



MINISTRY OF NATURAL RESOURCES AND
ENVIRONMENTAL SUSTAINABILITY

SPEECH

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FOR

NATIONAL CLIMATE GOVERNANCE SUMMIT

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**SASANA KIJANG, BANK NEGARA MALAYSIA
KUALA LUMPUR**

Assalamualaikum Warahmatullahi Wabarakatuh, good morning and Salam Malaysia Madani.

Yang Berbahagia Datuk Jessica Chew

Deputy Governor, Bank Negara Malaysia

Yang Berbahagia Datin Seri Sunita Rajakumar

Chairperson, Climate Governance Malaysia

Yang Berbahagia Datuk Nor Azimah Abdul Aziz

Chief Executive Officer, Companies Commission of Malaysia

Distinguished guests,

Ladies and gentlemen,

INTRODUCTION

1. I am delighted to be back at the National Climate Governance Summit. I congratulate Climate Governance Malaysia for bringing it back for a second time. We certainly hope that this summit will continue to serve as an important forum for climate related conversations between the private sector, policymakers and regulators.
2. Malaysia is a trading nation and adopts an open economy. For this purpose, the private sector will play an important role in shaping Malaysia's economy towards sustainability.

3. I appreciate that the private sector in Malaysia has begun to recognise their role as a driver for change, wanting to see increased climate and sustainability ambitions, to be aligned with their trading partners and customers. As such, it is an important part of Malaysia's climate action and this makes dialogues like this even more important.

4. Let me run through a quick overview of what my Ministry has been doing since I was last here. We have completed our long-term low emissions development strategies and the NDC roadmap, which outline the country's path towards net zero by 2050 and guide us to achieve our emission reduction targets. I am pleased to announce that a new climate change policy will be unveiled soon. This policy represents a significant step forward in our commitment to addressing the challenges posed by climate change.

5. Recognising the importance of diverse stakeholder input, the Ministry has also established a consultative and advisory panel on climate change. Regarding our reporting obligations, we submitted the fourth National Communication this year and are currently preparing for the first Biennial Transparency Report, which will be submitted to the UNFCCC by the end of this year. Additionally, we have secured funding from the Green Climate Fund for the formulation of our National Adaptation Plan (NAP), set to begin next year.

6. While Malaysia's highly-anticipated **National Climate Change Bill** is making steady progress, the results of a roadshow by the Ministry of Natural Resources and Environmental Sustainability Malaysia (NRES) across Malaysian states will be incorporated in a consultation paper, for public viewing and feedback for a month.

7. The aim of the Bill is to ensure our obligations and pledges made at the international level are effectively translated at the domestic level. The bill is also forward looking with a framework to enable market instruments and enhanced institutional framework as a foundation for a more holistic governance structure, with strong support for regulating carbon markets to build confidence in this emerging sector.

8. On the upcoming COP29 in Azerbaijan, billed to be a "Finance COP" to mobilise finance for climate action, we hold the view that further commitments from developed nations, should exceed USD100 billion and that adaptation finance should be doubled; Malaysia is advocating for a strong voice for ASEAN at the COP meeting, while also aligning with 16 other mega-diverse countries on biodiversity, climate and finance.

Ladies and gentlemen,

THE CHALLENGES AHEAD

9. In any journey and in any transition, policymakers need to manage multiple tensions. In the instance of the climate crisis, it is important to set a balance in the national development agenda, especially prioritising between economic development and environmental issues. This will need to consider many aspects such as mitigating GHG emissions, biodiversity conservation, pricing carbon, ensuring a just transition, respecting state matters, and honouring our international commitments. To ensure a balanced approach, we need to engage the stakeholders as much as possible.

10. I also recognise that businesses are under tremendous pressure from their trading partners and providers of capital to align with their sustainability ambitions, if they want to remain as customers or within their supply chain.

11. These trading partners are also concerned they will be accused of outsourcing their emissions and environmental destruction to countries that are not yet managing their emissions or specifically, pricing these negative externalities.

12. As we all understand, this is, at its essence, a question of the competitiveness of nations. Further, the latest IPCC 6th Assessment Report has pointed out, human activities, principally through emissions of greenhouse gases, have unequivocally caused global warming, with global surface temperatures reaching 1.1°C.

13. Thus, to keep within the 1.5°C limit, emissions need to be reduced by at least 43% by 2030 compared to 2019 levels, and at least 60% by 2035. Now, while Malaysia has contributed only 0.7% of global emissions, we are united with other countries in recognising absolute emissions are growing and are formulating efforts to address them according to the principle of common but differentiated responsibility, as enshrined under the UNFCCC.
14. In realising this vision at the domestic level, the climate change bill is a crucial component. In this bill, we expect provisions that would allow the establishment of an emission trading scheme to complement existing voluntary carbon markets being established. The bill would also facilitate those interested in participating in the carbon trading mechanism as established under Article 6 of the Paris Agreement.
15. However, robust facility-level GHG inventory and reporting is a prerequisite for an effective implementation of an emission trading scheme. Infrastructures such as registries, measurement, reporting and verification (MRV) system would also need to be established.
16. In this regard, NRES is also formulating the National Carbon Market Policy to provide direction in enabling a conducive ecosystem for the market players to thrive.

17. Meanwhile, businesses should also consider adopting the practice of shadow pricing of carbon and perhaps even water usage. This arguably doesn't affect cashflows or profits, but enables you to monitor and value ecosystem services, which we are all reliant on.

18. Any marketplace succeeds based on how robust its demand and supply are. At present, emissions reporting is not mandated but this could soon feature as an important part of a company's business operation. This is especially important for entities that emits above a specified threshold to track and report their emissions. Excess threshold or allowance can be traded. We foresee companies with forward-looking abatement strategies emitting less than its allowance allowing the excess to be traded to other companies seeking to stay below their threshold and operate within its allowance. It's also common practice to allow a small percentage of carbon credits from the voluntary market to offset its emissions to stay within the allowance.

19. At the international front, to further entice investment and spur the international carbon market, we are looking at operationalising Article 6.2 to perform carbon trading on a bilateral basis. We are also expected to participate in the UNFCCC market mechanism under Article 6.4 which will allow private companies to participate in what could be a high integrity global carbon credit trading platform.

20. As always, I would invite the private sector to play a significant role in decarbonising the economy and ensuring a smooth and just transition.

21. Finally, we need to see less destruction of biodiversity: aligning the nation, as a steward of biodiversity, with the need to decarbonise and with the upcoming CBD-COP16 happening next month in Colombia.

CONCLUSION

22. In a short five years, CGM has been mobilising the private sector and created a strong cohort of directors in our nation's boardrooms who are climate literate, who think critically and ask tough questions to future-proof their business.

23. This is a significant undertaking by the CGM. Its impact may not be seen immediately but it is a necessary and positive thing. The impact of the work you do will go a long way and deserves the support of all who are concerned with fighting climate change.

24. Playing the role of advocacy and raising awareness, investing in capacity building and contributing to institutional memory are all important contributions for which we are appreciative.

25. The transition and sustainability journey Malaysia will have to undertake is not easy. There will be many twists and turns. We hope there will not be setbacks—but we must be prepared for them as well.

26. But as long as civil society and the private sector support the government's imperatives, our nation can keep forging ahead on this journey. Thank you and I am looking forward to the discussion ahead.

Wabillahi taufik walhidayah, wassalamualaikum warahmatullahi wabarakatuh.