

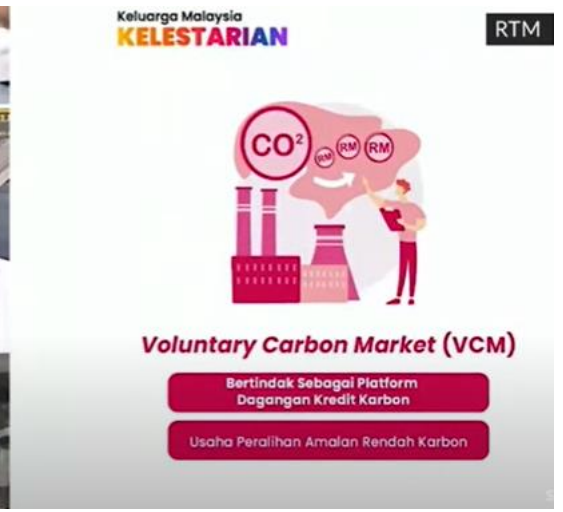


Bursa Malaysia Voluntary Carbon Market (VCM)

Background



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



There are three main mechanisms for “pricing” carbon

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

Voluntary Carbon Markets (VCM)

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

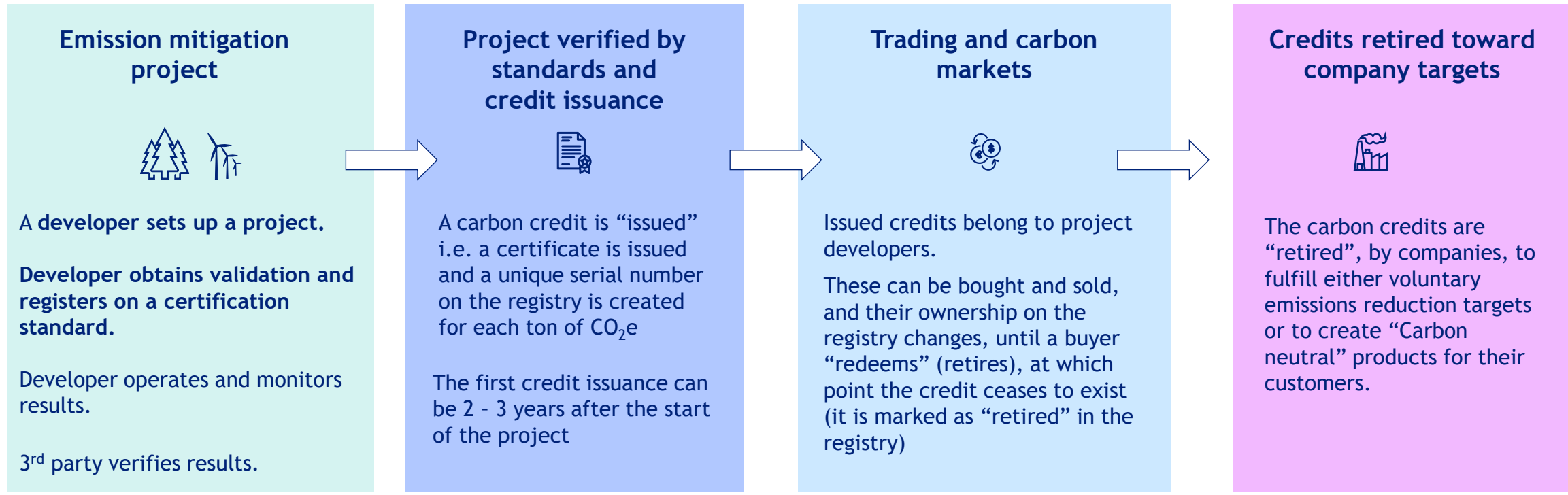
Emissions Trading System (ETS)

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

Carbon Tax

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

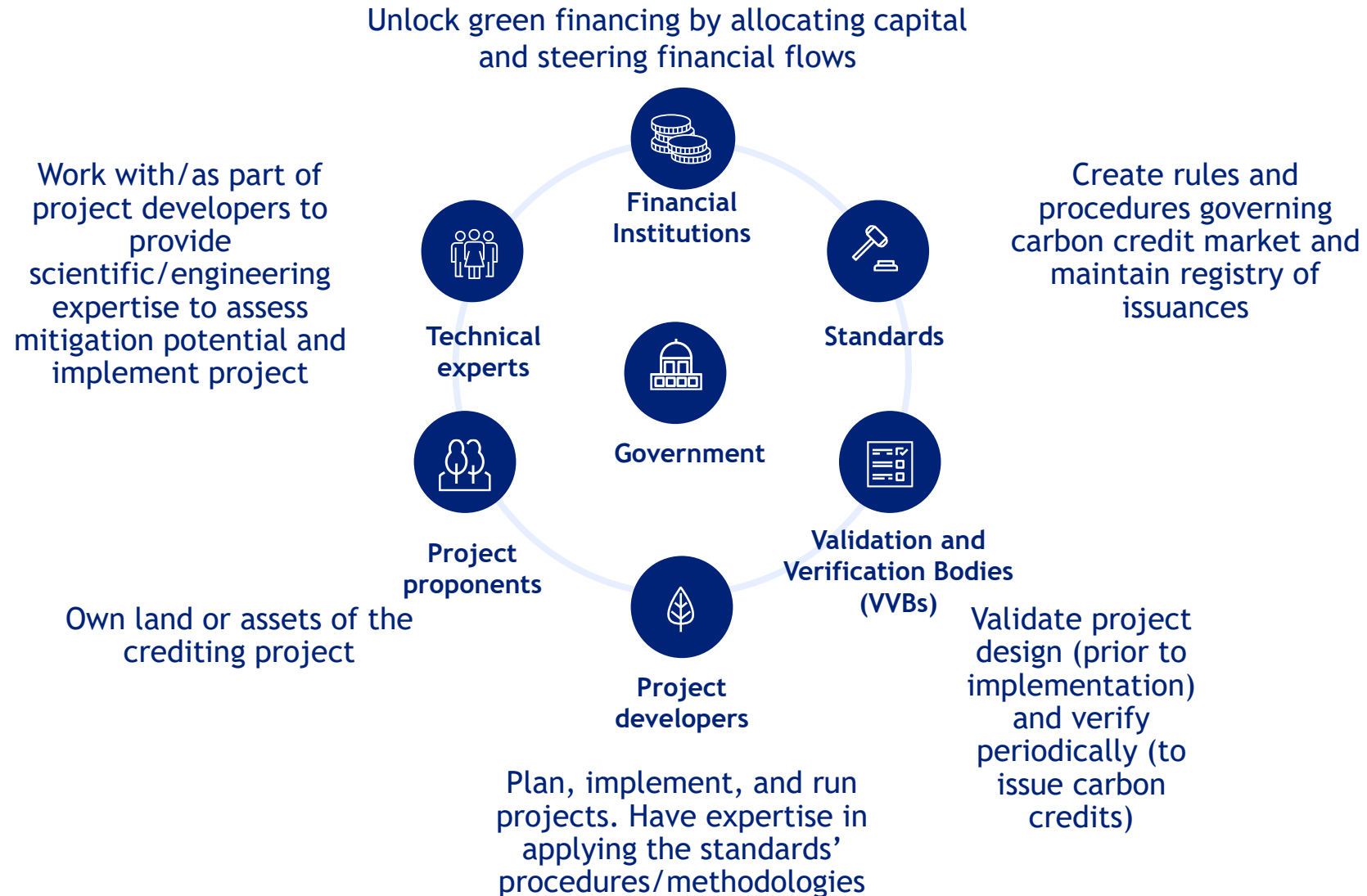
Carbon credits can be traded on a “Voluntary Carbon Market” (VCM), where companies make voluntary purchases to compensate for their emissions



Today, companies tend to buy a credit, and retire it shortly after, to use in meeting their emissions targets. However, transactions when a company buys credits for future use, or intermediaries buy credits to sell onwards / to benefit from price appreciation can also occur.

A successful VCM relies on having an enabling ecosystem

These players are necessary to generate carbon credit supply



There are several options for carbon crediting project activities

Technology-based



Renewable Energy

Biomass, geothermal, hydro (e.g., run of river hydro-electricity), solar, wind



Energy efficiency

Waste heat recovery, process efficiencies, insulation/weatherization of buildings



Waste Disposal

Waste management, landfill gas (e.g., landfill methane), wastewater, biogas



Industrial Gases

N₂O from nitric acid and adipic acid plants, ozone-depleting substances (HFCs)



Household Devices

Clean cookstoves, water purification devices



Transport

Electrification, lower fuel use (e.g., biofuels)



Tech-based Removals

Direct Air Carbon Capture and Storage, Bio Energy Carbon Capture and Storage

Nature-based



Agriculture / Soil Carbon

Rice methane, improved fertilizer management, no- and low-till agriculture, cover crops



Forestry

Afforestation, reforestation, improved forest management (IFM), conservation (REDD+)



Other Land Use

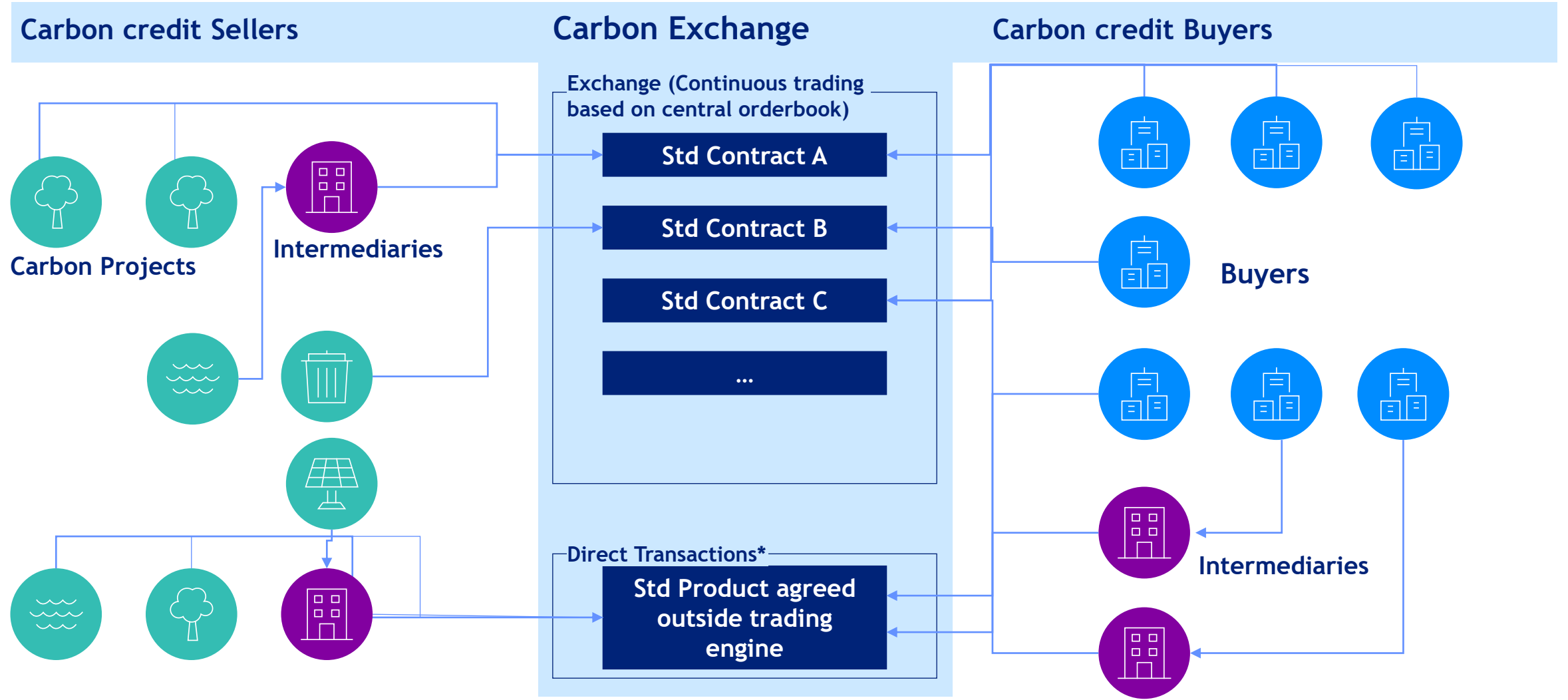
Grassland management, restoring or avoiding conversion of peatlands



Blue Carbon

Restoration or avoiding conversion of mangroves, wetlands, seagrass

The VCM exchange will offer standardized products



*This functionality may be available only at a later phase.

Each carbon credit within the standardized products on the exchange is still tied to a unique serial number on a registry

ILLUSTRATIVE

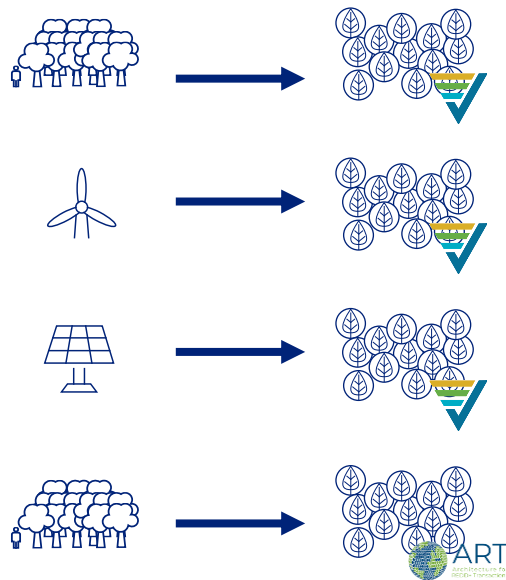


represents 1 carbon credit

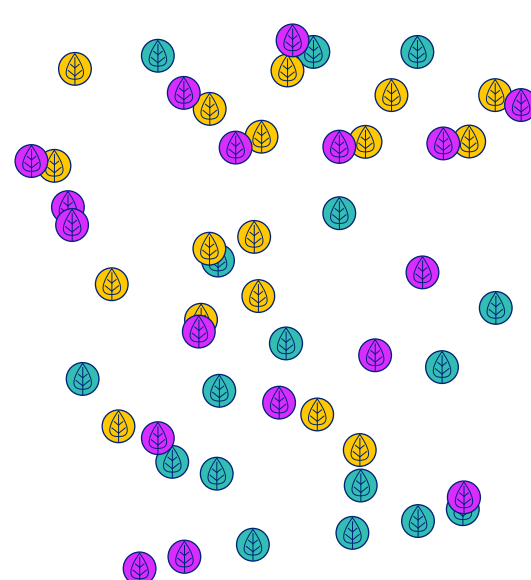
Carbon credits from carbon projects are issued by registries (e.g., Verra)

All carbon credits are onboarded on exchange - they become tradeable credits via standardized contracts

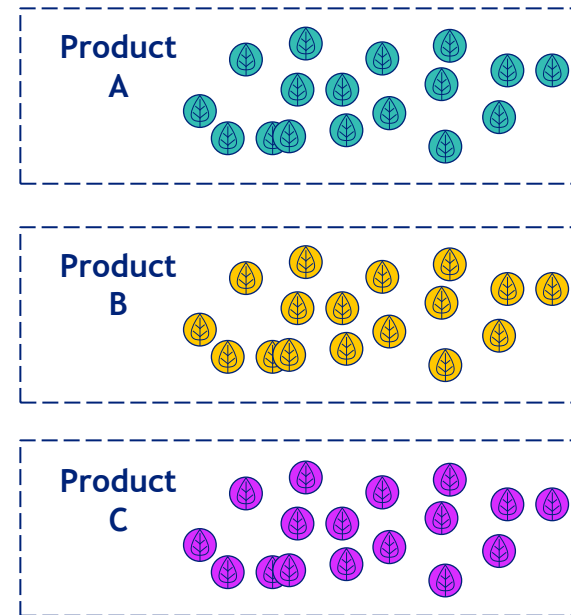
Credits are categorized into standardized contracts based on fit with contract specifications



Each carbon credit is associated with a **unique serial number**



Each carbon credit that satisfies the exchange's contract specifications is onboarded (moved to the exchange's omnibus registry account and a corresponding entry on the ledger is created), and **continues to retain its unique serial number**



Each carbon credit meets the quality criteria of a **standardized contract** on the exchange, and will be used to fill orders based on price and quantity



Each carbon credit retains its unique serial number as on the registry




Orders are filled by a subset of credits that meet the criteria of each standardized contract, fit of bid and offer prices



Bursa Malaysia To Launch VCM Exchange Through An Auction By Year-End 2022

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

Why auction?

-  Facilitate price discovery for new products on VCM Exchange
-  Provide reference price for carbon credit trading on VCM Exchange
-  Tangible price signal for potential issuers to embark on domestic carbon credit projects

Auction Details

Product Offerings	Global Nature Based Carbon Product Global Tech Based Carbon Product
Standard	Verra
Vintage	2016 onwards
Currency	MYR
Lot Size	1 Unit which is equivalent to 1 tCO2e
Minimum Order	100 Contracts
Maximum Order	No cap imposed

How Companies Can Participate

- Register as a market participant of the VCM Exchange to bid at the auction


Tentative timeline:


- Mid Nov** ➤ Onboarding starts
- Late Nov** ➤ Auction workshop
- Mid Dec** ➤ Auction

Interest Registration Form

Potential Areas of Support

Benefits of Being a Bidder at the Auction →

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

-  Contributing to the development of **domestic carbon credit ecosystem** by offering a price signal



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

Potential Buyers

➤ [Link to Registration Form](#)



Thank You

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