EMPOWERING GREEN MARKETS
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MANDARIN ORIENTAL HOTEL
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Financial Incentives For Pursuing Green Technology Investments

Syed Ahmad Syed Mustafa
Vice President
Malaysian Green Technology Corporation
OUTLINE

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- CREATING THE RIGHT CONDITIONS
- NATIONAL GREEN TECHNOLOGY POLICY
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- GREEN TECHNOLOGY FINANCING SCHEME
ABOUT GREENTECH MALAYSIA

INCEPTION:
12 MAY 1998

FOCUS
Technology and Research Centre in the Energy Sector focussing on EE and RE.

7 APRIL 2010

MANDATE
To catalyse green technology deployment as a strategic engine for Malaysia’s economic growth.
Purpose: To catalyse green technology deployment as a strategic engine for Malaysia’s economic growth

Goal: Establish Malaysia as a world hub for Green Technologies

Focus Area 1: Awareness and Promotion Programmes
Focus Area 2: Competency and Capacity Development Programmes
Focus Area 3: Market Enhancement and Infrastructure Development Programmes
Focus Area 4: Industry Development and Technology Transfer Programme
Focus Area 5: Policies and Financing Mechanism Programmes

Impact of Green Technology adoptions and deployment:
Environment: Reduction of carbon emission;
Economy: Increase in GNI/GDP and investments;
Social: Increase in high income jobs and knowledge workers;
Energy: Reduction of fossil-fuelled power and increase in renewable power.
Green technology success is contingent on the availability of policy mix that combines the “carrot” and the “stick”

- **Green Technology**
- **Policy**
- **Incentives**
- **Regulatory Framework**
COP15, 2009: Malaysia pledged to reduce carbon emission intensity of up to 40% by 2020 compared to 2005 levels

Green Technology Financing Scheme extended to 2015 with additional RM2 billion

Renewable Energy Act 2011

Feed in Tariff Mechanism
The development and application of products, equipment and systems used to conserve the natural environment and resources, which minimizes and reduces the negative impact of human activities.

**GREEN TECHNOLOGY**
shall be a driver to accelerate the national economy and promote sustainable development.

**OBJECTIVES**
- To reduce the energy usage while increasing economic growth.
- To facilitate the growth of the green technology industry and enhance its contribution to the national economy.
- To increase the national capability and capacity for innovation in green technology development and enhance Malaysia’s competitiveness in the global.
- To enhance public education and awareness on green technology and encourage its widespread use.

**FOUR PILLARS**

**ENERGY**
Seek to attain energy independence & promote efficient utilization

**ENVIRONMENT**
Conserve and minimise the impact on the environment

**ECONOMY**
Enhance the national economic development through the use of technology

**SOCIAL**
Improve the quality of life for all
NATIONAL GREEN TECHNOLOGY POLICY

STRATEGIC THRUSTS

Strengthen The Institutional Frameworks

Provide A Conducive Environment For Green Technology Development

Intensify Human Capital Development In Green Technology

Intensify Green Technology Research And Innovations

Promotion And Public Awareness
STRENGTHEN THE INSITUTIONAL FRAMEWORK

2009 Formation of the Ministry of Energy, Green Technology and Water to replace the Ministry of Energy, Water and Communications

2009 Establishment of the National Green Technology Policy

2010 Restructuring of Pusat Tenaga Malaysia to Malaysian Green Technology Corporation

2010 Establishment of the National Green Technology and Climate Change Council

2011 Setting up of the Sustainable Energy Development Authority (SEDA)
The National Energy Efficiency Master Plan (NEEMP)
Study on electrical and thermal energy with the aim to boost the nation’s energy efficiency and conservation efforts.

The Malaysia Renewable Energy Policy
To enhance the utilization of indigenous renewable energy resources to contribute towards national electricity supply security and sustainable socio-economic development.

The Renewable Energy Act
Establishment and implementation of the FIT mechanism.

Sustainable Energy Development Authority Act
Establishment of Sustainable Energy Development Authority Malaysia providing its functions and power for related matters.
STRENGTHEN THE INSTITUTIONAL FRAMEWORK

Green Technology Baseline Study
Green technology roadmap which aims to spell out the direction Malaysia has to take in implementing and encouraging the adoption of green technology and green practices across all economic sectors.

The Green Technology Master Plan
Covers overall green technology applications and action plans in all relevant economic sectors

Green Technology Legislation Baseline Study
Study on existing legislations and to determining if a new Act needs to be developed or existing legislation should be amended.
PROVIDE A CONDUCIVE ENVIRONMENT FOR GREEN TECHNOLOGY DEVELOPMENT

Green Technology Financing Scheme (GTFS)
RM3.5 billion loan guarantee scheme

Low Carbon Cities Framework & Assessment System (LCCF)
To assist local authorities, township developers, designer and individuals in assessing whether developments carried out contribute towards GHG reduction.

The National Green Labeling Framework
MyHijau Label comprising:
- Eco Label
- Carbon Footprint Label
- Energy Efficiency ratings
PROVIDE A CONDUCIVE ENVIRONMENT FOR GREEN TECHNOLOGY DEVELOPMENT

Green ICT

The Sustainable Achieved Via Energy Efficiency (SAVE) Program
Rebate vouchers for energy efficient refrigerators and air conditioners.

The Feed-in-Tariff (FiT) Mechanism
The utility company is obliged to accept all electricity generated by RE private producers for a fixed tariff rate for a fixed duration.

Program on 10% savings of energy and water in government buildings in Putrajaya.

Development of the Building Consumption Input System (BCIS)
An online input database system for the purpose of monitoring the energy and water consumption of buildings.
INTENSIFY HUMAN CAPITAL DEVELOPMENT IN GREEN TECHNOLOGY

The National Green Jobs Roadmap
Collaboration with the Ministry of Human Resources and the International Labour Organisation in developing a National Green Jobs Roadmap for the country.

Green Skills Development
Collaboration with Skills Development under the MOHR to develop relevant documents for green skills development.

Integration of Green Topics
Collaboration with the Ministry of Education (MOE) in integrating green topics/syllabus into the national education system and development of modules and courses related to green technology in institutes of higher learning.
International GreenTech & Eco Products Exhibition & Conference (IGEM)
A yearly international event to showcase green technology products and services and networking among industry players.

Green Community Events
Green carnivals and roadshows to create public awareness.

Green Symposiums and Conferences
Workshops, seminars and forums for knowledge sharing
The Basics....

Assessment of investments in Green Technology is similar to that of any other investments.

- Financial institutions are a business
- More risks higher returns
- Different financial institutions have different risk appetite

Viability of Green Technology is influenced by policies, regulatory framework and availability of incentives.
INCENTIVES FOR GREEN TECHNOLOGY

FILLING THE FINANCING GAPS

GREEN TECHNOLOGY FINANCING SCHEME

FEED IN TARIFF MECHANISM

TAX INCENTIVES
INCENTIVES FOR GREEN TECHNOLOGY

TAX INCENTIVES
• **Pioneer Status** – exemption from income tax on 100% of statutory income for 10 years.

• **Investment Tax Allowance (ITA)** - 100% of qualifying capital expenditure incurred within a period of 5 years. This allowance can be set-off against 100% of statutory income for each year of assessment.

• **Import Duty Exemption** - imported machinery, equipment, materials, spare parts and consumables.

• **Sales Tax Exemption** - locally purchased machinery, equipment, materials, spare parts and consumables

• **Exemption of import duty and/or sales tax** to “Third Party Distributors (TPD)” - for Solar (PV or thermal) Systems products.

For more information: [www.mida.gov.my](http://www.mida.gov.my)
TAX INCENTIVES

APPROVALS

RE/EE PROJECTS APPROVED INCENTIVE 2001-Sept 2012

- RE, 170: RM5.3b
- EE, 48: RM4.5b

Source: MIDA
TAX INCENTIVES: GREEN BUILDING WITH GBI CERTIFICATE

A RATING SYSTEM FOR ENVIRONMENT FRIENDLY BUILDINGS BASED ON:

- Energy Efficiency (EE)
- Indoor Environment Quality (EQ)
- Sustainable Site Planning & Management (SM)
- Materials & Resources (MR)
- Water Efficiency (WE)
- Innovation (IN)

Owners of buildings awarded the GBI certificate, are eligible for tax exemption equivalent to 100% of the additional capital expenditure incurred to obtain the GBI certificate. The exemption is allowed to set-off against 100% of the statutory income for each year of assessment. The incentive is applicable for new buildings and upgrading of existing buildings and only for the first GBI certificate issued in respect of the building.

Buyers of buildings and residential properties awarded GBI certificate bought from real property developers are eligible for stamp duty exemption on instruments of transfer of ownership of such buildings. The amount of stamp duty exemption is on the additional cost incurred to obtain the GBI certificate. The incentive is given only once to the first owner of the building.

Effective from 24/10/09 – 31/12/14
INCENTIVES FOR GREEN TECHNOLOGY

FEED IN TARIFF MECHANISM
FEED IN TARIFF MECHANISM: RENEWABLE ENERGY GENERATION

A mechanism which allows electricity that is produced from indigenous RE resources to be sold to power utilities at a fixed premium price and for specific duration:

- **21 YEARS**
- **16 YEARS**
- **16 YEARS**
- **21 YEARS**

Distribution Licensees (power utilities) are obliged to buy from Feed-in Approval Holders (FIAHs) the electricity produced from renewable resources based on the set FiT rate.

For more information: [www.seda.gov.my](http://www.seda.gov.my)
FIT APPROVALS

Approved Capacities (MW) 2012-2014 as of March 2013

- **TOTAL CAPACITY OF APPROVED PROJECT 439.01MW**
  - SOLAR PV (NON-IND): 35 (24.02MW), 132 (156.58MW), 312 (3.5MW)
  - SOLAR PV (IND): 923 (13.36MW)
  - SMALL HYDRO: 5 (15.7MW), 18 (115.05MW)
  - BIOMASS: 5 (50.4MW), 14 (132.29MW)
  - BIOGAS: 5 (7.41MW), 14 (21.73MW)

- **TOTAL CAPACITY OF EXECUTED PROJECT 101.03MW**

Red bars represent projects achieved FiTCD, blue bars represent the number of approved projects.
INCENTIVES FOR GREEN TECHNOLOGY
GTFS : RM3.5 BILLION ALLOCATION SOFT LOAN GUARANTEE SCHEME

- Introduced in 2010 till 2012 with a RM1.5 billion allocation.
- Extended to 2015 with an additional allocation of RM2 billion.
- Objective is to promote investments in green technology by providing easier access to financing green technology projects.

**FINANCIAL INSTITUTIONS**

**FINANCING**

**CREDIT GUARANTEE CORPORATION**

**GREEN PROJECT CERTIFICATE**

**PRODUCER**
- Max. RM50m
- For 15 years

**USER**
- Max. RM10m
- For 10 years

- Financing will be provided by all commercial & Islamic banks and Development Financial Institutions (DFIs)
- 0.5% p.a. guarantee fee to the government
- Projects are to be located in Malaysia
- Refinancing is not allowed.

60% GUARANTEE ON FINANCING AMOUNT

2% REBATE
GTFS GREEN PROJECTS CRITERIA

To be eligible, projects need to comply with any one of the following criteria:

- Minimize degradation of environment.
- Zero or low greenhouse gas emission.
- Safe for use and promotes healthy and improved environment for inhabitants.
- Conserve the use of energy and natural resources.
- Promote the use of renewable energy resources.
GTFS KEY STAKEHOLDERS

BANK NEGARA MALAYSIA
- COORDINATING THE SCHEME

GREENTECH MALAYSIA
- PROMOTION OF THE SCHEME
- PRE-SCREENING AND ISSUANCE OF GREEN PROJECT CERTIFICATE
- MONITORING

CREDIT GUARANTEE CORPORATION
- ADMINISTERING THE SCHEME PROVIDING GUARANTEE AND REBATES

PARTICIPATING FINANCIAL INSTITUTIONS
- FINANCIAL ASSESSMENT AND FINANCING THE PROJECTS
GTFS EVALUATION PROCESS

APPLICATION (PROJECT PROPOSAL)
- Online: www.gtfs.my

21 Days

TECHNICAL EVALUATION & BUSINESS REVIEW PRESENTATION

APPROVAL BY GTFS TECHNICAL COMMITTEE (GTC)

ISSUANCE OF THE GREEN PROJECT CERTIFICATE

SUBMISSION OF MONTHLY PROGRESS REPORT TO GREENTECH MALAYSIA

FINANCING APPLICATION TO FINANCIAL INSTITUTIONS

FINANCIAL INSTITUTION SUBMISSION TO CGC FOR GUARANTEE

FINANCING DOCUMENTATION AND DISBURSEMENT

PROJECT COMMENCEMENT AND COMMISSIONING

TECHNICAL AUDIT BY GREENTECH MALAYSIA
GTFS CERTIFICATION STATUS

311 APPLICATION PROCESSED AMOUNTING TO RM5.6 BILLION IN GREEN COSTS

278 PROJECTS CERTIFIED AMOUNTING TO RM4.8 BILLION IN GREEN COSTS

22% Exporters
111 PROJECTS SECURED FINANCING AMOUNTING TO RM1.49 BILLION AND RM460.3 MILLION DISBURSED

- Total Amt Disbursed (RM' million)
- Total Amt Approved (RM' million)
- No of Project

- **Energy**: 22% Exporters
- **Building**: 15%
- **Transport**: 85%

**22 PARTICIPATING FINANCIAL INSTITUTIONS**
GTFS PROGRAM IMPACT

- **Green Investments of RM2.9bil**
- **Green Employment of 1,377**
- **GHG Emission Reduction of 1.7 million tons/CO2eq/yr**
“Catalysing green technology deployment as a new engine for economic growth”