



Steven Tee
Partner

Energy, Projects &
Infrastructure
E: [synt@lh-ag.com](mailto:syt@lh-ag.com)



Toh Kerryn
Associate

Energy, Projects &
Infrastructure
E: ryn@lh-ag.com

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Enhancing Energy Efficiency in Malaysia: The EECA 2023

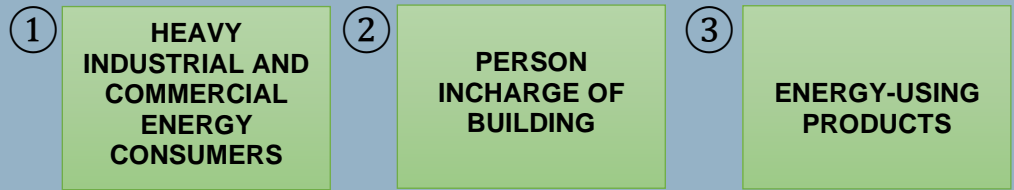
The Malaysian Parliament has recently, on the 11th of October 2023, passed the Energy Efficiency and Conservation Bill 2023 (“**EECA Bill**”), in alignment with Malaysia’s energy transition goal towards achieving net-zero emissions by 2050. The EECA Bill was one of the key initiatives introduced under the first phase of the National Energy Transition Roadmap (“**NETR**”)¹, which was recently launched by the Ministry of Economy. The EECA Bill seeks to regulate and monitor energy efficiency and conservation practices, and prevent energy wastage.

Energy efficiency is defined in the EECA Bill as to mean “*the efficiency in consumption of energy or energy resources which results in increase in the net benefit per unit of energy*”². The EECA Bill therefore focuses on the consumption, and not the sustainability, of energy.

¹ The NETR can be assessed at https://www.ekonomi.gov.my/sites/default/files/2023-07/NETR_Part1_0.pdf.

² Section 2 of the EECA Bill.

The EECA Bill targets 3 main groups:



It is worthwhile to also note that a written notice will be issued by the Energy Commission (“**EC**”) to or for certain energy consumers and buildings that they fall under the scope of the EECA³. Once the EECA Bill is enacted, the resulting Energy Efficiency and Conservation Act 2023 (“**EECA**”) will, amongst others, impose certain key duties on each targeted group:

Groups	Applicable Conditions	Key Duties
Energy Consumers	Energy consumers who consume more than the prescribed threshold of 21,600 GJ annually ⁴	<ul style="list-style-type: none"> • Appoint a registered energy manager • Develop and implement an energy management system • Conduct periodical energy audits (by appointing a registered energy auditor) and submit energy audit reports to the EC • Annual submission of an energy efficiency and conservation report to the EC, which will cover information such as the description of the energy management system implemented, total amount and purpose of energy consumption, and

³ Sections 3(3) and (4) of the EECA Bill.

⁴ The energy consumption threshold is to be prescribed by the Minister of Natural Resources, Environment and Climate Change. See also <https://www.reuters.com/sustainability/climate-energy/malaysia-parliament-approves-energy-efficiency-law-2023-10-11/>.

		proposed measures to improve energy efficiency, etc
Buildings	Office buildings exceeding 8,000 square meters ⁵	<ul style="list-style-type: none"> • Apply and display an energy intensity label issued in respect of the building in a conspicuous part of the building • Ensure that the energy intensity performance of the building complies with the prescribed energy efficiency rating • In the case of non-compliance with the energy efficiency rating: <ul style="list-style-type: none"> (i) conduct an energy audit (by appointing a registered energy auditor) to improve the performance so as to comply with the energy efficiency rating; and (ii) prepare and submit the energy audit report and energy efficiency improvement plan to the EC for approval
Energy-using Products⁶	All energy-using products as specified in the guidelines	<ul style="list-style-type: none"> • Apply and affix an energy efficiency rating label on all energy-using products before any sale, offer to sell,

⁵ Third Schedule of the EECA Bill. See also <https://www.reuters.com/sustainability/climate-energy/malaysia-parliament-approves-energy-efficiency-law-2023-10-11/>.

⁶ Section 2 of the EECA Bill defines “energy-using product” to mean any equipment, device, appliance or article which uses energy or energy resources.

	to be issued by the EC ⁷	<p>display, advertisement or lease of any such product</p> <ul style="list-style-type: none"> • For manufacturers and importers of energy-using products, before distribution: <ul style="list-style-type: none"> (i) apply for registration with the EC; and (ii) apply for certificate of energy efficiency in respect of the energy-using product • Meet the minimum energy performance standards as prescribed by the EC
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How does the EECA aim to push energy efficiency?

Even though the EECA, strictly speaking, does not directly force energy consumers into reducing energy consumption, it promotes energy efficiency by forcing energy consumers to manage their energy consumption, ensuring that it stays within the prescribed energy efficiency limits, and aiding them in tailoring an efficient energy management plan according to their respective business operations. The EECA aims to strengthen the energy efficiency regulatory framework in Malaysia by ensuring full involvement at various levels of institutions and organisations.

In addition, although it seems inevitable for businesses to incur additional costs to comply with the EECA, it is anticipated that compliance with the EECA will reduce electricity bills by up to 25% in the long run⁸.

⁷ Section 67 of the EECA Bill provides for the power of the Energy Commission to issue guidelines as may be expedient or necessary for the better carrying out of the provisions of the EECA Bill. To date, the guidelines has yet to be issued.

⁸ The Edge Malaysia, 'Dewan Rakyat passes Energy Efficiency and Conservation Bill' (*The Edge Malaysia*, 11 October 2023) <<https://theedgemalaysia.com/node/685660>> accessed 23 October 2023.

Head Office

Level 6, Menara 1 Dutamas
Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Malaysia
Tel: +603 6208 5888
Fax: +603 6201 0122

Johor Office

Suite 21.01
21st Floor, Public Bank Tower
No.19, Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel: +607 278 3833
Fax: +607 278 2833

Penang Office

51-12-E, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050
Penang
Tel: +604 299 9668
Fax: +604 299 9628

Email

enquiry@lh-ag.com

Website

www.lh-ag.com

Furthermore, there are existing tax incentives⁹ that industry players may explore to aid them in their adoption of these new requirements.

Conclusion

Given that six ASEAN countries, including Singapore and the Philippines, already have similar energy efficiency regulations in place, not only is the passing of the EECA Bill timely, but it also signifies that Malaysia recognises the importance of bringing the country's energy efficiency regulations in line with well-recognised standards. Enforcement of the EECA should, on the face of it, assist the government in achieving energy savings in a more holistic manner. It only remains to be seen how energy consumers will react to the implementation of the EECA and embrace measures to lower their energy consumption and comply with the EECA.

Further details in relation to the EECA Bill can be viewed [here](#).

If you have any queries, please contact Associate, **Kerryn Toh** (ryn@lh-ag.com) or her team Partner, **Steven SY Tee** (syt@lh-ag.com).

⁹ Existing tax incentives include the Green Investment Tax Allowance (GITA) and the Green Income Tax Exemption (GITE), both of which are tax incentive schemes introduced by the Malaysia Government to encourage investment in green technology and enhance the number of green technology service providers. For further details, please see <https://www.mgtc.gov.my/wp-content/uploads/2022/07/REC-GTGT-007-GUIDELINES-FOR-GREEN-TECHNOLOGY-TAX-INCENTIVE-GITAGITE.pdf>.