

# Cultivating a more sustainable future through green technology

**A**s climate change continues to command mainstream attention, the adoption of green technology has gained traction as an effective avenue to preserve the environment for future generations.

Green technology — the development and application of products, equipment and systems used to conserve the natural environment and resources to minimise the negative impact of human activities — boasts a wide array of opportunities, particularly in the renewable energy sector.

Adoption in the space has accelerated in recent years as more nations actively pursue net-zero emission aspirations, joined by consumers who take a stance through their wallets and by supporting companies with sustainable environmental, social and governance (ESG) practices.

In Malaysia, the energy sector is the nation's largest contributor of greenhouse gas (GHG) emissions due to its energy generation mix of coal, natural gas and oil, according to the United Nations (UN).

However, as it remains steadfast in its commitment to the Paris Agreement — under which it pledged to reduce its GHG emission intensity of gross domestic product (GDP) by up to 45% by 2030 — the cogs have already begun to turn as Malaysia shifts towards a greener future.

The Malaysian government has formulated policies and initiatives to spur further growth in the green technology industry to spearhead the nation's sustainable development as well as expedite the realisation of its green economy.

In the 12th Malaysia Plan (12MP) — the na-

tion's development road map for 2021 to 2025 — green growth has been positioned as a key priority, with particular focus on green technology and energy sustainability as fundamental aspects to cultivating the country's green economy.

Aligned with its shift towards becoming a low-carbon nation, the government has steered the country to embrace the realisation of a circular economy, encouraged shared public-private responsibility and investments, as well as organised green financing facilities.

Early this year, the government launched the MySDG Trust Fund — with a RM20 million initial allocation — in collaboration with the UN to address financing gaps faced by sustainable development goal (SDG)-focused programmes and projects undertaken in Malaysia. The government will also issue a ringgit-denominated sustainability sukuk of up to RM10 billion to finance eligible social or environmentally-friendly projects.

Meanwhile, to assist small and medium-sized enterprises (SMEs), the Low Carbon Transition Facility — which carries a fund value of RM1 billion — was introduced under Budget 2022 on a matching fund arrangement with participating financial institutions.

## USHERING IN GREEN TECHNOLOGY ADOPTION AND INVESTMENTS

In order to accelerate green technology adoption among businesses in Malaysia, the government has structured relevant incentives such as the Green Investment Tax Allowance (GITA) and Green Investment Tax Exemption (GITE).

The GITA entails an allowance of 100% of the qualifying capital expenditure (capex) on a green technology project for three (3) years from the date of its first qualifying capex incurment. Meanwhile, the GITE is a 70% tax exemption on the statutory income for qualifying green services for green services providers over a three-year period commencing from the assessment year in which the first invoice related to green technology services was issued.

The government's green incentives have clearly borne fruit. In 2021, the Malaysian Investment Development Authority (MIDA) said that it had approved 882 green technology projects with investments amounting to RM3.67 billion, and seven (7) green services companies with a total proposed operational expenditure (opex) of RM21.9 million, for GITA and GITE, respectively.

In terms of subsectors, energy generation accounted for the largest share of green technology projects' approved investments in 2021, amounting to RM3 billion, followed by energy conservation (RM405.9 million), integrated



waste management (RM172.9 million) and green building (RM86.7 million).

MIDA noted that direct domestic investments (DDI) contributed RM2.96 billion of 2021's approved green technology project investments, while foreign direct investments (FDI) accounted for RM730.3 million.

"The current green technology incentives have been well received since they were first introduced in Budget 2014. The extended GITA and GITE until December 2023 have continued to receive encouraging response from the industrial and commercial sectors through various projects," MIDA added.

From January to March 2022 (1Q2022), MIDA approved 209 green technology projects with investments amounting to RM413.55 million for GITA, and three (3) green services companies with a total proposed opex of RM19.45 million for GITE.

As for approved green technology project investments in 1Q2022, DDI accounted for RM395.6 million, while RM37.41 million was contributed by FDI.

"MIDA welcomes strategic investments and coalitions in the green technology industry to further revive Malaysia's green ecosystem in line with the importance of sustainable circular economy adoption, which will be implemented through integrating the SDGs and ESG principles into decisions.

"MIDA will continuously facilitate and provide policies to concurrently build climate resilience, reduce global emissions by 45% by 2030 and achieve net-zero emissions by 2050," it added.

With the government's resolute support, innovative technological advancements, rising social awareness and robust green technology development strategies underpinning the nation's sustainability commitments, Malaysia is well on the path towards achieving its green agenda goals.