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ON ASEAN ITALY
ECONOMIC RELATIONS**

HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

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Vice-President
Federation of Malaysian Manufacturers

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HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

**Mandarin Oriental, Kuala Lumpur
July 6, 2022**



**Mr Jacob Lee
Vice President,
Federation of Malaysian Manufacturers**

Q2: Green and sustainable transition are at the centre of international political agenda. In this regard, how ASEAN countries are progressing and what can Italy offer in key value chains as energy and environmental cycle management?

- **Malaysia has made some progress in terms of green and sustainable transition from various initiatives implemented such as Green Technology Financing Schemes, Renewable Energy Schemes (Feed in Tariff, Net Energy Metering), Cleaner Production Programme etc, whereby as reported in 12th Malaysia Plan:**

- **In enhancing environmental sustainability, Malaysia recorded a 29.4% reduction in greenhouse gas (GHG) emissions intensity to GDP by the end of 2016 based on emissions intensity in 2005. In 2016, in terms of GHG emissions, top 3 contributors were:**
- ✓ **Energy sector (79.4%) of total emissions.**
 - ✓ **Industrial Processes and Product Use (8.6%)**
 - ✓ **Waste sectors (8.6%) - Methane emissions from wastewater treatment (industrial wastewater - 57.8%, domestic wastewater (10.9%). For industrial wastewater, palm oil mill effluent is largest contributor.**

(Source: Malaysia's Third Biennial Update Report (BUR3) December 2020)

- **The average proportion of government green procurement (GGP) to total government procurement for selected green products and services was 20.7% between 2016 and 2019, exceeding the target of 20%.**
 - ✓ **Green products procured included ICT equipment (37%), solar energy (20%), rubber based product, paper (6% each) and others. GGP Value for Year 2013-2020 is RM1.81 billion, based on procurement of products and services only**
(Source: Malaysia Green Technology & Climate Change Corporation (MGTC))

Green Economy

29.4%

Reduction in GHG Emissions Intensity to GDP by the End of 2016

In enhancing environmental sustainability, Malaysia recorded a 29.4% reduction in **greenhouse gas (GHG) emissions intensity to GDP** by the end of 2016 based on emissions intensity in 2005.



20.7%

Average Proportion of GGP between 2016 and 2019

The average proportion of **government green procurement (GGP)** to total government procurement for selected green products and services was 20.7% between 2016 and 2019, exceeding the target of 20%.

GHG emission intensity as per 2016 data is as reported also in Malaysia's Third Biennial Update Report (BUR3) submitted to the United Nations Framework Convention on Climate Change in December 2020.

The BUR3 highlights estimations of anthropogenic emissions and removals in four sectors, namely energy; industrial processes and product used (IPPU); agriculture, forestry and other land use (AFOLU), and waste sectors with time series estimates from 1990 to 2016.

Focal point for Malaysia is Ministry of Environment & Water (KASA)

- **Initiatives/Programmes to Achieve Net Zero Emissions Target have also been introduced in Budget 2022 & 12th Malaysia Plan such as:**
 - a. **Bank Negara Malaysia (BNM) RM1 billion Low Carbon Transition Facility (LCTF) to support and encourage SMEs to adopt sustainable practices for business resilience, in which financial institutions will match LCTF with RM1 billion of their own funds. The facility is applicable to sustainable practices which include, but are not limited to:**

i. obtaining sustainability certification – i.e. third party, independent, voluntary certification, globally recognised to demonstrate commitment to good environmental, social, ethical practices e.g.

- **Carbon Trust Standard (UK) – carbon, water & waste management**
- **Forest Stewardship Council (FSC) for wood products**
- **Roundtable on Sustainable Palm Oil (RSPO)**
- **Fair Trade Certified - sustainable sourcing certification program that improves livelihoods, protects the environment, and builds resilient, transparent supply chains**
- **Various Eco Label – e.g, SIRIM Eco-Label, Korea Eco-Label, Germany Blue Angel Eco Label, etc.**

ii. increasing use of sustainable materials for production

iii. improving energy efficiency of building and appliances

iv. installing on-site renewable energy (RE) generation equipment

b. Voluntary Carbon Market (VCM) initiative will be launched under the advocacy of Bursa Malaysia. It is a voluntary platform for carbon credit trading between green asset owners and other entities transitioning towards low-carbon practices.

c. Tax exemption for importation and assembly of Electric Vehicle

d. The Government of Malaysia has outlined several initiatives and action plans under the 12th Malaysia Plan 2021-2025 whereby advancing sustainability is one of the themes identified.

Under each theme including Advancing Sustainability, the followings policy enablers were identified namely:

- 1. Developing future talent**
- 2. Accelerating Technology Adoption and Innovation**
- 3. Enhancing Connectivity and Transport Infrastructure**
- 4. Strengthening the Public Service**

Surely there are many opportunities that could be offered by the Italian experts in respect of these enablers for energy and environmental cycle management, for example

1. Developing future talent

- **Training on competencies in the area of energy and environment from the experts**
- **Inputs on curriculum for training institutions including technical and vocational training related to these areas, sustainability audit, certification etc**

2. Accelerating Technology Adoption and Innovation

Sharing on current technology and innovation that are available from Italian counterparts, especially technology and innovation that is economically viable.

As highlighted earlier, the area could be use of sustainable materials in the production, energy efficiency of building and appliances, on-site renewable energy (RE) generation etc.

In the area of RE, the programmes available in the country currently include the following:

- 1. Solar photovoltaic (PV)**
 - a. Self-consumption (SelCo) – energy generated for own use only**
 - b. Net Energy Metering (NEM) – own use + export to Grid. Currently on-going is NEM 3.0 (2021-2023). Quota balance as per Table 2 below.**
 - c. Large Scale Solar – 100% Solar PV generated to the Grid**
- 2. Feed-in-Tariff - available for Biogas, Biomass and Hydro as quota for solar have been fully utilized. 100% exported to grid.**

3. Enhancing Connectivity and Transport Infrastructure

Enhancing green mobility such as the planning, implementation, monitoring and evaluation of green mobility initiatives including potentials in the area of

- i. fuel sources - compressed natural gas, hydrogen energy and fuel cell.**
- ii. green vehicles, particularly for public transport, logistics and delivery services**
- iii. phasing out old vehicles in a sustainable manner**

4. Strengthening the Public Service

Exchange of policy inputs and implementation strategies from the public services of respective countries especially in the areas of expanding green market and Green Government Procurement (GGP)

Q3: Smart technologies are paving the way to 4.0 productive models, from manufacturing to agriculture. How Italian leading skills and experience meet the development needs ASEAN countries?

- **collaboration between Malaysia and Italy will further open Malaysian's businesses to tap into Italy's advanced technological expertise and expedite the momentum of Malaysia Industry 4.0 and digital economy.**

Collaboration can focus on the following areas:

- a. Adoption of good manufacturing practices from Italian Industries into Malaysian industries;**
- b. Expanding and deepening strategic partnerships between Italian small and medium enterprises (SMEs) with Malaysian companies in emerging technologies, technical services and high value sectors; and**
- c. Strengthening cooperation in enhancing technology transfer through Industry 4.0 and Digital Economy.**

Q4: ASEAN countries are home to important innovation hubs and the digital economy is booming. How could Italy and ASEAN countries work together to set up value-added collaboration at business and research level.

- **It is proposed that a Next Generation Research Centre (NGRC) be set up by ASEAN to focus on technological innovation, science and solutions based problem-solving methodologies such as Design Thinking.**
- **The NGRC can act as a knowledge centre for entrepreneurs, startups and PhD students to propagate the concept of Smart & Innovation Technology and its applications via industry research collaboration.**

- **Areas of industry research collaboration can be**
 - a. **Industry-University collaboration on technological research projects**
 - b. **Higher Degree research graduates or students undertaking research and development in private companies**
 - c. **Manufacturing companies funding research initiative in universities (Public & Private universities)**

- **The NGRC, could also work with local partners and Italian technology and solution providers on specific collaboration programmes to assist ASEAN companies in their Industry 4.0 and smart automation journey, starting from data collection and visualisation through Industry Internet of Things (IIoT) and digitalisation to process improvement and system integration.**

- **To further support the NGRC, ASEAN and the Italy government can consider to set up a Future Manufacturing Fund to support R&D work by universities and key engineering research centres to support Industry 4.0 & Digital Economy adoption and implementation.**

Areas of R&D can include:

- Innovative Warehouse Management Systems (IWMS)**
- Robotics and Automation**
- Industrial Internet of Things (IIoT)**
- Artificial Intelligence and Machine Learning**

- **Through this collaboration, Italian engineers can offer their expertise in this region and assist ASEAN businesses to participate within the EU manufacturing eco-system to strengthen their participation in the digital economy.**



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