

**OPENING REMARKS BY TAN SRI ABDUL WAHID OMAR
CHAIRMAN OF BURSA MALAYSIA
LAUNCH OF THE BURSA CARBON EXCHANGE
9 DECEMBER 2022 (FRIDAY) | 10.00 AM
BANQUET HALL, LEVEL 3, KUALA LUMPUR CONVENTION CENTRE**

Salutation

Bismillahirrahmanirahim.

Yang Berhormat Tuan Nik Nazmi Nik Ahmad
Minister of Natural Resources, Environment & Climate Change,

Yang Berbahagia Datuk Seri Ir. Dr. Zaini Ujang
Ministry of Natural Resources, Environment & Climate Change,

Yang Berbahagia Dato' Anis Rizana Mohd Zainudin
Deputy Secretary General of Treasury (Investment), Ministry of Finance,

Yang Berbahagia Datuk Muhamad Umar Swift
Chief Executive Officer, Bursa Malaysia Berhad,

Members of the Board of Bursa Malaysia Berhad,

Representatives from relevant Ministries, Federal and State government agencies, corporates, private sector and non-governmental organisations,

Distinguished Guests,

Members of the Media,

Ladies and Gentlemen,

Assalamualaikum warahmatullahi wabarakatuh.

Salam sejahtera and a very good morning to all.

1. It gives me great pleasure to welcome you to the launch of Malaysia's Voluntary Carbon Market, or "V-C-M" for short. Special thanks to YB Tuan Nik Nazmi for gracing our event this morning.
2. As many of you would know, the establishment of the voluntary carbon market initiative was first announced on 29 October 2021, during the 2022 Budget Speech. The voluntary carbon market is a joint initiative between the Ministry of Environment & Water and Ministry of Finance, and Bursa Malaysia was tasked with its implementation.

Significance of a Voluntary Carbon Market

Ladies and Gentlemen,

3. The global carbon markets, which comprise both compliance and voluntary carbon markets, have grown tremendously over the years.
4. According to Ecosystem Marketplace, a leading source of global information on market-based approaches to sustainable environmental financing, the value of the voluntary carbon market has quadrupled since 2020, reaching nearly 2 billion US Dollar in 2021. This growth was driven by the acceleration of the trading volume, higher prices of nature-based solutions as well as other projects with non-carbon environmental and social benefits.
5. Notwithstanding the positive development in the voluntary landscape, the compliance carbon market continues to dominate the global carbon market with a total value of 270 billion US Dollar in 2021. In terms of greenhouse gas emissions (or “GHG”), the compliance carbon market accounts for approximately 16 percent of GHG emissions, while VCM accounts for only 0.2 percent.
6. Against this backdrop, we can see there is tremendous opportunity to scale up the voluntary carbon market. A McKinsey study published in January 2021, estimated that global demand for carbon credits could increase by a factor of 15 or more by 2030, and by a factor of up to 100 by 2050. That means the global market for carbon credits could be worth more than 50 billion US Dollar in 2030.

VCM Opportunities in Malaysia

Ladies and Gentlemen,

7. Malaysia has great potential to supply carbon credits with our 55 percent forest cover, which provides enormous opportunities for Malaysia to generate carbon credits through nature-based solutions. Projects such as reforestation, afforestation, avoided deforestation, avoided peat degradation and restoration, are just some examples from nature-based solutions.
8. Opportunities for nature-based solutions also include blue carbon projects. A blue carbon project uses marine and coastal ecosystems' climate change mitigation value to support their conservation, sustainable use, and restoration. Reduced emissions from tidal wetland degradation and seagrass restoration are two primary examples of blue carbon projects.
9. In addition to nature-based solutions, Malaysia could generate carbon credits through technology-based solutions such as methane capture for waste management and biogas, transportation and green mobility as well as green hydrogen and carbon capture, utilization and storage. In short, Malaysia's carbon credits can be generated from carbon-intensive sectors, which will help improve their business resilience as they leverage carbon credits sales to recover their investment costs in decarbonising projects.

Key Trends in VCM

Ladies and Gentlemen,

10. The voluntary carbon market is critical to assist the world in meeting the 1.5-degree Celsius pathway and accelerate the transition to a lower-carbon future. As Malaysia develops its VCM ecosystem, we must keep an eye on key trends and learnings in the carbon markets, particularly those emerging from the recent COP27. Please allow me to highlight four of them.

11. First, there is increasing demand for high-quality carbon credits and increased emphasis on additionality and permanence, where additionality means that carbon offset projects would be financially unviable without income from carbon credit sales, while permanence is a key tenet of carbon offset programmes where the GHGs must be permanently reduced or sequestered. For high-quality offsets, permanence is defined as at least 100 years of GHG reduction or sequestration.

12. Second, there is a strong call for greater transparency in disclosing the share of proceeds from sales of carbon credits to project developers, intermediaries, indigenous people and local communities (or “IPLCs” for short), and others in the supply chain. This is because the UN carbon market agenda prioritises IPLCs as nature’s stewards and their role in biodiversity conservation. Based on this principle, carbon credits derived from nature-based solutions with climate co-benefits of achieving people and nature-

based solutions with climate co-benefits of achieving people and nature impacts, will be conferred a much higher value than those that do not.

13. The third learning in the VCM space is that corporates in hard-to-abate sectors should prioritise the purchase of carbon credits to combat climate change rather than buying them as a last resort to close their residual emissions target gap. In this regard, while developing their mitigation strategy, corporates are urged to contribute to the financing of other decarbonising projects as the planet cannot wait until 2030, 2040, or 2050 for corporates to invest in carbon credits. Carbon offset projects, particularly those based on nature, have a long gestation period and necessitate early funding to meet long-term emissions reduction goals.
14. Fourth, as carbon markets mature, the “equivalence” of various pricing schemes must be addressed. There is a strong call for **equitable** carbon pricing premised on the UN’s principle of common but differentiated responsibilities and respective capabilities or “CBDR-RC”. This means that when the carbon credits are sold in the voluntary carbon market, developing and least developed countries would like to see an equitable carbon price that is comparable to the cross border carbon tax imposed by developed countries, which will be implemented on the basis of preventing “carbon leakage”.

Bursa Carbon Exchange: World's First Shariah-compliant VCM Exchange

Ladies and Gentlemen,

15. Today's event marks yet another key milestone in Bursa Malaysia history. The launch of the voluntary carbon market is momentous because it will play a significant role in supporting the nation, and indeed the world's, voluntary carbon market ecosystem.
16. Therefore, on behalf of Bursa Malaysia, I am delighted to announce the launch of **Malaysia's pioneer voluntary carbon market: the Bursa Carbon Exchange, or "B-C-X", with the mission of "Accelerating a Net-Zero Future"**.
17. In addition, I am extremely pleased that Bursa Malaysia has been able to meet the Government's request for a Shariah-compliant carbon exchange. Leveraging Malaysia's position as a top global Islamic financial marketplace as well as being the world's leading exchange for Islamic fund raising and investment, **Bursa Malaysia is the first exchange in the world to receive a Shariah Pronouncement for its Carbon Exchange, and the standardised carbon products that the Exchange will offer.**

Call-to-Action & Conclusion

Ladies and Gentlemen,

18. We have come a long way since the Government announced the VCM initiative in 2021 with Bursa Malaysia tasked to get it established by end-2022. Development on the VCM Blueprint started straight away, with numerous engagement and consultation with various agencies, consultancies, corporates and many other stakeholders, across various industry working groups - many of which would become the bedrock of domestic suppliers and buyers in the country.
19. I would like to take this opportunity to acknowledge and extend our sincere appreciation to all stakeholders and ecosystem partners, who have contributed, provided input and supported us on our journey towards establishing the Bursa Carbon Exchange. There are just too many to name, but key among them are the various Ministries, government agencies, the corporate and private sector as well as relevant NGOs. Thank you very much for your support and collaboration.
20. I would also like to call upon all project developers, investors and buyers to come together in building local capabilities for the voluntary carbon market ecosystem.
21. While we have made every effort to ensure that our Carbon Exchange can support the nation's net-zero GHG emissions goals, a successful voluntary carbon market is dependent on its participants. The BCX Rules, the auction terms and conditions, and Shariah

pronouncement are now in place. The online auction module is at the testing stage, while the carbon projects for auction are in the final stage of screening.

22. However, I understand that buyers require more time to submit their onboarding form. Therefore, I would strongly encourage all of you to do the necessary onboarding and undertake your required due diligence, so that you can be ready to participate in our **inaugural auction targeted for March 2023.**

Ladies and gentlemen,

23. The Bursa Carbon Exchange will help accelerate Corporate Malaysia and our national goal in achieving its Net-Zero aspiration. We look forward to the support and participation of all stakeholders to ensure its success while advancing our national agenda of addressing climate change.

Thank you.