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**MINISTRY OF NATURAL RESOURCES AND
ENVIRONMENTAL SUSTAINABILITY**

OPENING SPEECH

**NIK NAZMI NIK AHMAD
MINISTER OF NATURAL RESOURCES AND
ENVIRONMENTAL SUSTAINABILITY**

FOR

**FOREST CONSERVATION CERTIFICATE LAUNCH CEREMONY
IN CONJUNCTION WITH
GLOBAL FORUM ON ISLAMIC ECONOMICS AND FINANCE**

27 MAY 2024 (MONDAY)

**PLENARY THEATRE, LEVEL 3
KUALA LUMPUR CONVENTION CENTRE**

Bismillahirrahmanirrahim

Assalamualaikum Warahmatullahi Wabarakatuh and Salam Malaysia Madani.

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Yang Berusaha Dr. Yasmin Binti Rasyid

Chairwoman, Board of Trustees

Malaysia Forest Fund

Yang Berbahagia Datuk Hj. Jeffri Bin Abd Rasid

Chief Executive Officer

Malaysia Forest Fund

Ladies and gentlemen,

INTRODUCTION

1. A very warm welcome to everyone and thank you all for joining us at the launch of the **Forest Conservation Certificate (FCC)**. Today marks a momentous milestone in our efforts to enhance the partnership and collaboration between various stakeholders towards collective responsibility for the conservation of Malaysia's forests and biodiversity.

MALAYSIA'S FORESTS MATTER

2. Malaysia pledged to **maintain at least 50 percent of its land mass under forest and tree cover** during the Earth Summit in 1992. Being one of 17 megadiverse countries, **Malaysia remains steadfast in upholding its obligation to maintain its forested areas which cover an area of over 18.05 million hectares or 54.58%** of the country's total land mass. These forests also serve as important habitats for various flora and fauna species.

3. Our forests provide invaluable ecosystem services, while also contributing tremendously to our nation's socio-economic needs. Maintaining the delicate balance between the needs for development and conservation will always be something that we must strive to achieve, while accepting the fact that overexploitation and environmental degradation are a real threat, not only to the forests and the species that call it home but also to the wellbeing of our own people.

4. Malaysia's growing population has led to the development of various infrastructure and settlements, and the expansion of agriculture land for food security. This has inevitably resulted in pressures on our forests and threats on wildlife habitats as well as their population. The survival of this fragile ecosystem is however crucial because it plays a vital role towards mitigating and adapting to climate change.

5. I am proud to acknowledge the legacies of numerous efforts and endeavours since before our nation's independence in conserving and protecting our biodiversity. We've spent billions of ringgit to ensure that future generations may cherish the invaluable gift of nature that we have enjoyed and taken advantage of. This was money worth spending, but putting the burden squarely on the government's shoulder will never be sufficient, nor practical. This year alone, the federal government set aside a total of RM200 million for the Ecological Fiscal Transfer (EFT), to be channelled to all the state governments, towards conservation as well as protection and management of their biodiversity and forests.

6. This is where the concept of blended financing and innovative financing tools play a more pivotal role. Recognising the fact that conservation and protection of forests contribute significantly towards climate change mitigation actions, the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement acknowledge the urgent need to mobilise resources and support among all Member States and international stakeholders.

Ladies and gentlemen,

THE FCC AND FCO

7. Since 2022, the Ministry has embarked on a journey of developing an innovative financial instrument under the REDD Plus Financial Framework (RFF).

The RFF mechanism is a transformative step that provides a **new paradigm for financing conservation and nature-based solutions; while recognising the critical role of Public-Private Partnerships.**

8. Under the RFF initiative, we have formulated two different instruments, namely the **Forest Conservation Certificate (FCC)** and the **Forest Carbon Offset (FCO)**. Both instruments were envisioned to be complementary to one another, given the fact that FCC is a non-market instrument; while FCO was to be developed as a market-based solution to cater for forest carbon projects. Although still at an early stage of development, we envision FCOs to be a domestic standard, at par with existing international standards like Verra and Gold Standard, for use to develop forest-based carbon projects.

9. Meanwhile, the **Forest Conservation Certificate (FCC) Protocol** will be the first instrument under the RFF to be launched and operationalised by the Malaysia Forest Fund (MFF). It provides modalities to recognise the role and contribution of the private and corporate sectors in funding and supporting various site-specific conservation works. While carbon projects are highly dependent on large tracts of area to make a viable economic return of carbon credits, FCC can be used on a smaller sized area, with tailored activities which can be implemented on a shorter time frame. We must bear in mind that FCCs will not generate any carbon credit, nor can it be used to support offset activities.

10. The government is aware of the growing concerns pertaining the integrity and transparency surrounding forest conservation projects. This has garnered a considerable amount of media attention and publicly scrutiny, as well as, rightfully, in my mind, demand for accountability and transparency in all levels of the relevant processes. Therefore, the FCC was designed with an emphasis on a practical process of project implementation, monitoring, reporting and verification.

11. Furthermore, any **FCC projects which has been verified by independent verification bodies can be used to meet Environmental, Social, and Governance (ESG) reporting requirements.** To recognise the financial contributions and participation of companies in FCC activities, the Ministry of Finance has approved a **10 percent income tax deduction from the aggregate income of the companies, based on the current assessment year.**

12. I am likewise encouraged to learn that MFF has quite a number of company pledges and commitments to participate in FCC. This is complemented by support and assurances from the state governments through identification of potential areas and activities that can and will be proposed for FCC. I hope and urge that many more companies and land owners will participate in FCC in the future. By participating, you're not only proving to be good corporate citizens but also contributing to the future of the next generation of Malaysians, when we consider how crucial our forests are to improve lives.

Ladies and gentlemen,

THE ROAD AHEAD

13. We are at a very interesting juncture in this moment of history when it comes to climate action. As we embark on a very long journey in harnessing carbon markets as new sources of financing for the protection of nature and mitigation action, especially in the forest sector, I am proud to acknowledge the various state government efforts to venture and set in place policies and structures to encourage development of forest carbon projects. Given that land and forests are, constitutionally, a state matter, their support in these efforts remain very crucial indeed.

14. I am also delighted that the Ministry of Finance has approved a special grant for the **Forest Carbon Project Development Fund, amounting to RM5 million** for this year. This special fund was devised to support capacity-building and technical know-how, the pre-development activities of a forest carbon project such as feasibility studies, identification of potential project areas, baseline setting, preparation of Project Design Document (PDD) as well as implementation of pilot projects. The MFF will be the designated implementing agency, tasked to work with state governments and various departments, for the utilisation of this fund.

15. We are also exploring a new potential source of financial capital to support the development and implementation of forest-based carbon projects through the issuance of the *Sukuk Biodiversity* (up to RM1 billion) as announced in the 2024 Budget. I hope all these initiatives can emerge as the new catalyst for a more vibrant carbon market and its ecosystem in Malaysia.

16. Obviously, this would also mean that we have a lot of work ahead of us. Thus, I want to encourage; and look forward to more strategic collaborations and synergies between financial institutions, fund managers and investors in developing more innovative financing instrument and tools to support our climate action and mitigation efforts. I believe MFF is in a good stead to play a more significant role in pushing this agenda further.

17. We need to be able to realise the full potential of our forest resources and our capacity, to take advantage of the new pathway that carbon markets and other pricing instruments offer us. But let us also never view our forests through a purely mercenary lens. Let's never forget that, in addition to the amazing opportunities it represents for our economy, that they are worth protecting as they are a form of wealth for our nation that can never be adequately measured in currency.

CONCLUSION

18. Before I conclude my speech, I would like to take this opportunity to once again express my appreciation to everyone present this morning and to the organisers for bringing us together. I am confident that our commitment to preserving nature will continue to flourish through innovation, common effort and unity. With the phrase bismillahirrahmanirrahim, I am pleased to officially launch the inaugural Forest Conservation Certificate (FCC).

Wabillahitaufik walhidayah wassalamualaikum warahmatullahi wabarakatuh. Thank you.