Malaysia europe renewable energy

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Climate change might be the greatest challenge of our time. Its physical and socioeconomic impacts are already being felt strongly across the world, and globally coordinated actions will be required to overcome the challenges it presents.

This article is a collaborative effort by Vishal Agarwal, Vaibhav Dua, Enrico Furnari, Darshit Mehta, and Sunalini Sinha representing views from McKinsey"s Sustainability Practice and Global Energy & Materials Practice.

Already more than 60 countries, accounting for almost 90 percent of global emissions, have net-zero commitments in place by 2050 or later.1"Aligning capital market actions with climate reality," Climate Tracker, August 2023. According to the McKinsey report, Accelerating toward net zero: The green business building opportunity, more than $9 trillion of global annual investments are required to achieve the goal, which could create more than $12 trillion of global annual revenues.

Asia is expected to play a major role in the transition, given its high share of global emissions and strongly growing economies--over 40 percent of those revenues will likely come from the region.2"Green Growth: Capturing Asia's $5 trillion green business opportunity," McKinsey, September 14, 2022. There is already strong momentum in the region, as seen at the COP27 summit in Egypt in 2022 when G20 countries pledged a large climate finance deal ($20 billion) to Indonesian coal power shutdowns by 2030, with similar agreements in the pipeline for India and Vietnam.3"COP27--"Loss and damage" success tempered by lack of implementation," UN Environment Programme, United Nations, December 7, 2022.

Malaysia is well positioned for its net-zero transition owing to its strong natural resources and growing economy, creating opportunities for the country.6"Malaysia," Data Commons, August 2023; "Resources and power," Britannica, August 2023. Six themes have already started gaining initial momentum: carbon capture and storage, nature-based solutions, renewables, biofuels, e-mobility, and hydrogen.

Five key enablers could help unlock Malaysia"s CCS potential.

Clarity on CO2 capture and storage regulations, particularly in terms of governance for the issuance of CO2 storage licenses and permits, liability management framework for remediation and potential leakages, as well as monitoring, measurement, reporting, and verification (MMRV) of CO2 stored in various reservoirs.

Funding for CCS projects, from both local and international sources, including potential subsidies and blended finance options, along with a formal incentive structure that can improve cost of capital for CCS projects and encourage companies to utilize CCS.

Carbon compliance policies, either in the form of a carbon-tax or emissions-trading system, could be considered as a tool for creating further demand for carbon sequestration as industries look to meet their compliance requirements.

Industry associations to facilitate collaboration between governments, the private sector, and academia. As CCS is a relatively new technology, coordination across the value chain and various stakeholders will be key to developing domestic inbound and outbound supply, and continue progressing technology advances through R& D.

Bilateral agreements with other countries for cross-border CO2 storage, which could help to secure additional CCS demand in the near term, helping Malaysia achieve scale while supporting the greenhouse gas (GHG) reduction targets of other countries in the region.

However, some key unlocks are needed to free up Malaysia"s ecosystem as a major regional supplier of high-quality credits.

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