

Participating in Discussions on Malaysian Energy Policy

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In Malaysia on September 12 to 15, I had opportunities to discuss Malaysian energy policy with Malaysian government officials, researchers and energy industry people, as well as Japanese government and industry representatives there. I also gave a lecture on the Ukraine crisis and energy security and exchanged views with lecture participants at University Tenaga Nasional (UNITEN) to which I have served as an international adviser since 2015. Through these opportunities, I understood Malaysian energy policy stakeholders' perceptions and matters of interest and acquired implications about the direction of future Malaysian energy policy initiatives and about potential cooperation between Malaysia and Japan. In the following, I would like to summarize key points of the discussions:

First, I felt that the Ukraine crisis has led Malaysian energy policy stakeholders to grow interested in international energy market destabilization and price hikes, and energy security. Government officials explicitly indicated a perception that energy security and stable energy supply are a top energy policy priority. Under this perception, needs are growing for policy research to enhance energy security for Malaysia. As explained later, how to combine the 2050 carbon neutrality goal, another important challenge for Malaysia, with the energy security enhancement trend based on the Ukraine crisis has become a top priority challenge for Malaysia's energy policy.

Energy price spikes' adverse impacts on the global economy and the Asian economy become a negative macroeconomic factor for Malaysia. In addition, we must pay attention to the regressivity of energy price spikes' impacts. Energy price spikes' adverse impacts are greater for lower-income countries or groups. To counter the regressivity, many developing countries including Malaysia have introduced energy subsidies as a key social policy tool. As international energy market prices have shot up under the impacts of the Ukraine crisis, however, Malaysian energy subsidies to protect consumers are predicted to total as much as 80 billion ringgits (about 2.5 trillion yen) this year. Such massive subsidies may cause a great burden on Malaysia's public finance. For Malaysia, energy price spikes trigger complex and difficult problems.

For Malaysia, a matter of concern regarding energy security is related to coal-fired power generation. As of 2021, coal-fired power plants accounted for 44% of Malaysia's total power generation, serving as its largest electricity generation source. How to position coal-fired power generation in Malaysia's decarbonization initiative has become a key issue regarding stable electricity supply. In a related development, Indonesia, a key coal supplier for Malaysia, banned coal exports to give priority to domestic consumption in early 2022, leading stable coal supply to become a key topic for Malaysia. While the effective utilization of existing coal-fired power plants remains indispensable for securing electricity supply at affordable prices, its balance with the decarbonization goal, insecurity about Indonesian coal supply and remarkable hikes in international coal prices have made stable coal supply a complicated energy policy challenge for Malaysia.

Meanwhile, Malaysia is required to depict a path to its carbon neutrality goal. Although hopes on renewable energy are growing in this respect, I felt that Malaysia is greatly interested in and concerned about the renewable energy promotion's impacts on stable electricity supply and electricity costs. At a time when Malaysia is socially and politically required to supply electricity or energy at affordable prices, it is seemingly agonizing over how to depict a path to decarbonization.

As price spikes for energy as one of the daily necessities under the Ukraine crisis have become a big political, social issue even in developed countries, it is natural for energy price spikes to loom as an even more serious issue for emerging and developing countries including Malaysia. In this respect, the decarbonization initiative may be required to suppress cost hikes as much as possible. I felt that Malaysia has grown more interested in a step-by-step transition, rather than a leap-frog transition, to decarbonization. Japan has given priority to a pragmatic, inclusive approach to cooperation with Asian or other emerging and developing countries in promoting steady decarbonization and energy security enhancement. This approach may be significant for Japan to represent Asian countries at the next annual Group of Seven summit.

One of the impressive points regarding my discussions with Malaysian energy policy stakeholders is their greater-than-earlier interest in nuclear energy. The position of nuclear energy in Malaysia's energy policy discussions has changed in line with government changes. This time, however, I felt that changes in the international nuclear energy situation might have exerted some influence on Malaysia, irrespective of any government change. Under the impacts of energy price spikes since the second half of 2021 and the Ukraine crisis, France and the United Kingdom turned policy to construct new nuclear reactors. Moves to extend the service life of existing nuclear reactors and reconsider their decommissioning have been seen. Hopes are growing on new nuclear reactors including small modular reactors. Malaysian energy policy stakeholders indicated great interest in these recent changes regarding nuclear energy. In a related development, they asked many questions about Prime Minister Fumio Kishida's nuclear energy promotion policy and growing public support for the restart of nuclear reactors in Japan, indicating their high interest in nuclear energy as a means to promote both decarbonization and energy security. As a matter of course, discussions on nuclear energy in Malaysia are still in the initial phase, with the nuclear energy issue remaining politically and socially sensitive. How Malaysia would tackle nuclear energy is not at all certain. This time, however, it was interesting for me to hear an opinion that Malaysia should take up nuclear energy for strategic research to consider energy policy.

Through my latest discussions with Malaysian energy policy stakeholders, some of them indicated that the Malaysian government would publish its new energy policy soon. An opinion given there said the new policy could mention the nuclear energy issue. Carbon capture and storage, CO₂-free hydrogen, critical minerals and other topics taken up at the discussions may be mentioned in the new policy. Its details are attracting attention. As 40 years have passed since Malaysia came up with the so-called Look East policy, it may be significant and timely for Japan to deepen cooperation with Malaysia in tackling energy policy challenges.

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