

Better Alignment Towards Net Zero

12th Malaysia Plan Midterm Review Kick-off Seminar

6 December 2022



WORLD BANK GROUP
Inclusive Growth & Sustainable Finance
Hub in Malaysia

Strategic context: **Malaysia is at a cross-road**

- **Economy:** Climate and ESG are now central to businesses in the production of goods and services. EU is mandating compliance within Global Value supply chain.
- **People and Jobs:** Stiff competition, enabled by enhanced focus in policy and implementation from regional players in Thailand, Indonesia, Vietnam.
Opportunities for creating quality jobs in the sustainability sectors.
- **Environment:** Increasing intensity of disasters that are impacting local economies. Preparedness and risk reduction strategies can help mitigate damages and losses. Greater focus for ecosystem sustainability including biodiversity and forests.

Malaysia is particularly vulnerable to flooding with the frequency & extremity of floods increasing in recent decades & projected to increase with continued global warming



\$700M loss plus reconstruction costs



Affected **1M people**



Palm oil & rubber production (primary economic drivers) **dropped by 30%**



2021
December
floods



2014
floods in
the East
Coast



\$1.46B losses, 0.4% of Malaysia's GDP



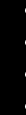
400k people displaced



RM 1.6B damage to public assets & infrastructure

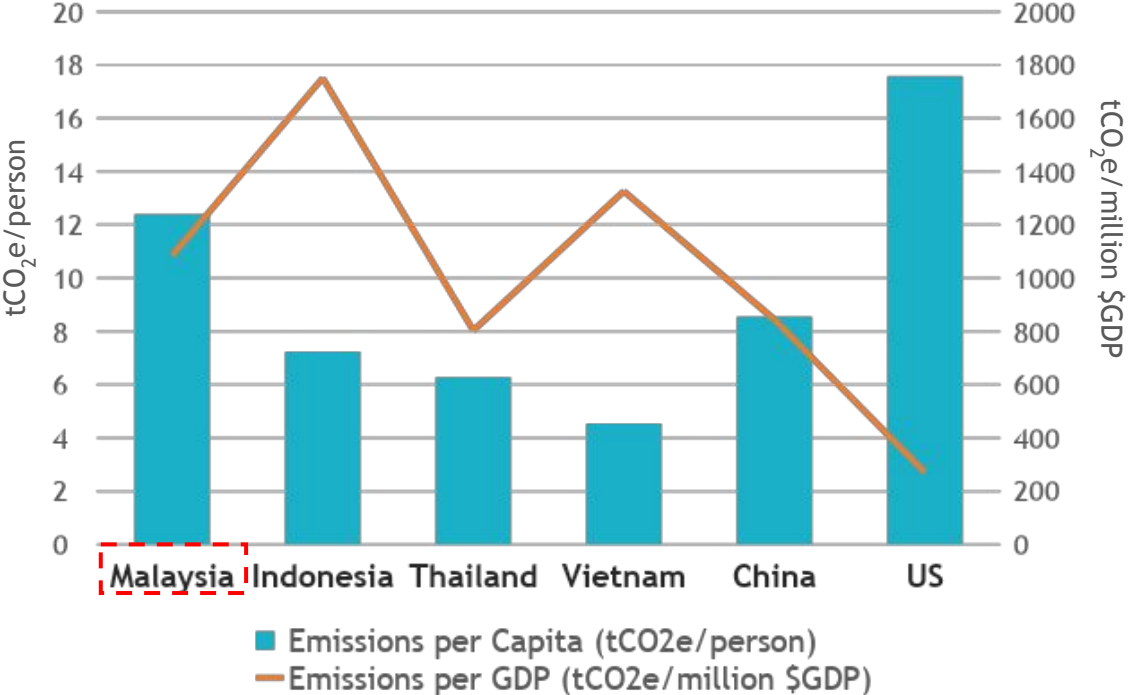


RM 1B damage to living quarters



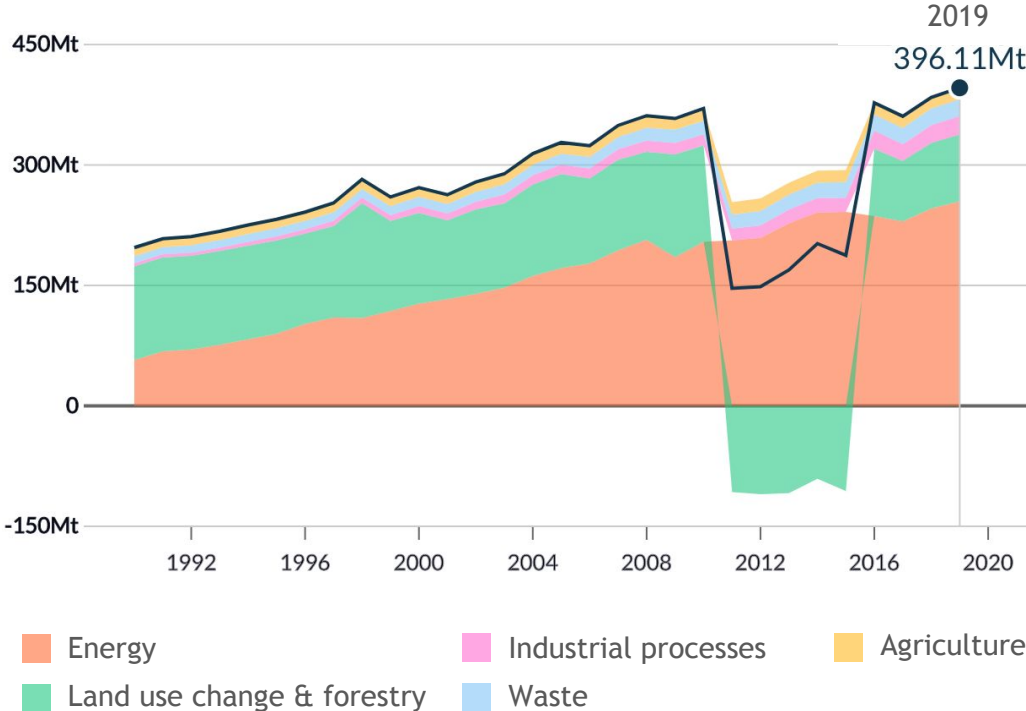
Malaysia per capita GHG Emissions intensity has potential to be reduced

GHG emission intensity 2019



- Higher GHG emission intensity (per Capita) compared to other Southeast Asian countries

GHG emissions by sector (MtCO₂e)

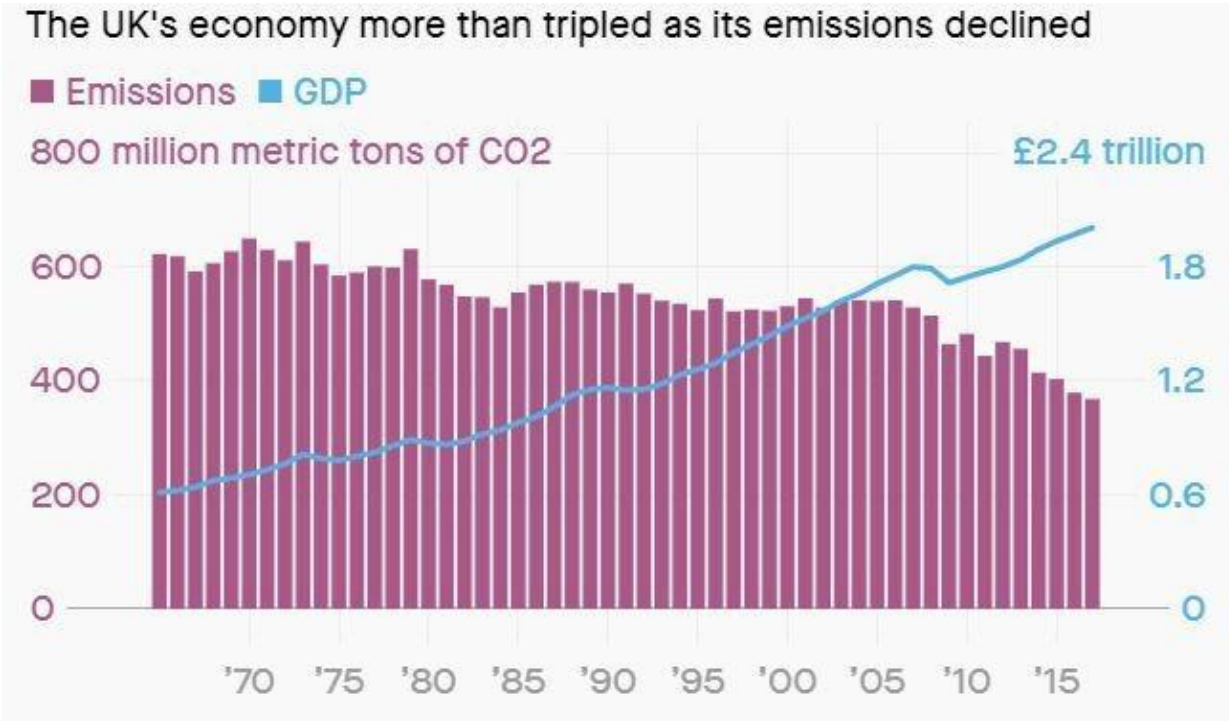


- GHG growth was led by the **energy sector**, followed by **land use change & forestry sector**

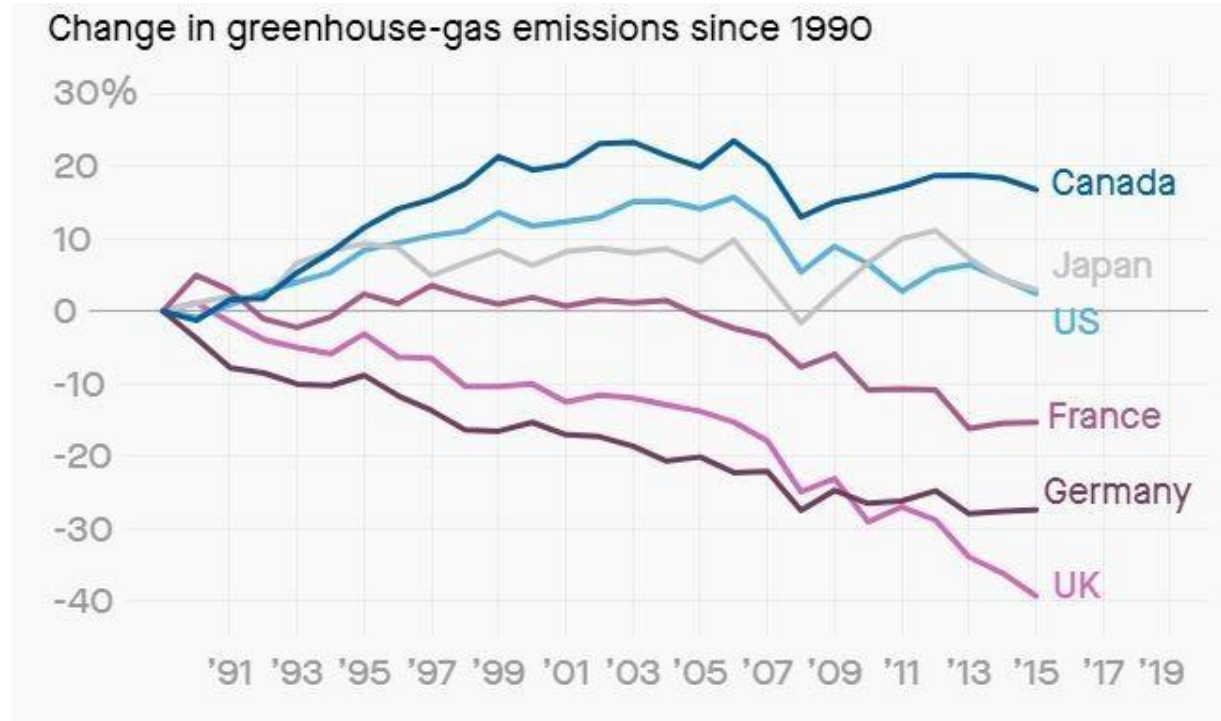
Source: Climate Watch

Growth can be Sustainable

UK's economy grew more than 3x since 1965, while emissions has fallen



Source: UK Dept for Business, Energy and Industrial Strategy (BEIS), WRI



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Malaysia's Climate Ambitions towards Net-Zero

1. Implementing low-carbon, clean, and resilient development.

2. Low-carbon energy through renewable energy and energy efficiency.

3. Green mobility through low-carbon public transport and usage of green vehicles

4. Promoting the protection and restoration of forestry to support carbon sequestration.

5. Enabling instruments for climate action, including a feasibility study on carbon pricing and an emissions trading scheme.

An aerial photograph showing a large area of deforestation. The landscape is dominated by a dense, intricate network of light brown dirt roads and tracks that have been cleared through a dark green forest. The tracks form a complex, almost maze-like pattern across the terrain. The surrounding forest is thick and lush, providing a stark contrast to the cleared areas. The overall scene suggests significant land clearing for agricultural or industrial purposes.

***Building a shared goal and
National Platform for
Engagement with Stakeholders***

What does it take?

- 1 Strategic and Integrated Policy Making on New Economic Drivers**
- 2 Better engagement, communication and capacity building**
- 3 Better alignment of policies, incentives and fiscal relations**

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What does it take: Strategic and Integrated Policy Making on New Economic Drivers

- **Prioritize and Boost Sustainable businesses with high ESG**
 - Public transport development, E-mobility and last mile connectivity
 - Retrofitting buildings with a focus on demand-side energy efficiency
 - Renewable energy development and other sources like used cooking oil
 - Sustainable agro-industry and modernization of commodity value chain
- **De-emphasize industries with high carbon footprint: cement, steel, industrial production and fossil fuel**
- **Reduce or stop environmental damage: Loss of urban green spaces which acts natural buffers and carbon sponge, deforestation due to agriculture and encourage nature-based solutions.**

Mitigation: Towards Sustainable Energy

INCREASE SUPPLY of RENEWABLE ENERGY

- Solar on rooftops: cities, buildings

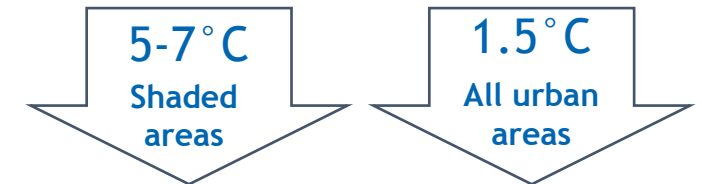
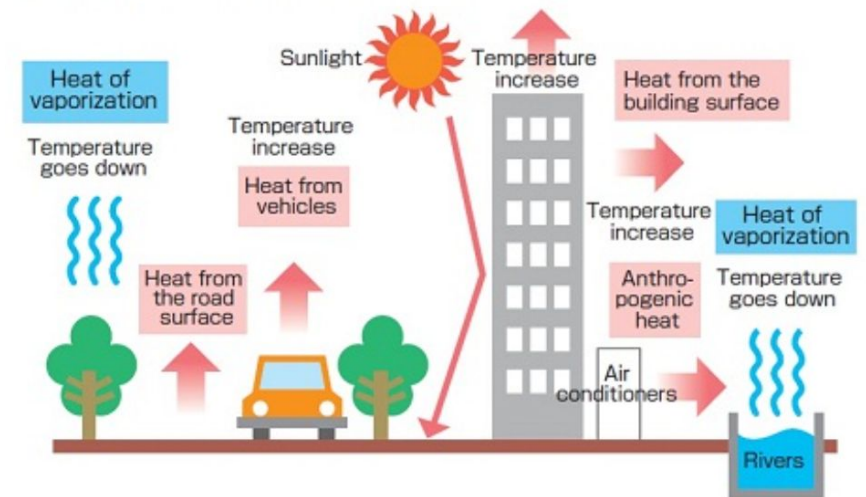
REDUCE ENERGY and URBAN HEAT ISLAND

- Use ‘carrots’: incentives, recognition and reward for % reduction
- Example: 5% energy reduction target in Government buildings
- Preserve green spaces to reduce Urban Heat Island (UHI) effect

INCREASE ENERGY EFFICIENCY

- National EE and Conservation Act
- Shift the narrative from ‘reporting, auditing and increased costs’, to ‘benefits and costs savings’
- Use ‘carrots and stick’: recognition and reward for 5 stars, % reduction and improvers, and penalties for non-compliance
- Extend 5-star rating and rebate scheme to industrial machinery and products, not just consumers appliances

How the Heat Island Phenomenon occurs



Reduce temperatures and Urban Heat Island (UHI) effect by planting of trees and introduction of green spaces

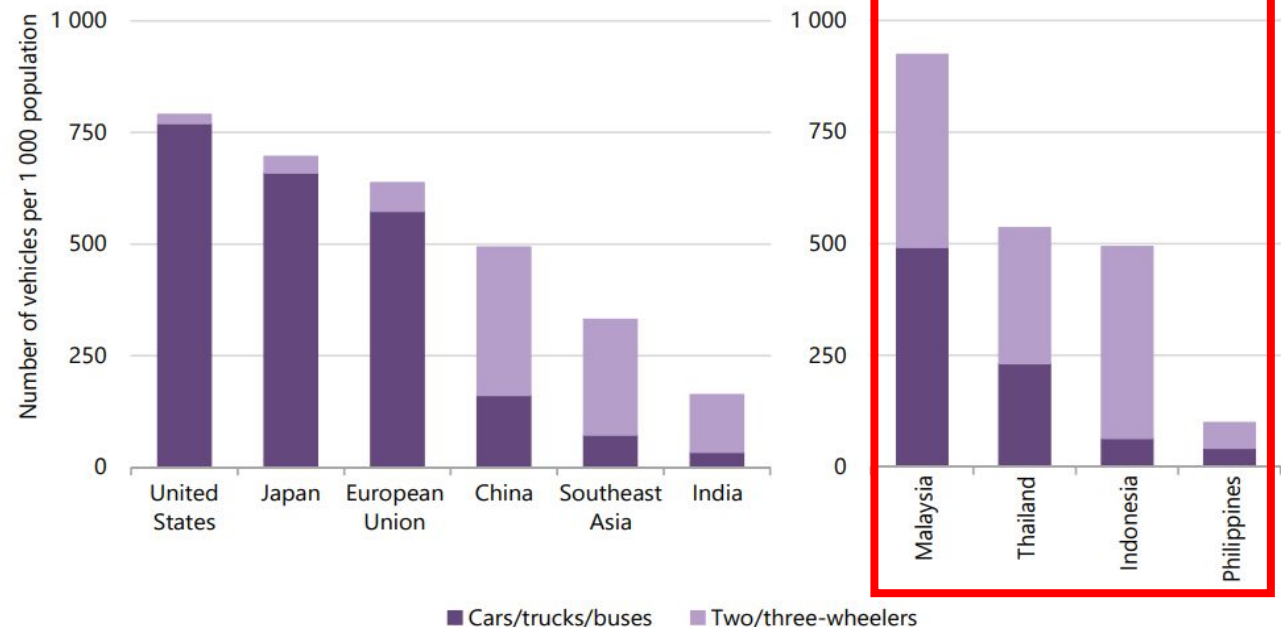
Mitigation: Towards Sustainable Transport

Make Public Transport more accessible, reliable with shorter commute

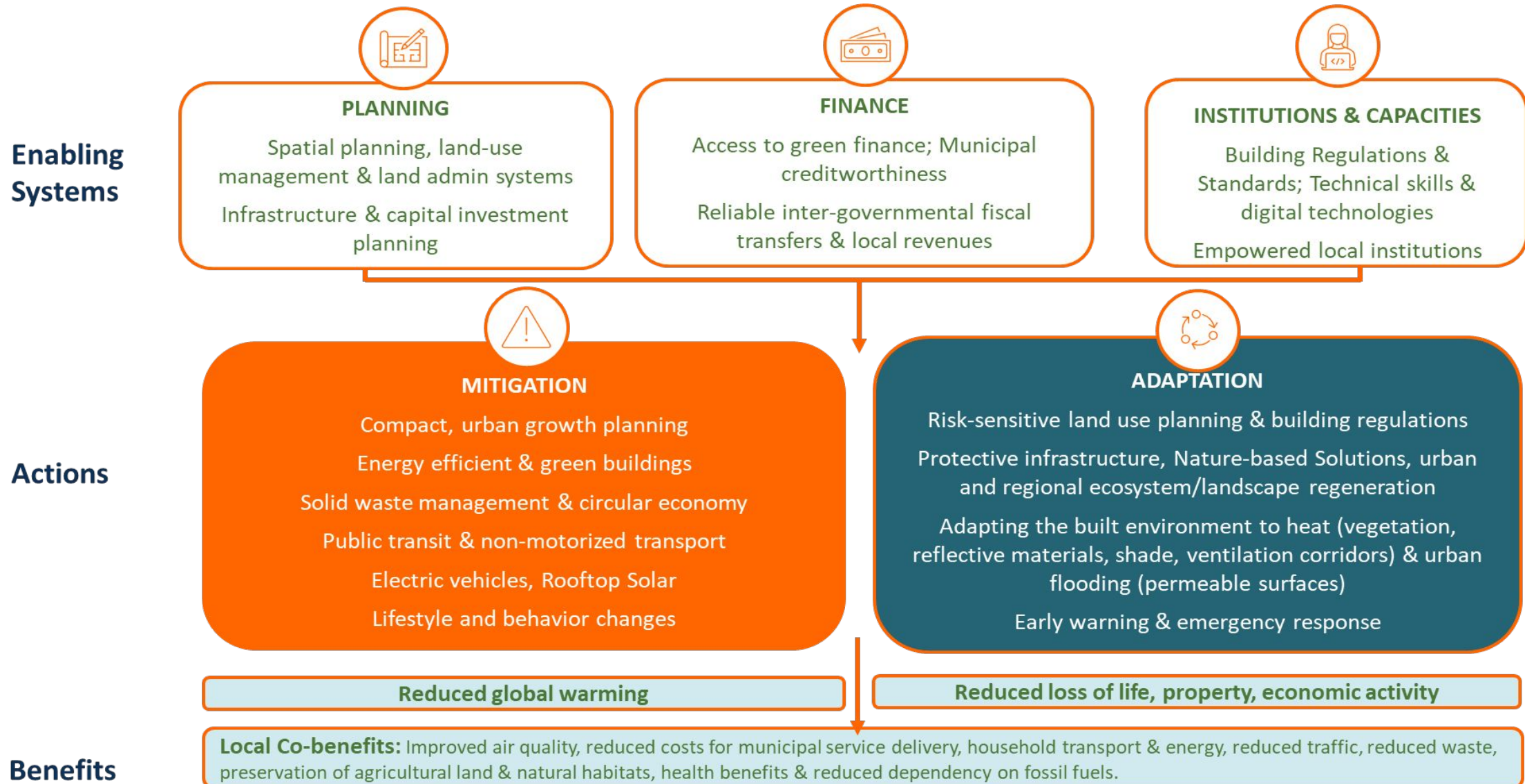
- **Improve last mile connectivity:** frequency and reliability of bus service, pedestrianization and cycling
- **Significantly reduce cost trade-offs** between car ownership and public commute
- **Use price signals** for behavioral change
- **Increase Footfall:** Improve Walkability and Tree-lined Pavements



Vehicle ownership in Southeast Asia and selected countries, 2017



Mitigation and Adaptation: Towards Sustainable and Resilient Cities



Adaptation: Urgency for a National Adaptation Plan

- Total public climate expenditure accounts for 0.2% of Malaysia's GDP and is comparable to other countries in the region.
- Adaptation expenditure has remained virtually unchanged in real terms, while mitigation expenditures more than doubled in real terms between RMK10 and RMK11.
- In the context of the increasing costs of climate events, the government may consider rebalancing climate expenditure toward adaptation.

Source: Forthcoming World Bank Public Expenditure Review 2022

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What does it take:**Better engagement, communication and capacity building**

- **For policy making:** Leverage and enhance existing platforms and institutional structures: Government, regulators with private sector and NGOs
- **For companies, especially SMEs who are part of value chain:** to drive transition – it is not just for compliance, it is for firm P&L/competitiveness
- **For the people:** mainstreaming and tell the stories better! Have short videos and communicate via all platforms especially social media

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What does it take:

Better alignment of policies, incentives and fiscal relations

- **Policies: One policy for sustainability with a clear mandate for coordination across Ministries, Agencies and subnational Governments**
 - Taking care of people: Incentives and enablers for companies to Transition
 - Better targeting Energy subsidies
 - Carbon pricing
- **Incentives and fiscal relations**
 - Increase the ambition of Ecological Fiscal Transfer for Biodiversity Conservation
 - Mobilising Private Sector Financing for Sustainability
 - Tax incentives for green technology adoption

TERIMA KASIH
THANK YOU
நன்றி
谢谢你



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In Malaysia, climate change threatens to exacerbate poverty & inequality, with low-income earners economically dependent on activities where climatic conditions play a prominent role & typically living in more exposed areas

49th

most vulnerable country in terms of climate change impacts

29,800 sqm

where **5M people** reside, are affected by climate hazards

10th

country with the greatest number of landslides

>1/2

of the total disaster occurrence are flooding

\$1.8B

annual economic damage due to flooding

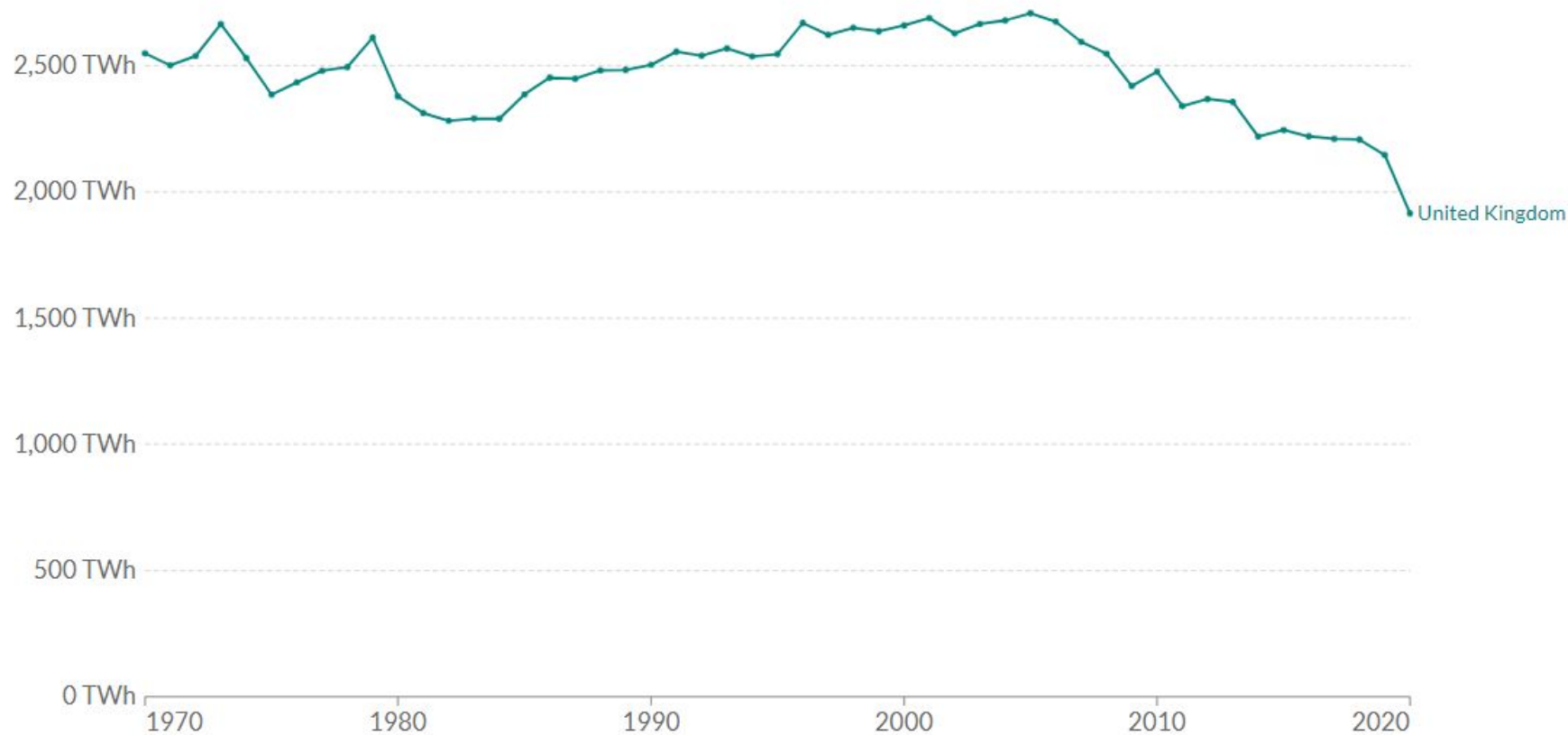
>130k

people affected annually by flooding

The UK now consumes less energy than back in 1970

Primary energy consumption

Primary energy consumption is measured in terawatt-hours (TWh).



Source: BP Statistical Review of World Energy; and EIA

<https://www.weforum.org/agenda/2019/08/uk-energy-same-as-50-years-ago/>