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# Licence to Store: Malaysia Rolls Out Offshore Carbon Storage Regulations

The Carbon Capture, Utilization and Storage Act 2025 (“**CCUSA**”) officially came into force on 1 October 2025, introducing a legislative framework for the regulation of carbon capture, utilization and storage (“**CCUS**”) activities. Complementing the CCUSA, the Carbon Capture, Utilization and Storage (Offshore Permit and Licensing) Regulations 2025 (the “**Regulations**”) were gazetted on 30 September and took effect concurrently with the CCUSA. Together, the CCUSA and the Regulations establish a comprehensive licensing and compliance regime for offshore geological assessment and the permanent storage of carbon dioxide (“**CO<sub>2</sub>**”) in Malaysia’s offshore areas.

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In brief, the Regulations introduce a two-stage authorisation structure:

- (a) an offshore assessment permit (“**Permit**”) serving as a prerequisite for site characterisation; and
- (b) an offshore storage licence (“**Licence**”), which authorises the injection and permanent storage of CO<sub>2</sub>.

In addition, the Regulations set out the functions of the competent technical entity, as well as reporting and the risk management requirements, and the obligations governing operation, closure and post-closure of storage sites.

### **Key Features of the Regulations**

#### **(1) Competent Technical Entity**

The Regulations detail the functions of the Competent Technical Entity appointed under Section 14(1) of the CCUSA. This entity advises the Malaysian Carbon Capture, Utilization and Storage Agency (the “**Agency**”) on technical plans and operational matters.

#### **(2) Offshore Assessment Permit**

Part III of the Regulations introduces the requirement for a Permit to be obtained prior to carrying out any geological assessment for potential CO<sub>2</sub> storage. Applications must be submitted to the Agency together with a fee of RM80,000 per application.





## *Application Requirements*

Applicants are required to provide:

- i) their name and details;
- ii) the proposed area for offshore geological assessment;
- iii) the methods and techniques to be used for the assessment, including proof of necessary authorisations; and
- iv) any other information and documents as required by the Agency.

If additional information requested by the Agency is not provided within the prescribed timeframe (or any extension granted), the application will be deemed withdrawn but without affecting the right to submit a fresh application later.

## *Rights and Tenure*

Once approved, the Permit confers the exclusive rights to carry out offshore geological assessment within the area specified in the Permit for up to three (3) years, with the possibility of extension under Section 10 of the Regulations.

## *Relinquishment*

A Permit will be automatically relinquished if the holder fails to apply for a Licence before its expiry, or if a Licence application is refused. Upon relinquishment, the Permit holder remains obligated to comply with removal of property, plugging of wells and make good obligations (“**Relinquishment Obligations**”). Permit holders may also apply to partially relinquish or surrender their Permit, subject to compliance with the conditions listed in the Permit and the Relinquishment Obligations. Non-compliance may result in a fine not exceeding RM500,000.



### **(3) Offshore Storage Licence**

A Licence is required to operate an offshore CO<sub>2</sub> storage site and may only be applied for by existing Permit holders. Applications, to be made in writing to the Agency, attract a fee of RM120,000 per application.

#### *Financial Security*

Applicants must provide proof of sufficient financial security to cover all operational risks, liabilities, as well as closure and post-closure costs. The amount and form of financial security will be determined by the applicant, subject to approval by the Agency.

Applicants must also submit detailed technical and financial documentation, including evidence of technical competence and financial capability, site models, proposed plans and measures, as well as risk assessment and management reports. The full list of documentation can be found at Section 15 of the Regulations.

#### *Rights and Compliance*

Licence holders have exclusive rights to operate the licensed storage site and must comply with all conditions specified in the Licence, including any additional conditions imposed by the Agency pursuant to Section 27(2) of the CCUSA. Failure to comply may result in a fine not exceeding RM500,000.





#### **(4) Operating, Closure and Post-Closure obligations**

Part VII of the Regulations prescribes detailed obligations for offshore operators including:

- i) monitoring injection facilities, storage complex, CO<sub>2</sub> plume and surrounding environment in accordance with the approved monitoring plans;
- ii) annual reporting of monitoring results and injection data to the Agency;
- iii) performing investigations and undertaking corrective measures in the event of leakage or significant irregularity;
- iv) storage site closure obligations and obligations in relation to post-closure site plans; and
- v) post-closure monitoring and complying with the conditions for the eventual transfer of obligations to the Government after at least 10 years, subject to proof of permanent CO<sub>2</sub> containment.



## Conclusion

The introduction of the Regulations gives Malaysia more than just a licence to store carbon, it signals a broader intent to operationalise carbon management as part of the nation's decarbonisation strategy. Yet, while the framework provides much-needed legal certainty and investor confidence, its real environmental impact will hinge on how effectively it is implemented.

Carbon capture and storage is not a cure-all but serves as a bridge that must be built alongside aggressive emissions reduction, renewable energy deployment, and energy-efficiency measures. Success will depend on whether the CCUS regime becomes a genuine enabler of climate action or merely a compliance mechanism that offsets rather than reduces emissions.

As the Regulations take hold, stakeholders should not only ensure readiness for licensing and operational compliance, but also critically evaluate how CCUS integrates into broader sustainability goals. In doing so, Malaysia's "licence to store" may well evolve into a licence to transform its energy future.

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