

A satellite night view of Southeast Asia, showing the Malay Peninsula and the Indonesian archipelago. The landmasses are dark, while the city lights and urban areas are illuminated in bright yellow and orange, creating a network of glowing points and lines against the dark background of the oceans.

PRICING CARBON IN MALAYSIA: MAKING CARBON PRICING WORK

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A background image of the cosmic web, showing a complex network of glowing yellow and orange filaments and clusters of matter against a dark blue and black space. The filaments form a web-like structure, with denser regions where matter has clumped together.

OUTLINE

- Choice of instrument(s)
 - Setting parameters
 - Enabling environment
- Circular economy as an implementation framework
 - Conclusion

Choice of Instrument(s)

A carbon tax — puts a direct price on GHG emissions and requires economic actors to pay for every ton of carbon pollution emitted. Provides a lot of certainty about price, but it less certainty about the extent of emissions reduction.

An emission trading system (ETS) — sets a cap on total direct GHG emissions from specific sectors and sets up a market where the rights to emit are traded. Provides certainty about emissions reductions, but not the price for emitting, which fluctuates with the market.

A crediting mechanism — emissions reductions that occur as a result of a project activity are assigned credits, which can then be bought or sold. Emitting entities buy the credits to offset their actual emissions. Requires independent verifiers to confirm the emission reduction before crediting.

Results-based climate finance (RBCF) framework — entities receive funds when they meet pre-defined climate-related goals, such as emissions reductions. Requires independent verifiers to confirm that a goal has been met.

Internal carbon pricing — entities assign their own internal price to carbon use and factor this into their investment decisions. Used for Scenario Analysis and facilitates Policy Readiness

Setting Parameters

Boundaries — defines which entities/sectors/industry categories participate in which programmes (may be progressive)

Emissions thresholds — commonly begin high and progressively decrease, capturing more entities with time

Carbon Price — commonly begin low and progressively increase, gradually approaching the externalized cost of GHG emissions

Progression — guided by Global Goals or aligned to National Targets. May be triggered/facilitated by regulations or legislation

Enabling (or disabling) environment

Subsidies — (including freebies, entitlements and carve-outs) counteract carbon pricing efforts

Incentives — including financing, tax breaks, etc.

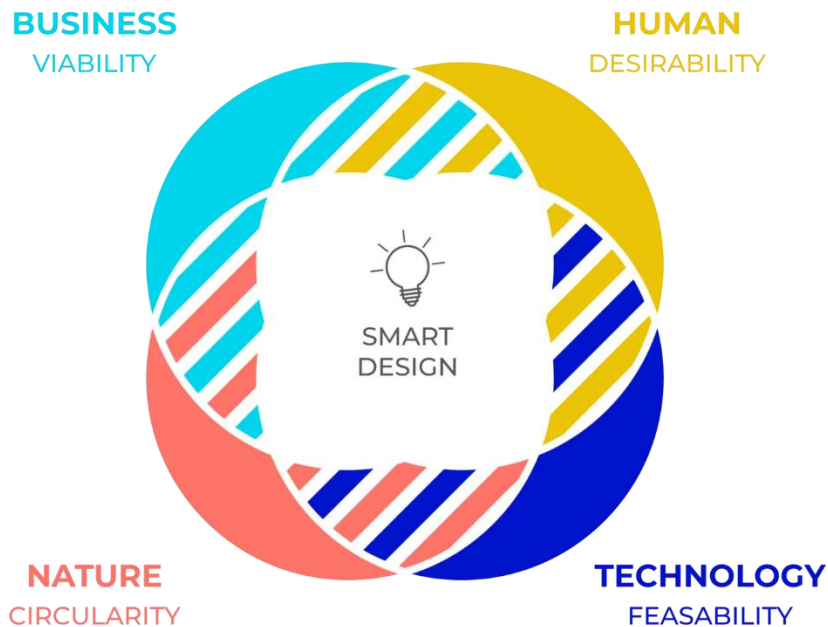
Human capital — expertise in quantification, MRV, auditing and certification, etc.

Implementation Framework — including early and comprehensive stakeholder engagement, clear guidance, compliance monitoring and enforcement mechanisms

Circular Economy as part of an implementation framework

It is time to end the "take-make-waste" economy

80% of all product (and service)-related **impacts** are determined during the **design phase**



Key Principles

- ☉ Eliminate
- ☉ Circulate
- ☉ Regenerate



A shift to a circular economy would reduce greenhouse-gas emissions by up to 70% and grow its workforce by about 4% (Nature)

How circularity complements carbon pricing

1. Eco-design -
Durable/Reusable/Repairable/Upgradable/Rebuildable
2. Designing out Planned Obsolescence
3. Accelerating Extended Producer Responsibility (EPR)
4. Products as a Service
5. From Ownership to Stewardship
6. From Consumers to Users/Creators
7. Skilled Local Craftspeople
8. Developing Service Networks



In Conclusion

- **Fairness.** Embody the “polluter pays” principle and ensure that both costs and benefits are fairly shared.
- **Alignment of policies and objectives.** Carbon pricing is not a stand-alone mechanism. It should mesh with and promote broader policy goals, both climate and non-climate related.
- **Stability and predictability.** Must operate as part of a stable policy framework and send a clear, consistent, and increasingly strong signal to investors.
- **Transparency.** Designed and carried out transparently.
- **Efficiency and cost-effectiveness.** Should lower the cost and increase the economic efficiency of reducing emissions.
- **Reliability and environmental integrity.** Should measurably reduce practices that harm the environment.



THANK YOU

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