Presentation on Green Technology Financing by Malaysia Green Technology and Climate Change Centre

Purpose: Information
Submitted by: Malaysia
Green Technology Financing by
Malaysia Green Climate Change

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FINANCING GAPS AND CHALLENGES FOR GREEN INVESTMENTS

ISSUES & CHALLENGES TO ACCELERATE GREEN INVESTMENTS

**POLICY SUPPORT**
- Public funding resources are limited to cater for the immense green infrastructure investment.

**PERCEIVED RISKS**
- Lenders and investors imposed more stringent criteria which leads to higher cost of financing.
- Lack of green private equity funds.
- Project developers lack of “near cash” collateral and poor credit standing.
- Scarce dedicated green lending facilities – banks stick to traditional sectors e.g. consumer and “balance sheet” lending.

**LACK CAPACITY**
- Local banks unfamiliar with green projects and insufficient capacity to evaluate these projects.
- Certain green technologies have real or perceived higher risks.
- Novel technologies and business models lack pertinent information and face information asymmetries.
- Knowledge gap in evaluating green technologies and involved high cost of due diligence checks.
- Limited track record of consistent returns.

**BANK NEGARA MALAYSIA’S Joint Committee on Climate Change**
- Policy and regulatory framework conducive for green financing & investment.
- Alternative Sources of Financing - private equity/venture capital

**Government green procurement – catalyse green growth**

**Capacity building and awareness**

**Alternative financing mechanisms – Green bonds/Sukuk. De-risking instruments**
POLICY SUPPORT MECHANISM FOR GREEN FINANCING & INVESTMENTS

POLICY
- National Green Technology Policy 2009
- National Policy on Climate Change 2009
- Renewable Energy Act 2011
- 11th Malaysia Plan 2016-2020

FINANCING MECHANISM

POLICY INSTRUMENTS
- Feed in Tariff
- Large Scale Solar
- Net Energy Metering
- Government Green Procurement

TAX INCENTIVES
- Green Investment Tax Allowance
- Green Income Tax Exemption
- Tax deduction until year of assessment 2020 on issuance costs of SRI sukuk approved or authorised or lodged with the Securities Commission
- Tax exemption for the recipients under the Green SRI Sukuk Grant Scheme from year of assessment 2018 to 2020
- MYR6 million Green SRI Sukuk Grant Scheme to defray independent expert review costs incurred by issuers

De-Risking Instrument
- Green Sukuk Issuance

Green Technology Financing Scheme (GTFS)
GREEN TECHNOLOGY FINANCING SCHEME (GTFS) PERFORMANCE 2010 – 2017

- Energy: 85%
- Waste & Water: 13%
- Building: 1%
- Transportation: 1%

CONVENTIONAL FINANCE 53%
ISLAMIC FINANCE 47%

FINANCING APPROVALS (MYR million)

- Total Loan: 158.9, 394.6, 508.8, 518.1, 395.5, 533.7, 406.2, 723.2
- No. of Projects: 13, 22, 42, 43, 44, 61, 46, 48

EXPECTED IMPACT:
- Energy Conservation
- Renewable Energy Generated
- Green Investments
- Avoidance of Waste to Landfill
- GHG Emissions Reduction

ENERGY CONSERVATION: 34,062.68 MW/yr
RENEWABLE ENERGY GENERATED: 532.89 MWh
GREEN INVESTMENTS: MYR7.05 billion
AVOIDANCE OF WASTE TO LANDFILL: 213,440 MT/yr
GHG EMISSIONS REDUCTION: 3.784mtCO2eq/yr
Objective is to promote green investments by providing easier access to financing and at a lower financing costs.

**PRODUCERS**
To finance investment for the production of green products

**USERS**
To finance investment for the utilization of green technology

**ENERGY SERVICE COMPANIES (ESCO’S)**
To finance investment or assets related to energy efficient project and/or energy performance contracting

**INCENTIVE**
- 60% Guarantee on loans provided by banks
- 2% p.a subsidy on the interest cost

https://www.gtfs.my/
GTFS 2.0 PERFORMANCE as at Dec 2019

GTFS CERTIFIED PROJECTS

- Solar Farm, 11, 31%
- Biogas Power Plant, 15, 43%
- Solar Rooftop, 4, 11%
- Pellet Plant, 1, 3%
- Hydro Power Plant, 2, 6%
- Waste, 1, 3%
- Biomass, 1, 3%

No. of projects = 35
Cost = RM1.6b

BANK LOAN APPROVALS

- Solar Farm, 44%
- Biogas Power Plant, 9%
- Solar Rooftop, 12%
- Hydro Power Plant, 8%
- Pellet Plant, 0%
- Waste, 0%
- Biomass, 0%

No. of projects = 25
Project (71%)
Cost = RM0.9b (56%)
GTFS 2.0 EXPECTED IMPACT (As at Dec 2019)

Renewable Energy Generated: 667,866 MW/Year

Green Investments: RM1.33 Billion

Waste Minimization: 29,690 MT/Year

GHG Reduction: 8.55 m tCO2e/Year
EMINENT ROLE OF BANKS AND FINANCIAL INSTITUTIONS

Drive investment in and growth of new technologies and solutions to climate change.

Preference given to financing projects that do not degrade the environment.

Adopt green practices promoting the green culture within its organisation.

Measuring the bank’s carbon impact of investments (carbon footprint), enable it to manage its portfolio, with further understanding on climate risk associated with it and sets the right targets.
GO GREEN TO SAVE THE BLUE