

PROJECTS & INFRASTRUCTURE, ENERGY & NATURAL RESOURCES

Carbon Capture, Utilisation and Storage Bill Passed by Malaysian Parliament

Introduction

In March 2025, the Parliament passed the Carbon Capture, Utilisation and Storage Bill 2025 ("**CCUS Act**"). The CCUS Act aims to reduce carbon dioxide emissions, mitigate the effects of climate change, and promote the development of the carbon capture, utilisation, and storage ("**CCUS**") industry as a new source of economic growth.

The CCUS Act sets out a regulatory framework for the whole value chain of CCUS, which comprises capture, transportation, utilisation, and storage of carbon dioxide, and is applicable to Peninsular Malaysia and the Federal Territory of Labuan. CCUS activities in Sarawak are governed separately by the Land (Carbon Storage) Rules 2022.

The CCUS Act will come into operation on a date to be appointed by the Minister by notification in the Gazette.

The key features of the CCUS Act are summarised below.

Establishment of the Agency and Competent Technical Entity

The Malaysia CCUS Agency

A major key feature of the CCUS Act is the establishment of the Malaysia Carbon Capture, Utilisation and Storage Agency ("**Agency**"), whose functions and powers are as follows:

1. advise the Government and the Minister on matters relating to the implementation of the CCUS Act;
2. administer the CCUS Act and any regulations made under it, and ensure their effective implementation;
3. oversee any activity in relation to carbon capture, transportation, utilisation and storage ("**CCUS**");
4. oversee the management of any storage resources for the purposes of permanent storage of carbon dioxide in Malaysia;

5. administer and control the Post-Closure Stewardship Fund ("**Fund**") and all matters relating to the benefits and investment of the Fund;
6. recommend to the Government any policy, action and measure relating to CCTUS;
7. promote, develop or implement any policy and initiative relating to CCTUS;
8. collate, analyse and publish any information, statistics and factors influencing or relevant to the development of CCTUS;
9. control the activity of offshore geological assessment and onshore geological assessment by the issuance of offshore assessment permits and onshore assessment permits;
10. control permanent storage in offshore areas and onshore areas by the issuance of offshore storage licences and onshore storage licences;
11. report to the Minister any matters concerning any leakage or significant irregularity;
12. control the activity of transportation of carbon dioxide captured within or outside of Malaysia;
13. control the importation of carbon dioxide captured outside Malaysia; and
14. do such other things arising out of or consequential to the functions of the Agency under the CCUS Act, consistent with the purposes of the CCUS Act.

Appointment of Competent Technical Entity

For the purposes of the CCUS Act, the Minister may appoint a separate competent technical entity for any of the following components:

1. carbon capture;
2. transportation of carbon dioxide;
3. utilisation of carbon dioxide;
4. offshore storage of carbon dioxide; and
5. onshore storage of carbon dioxide.

The competent technical entity appointed shall advise the Agency on any technical and operational matters relating to the relevant component for which the entity was appointed and perform any other functions as may be determined by the Minister.

Registration Requirements

The following are required to register with the Agency in accordance with the CCUS Act:

1. any person who owns or operates any carbon capture installation, i.e. an installation which carries out carbon capture and includes any associated technical facilities of such installation;
2. any person who, by road, railway, water, pipeline or by any other means, transports any carbon dioxide obtained through carbon capture; and
3. any person who utilises any carbon dioxide through carbon capture in Malaysia.

The application for registration will be in the manner and accompanied by the information, particulars or documents as prescribed by the Agency.

Permit and Licence Requirements

Offshore and Onshore Assessment and Storage

Under the CCUS Act, certain activities are only allowed to be carried out with the corresponding permit or licence granted by the Agency.

Type of Permit/Licence	Activity
Offshore Assessment Permit	To carry out offshore geological assessment of any potential storage complex or geological formation in offshore areas
Offshore Storage Licence	To carry out operation of a storage site in the offshore areas of Malaysia for the permanent storage of carbon dioxide captured within or outside of Malaysia
Onshore Assessment Permit	To carry out onshore geological assessment of any potential storage complex or geological formation in onshore areas
Onshore Storage Licence	To carry out operation of a storage site in the onshore areas of Malaysia for the permanent storage of carbon dioxide captured within or outside of Malaysia

The Agency retains the discretion to grant or deny the issuance of a permit or licence, and may impose such conditions as it may deem fit when it grants such a permit or licence.

An onshore or offshore operator is also required to:

1. comply with the carbon dioxide stream acceptance criteria specified in section 28 of the CCUS Act if it intends to accept and inject carbon dioxide streams into a storage site in an onshore or offshore area; and
2. to keep a register of the quantities and properties of the carbon dioxide streams accepted and injected, including the composition of the stream.

Import of Carbon Dioxide

An import permit granted by the Agency is required to import into Malaysia (by road, railway, water, pipeline or other means) carbon dioxide which is obtained through carbon capture outside of Malaysia. If such carbon dioxide captured outside of Malaysia is to be imported for permanent storage, the carbon dioxide must comply with the carbon dioxide stream acceptance criteria specified in section 28 of the CCUS Act.

Operational and Closure/Post-Closure Obligations for Storage***Operational Obligations for Offshore Storage***

When carrying out the operation of a storage site, an offshore operator shall, in accordance with prudent carbon capture, utilisation and storage practices:

1. provide information relevant for the purpose of assessing compliance with offshore storage licence conditions;
2. monitor the storage complex and the surrounding environment, and prepare a monitoring plan;
3. carry out any corrective measures and remediation measures with regard to any leakage or significant irregularity; and
4. submit to the Agency a report of the result of the monitoring in relation to item 2 and any measure undertaken in relation to item 3 above.

The term "prudent carbon capture, utilisation and storage practices" refers to any practice, method, measure and standard generally followed by the global carbon capture, utilisation and storage industry during the applicable period in relation to CCTUS, and include:

1. any requirement as may be prescribed by the Minister after consultation with the relevant competent technical entity;
2. any guideline issued by the relevant competent technical entity; or
3. any standard issued by any recognised body at the national or international level.

Closure/Post-Closure Obligations for Offshore Storage

A storage site can be closed with a closure certificate issued by the Agency after the affected offshore operator has complied with the prescribed conditions for closure. Following the closure of the storage site, the offshore operator remains responsible for monitoring the storage site and reporting monitoring results to the Agency, and carrying out any corrective and/or remediation measures as well as other prescribed activities, until obligations in relation to the storage site are transferred to the Government pursuant to the CCUS Act.

Where a storage site has been closed, the obligations relating to monitoring, corrective measures and remediation measures shall be transferred to the Government, which shall issue a certificate to the

offshore operator documenting the transfer of obligations. The transfer of all obligations to the Government shall take place only if the prescribed period from the issuance of the closure certificate has lapsed and other prescribed conditions in the closure certificate have been fulfilled.

The obligations that are transferred to the Government shall not include any criminal, contractual or civil law liability connected to the storage site that are attributable to the fault, negligence or deceit of the offshore operator, or the failure of the offshore operator to exercise any due diligence.

Operational Obligations and Closure/Post-Closure Obligations for Onshore Storage

The operational obligations and the closure and post-closure obligations in relation to offshore storage set out above shall apply *mutatis mutandis* to an onshore operator in the case of onshore storage.

Prior to the closure of an onshore storage site pursuant, any transfer of obligations relating to monitoring, corrective measures and remediation measures of the storage site in an onshore area shall be determined by the Minister following consultation with the State Government, where applicable.

Injection Levy and Post-Closure Stewardship Fund

Injection Levy

The Minister shall, by order published in the Gazette, pursuant to the recommendations made by the Agency, determine the rates of the injection levy to be paid by the offshore operator for the purpose of long-term monitoring of each storage site by the Government. The Agency makes its recommendations after consulting the relevant competent technical entity.

The rates of injection levy shall be determined based on the risk and probability of risk of each storage site. The rates shall not be increased due to withdrawals from the Fund or risks associated with other offshore storage projects.

The Agency may review the rates of the injection levy every five years after consultation with the relevant competent technical entity. The offshore operator may request the Agency to review the injection levy rates.

Post-Closure Stewardship Fund

There shall be established a fund known as the Post-Closure Stewardship Fund which will be administered and controlled by the Agency. The Fund shall consist of:

1. any sums as provided by the Government for the purposes of the CCUS Act;
2. any injection levy paid by offshore operators to the Agency for the purpose of providing financial support to the Government to cover any cost relating to long-term monitoring, corrective measures and remediation measures undertaken in the storage site after the transfer of obligations has occurred; and
3. all monies earned from investments financed from the Fund, including interest income.

The Fund shall be expended only to cover costs to be borne by the Government for long-term stewardship of offshore storage sites after the transfer of obligations has taken place, including:

1. fulfilling any obligations assumed by the Government pursuant to the transfer of obligations;
2. long-term monitoring of the carbon dioxide stored within a storage site to ensure that the carbon dioxide is safely and permanently stored; and
3. carrying out any corrective measures or remediation measures.

All monies earned from investments financed from the Fund may also be expended for the purpose of promoting the development of the CCUS industry in Malaysia generally.

Penalties for Non-compliance

The following penalties are imposed for failure to comply with certain provisions of the CCUS Act:

Offence	Penalty
Failure to obtain an offshore assessment permit	Imprisonment for a term not exceeding three years or a fine not exceeding RM1 million or both
Failure to obtain an offshore storage licence	Imprisonment for a term not exceeding five years or a fine not exceeding RM2 million, or both
Failure to obtain an onshore assessment permit	Imprisonment for a term not exceeding three years or a fine not exceeding RM1 million, or both
Failure to obtain an onshore storage licence	Imprisonment for a term not exceeding five years or a fine not exceeding RM2 million, or both
Failure to obtain a carbon dioxide import permit	Imprisonment for a term not exceeding five years or a fine not exceeding RM1 million, or both
Failure to comply with carbon dioxide stream acceptance criteria	Imprisonment for a term not exceeding five years or a fine not exceeding RM1 million, or both
Utilisation of carbon dioxide obtained through carbon capture outside of Malaysia, which has been imported into Malaysia for the purpose of permanent storage	Imprisonment for a term not exceeding five years or a fine not exceeding RM1 million, or both

Conclusion

The introduction of the CCUS Act marks a significant step by Peninsular Malaysia (and Labuan) to move towards the nation's net-zero and sustainability goals, enhancing Malaysia's commitments under the United Nations Framework Convention on Climate Change and the Paris Agreement.

While the CCUS Act may lack details in certain aspects, note that the Minister has the power to make subsidiary legislation for the purpose of carrying into effect the provisions of the CCUS Act. Everyone concerned should look out for any such subsidiary legislation that will be issued after the CCUS Act comes into effect.

Should you require further information or any advice on the above, or any other matters pertaining to projects, energy and infrastructure, please feel free to reach out to any member of our team.

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