and signal long-term policy commitment, while measures to strengthen voluntary and sector-specific demand improve market liquidity and confidence among both developers and buyers. Emphasis is placed on maintaining quality, consistency, and alignment with national priorities to ensure that market growth supports overall integrity and long-term viability.

The four action plans that operationalise this strategy are summarised below:

P3-AP1	P3-AP2
Streamline Carbon Credit Trading Processes	Mobilise Finance for Carbon Projects
P3-AP3	P3-AP4
Leverage Incentives for Carbon Project Development	Strengthen Demand in Carbon Markets

P3-AP1: Streamline Carbon Credit Trading Processes

Efficient carbon credit trading processes are essential for accelerating market participation and reducing transaction barriers for developers and buyers. This action plan focuses on strengthening market readiness by enhancing the technical capabilities of project developers, state authorities, and verifiers, particularly in areas such as market-integrity criteria, Article 6 implementation, MRV procedures, and safeguards including free, prior and informed consent. This aims to simplify market entry, reduce administrative friction, and create a more predictable and efficient trading environment.

P3-AP2: Mobilise Finance for Carbon Projects

While carbon pricing provides a market-based incentive for emissions reduction, carbon projects require significant upfront investment long before credits can be issued and monetised which creates a financing gap that hinders the development of otherwise bankable projects. Increased access to finance enables more local actors to initiate projects by expanding the volume and diversity of eligible carbon projects as well as signal long-term confidence to buyers. Financing Malaysian-based carbon projects is not solely a private sector opportunity; it also represents a strategic public investment to support public goods and social equity.

P3-AP3: Leverage Incentives for Carbon Project Development

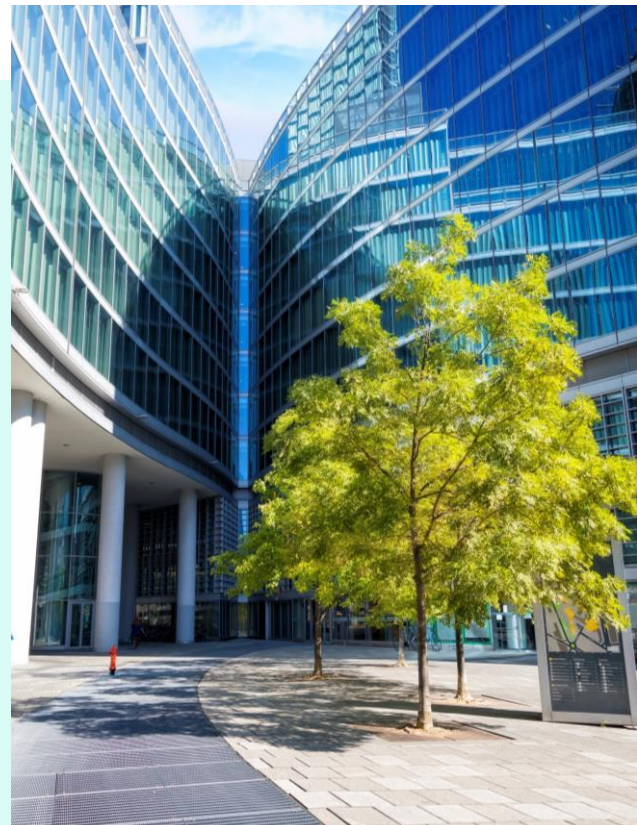
In the early stages of a carbon market, participation can be hindered by uncertainty, high upfront costs, and limited market liquidity. Government incentives play a catalytic role in addressing these barriers by creating enabling conditions for both supply and demand by supporting early adoption, de-risking investment, and signalling long-term policy commitment to market participants. Government interventions should be designed to avoid market distortions and ensure long-term market sustainability, with considerations to the time-bounded triggers, national priorities, administrative capacity and institutional readiness.

P3-AP4: Strengthen Demand in Carbon Markets

Strengthening demand for high-integrity carbon credits is critical for ensuring a balanced and sustainable carbon market. This action plan focuses on encouraging voluntary participation by promoting the use of high-quality credits among corporates and other market participants to complement their climate and sustainability commitments. It includes exploring non-regulatory and recognition-based approaches that can incentivise organisations to voluntarily purchase high-integrity credits, thereby broadening the market's demand base. Complementing these efforts, sector-specific demand mechanisms will be piloted in priority areas where voluntary credit use can reinforce government-led transition pathways. These pilots will help test practical models for integrating voluntary demand into national decarbonisation strategies, support liquidity in the early stages of the market, and strengthen confidence among developers and buyers alike.

In summary, Pillar 3 strengthens the functioning of Malaysia's carbon market by improving the efficiency of trading processes, expanding access to finance, deploying targeted incentives, and stimulating sustained demand for high-integrity carbon credits. Together, these measures streamline project development and verification, address critical financing gaps that impede early-stage investment, and introduce well-designed incentives to de-risk participation while signalling long-term policy commitment to market actors. At the same time, efforts to promote voluntary credit use and pilot sector-specific demand mechanisms help deepen market liquidity and ensure stable revenue pathways for project developers.

By enhancing readiness across developers, investors, and buyers, Pillar 3 supports the growth of a resilient, well-capitalised, and demand-responsive carbon market ecosystem that is capable of delivering high-integrity mitigation at scale and enabling Malaysia to participate confidently in both domestic and international carbon markets. A more detailed overview of the full supply-demand interactions of the carbon market is provided in A6. Supply–Demand Dynamics in the Carbon Market.





4.4 Pillar 4: Complementing Sectoral Decarbonisation Actions at Domestic and International Levels

Strengthening domestic and international linkages is essential to building a credible, coherent, and competitive national carbon market. Malaysia’s effectiveness in carbon markets depends on strong alignment across domestic systems, spanning compliance and voluntary, combined with strategic engagement with international frameworks. Robust domestic coordination supports consistent implementation and integrity, while international alignment enables Malaysia to access global opportunities, manage external policy risks, and maintain long-term market competitiveness.

Pillar 4 therefore focuses on integrating domestic and global linkages to safeguard environmental integrity, enhance market access, and position Malaysia as a trusted participant in international carbon markets. This requires supporting the potential integration of market-based approaches with carbon pricing instruments, sub-national readiness to ensure consistent participation across jurisdictions, tracking and responding to evolving international climate policy developments, and deepening regional and international cooperation to enhance market efficiency and shared progress.



To operationalise these objectives, four action plans are introduced under Pillar 4, encompassing efforts to support CPI integration, strengthen sub-national participation, address international linkages, and promote regional ASEAN and international cooperation:

P4-AP1	P4-AP2
Support CPI Integration	Provide Support at Sub-National Level
P4-AP3	P4-AP4
Address International Linkages	Promote Regional (ASEAN) and International Cooperation

P4-AP1: Support CPI Integration

This action supports the integration of the carbon market with CPIs to ensure coherent and complementary implementation across Malaysia’s climate policy landscape. As carbon market mechanisms and CPIs develop in parallel, targeted processes or studies will be undertaken to assess how these instruments can interact effectively, including the role of carbon credits and mitigation outcomes within pricing-based instruments, while avoiding overlap and double counting.



P4-AP2: Provide Support at Sub-National Level

To ensure a consistent and inclusive national approach to carbon market development, Malaysia will strengthen sub-national readiness by supporting state governments and local agencies in establishing the technical and operational foundations required for effective participation in carbon market mechanisms. This may include assistance in structuring of carbon projects or programmes that align with national approval processes and registry requirements.

Enhancing sub-national capacity will help expand the national pipeline of high-integrity mitigation activities, promote wider participation across sectors and regions, and ensure coherence between state-level initiatives and federal carbon market frameworks.

P4-AP3: Address International Linkages

Malaysia will track and, where appropriate, align with evolving international climate policy settings that could affect international carbon market interoperability. This includes emerging sectoral market-based mechanisms such as the IMO and CORSIA, as well as the EU's Carbon Border Adjustment Mechanism (EU-CBAM), which is structurally tied to the EU-ETS.

The European Union has signalled, through its 2040 climate-target architecture, that limited use of high-integrity Article 6 international credits may be permitted toward the EU's 2040 target subject to stringent integrity, accounting, and governance rules⁹.

Any future change in the EU-ETS regarding recognition of Article 6 units could influence the demand landscape for international credits. Similarly, any adjustments to IMO's or CORSIA's crediting eligibility rules and recognised methodologies could influence global demand patterns for international units and may therefore have indirect implications for Malaysia's domestic carbon market positioning.

P4-AP4: Promote Regional (ASEAN) and International Cooperation

Regional and international cooperation in carbon markets refers to Malaysia working with partners to align key carbon market components while maintaining strategic autonomy to balance national interest with regional and global alignment. As Malaysia builds its national system, alignment and potential interoperability with ASEAN peers and international partners can enhance market efficiency, support shared climate goals, and strengthen long-term trade competitiveness, while still preserving domestic integrity.

In summary, Pillar 4 strengthens Malaysia's carbon market by enhancing domestic and international linkages that underpin credibility, coherence, and market access. It focuses on aligning market-based approaches with monitoring and responding to evolving international policy developments that may affect carbon market interoperability and promoting regional and international cooperation to support long-term market integration. By ensuring consistency across domestic systems and alignment with global frameworks, this pillar helps safeguard environmental integrity, reduce fragmentation across mechanisms, and position Malaysia as a credible and trusted participant in international carbon markets. Together, these measures support strategic alignment, manage external policy risks, and enable Malaysia to engage constructively with regional and global partners while preserving national interests and implementation autonomy.

⁹ [International carbon credits and EU climate targets.](#)



5.1 Enabler 1: Legislation and Regulatory Framework

A legislative and regulatory framework is essential to build a credible and effective national carbon market. It provides the legal basis to govern market activities, ensure compliance, and enable coordinated climate action across all sectors and jurisdictions. This framework facilitates the cross-sectoral collaboration required to achieve Malaysia’s climate targets and establishes clear lines of authority between government agencies, state authorities, and industry players.

The National Carbon Market Policy (NCMP) is supported by an array of policies and legislations that provide its strategic direction, legal authority, and technical foundations. These policies include the National Climate Change Policy 2.0 (NCCP 2.0) and the Climate Change Act.

To establish a robust legal and regulatory foundation for the carbon market, the Government will undertake the following key actions:

Table 5: Implementation Plan for E1: Legislation and Regulatory Framework

Initiative	Sub-Initiative
E1-1: Uphold Enforceable Legal Framework, Anchored by the Climate Change Act	<ul style="list-style-type: none"> • Prioritise the finalisation, tabling, and enactment of the National Climate Change Act to provide the overarching legal authority for all carbon market activities and support the implementation of the NCMP through the subsidiary legislation pertaining to carbon markets under the Act. • Undertake regular review and revision of Act to maintain its relevance and alignment with evolving practices and national priorities.

5.2 Enabler 2: Governance and Coordination

The necessary initiatives outlined below are supported by catalytic actions under Strategic Thrust 4, strategy 1 of NCCP 2.0, such as establishing systems for domestic and international coordination:

Table 6: Implementation Plan for E2: Governance and Coordination

Initiative	Sub-Initiative
E2-1: Empowering the Climate Change Entity to Oversee National Carbon Market Governance	<p>The Climate Change Entity should:</p> <ul style="list-style-type: none"> • Develop and promulgate market regulations, set carbon project eligibility criteria and accredit MRV service providers for the compliance market. • Enforce compliance through penalties and corrective measures. • Coordinate with supporting regulators, including DOE, MOF and MITI, to align financial, environmental and trade requirements.
E2-2: Ensure Federal-State Coordination for Carbon Market Governance	<ul style="list-style-type: none"> • Constitute the Federal-State climate coordination council under Jawatankuasa Dekarbonisasi Kebangsaan (JDK), with representatives from NRES, state forestry and land agencies, DOE, and state economic planning units.



5.3 Enabler 3: Human Capital Development

Building robust human capital is fundamental to the implementation and operation of Malaysia’s carbon market. Human capital refers to the skills, knowledge, resources and institutional readiness of regulatory authorities, market actors, potential market participants and frontline communities to manage and scale a carbon market that is credible, efficient and aligned with international mechanisms.

Figure 10: Policy Gains from Human Capital Development in the National Carbon Market



Given the foundational importance of technical capacity in establishing a carbon market, several initiatives must be undertaken to enhance technical capacity. These initiatives are designed to foster a well-regulated and credible, thereby supporting Malaysia’s environmental and economic objectives:



Table 7: Implementation Plan for E3: Human Capital Development

Initiative	Sub-Initiative
E3-1: Support Awareness, Training and Upskilling	<ul style="list-style-type: none"> • Support regular general awareness, training, and upskilling programs for market actors, regulators, and frontline communities. • Collaborate with global carbon market leaders for knowledge sharing in management and regulation for regulators, ministries and government agencies • Capacity-building workshops on carbon market components and compliance requirements as well as international market linkage for market actors and frontline communities by government agencies • Specialised training sessions for industries focusing on sector-specific abatement opportunities and carbon market participation by industry experts • Develop certification programs for carbon market practitioners, such as project developers, traders, and compliance officers • Publish technical guidance documents on carbon market such as manuals and FAQs tailored to different sectors • Build internal capacity for the operation, management, and continuous improvement of digital registries and MRV systems.

5.4 Enabler 4: Strategic Resource Mobilisation

Carbon market operations will generate financial flows at both the domestic and international levels. Effective management of the flows is required to enable and support a reliable carbon market ecosystem while also supporting Malaysia’s obligations under Article 6.4.

The initiatives below focus on supporting the appropriate use of carbon market-related revenues, alongside potential sources of financing such as direct government provision or external funding, and fulfilling Malaysia’s obligations under Article 6.4 of the Paris Agreement:

Table 8: Implementation Plan for E4: Strategic Resource Mobilisation

Initiative	Sub-Initiative
E4-1: Support the Funding of Carbon Market Infrastructure and Usage of the Carbon Market Proceeds	<ul style="list-style-type: none"> • Conduct study on the funding requirements to establish and operate a National Carbon Registry and its linkages, including consideration of complementary public or other funding sources, where appropriate. • Conduct study for appropriate usage of carbon market proceeds for national commitments as identified under Climate Change Act.
E4-2: Support Compliance with Article 6.4 Share of Proceeds Requirements	<ul style="list-style-type: none"> • Support implementation of Article 6.4 share of proceeds requirements, including arrangements related to contributions to the Adaptation Fund. • Provide guidance and coordination support to ensure share of proceeds obligations are reflected in national Article 6.4 participation processes.



5.5 Enabler 5: Communication, Education and Public Awareness

Malaysia's carbon market aims to promote a just and equitable transition through sustainable development and ensuring social inclusivity by committing to an inclusive and capacity-building approach. The Communication, Education, Public, and Awareness (CEPA) Framework will bridge the public's understanding of carbon market actions to tangible outcomes, including cleaner air, reduced flood risk, quality local jobs from low-carbon investment, and transparent sharing of benefits with affected communities, including indigenous people.

Figure 11: Outcome of the CEPA Framework for Malaysia's Carbon Market





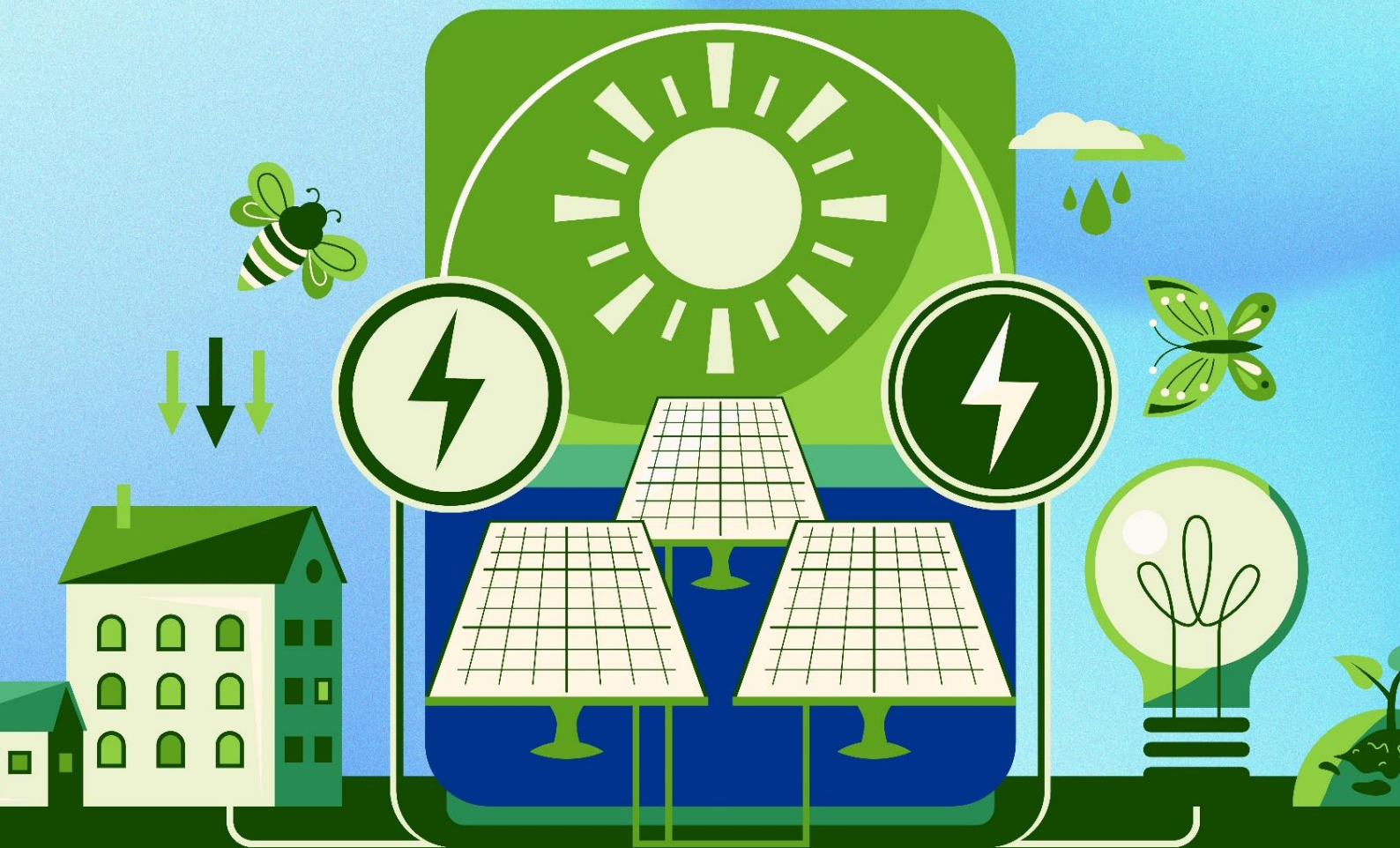
The framework serves as a platform or transparent dialogue on fairness, economic and social impacts, and the equitable distribution of benefits and costs with targeted support measures across different community groups, through the initiatives outlined below:

Table 9: Implementation Plan for E5: CEPA Implementation in Malaysia

Initiative	Sub-Initiative
E5-1: Local Consultation and Multi-Stakeholder Dialogue	<ul style="list-style-type: none">• Organise consultative forums in indigenous communities.• Continuous stakeholder engagement with various stakeholder groups, including the industry, indigenous groups, youth and civil society
E5-2: Carbon Education and Literacy Programmes	<ul style="list-style-type: none">• Partner with media platforms to run campaigns that highlight carbon market benefits, success stories and consumer actions.• Support capacity-building sessions for NGOs, local governments, and grassroots organisations covering carbon market, project development and reporting requirements.• Support the integration of modules on climate change and into school curricula and work with higher education to develop more courses on carbon mechanisms.• Launch a user-friendly online platform, offering up-to-date market data, policy guides, FAQs on the carbon market.

6

Policy Delivery





6.1 Summary of the Champions of the Action Plans by Core Pillars

The Ministry of Natural Resources and Environmental Sustainability (NRES) will act as the primary lead for all action plans, unless indicated differently.

Table 10: Summary of Initiatives and Champions for Core Pillar 1

Action Plans	Summary of Initiatives	Leads and supports
Core Pillar 1: Implementation of a High-Integrity Carbon Market		
Facilitate Participation in International Carbon Market	<p>Establish and operationalise national Article 6 arrangements, apply requirements for Article 6, establish eligibility whitelist, establish safeguards for international transfers (including sales limits and eligibility criteria), strengthen bilateral and regional cooperation as well as support readiness for CORSIA and OIMP relevant to Article 6.</p> <p>Conduct periodic review of MAC Curve to assess the abatement options suitable for international carbon finance.</p>	<p>Support:</p> <ul style="list-style-type: none"> Line Ministries: NRES to jointly engage with line ministries responsible to support the operational of Article 6 and CORSIA. Relevant Ministry: NRES to jointly engage with the relevant ministry that focuses on transport sector to provide technical input and data relating to international aviation and shipping under CORSIA.
Assess the Use of High-Quality Offsets	Align with periodic review of MAC Curve, assess the use of offsets in domestic compliance instruments as well as considerations for future DETS.	<p>Support:</p> <ul style="list-style-type: none"> Relevant Ministry: NRES to jointly engage with the ministry that governs national fiscal design and financial instruments. MFF MGTC
Streamline Carbon Market Implementation	Strengthening national coherence in carbon market governance	NRES
Ensuring Generation of High-integrity Credits	Scaling with continuous quality assurance and improve transparency and visibility of accredited validation and verification bodies.	NRES



Table 11: Summary of Initiatives and Champions for Core Pillar 2

Action Plans	Summary of Initiatives	Leads and supports
Core Pillar 2: Driving a Conducive Carbon Market Ecosystem and Infrastructure		
Operationalise a National Carbon Registry	Develop and operationalise national registry with considerations for international functions.	Support: <ul style="list-style-type: none"> NRES-Appointed Carbon Registry Administrator: NRES may appoint national carbon registry administrator to manage or create their own the platform for recording issuance transfer, authorisation and cancellation of mitigation outcomes.
Support the Adoption of MRV System and Guidelines	Support MRV for offsets through capacity building.	Support: <ul style="list-style-type: none"> NRES-Appointed MRV Regulator: NRES may designate a regulator to oversee the implementation of the MRV system. This body will be responsible for developing technical guidelines, managing the MRV infrastructure, and ensuring consistent, accurate, and timely reporting of emissions data across sectors.
Strengthening National Eligibility Criteria	Publish guidance on market integrity.	Support: <ul style="list-style-type: none"> Line Ministries: NRES to jointly engage with line ministries responsible for providing sector-specific guidance and capacity building to promote the development of high-integrity projects. MFF MGTC
Develop Domestic Carbon Methodologies	Building the foundation for the carbon crediting mechanism, establishing a government framework while expanding and improving eligible activities.	Support: <ul style="list-style-type: none"> Line Ministries: NRES jointly engage with line ministries to identify sectoral priorities, provide technical data. MFF MGTC



Table 12: Summary of Initiatives and Champions for Core Pillar 3

Action Plans	Summary of Initiatives	Leads and supports
Core Pillar 3: Catalysing and Accelerating Carbon Credit Trading		
Streamline Carbon Credit Trading Processes	Develop capacity and market readiness as well as facilitate trading processes.	NRES
Mobilise Finance for Carbon Projects	Identify and prioritise financing opportunities, mobilise capital for carbon projects as well as improve project bankability and investor confidence.	Support: <ul style="list-style-type: none"> Relevant Ministries and Statutory Bodies: NRES to jointly engage with relevant ministry and statutory bodies responsible for governing financial instruments that shall be extended to carbon market development as well as identifying and prioritising financing opportunities across several sectors. DFIs / Commercial Banks
Leverage Government Incentives	Plan, monitor and refine as well as design and launch incentive schemes.	Support: NRES to jointly engage with the relevant ministry responsible for: <ul style="list-style-type: none"> Relevant Ministry: Designing national fiscal instruments and frameworks. Relevant Ministry: Guiding socio-economic development priorities and strategic alignment. Line Ministries: Assessing and implementing sector-specific incentives.
Strengthen Demand in Carbon Markets	Support the voluntary use of high-quality offsets, pilot sector specific approaches and explore introduction of CPI for carbon market demand.	Support: NRES to jointly engage with the relevant ministry.



Table 13: Summary of Initiatives and Champions for Core Pillar 4

Action Plans	Summary of Initiatives	Leads and supports
Core Pillar 4: Complementing Sectoral Decarbonisation Actions at Domestic and International Levels		
Support CPI Integration	Support integration of carbon market with potential CPIs	Support: By the appointment of NRES
Provide Support at Sub-National Level	Enable readiness and participation of sub-national entities	NRES
Address International Linkages	Assess implications international linkages and carbon border measures.	Support: <ul style="list-style-type: none"> Relevant Ministries and Statutory Bodies: NRES to jointly engage with relevant ministries responsible for ongoing and emerging international measures that may intersect with carbon market considerations
Promote Regional (ASEAN) and International Cooperation	Strengthen engagement for foundational regional cooperation.	Support: <ul style="list-style-type: none"> MCMA MFF MGTC



6.2 Summary of the Champions of the Enablers

The Ministry of Natural Resources and Environmental Sustainability (NRES) will act as the primary lead for all enablers, unless indicated differently.

Table 14: Summary of Initiatives and Champions for Enablers

Enablers	Summary of Initiatives	Leads and supports
Legislation and Regulatory Framework	Uphold enforceable legal framework anchored by the Climate Change Act, while maintaining detailed and adaptive regulations for domestic offsets and international participation.	Support: <ul style="list-style-type: none"> Line Ministries: NRES to jointly engage with line ministries responsible for providing sector-specific inputs and alignment in the development and periodic review of carbon market regulations. Climate Change Entity
Governance and Coordination	Empower the Climate Change Entity to oversee national carbon market governance and ensure federal-state coordination for carbon market governance.	Support: <ul style="list-style-type: none"> Climate Change Entity
Human Capital Development	Develop technical capacity of market participants through support awareness, training and upskilling.	Support: <ul style="list-style-type: none"> Line Ministries and Sector Specific Agencies: NRES to jointly engage with line ministries and sector-specific agencies responsible for delivering capacity-building, training, and technical guidance. MFF MGTC
Strategic Resource Mobilisation	Conduct study on funding requirements of carbon market infrastructure and support compliance of the Article 6.4 share of proceeds requirements.	NRES
Communication, Education and Public Awareness (CEPA)	Establish a framework for stakeholder participation through local consultation and multi-stakeholder dialogue and carbon education and literacy programmes.	Support: <ul style="list-style-type: none"> Relevant Ministry: NRES to jointly engage with the ministries responsible for education to integrate carbon education into education curricula. Relevant Agency: NRES to jointly engage with the agency responsible for indigenous community affairs to ensure culturally appropriate consultations and inclusivity. MFF MGTC NRES to coordinate with suitable third parties to as market operators to provide data access and guidance through the carbon market information portal.

Annex





A1. Implementation Plan for Action Plans under Pillar 1

Table 15: Implementation Plan for P1-AP1: Facilitate Participation in International Carbon Market

Initiative	Sub-Initiative
<p>P1-AP1-1: Establish and Operationalise National Arrangements for Article 6 Cooperation</p>	<ul style="list-style-type: none"> • Designate and activate the Article 6 Compliance Role under NRES • Apply the Article 6 Compliance Role to support host-party obligations, including review and coordination functions. • Operationalise the national authorisation and approval processes for Article 6 cooperation, in line with established national arrangements • Enable coordination between the Article 6 Compliance Role, the Technical Committee, and relevant line ministries and agencies.
<p>P1-AP1-2: Apply Requirements for Article 6 Cooperation</p>	<ul style="list-style-type: none"> • Set out high-level principles for the application of corresponding adjustments, including treatment across different Article 6 pathways (e.g. 6.2 and 6.4). • Ensure institutional readiness for applying corresponding adjustments, including alignment across relevant ministries and systems responsible for NDC accounting. • Submit and update the required Host Party Participation (HPP) forms and other mandated documentation to the UNFCCC as part of Article 6 participation, in accordance with applicable guidance. • Apply existing approved documentation and procedures to administer periodic reporting and submission requirements for Article 6 participation. • Support the transition of legacy CDM activities to Article 6.4 participation, including providing guidance on alignment with updated rules and facilitating stakeholder engagement.
<p>P1-AP1-3: Periodic review of National MAC Curve</p>	<ul style="list-style-type: none"> • Conduct periodic reviews and updates of the national MAC Curve to inform assessment of low positive and high positive abatement options to inform usage of ITMOs or PACM as carbon finance.
<p>P1-AP1-4: Establish an Eligibility Whitelist</p>	<ul style="list-style-type: none"> • Define a set of priority sectors, activity types, and mitigation outcomes that Malaysia may consider eligible for Article 6 cooperation, based on alignment with national NDC targets, sectoral decarbonisation pathways, and domestic priorities. • Provide for periodic review of the Eligibility Whitelist, reflecting NDC updates, sectoral progress, and national priorities. • Align with Initiative “P1-AP1-3: Periodic review of National MAC Curve” to assess the abatement options suitable for whitelist.
<p>P1-AP1-5: Establish Sales Limits for International Transfers under Article 6</p>	<ul style="list-style-type: none"> • Provide for periodic review and adjustment of sales limits, informed by updates to the MAC Curve, sectoral mitigation progress, and changes in national mitigation ambition. • Align with Initiative “P1-AP1-3: Periodic review of National MAC Curve” to assess the overall national abatement potential to inform sales limits.
<p>P1-AP1-6: Support the Establishment of Bilateral Agreements</p>	<ul style="list-style-type: none"> • Enable bilateral cooperation under Article 6.2 by establishing processes and institutional readiness for MoUs and Implementation Agreements (IAs), where requested by partner countries. • Ensure the bilateral agreements details out applicable methodologies, MRV systems, crediting periods, etc., as per Article 6 requirements



Initiative	Sub-Initiative
P1-AP1-7: Support Readiness for CORSIA and Other International Mitigation Mechanisms (OIMP) Relevant to Article 6	<ul style="list-style-type: none"> Align carbon market readiness efforts with the Malaysia Aviation Decarbonisation Blueprint, including identifying opportunities for domestic carbon projects to be developed and elevated towards potential CORSIA EEU eligibility, consistent with UNFCCC and ICAO requirements. Monitor developments in international mitigation mechanisms that may generate demand for internationally transferred mitigation outcomes (ITMOs) under Article 6 of the Paris Agreement. Assess the relevance and potential implications of emerging OIMP mechanisms for Malaysia, including alignment with national climate commitments, sectoral priorities, and existing carbon market arrangements. Identify potential readiness and policy considerations should Malaysia decide to participate in future international mitigation mechanisms.

Table 16: Implementation Plan for P1-AP2: Assess the Use of High-Quality Offsets

Initiative	Sub-Initiative
P1-AP2-1: Assess the Potential Role of Offsets in Domestic Compliance Instruments	<ul style="list-style-type: none"> Examine potential design considerations for domestic compliance instruments, including the possible sequencing or interaction between a carbon tax and a future DETS. Assess the potential role and implications of offset use within domestic compliance instruments, including environmental integrity and alignment with best practices.
P1-AP2-2: Examine Offset-Related Design Considerations for a Future DETS	<ul style="list-style-type: none"> Assess institutional, legal, and technical considerations for the potential inclusion of offsets in a future DETS, including alignment with Climate Change Act and broader climate policy objectives. Assess potential approaches to managing additionality and interactions between covered sectors and offset-generating activities, should offsets be considered in DETS design. Align with Initiative “P1-AP1-3: Periodic review of National MAC Curve” to utilise national MAC Curve for offset use, limits, or constraints under a future DETS. Consider the role of pilot or phased approaches to test design features related to offsets

Table 17: Implementation Plan for P1-AP3: Streamline Carbon Market Implementation

Initiative	Sub-Initiative
P1-AP3-1: Strengthen National Coherence in Carbon Market Governance	<ul style="list-style-type: none"> Apply the national carbon market policy as a common reference for coordination processes, on any carbon market or crediting initiatives with national climate commitments, accounting rules, and relevant international obligations. Mobilise a Federal–State Climate Coordination Council as a function under the Jawatankuasa Dekarbonisasi Kebangsaan (established under MTPIN) to serve as the primary platform for alignment between federal and state governments.



Table 18: Implementation Plan for P1-AP4: Ensuring Generation of High-integrity Credits

Initiative	Sub-Initiative
P1-AP4-1: Scaling and Continuous Quality Assurance	<ul style="list-style-type: none"> Incentivise high-impact projects to deliver sustainable development co-benefits through recognition schemes or preferential Article 6 authorisation for export markets.
P1-AP4-2: Improve Transparency and Visibility of Accredited VVBs	<ul style="list-style-type: none"> Maintain a publicly accessible list of accredited VVBs eligible to operate in Malaysia’s carbon market. Provide clear information on the applicable accreditation frameworks and standards recognised for validation and verification activities.

A2. Implementation Plan for Action Plans under Pillar 2

Table 19: Implementation Plan to P2-AP1: Develop and Operationalise a National Carbon Registry

Initiative	Sub-Initiative
P2-AP1-1: Develop and Operationalise National Registry	<ul style="list-style-type: none"> Establish and operationalise the National Registry as the authoritative data repository to track emission reductions as well as identify and track the status and ownership of ITMOs. Provide guidance to encourage carbon projects and credits to be registered in the National Carbon Registry including projects developed under voluntary carbon market (VCM) pathways where they intend to seek Article 6 authorisation.
P2-AP1-2: Support Registry Interoperability and linkages	<ul style="list-style-type: none"> Conduct a study to assess interoperability and potential linkages between the National Carbon Registry and other relevant systems, including recognised carbon crediting registries, subnational emission reduction records, and voluntary market activities. Assess the feasibility of technical alignment of the National Registry with regional and international partners.

Table 20: Implementation Plan to P2-AP2: Support the Adoption of MRV System and Guidelines

Initiative	Sub-Initiative
P2-AP2-1: Support MRV for offsets through Capacity Building	<ul style="list-style-type: none"> Support the carbon standards in developing targeted documents and training programmes to ensure stakeholders in Malaysia understand and can comply with the respective MRV requirements while building confidence in using the system and meeting verification standards. Support the carbon standards in ongoing capacity-building channels, such as e-learning modules and refresher training, to maintain competency over time.



Table 21: Implementation Plan to P2-AP3: Strengthening National Eligibility Criteria

Initiative	Sub-Initiative
P2-AP3-1: Publish Guidance on Market Integrity	<ul style="list-style-type: none"> Define and publish standardised, principles-based guidance on market integrity to support consistent application of national eligibility criteria, including expectations related to additionality, permanence, transparency, and robust MRV.

Table 22: Implementation Plan for P2-AP4: Develop Domestic Carbon Methodologies

Initiative	Sub-Initiative
P2-AP4-1: Building the Foundation for the Carbon Crediting Mechanism	<ul style="list-style-type: none"> Identify priority sectors and project types based on mitigation potential and readiness. Establish governance and technical advisory structures to oversee the development and approval of the structure and process. Implement early measures to encourage market readiness and participation, such as targeted outreach programmes, and public recognition for pioneer projects. Initiate baseline data readiness and data collection efforts for priority sectors to inform future methodology development.
P2-AP4-2: Establish a Governmental Carbon Crediting Mechanism	<ul style="list-style-type: none"> Draft and adapt methodologies in alignment with domestic and international frameworks, ensuring they address local needs and priorities. Conduct stakeholder consultations and pilot projects to validate baselines, emission factors and calculation procedures of the methodologies. Enhance technical expertise and capacity building in project design, quantification, MRV, and validation and verification of the carbon projects.
P2-AP4-3: Expansion and Improvement of Eligible Activities	<ul style="list-style-type: none"> Focus the initial scope of the government carbon crediting mechanism on forestry, with periodic assessments to determine whether and when to expand to other sectors or technologies based on readiness and demand. Periodically review and update methodologies to reflect technological, scientific, and market developments, ensuring continued credibility and relevance, including improving data availability and accessibility.



A3. Implementation Plan for Actions Plans under Pillar 3

Table 23: Implementation Plan to P3-AP1: Streamline Carbon Credit Trading Processes

Initiative	Sub-Initiative
P3-AP1-1: Capacity Development and Market Readiness	<ul style="list-style-type: none"> Build capacity for project developers, state authorities, and verifiers on the market integrity criteria, Article 6 implementation, MRV procedures, and safeguards, including free, prior, and informed consent.
P3-AP1-2: Facilitate Carbon Credit Trading Processes	<ul style="list-style-type: none"> Develop and implement standardised trading processes, including clear transaction workflows, documentation requirements, and timelines, to facilitate efficient and transparent carbon credit transactions.

Table 24: Implementation Plan to P3-AP2: Mobilise Finance for Carbon Projects

Initiative	Sub-Initiative
P3-AP2-1: Identify and Prioritise Financing Opportunities	<ul style="list-style-type: none"> Identify priority sectors and project types facing the largest financing gaps, focusing on those with high mitigation potential and co-benefits. Provide guidance for incorporating carbon projects in existing climate-aligned lending frameworks by providing high-level guidance on eligibility, risk considerations, and documentation requirements.
P3-AP2-2: Mobilise Capital for Carbon Projects	<ul style="list-style-type: none"> Facilitate mobilization of finance through finance institutions, government-linked companies, and sustainable finance instruments such as green sukuk, bonds, or ESG funds as well as grants. Support capacity-building programmes for investors and lenders on assessing, structuring, and monitoring carbon project finance. Facilitate connections between investors and project developers through project pipelines, platforms, or coordination mechanisms, to improve access to bankable carbon projects.
P3-AP2-3: Improve Project Bankability and Investor Confidence	<ul style="list-style-type: none"> Support the refinement of investment criteria and performance benchmarks to strengthen investor confidence and project bankability. Support approaches that improve the risk-return profile of carbon projects, including mechanisms that help de-risk investments and enhance financial viability.



Table 25: Implementation Plan to P3-AP3: Leverage Government Incentives

Initiative	Sub-Initiative
P3-AP3-1: Plan, Monitor, and Refine Incentive Frameworks	<ul style="list-style-type: none"> Identify priority sectors and assess incentive options based on mitigation potential, sector readiness, and fiscal implications. Monitor and evaluate incentive performance, including market uptake and overall contribution to carbon market development. Periodically refine incentive parameters and support the gradual phase-out of broad-based incentives, while strengthening governance and transparency.
P3-AP3-2: Design and Launch Incentive Schemes	<ul style="list-style-type: none"> Develop time bound incentive options with clear conditions for when they should end, to avoid creating long term dependence or market distortion. Explore appropriate financial support measures (e.g., subsidies, grants, or tax relief) to help reduce project development and assess potential government backed credit purchases to stimulate supply and demand. Pilot selected incentive options in specific sectors to assess their practicality, uptake, and impact before considering wider application.

Table 26: Implementation Plan to P3-AP4: Strengthen Demand in Carbon Markets

Initiative	Sub-Initiative
P3-AP4-1: Support the Use of High-Quality Offsets for Voluntary Participation	<ul style="list-style-type: none"> Promote the voluntary use of high-integrity carbon credits by relevant market participants to complement climate and sustainability objective, including through ESG reporting and sustainability disclosures. Assess potential non-regulatory and recognition-based approaches, for corporates and entities that voluntarily purchase high-integrity credits.
P3-AP4-2: Pilot Sector-Specific Demand Mechanisms	<ul style="list-style-type: none"> Pilot sector-specific demand approaches where voluntary carbon credit use is encouraged within government-led transition pathways for priority sectors.
P3-AP4-3: Explore the Introduction of Carbon Pricing Instruments to Support Carbon Market Demand	<ul style="list-style-type: none"> Assess the potential role and implications of carbon credit use in the context of the introduction of domestic carbon pricing instruments (e.g. carbon tax, ETS, hybrid approaches) Identify key considerations related to the potential use of carbon credits within such instruments (e.g. offset use limits, sectoral scope).



A4. Implementation Plan for Actions Plans under Pillar 4

Table 27: Implementation Plan to P4-AP1: Support CPI Integration

Initiative	Sub-Initiative
P4-AP1-1: Support the Integration of carbon market with potential CPIs	<ul style="list-style-type: none"> Support the integration (process or study as applicable) of carbon market with potential CPIs as recognised under Climate Change Act and other relevant prevailing laws and policies.

Table 28: Implementation Plan to P4-AP2: Provide Support at Sub-National Level

Initiative	Sub-Initiative
P4-AP2-1: Enable Sub-National Market Readiness and Participation	<ul style="list-style-type: none"> Support sub-national governments and agencies in establishing the technical and operational foundations required to participate effectively in carbon market mechanisms, including baseline setting, MRV systems, project or programme structuring, and alignment with national approval and registry processes.

Table 29: Implementation Plan to P4-AP3: Address International Linkages

Initiative	Sub-Initiative
P4-AP3-1: Assess International Linkages to Inform Carbon Market Strategy	<ul style="list-style-type: none"> Analyse emerging international carbon market mechanisms, including Article 6.2 and 6.4, the Japan Crediting Mechanism (JCM), International Maritime Organisation (IMO), CORSIA etc., to identify potential linkages, cooperation models, and implications for Malaysia’s domestic carbon market development. Establish an adjustment and review mechanism to periodically revise the carbon market strategies (e.g., assessing regional interoperability, capacity building, market integrity and governance measures) in line with developments in the global carbon market.
P4-AP3-2: Assess Implications of International Carbon Border Measures	<ul style="list-style-type: none"> Undertake high-level assessments of potential interactions between carbon border adjustment measures and carbon market instruments Monitor developments in international border carbon measures, such as CBAM, to understand potential implications for carbon markets and emissions reporting frameworks relevant to Malaysia. Provide technical inputs or analytical support to relevant ministries or agencies, upon request, on carbon market–related considerations arising from international border carbon measures.

Table 30: Implementation Plan to P4-AP4: Promote Regional (ASEAN) and International Cooperation

Initiative	Sub-Initiative
P4-AP4-1: Strengthen Foundational Engagement for Regional Cooperation	<ul style="list-style-type: none"> Participate in relevant capacity-building workshops and dialogues. Support national–regional coordination to balance domestic priorities with regional objectives Support the development of the ASEAN Common Carbon Framework through industry associations.



A5. Reporting Obligations

Figure 12 Steps in applying Corresponding Adjustment

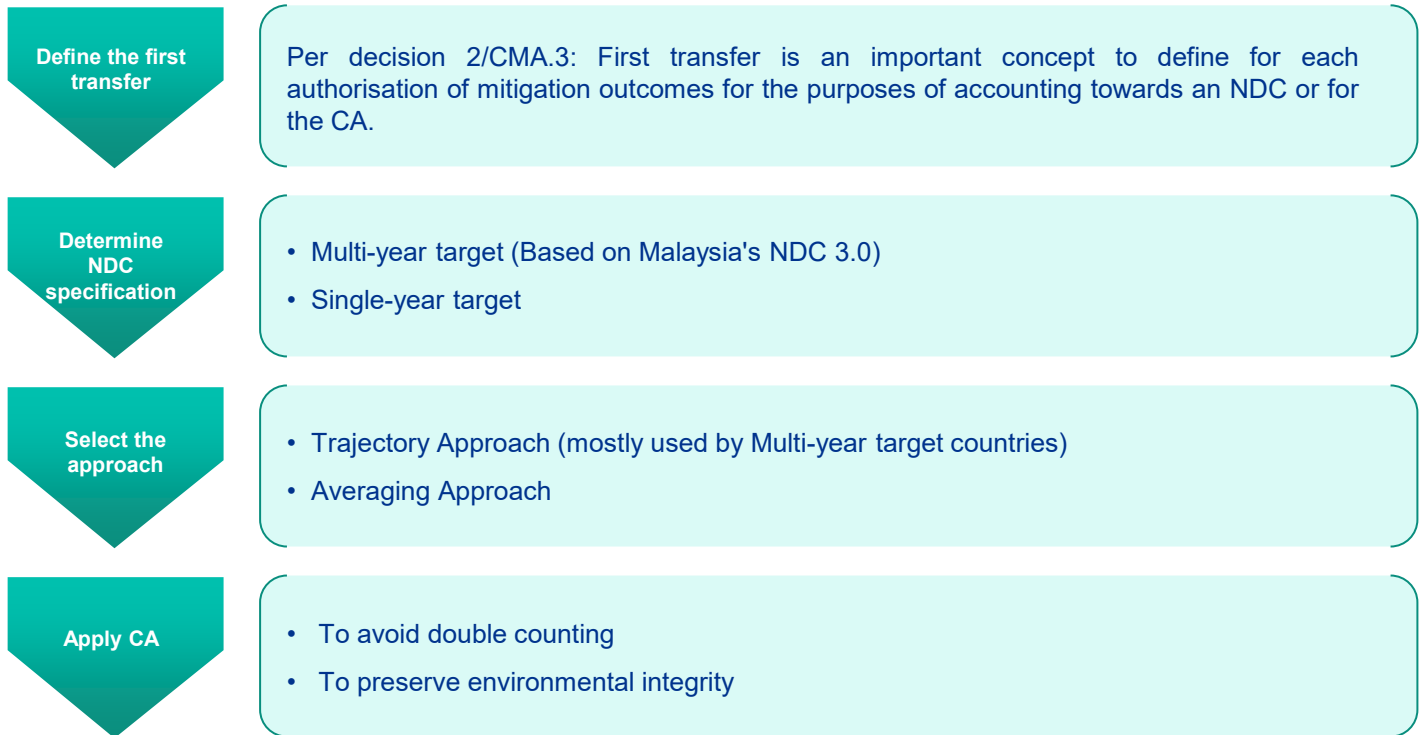


Figure 13 Summary of reporting under Article 6.2



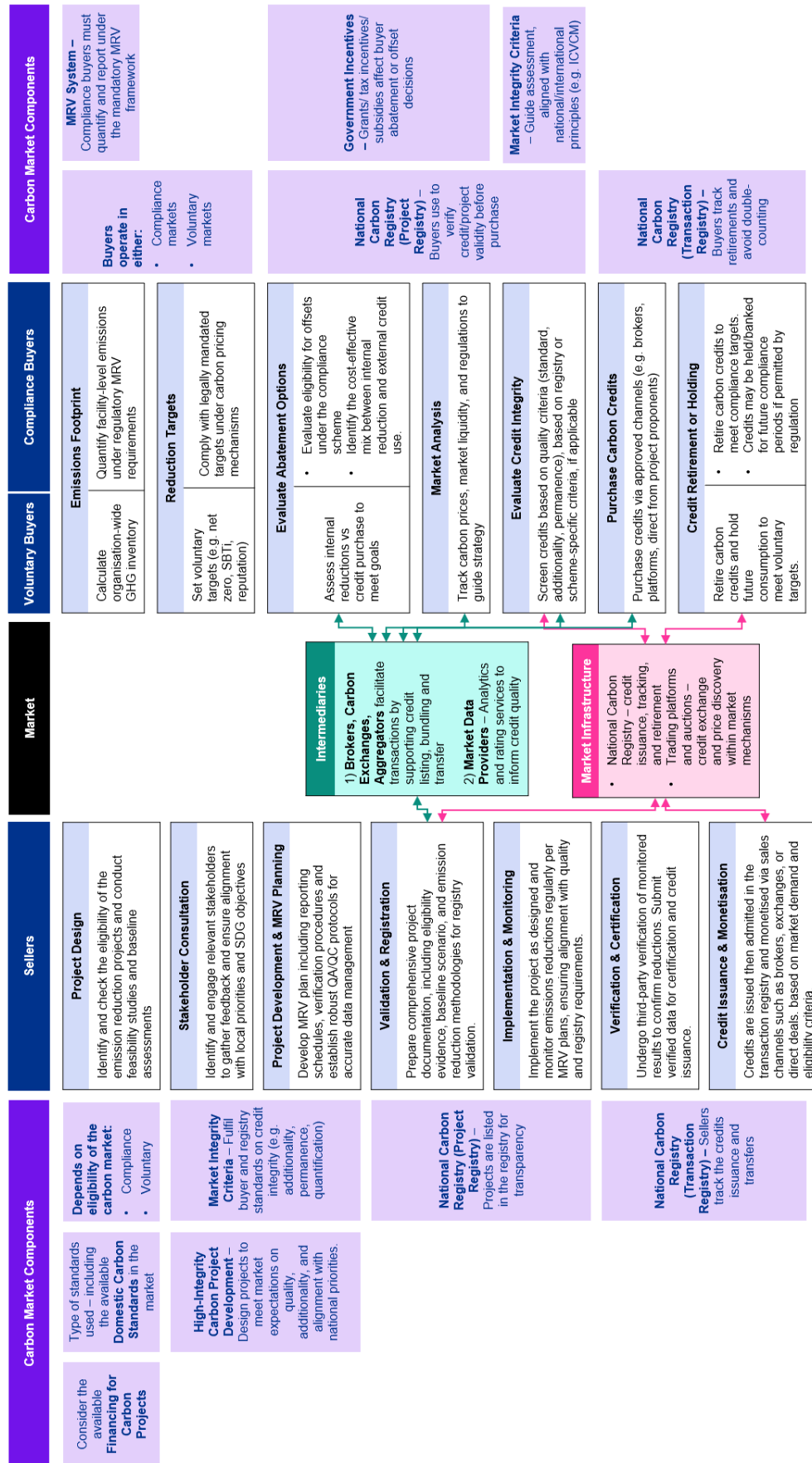


Table 31: Steps in applying Corresponding Adjustment

Biennial Transparency Reports	Decisions 18/CMA.1 and 4/CMA.1	As a member of the UNFCCC and a Party to the Paris Agreement, Malaysia is obligated to comply with the ETF through the submission of Biennial Transparency Reports (BTRs), in accordance with decision 18/CMA.1. BTRs must contain information on national greenhouse gas inventories, adaptation actions, and progress towards achieving NDCs, presented in a manner that ensures clarity, transparency and understanding, as outlined in decision 4/CMA.1.
Initial report	Decision 2/CMA.3	<p>Under the UNFCCC guidance for Article 6.2, reporting obligations are triggered when a Party is preparing to authorise ITMOs. At this point, the Party is required to submit an initial report, no later than the authorisation of the first ITMO.</p> <p>The initial report demonstrates how the Party fulfils the participation requirements set out in decision 2/CMA.3 and includes information on the Party's NDC, the accounting approach for ITMOs and corresponding adjustments, and key features of the cooperative approach, including authorization and environmental integrity safeguards.</p>
Annual Information	Decision 2/CMA.3	Following authorisation, Parties are required to submit annual information by 15 April of the following year through the agreed electronic format and the Article 6 database. Annual information focuses primarily on registry-related data, including authorised and transferred ITMOs, the application of corresponding adjustments, and details of cooperative approaches in which the Party participates.
Regular Information	Decision 2/CMA.3	Once the cooperative approach has been initiated and the initial report submitted, a country must report on the cooperative approach in the BTR (called regular reporting in the Article 6.2 guidance).
Coordination System	Strategic Thrust 4 of NCCP 2.0	Establish a system to coordinate the domestic and international carbon market, including for undertaking corresponding adjustments on ITMOs in line with the UNFCCC

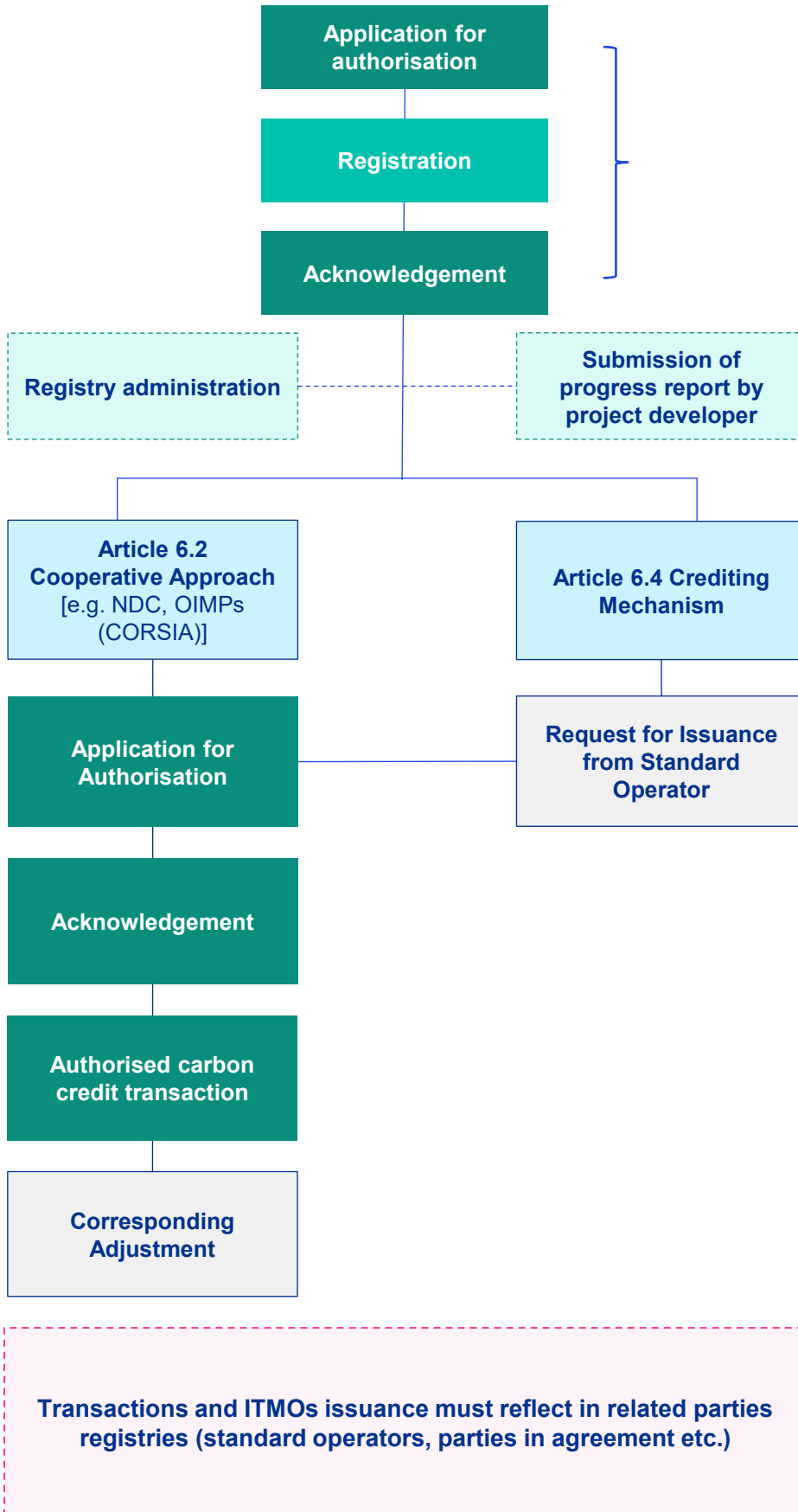


A6. Supply–Demand Dynamics in the Carbon Market





A7. National Arrangement



Application, registration and acknowledgement processes are made to/performed by NRES or designated entity appointed by NRES

Registry and progress report submission processes are made to/performed by NRES or designated entity appointed by NRES

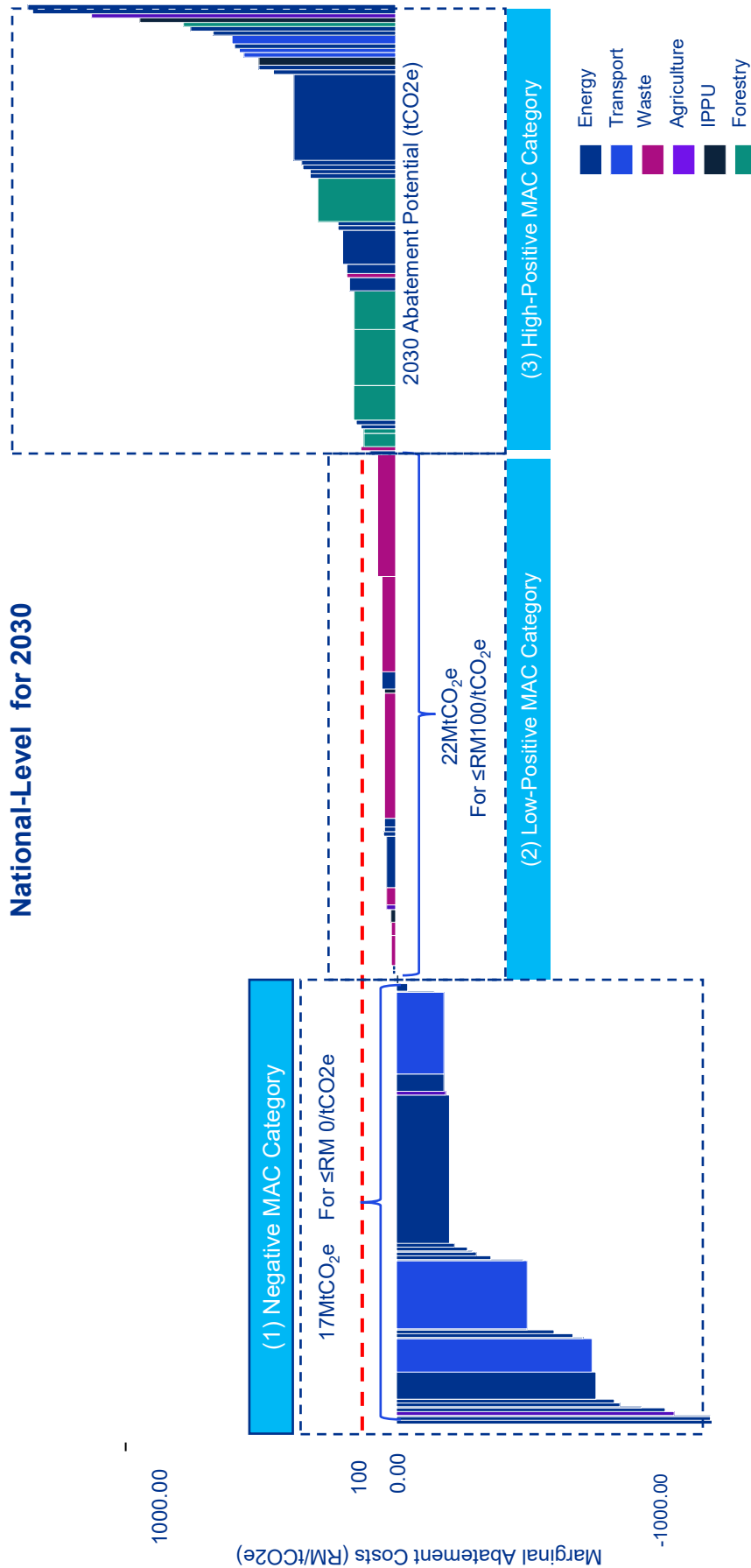
Compliance to carbon standards and other related processes related to the generation and issuance of carbon credits are subjected to standard operator and/or including parties in any related agreement signed

Application for authorisation, acknowledgement, transfer of authorised credits and corresponding adjustment processes are made to/performed by NRES or designated entity appointed by NRES and/or project proponent including parties in any related agreement signed

Transaction, issuance of internationally transferred credits and related processes must be made to/performed by NRES or designated entity appointed by NRES and/or project proponent including parties in any related agreement signed to avoid double counting and enable tracking



A8. Marginal Abatement Cost Curve





A9. List of Assessed Abatement Options by Sector under the MAC Curve Analysis

Sector: Energy

E-1 Biomass power from rice husk for Peninsular	E-37 Parabolic trough CSP, no storage, Peninsular
E-2 Biomass power from rice husk for Sabah	E-38 Parabolic trough CSP, no storage, Sabah
E-3 Biomass power from rice husk for Sarawak	E-39 Parabolic trough CSP, no storage, Sarawak
E-4 Biomass power from biomass residues in Peninsular	E-40 Solar tower CSP, with 12-15h storage, Peninsular
E-5 Biomass power from biomass residues in Sabah	E-41 Solar tower CSP, with 12-15h storage, Sabah
E-6 Biomass power from biomass residues in Sarawak	E-42 Solar tower CSP, with 12-15h storage, Sarawak
E-7 Bagasse power from - 100 kt cane/year	E-43 Solar streetlights, Peninsular
E-8 CCS power plant for Peninsular	E-44 Solar streetlights, Sabah
E-9 CCS power plant for Sarawak	E-45 Solar streetlights, Sarawak
E-10 Geothermal power for Peninsular	E-46 Wind turbines connected to main grid (offshore), Peninsular
E-11 Geothermal power for Sabah	E-47 Wind turbines connected to main grid (offshore), Sabah
E-12 Hydro power connected to main grid Peninsular	E-48 Efficient residential air conditioner, Peninsular
E-13 Hydro power connected to main grid Sabah	E-49 Efficient residential air conditioner, Sabah
E-14 Hydro power connected to main grid Sarawak	E-50 Efficient residential air conditioner, Sarawak
E-15 Mini hydro power connected to main grid Peninsular	E-51 Efficient domestic lighting from incandescent to LEDs, Peninsular
E-16 Mini hydro power connected to main grid Sabah	E-52 Efficient domestic lighting from incandescent to LEDs, Sabah
E-17 Mini hydro power connected to main grid Sarawak	E-53 Efficient domestic lighting from incandescent to LEDs, Sarawak
E-18 Mini hydro power off grid Peninsular	E-54 Efficient domestic lighting from incandescent (Halogen) to LEDs, Peninsular
E-19 Mini hydro power off-grid Sabah	E-55 Efficient domestic lighting from incandescent (Halogen) to LEDs, Sabah
E-20 Mini hydro power off-grid Sarawak	E-56 Efficient domestic lighting from incandescent (Halogen) to LEDs, Sarawak
E-21 Solar water heater, residential, Peninsular	E-57 Efficient domestic lighting with LEDs replacing CFLs, Peninsular
E-22 Solar water heater, residential, Sabah	E-58 Efficient domestic lighting with LEDs replacing CFLs, Sabah
E-23 Solar water heater, residential, Sarawak	E-59 Efficient domestic lighting with LEDs replacing CFLs, Sarawak
E-24 Solar PVs, large grid, Peninsular	E-60 Efficient refrigerator, Peninsular
E-25 Solar PVs, large grid, Sabah	E-61 Efficient refrigerator, Sabah -
E-26 Solar PVs, large grid, Sarawak	E-62 Efficient refrigerator, Sarawak
E-27 Solar PVs, large grid, 4h storage, Peninsular	E-63 Biomass power from palm residues, Peninsular - 8% Biomass Ratio
E-28 Solar PVs, large grid, 4h storage, Sabah	E-64 Biomass power from palm residues, Sarawak - 8% Biomass Ratio
E-29 Solar PVs, large grid, 4h storage, Sarawak	E-65 Waste heat recovery at cement plant
E-30 Solar house PVs	E-66 Waste heat recovery at steel plant
E-31 Solar/diesel mini-grid, Peninsular	E-67 Floating Solar, Peninsular
E-32 Solar/diesel mini-grid, Sabah	E-68 Floating Solar, Sabah
E-33 Solar/diesel mini-grid, Sarawak	E-69 Floating Solar, Sarawak
E-34 Solar PVs, small isolated grid, full solar, battery, Peninsular	E-70 Hydrogen Natural Gas Cofiring, Peninsular
E-35 Solar PVs, small isolated grid, full solar, battery, Sabah	E-71 Hydrogen Natural Gas Cofiring, Sabah
E-36 Solar PVs, small, isolated grid, full solar, battery, Sarawak	E-72 Hydrogen Natural Gas Cofiring, Sarawak
	E-73 Surface Jet Pumps - Flaring Reduction



Sector: Transport

- T-1** Gasoline Cars to Battery Electric Vehicle (BEV) Passenger Cars
- T-2** Gasoline Cars to Fuel Cell Electric Vehicles (FCEV) Passenger Cars
- T-3** Diesel Heavy Trucks to BEV Heavy Trucks
- T-4** Diesel Heavy Trucks to FCEV Heavy Trucks
- T-5** Gasoline 2-wheelers to Electric 2-wheeler
- T-6** Diesel Buses to BEV Buses
- T-7** Diesel Buses to FCEV Buses
- T-8** Ethanol Blends in Gasoline [E15]
- T-9** Ethanol Blends in Gasoline [E20]
- T-10** Ethanol Blends in Gasoline [E25]
- T-11** Biodiesel Blends in Diesel [B30]
- T-12** Methanol Blends in Gasoline [M10]
- T-13** Methanol Blends in Gasoline [M20]
- T-14** Methanol Blends in Gasoline [M25]
- T-15** SAF Blends in Aviation Turbine Fuel
- T-16** Dual Fuel Engine (Methanol and MDO) [M10]
- T-17** Dual Fuel Engine (Methanol and MDO) [M20]
- T-18** Dual Fuel Engine (Methanol and MDO) [M30]
- T-19** Dual Fuel Engine (Green Ammonia & MDO) [A10]
- T-20** Dual Fuel Engine (Green Ammonia & MDO) [A20]
- T-21** Dual Fuel Engine (Green Ammonia and MDO) [A30]
- T-22** Wind Propulsion (Rotor Retrofit)

Sector: IPPU

- I-1** Clinker Replacement in Cement
- I-2** Reduced PFCs via Automated Control System (ACS) in Aluminium Production
- I-3** Coke Replacement in Steel Production
- I-4** Carbon Capture Storage (CCS) in Hydrogen Manufacturing Unit
- I-5** General Carbon, Capture & Storage (CCS)

Sector: Waste

- W-1** Landfill Gas Capture Plant with Power Production
- W-2** Landfill Gas Capture and Flaring Plant
- W-3** Landfill Gas Capture and Upgrading Plant
- W-4** Waste-to-Energy Incineration Plant
- W-5** Refuse-Derived Fuel Plant
- W-6** Municipal Solid Waste Composting Plant
- W-7** PET Plastics Recycling Plant
- W-8** POME Biogas Capture Plant with Power Production
- W-9** POME Biogas Capture and Flaring Plant
- W-10** POME Biogas Capture and Upgrading Plant

Sector: Agriculture

- A-1** Switching from Low Fat Diet to High Fat Diet for Dairy Cattle (% Fats Added from Palm Kernel Expeller)
- A-2** Switching from Low Fat Diet to High Fat Diet for Beef Cattle (% Fats Added from Palm Kernel Expeller)
- A-3** Manure Cover and Flare System
- A-4** Rice Cultivation with Intermittent Irrigation
- A-5** Use of Enhanced Efficiency Fertiliser

Sector: Forestry

- F-1** Afforestation/Reforestation (Peninsular Malaysia)
- F-2** Afforestation/Reforestation (Sabah)
- F-3** Afforestation/Reforestation (Sarawak)
- F-4** Reduced Deforestation/Degradation
- F-5** Sustainable Forest Management- Reduced Impact Logging (Peninsular Malaysia)
- F-6** Rehabilitation of Peat Swamp Forest

A10. Requirements on Article 6 of the Paris Agreement

Article 6 of the Paris Agreement was introduced in 2015 with the adoption of the Agreement at COP21 in Paris and was operationalised in 2021 through decisions adopted at the third session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 3). It provides guidance for carbon markets by establishing a framework for voluntary international cooperation that enables Parties to transfer mitigation outcomes, mobilise finance and strengthen their nationally determined contributions, while enhancing ambition, promoting sustainable development and ensuring environmental integrity.

Under the UNFCCC, the host Party is the country where the mitigation activity occurs and is responsible for authorising international use of outcomes, applying corresponding adjustments to its NDC, and reporting in the BTR. Malaysia will participate in Article 6 as a host party, leveraging strong mitigation potential, active policy development and regional market demand to attract finance and technology while maintaining robust MRV, registry. To participate credibly in Article 6 cooperative approaches, Malaysia will operationalise UNFCCC host-party requirements across five pillars.

Figure 14: Core Article 6 Elements

01

Authorising of ITMOs: Para 4(c), Annex II, 2/CMA 3

02

Application of corresponding: Section B, Annex III, 2/CMA 3

03

Accounting and Reporting requirements: 18/CMA 1; para 4(b and e), Annex II, 2/CMA 3 and Annex IV, 2/CMA 3

04

Maintaining transparency and environmental integrity: Section D, Annex III, 2/CMA 3

05

Avoiding double counting: Para 3(b) 2/CMA





Core Article 6 Elements

Authorisation of ITMOs: Host Party must have the necessary arrangements in place to authorise the first transfer of Internationally Transferred Mitigation Outcomes (ITMOs) and ensuring that necessary safeguards are in place.

Accounting and Reporting Requirements: The host Party must have arrangements in place to track its emission balance, NDC progress, and ITMOs transaction. This includes preparation and submission of the necessary reports to the UNFCCC.

Application of Corresponding Adjustments: Host Parties are required to apply corresponding adjustments to their GHG inventories to ensure that transferred ITMOs are accounted for properly and to prevent double counting.

Avoiding Double Counting: The host Party must avoid double counting by ensuring that all ITMOs transferred or used are reflected in corresponding adjustments and that there is no double issuance, use, or claiming of the same mitigation outcome.

Maintaining Transparency and Environmental Integrity: Host Parties must ensure that cooperative approaches promote sustainable development and maintain environmental integrity.

No	Requirement Description	
	Article 6.2	Article 6.4
1	Must be a Party of the Paris Agreement.	
2	Has prepared, communicated and is maintaining an NDC.	
3	Has to specify how this participation benefit and contribute to the implementation of its NDC and LT-LEDS (if submitted) and the long-term goals of the Paris Agreement.	
4	Had arrangements in place for authorizing tracking and reporting the use of ITMOs towards achievement of NDCs.	Has a Designated National Authority (DNA) in place and communicated that designation to the Secretariat and Supervisory Body.
5	Submit most recent National Inventory Report – NIR (as part of BTR – Biennial Transparency Reports)	Has indicated publicly to the SB how participation in the mechanism contributes to Sustainable Development.
6		Has indicated publicly to SB the type of Art 6.4 activities (Sectors) that it would consider approving.
7		May specify (more conservative) baseline approaches and crediting periods.



A11. Abbreviations

Abbreviations	Full Term
A6.4ER	Article 6.4 Emission Reduction
AI	Annual Information
ABS	Access and Benefit-Sharing
ASEAN	Association of Southeast Asian Nations
BTR	Biennial Transparency Reports
CA	Corresponding Adjustments
CBAM	Carbon Border Adjustment Mechanism
CCUS	Carbon Capture, Utilisation and Storage
CDM	Clean Development Mechanism
CEPA	Communication, Education and Public Awareness
CER	Certified Emission Reduction
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CPI	Carbon Pricing Instruments
DETS	Domestic Emissions Trading Scheme
DOE	Department of Environment
DNA	Designated National Authority
NCCP	National Climate Change Policy (Dasar Perubahan Iklim Negara)
NCMP	National Carbon Market Policy (Dasar Pasaran Karbon Kebangsaan)
EEU	Eligible Emission Units
ETF	Enhanced Transparency Framework
ESG	Environmental, Social, and Governance
ETS	Emissions Trading Scheme



Abbreviations	Full Term
EU	European Union
FCO	Forest Carbon Offset
GHG	Greenhouse Gas
GS	Gold Standards
HPP	Host Party Participation
IA	Implementation Agreement
ICAO	International Civil Aviation Organization
IPPU	Industrial Processes and Product Use
ITMO	Internationally Transferred Mitigation Outcome
JDK	Jawatankuasa Dekarbonisasi Kebangsaan
JCM	Japan Crediting Mechanism
LT-LEDS	Long-Term Low Emissions Development Strategies
MAC Curve	Marginal Abatement Cost Curve
MFF	Malaysia Forest Fund
MGTC	Malaysian Green Technology and Climate Change Corporation
MITI	Ministry of Investment, Trade & Industry
MOF	Ministry of Finance
MoU	Memorandum of Understanding
MRV	Monitoring, Reporting, and Verification
MTPIN	Majlis Tindakan Perubahan Iklim Negara (MyCAC)
NA	National Arrangement
NCCP	National Climate Change Policy
NDC	Nationally Determined Contribution



Abbreviations	Full Term
NETR	National Energy Transition Roadmap
NGO	Non-Governmental Organization
NIMP	National Industrial Master Plan
NRES	Ministry of Natural Resources and Environmental Sustainability
OIMP	Other International Mitigation Purposes
PACM	Paris Agreement Crediting Mechanism
PDD	Project Design Document
PIN	Project Idea Note
RI	Regular Information
RMK13	13th Malaysia Plan (Rancangan Malaysia Ke-13)
RUUPIN	Climate Change Bill (Rang Undang-Undang Perubahan Iklim Negara)
SB	Supervisory Body
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Market
VCS	Verra Carbon Standard



A12. References

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- 5 [Malaysia NDC 3.0 to UNFCCC 2025 final.pdf](#)
- 6 [CDM: About CDM \(unfccc.int\)](#)
- 7 [9.2, Formulation of a National Carbon Market Strategy, Malaysian Aviation Decarbonisation Blueprint, Ministry of Transport, 2024.](#)
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A13. Photographs Capturing NCMP Journey

Technical and Steering Committees





State-Level Stakeholder Engagements (Non-Exhaustive)





Ministries and Industries Workshop





MINISTRY OF NATURAL RESOURCES
AND ENVIRONMENTAL SUSTAINABILITY (NRES)

National Carbon Market Policy

