Taking our strategic chances

Takeaways from 13th Malaysia Plan

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The government unveiled the 13th Malaysia Plan (2026 to 2030). Dubbed Redesigning Development, the RM611b plan provides a 5-year roadmap, where bold moves will be taken to take Malaysia forward. These include investments in energy (grid connectivity), focus on "Made by Malaysia" products and artificial intelligence among others, with an emphasis on sustainability including low-carbon economy and changes to social safety net.

The plan laid out GDP growth of 4.5─5.5% over the 13th Malaysian Plan (13MP) period as well as fiscal deficit to GDP goals (of below 3.0% of GDP by 2030), both which we view as achievable targets, although our current economic forecast for growth is slightly lower reflecting global uncertainties. To attain high-income status by 2030 and higher productivity gains, we opine that this will also hinge on deeper structural reforms and resilience against global uncertainties.

If executed well, we see that sectors that may benefit from a medium-term runway include healthcare (medical supplies), consumer (on higher-income aspiration), energy connectivity and water infrastructure. Conversely, manufacturers will have to speed up innovattion amid wage increases as well as reducing reliance on foreign workers. Please see Exhibit 1 for a sector-by-sector commentary and analysis.

Taking strategic chances. The focus of this Malaysia Plan is to take bold and strategic steps in the areas of semiconductor, energy and tourism. "Made by Malaysia" ambition was again emphasized in the nation's bid to push for the ability to produce premium tech products such as semiconductors. Furthermore, these include developing AI, with moves to promote Govtech, and plans for the introduction of MyDigital ID. By 2030, 98% 5G coverage would be envisaged in populated and industrial areas, including rural areas.

Focus on high-value sectors, with more balanced growth. The unveiled 4.5─5.5% GDP growth from 2026 to 2030 is viewed by us to be achievable, versus the 5.2% achieved in 2021 to 2024, although we we expect a slightly lower range of 4.0-5.0% amid global uncertainties. This is supported by the fact that the target would be in high-value, high-growth sectors. Please see concurrently published ***Economics Viewpoint 13th Malaysia Plan (2026─2030)*** for more details. Even so, the 13MP was also carefully crafted to address regional gaps, and high-impact investments outside key focus areas, such as industrials park in Sabah, Perlis and Perak, to name a few.

Potential boost to incomes. The average monthly household income is targeted to rise to RM12,000, as Malaysia trains its sights on compensation of employees-to-GDP ratio to clock in at 40% (from currently c.33%). Still an ambitious target, though at such income levels, this will lift disposable incomes and consumer spending. To this end, there will be a focus on job creation of 700,000 new job opportunities in the manufacturing sector and 500,000 in the digital economy. For now, there is also the raising of minimum wage extended to semi-skilled workers and TVET graduates (above certain grades).

Mulling structural changes for social safety nets. Meanwhile, to balance out against social safety net, government is also mulling reform on retirement age to be raised from 60 to 65 years old, and also for the Employees Provident Fund to include a monthly pension payout option, alongside lump-sum withdrawal. In addition, we are also not surprised to see continued emphasis on affordable insurance and takaful.

Fiscal deficit to be kept within 3% is a level seen achievable. Debt-to-GDP is targeted to fall below 60.0% by 2030 (2024: 64.6%). The government aims to narrow the fiscal deficit to below 3.0% of GDP by 2030, and Kenanga economist sees this target as realistic and achievable with our house forecast projecting the fiscal deficit to range between 3.0% and 4.0% throughout the 13MP period. In terms of tax collections brought up, "pro-health" taxes were named. Post-sugar tax, such taxes will be expanded to include tobacco, vape, and alcohol though the quantum was not mentioned and could be sentiment negative in such segments. Also as part of fiscal reforms, the government is looking to introduce legislation to curb rent-seeking behaviour where people or companies get special benefits without value add, and that it will lean towards user-pay systems for large infrastructure privatisation which will reduce strain on government coffers.

Economic growth is envisaged to be funded by government developmentment expenditure, though the Gear-Up programme under GLICs would see another RM120b contribution. The remainder of the funding from public private partnerships and private financing initiatives would be to the tune of RM61b. Major allocations include RM227.0b for economic sectors and RM133.0b for social sectors, with additional funding earmarked for security, administration, and infrastructure. For privatization, government will also look to reduce burden on its coffers by leaning into user-pay models to reduce rent-seeking.

Progress towards low-carbon economy. On policy front, more developments are anticipated on the policy front, especially vis-à-vis the National Climate Change Act (the bill is in the finalization stage), which could spell out the implementation of carbon tax, and to implement a National Carbon Market Policy. Meanwnile, carbon capture, utilisation and storage (CCUS) activities will be intensified and incorporated into the taxonomy for green investment and financing. There was also clear highlights on waste-to-energy plants, as examples of pushing for low-carbon economy.

Sectoral beneficiaries

Postiive for various infrastructure plays, especially grid connectivity. Looking regionally, the advancement of the ASEAN Power Grid to enhance electricity supply security between Malaysia, Thailand, and Vietnam should play to **TENAGA**'s advantage. To complete such connectivity, Peninsula-Sarawak grid interconnectivity projects are being looked into (though details are scant). Examining this opportunity closer, the usual suspect solar players such as **SLVEST** (OP; TP: RM2.71), **PEKAT** (OP; TP: RM1.68) and **SAMAIDEN** (OP; TP: RM1.47) will also be able to capitalize on opportunities for battery and energy storage systems (BESS).

In the water space, the continued need to solve water woes have spawned water infrastructure opportunities such as water treatment plants. Major builders, particularly **GAMUDA (OP; TP: RM5.59),** and **IJM (OP; TP: RM3.40),** are seen as well-positioned to participate in water-related projects. On ther other hand, we foresee large-scale infrastructure such as the Penang LRT and E-ART, and flood mitigation projects could provide some earnings visibility to contractors, although construction sentiment from government spearhead projects may not be strong given the modest rise in government development to RM430b (from RM415b).

Made by Malaysia. Under the tech segment, a focus on the national semiconductor strategy could also over time spelll potential benefits public-listed firms in OSAT, ATE, IC design. As an example, **OPPSTAR (MP; TP: RM0.50)** is finalizing discussions with Taiwanese partner before submitting a a bid for a ARM-linked compute subsystem (CSS) venture. Other companies investing in AI include the likes of **YTLPOWR** which developed Ilmu 0.1, a Malaysian Large Language Model (i.e. an artificial intelligence system that can generate and recognize text), which has deep understanding of Malaysian local context.

Consumption stands to benefit from income growth potential. Higher minimum wage for graduates and semi-skilled workers may support income growth at the lower and middle tiers, potentially benefiting mass-market consumer spending such as **MRDIY (OP; TP: RM2.04), AEON (MP; TP: RM1.45)** and **PADINI (OP; TP: RM2.45)**. We believe **DUOPHARMA (OP; TP: RM1.72)** being the dominant local manufacturer of generic drugs in terms of sales volume and value in Malaysia with established household brands, will be prime beneficiary of government push towards medical supply security.

Broadly neutral for banks, non-bank financials and property development. We believe that vis-à-vis the minimum 4.5% growth estimates during the 13th Malaysia plan, the current OPR of 2.75% would be supportive of this growth, amid a 2–3% inflation expectation. This thus helps anchor a steady outlook for banks, where we think benefits from the emphasis on SME sector growth by government would accrue to more SME-heavy banks, such as **AMBANK (OP; TP: RM6.90)** and **ABMB (OP; TP: RM4.85)**, over the medium term. Likewise, we are broadly neutral as well in the property sector from the 13MP developments. Despite the government looking to build one million affordable homes, we observe that developers under our coverage have generally moved away from lower-priced products, and do not foresee much cannibalizing.

Manufacturers may have to brace for multi-tier levy mechanism (MTLM) by 2026. The business sectors that could be more affected as a whole by the MTLM could include gloves, plastics and packaging players. Planters on the other hand have been so far exempted on levy. Nevertheless, for sectors more reliant on foreign workers, the 13MP would continue to serve a reminder to automate and innovate for sustainable growth, given the number of foreign workers will be reduced from 15% to 10% by 2030. An example of automation, **HARTA (OP; TP: RM3.20)** has undertaken operational efficiencies and continued advancing automation with being able to use aritificial intelligence to spot glove defects.

Please see Exhibit 1 for sectoral analysis.

Exhibit 1: Sectoral assessment	
Key Measures	**Impact and benficiaries**
Automotive	
1. Development of Lembah Tanjung Malim Automotive High Technology (AHTV) in Perak	Proton's massive investment in the Tanjung Malim plant, comprising RM4b in 2018–2023 and another RM6b in 2024–2030, will drive the transformation of the area into an "automotive city" dubbed AHTV, spearheaded by **DRBHCOM (UP:TP: RM0.68)**. The initiative will involve investments of RM32b comprising Proton's investment in its Tanjung Malim plant, investment by part suppliers and the development of commercial and residential properties and amenities such as a hospital.
Banks	
1. Access to green financing will be expanded to support the decarbonization efforts of key national sectors. 2. The scaling of MSMEs will continue through the strong support and active involvement of GLCs, including through capacity building, digitalization, and operational improvement programmes. Among the initiatives being pursued are: a. the provision of a Strategic Investment Fund; b. strengthening working capital and project financing; and c. the Small and Medium Enterprise Capacity and Capability Enhancement Scheme. 3. The socio-economic development of Sabah Natives and Sarawak bumiputeras will also be strengthened. Among other things, by expanding business opportunities through the provision of commercial premises and access to financing assistance as well as entrepreneurial training and guidance programmes.	We opine the impact to banks would be muted, given 13MP's targeted focus on the mentioned green financing initiatives and assistances to MSMEs, which due to the involvement of GLCs, may not leave much exposure to the listed banks. Still, the growth and development of MSMEs into stronger enterprises could build a stronger SME ecosystem which **ABMB (OP; TP: RM4.85)** and **AMBANK (OP; TP: RM6.90)** are highly involved in. In a longer-term picture, stronger economic activity and income prospects would benefit the banking sector broadly as repayment risks improve.
Building Materials	
1. AIR2040 plan to transform the water sector into a dynamic economic sector will continue with a focus on developing efficient and sustainable local water technologies 2. The government is addressing water woes such as building a water treatment plant in Machang, Kelantan and resolving water woes in Labuan	**ENGTEX (OP; TP: RM0.62)** will benefit from investments to address water woes such as reducing the national non-revenue water (NRW) from 36% in 2021 to 15% by 2049. It is estimated that 70%–75% of current NRW is attributed to leaks, pipe bursts, and damaged fittings.

Exhibit 1 (continued): Sectoral assessment

Key Measures	Impact and benficiaries
Construction	
1. Allocation of RM20b for flood mitigation projects across key rivers of Sungai Langat and Sungai Buloh (Selangor), Sungai Golok (Kelantan), Sungai Gemencheh (Negeri Sembilan), Sungai Baru (Melaka), Sungai Johor and Sungai Muar (Johor), Sungai Pahang, and Bandaraya Kuching. Other water projects include the construction of the Machang Water Treatment Plant in Kelantan and a water supply resolution initiative in Labuan. 2. Continued focus on large-scale infrastructure development to enhance inter-regional connectivity and catalyse local economic growth, including the E-ART project in Johor Bahru and the Penang LRT. 3. Upgrading of existing routes and construction of new roads such as the PLUS Highway stretches (Senai Utara–Machap and Juru–Sungai Dua), the Middle Ring Road linking Pahang and Kelantan, the Pan Borneo Sabah Highway, Trans Borneo Highway in Sarawak, and the development of 2,800km of rural roads. 4. A feasibility study for the proposed Trans Borneo Railway, which aims to connect Sabah and Sarawak with Kalimantan, Indonesia. 5. Upgrades will be made to the Rantau Panjang–Sungai Kolok bridge (Malaysia–Thailand) and the road network linking Sabah and Sarawak with Kalimantan.	These public infrastructure initiatives are positive for sustaining contract flows in the construction sector. Major builders such as **GAMUDA (OP; TP: RM5.59), IJM (OP; TP: RM3.40),** and **SUNCON (MP; TP: RM5.66)** are well-positioned to participate in large-scale road and water-related projects, while smaller players like **WCT (OP; TP: RM1.25)** and **KIMLUN (OP; TP: RM1.39)** are likely to secure works in smaller-scale developments.
Consumer	
1. The 13MP targets an increase in average household income to RM12K/month by 2030 (from ~RM7K/month in 2024), implying a required CAGR of 9.3%. 2. The target for labour compensation share of GDP to reach 40% has been extended to 2030 (previously targeted for 2025 under the 12MP). 3. Proposal to introduce a monthly EPF pension payout, in addition to the current lump-sum withdrawal option, and is reviewing the mandatory retirement age, with potential new laws on re-employment after retirement. 4. Focus will be given to the development of Special Tourism Investment Zones (STIZ) in Johor, Melaka, Negeri Sembilan and Sarawak, and to *Visit Malaysia Year 2026*, in support of the target for tourism to contribute 16% to GDP during the 13MP period (2024: 10.1%). 5. Plans to introduce a higher minimum wage for graduates and semi-skilled workers. 6. Opex is on an increasing trend to ~RM362b/year (from ~RM322b in 2024), while development expenditure has stabilised at cRM86b/year.	Muted real wage growth will have to catch up amid soft consumer sentiment that is expected to persist. The average household income (~RM7K/month in 2024) still trails the RM10K/month target by 2025, and labour compensation share of GDP declining from 37.4% to 33.1% over 2020–2023. Retirement and EPF reforms may lead to more stable but cautious spending as older consumers adjust to monthly payouts and delayed retirement, thus shifting towards more conservative, needs-based spending. Tourism-related consumption may benefit from *Visit Malaysia Year 2026* and the rollout of Special Tourism Investment Zones (STIZ) across key states, lifting demand for F&B and retail near key tourist destinations. Potential beneficiaries include **F&N (OP; TP: RM31.95)** and **NESTLE (MP; TP: RM85.10)**. Higher minimum wage for graduates and semi-skilled workers may support income growth at the lower and middle tiers, potentially benefiting mass-market consumer spending such as **MRDIY (OP; TP: RM2.04), AEON (MP; TP: RM1.45)** and **PADINI (OP; TP: RM2.45)**. Semi-skilled workers represent a significant 57% of total employment (as of 1Q25), though the impact remains unclear as there is limited data on the proportion of these workers earning close to minimum wage.

Exhibit 1 (continued): Sectoral assessment

Key Measures	Impact and benficiaries
Gloves	
The number of foreign workers will be reduced from the current 15% to 10% by 2030, and the multi-tiered levy mechanism will be enforced	With the glove industry presently grappling with global oversupply, we believe Malaysian glove makers are less likely to expand new production lines making them less likely to hire more foreign workers. Moreover, more disciplined and efficient players are embarking to further automate plants and reduce reliance on foreign workers. Case in point, **HARTA (OP; TP: RM3.20)** has undertaken operational efficiencies and continued advancing automation and digitalisation initiatives across its operations. It expects the efforts to bear fruits i.e. improve production yield in CY26. The initiative will result in further reduction in workers from an estimated 7,500 presently to 7,000 workers. Specifically, it is undergoing further automation which incorporates artificial intelligence (AI) in all its lines, capable of detecting glove defects via digital imaging with a 0.3% reject rate and a stripping machine which is 5x faster.
Healthcare	
1. Allocate RM40b to implement wide-ranging reforms in the healthcare sector. 2. To strengthen medical supply security, domestic pharmaceutical manufacturing is encouraged and the use of generic medicines in both public and private would be increased significantly. 3. Amongst others, the key objective of the healthcare reforms is to reduce the out-of-pocket healthcare expenditure expenses borne by the citizens, including building hospitals and clinics. 4. Specifically, projects slated for development include Hospital Tuanku Ja'afar in Seremban, Hospital Sultanah Aminah 2 in Johor Bahru, the Northern Region Cancer centre in Sungai Petani, the Sabah Heart Centre at Hospital Queen Elizabeth II in Kota Kinabalu, and the Sarawak Cancer Centre.	We believe **DUOPHARMA (OP; TP: RM1.72),** being the dominant local manufacturer of generic drugs in terms of sales volume and value in Malaysia with established household brands, will be the prime beneficiary. DUOPHARMA supplies pharmaceutical products and over-the counter (OTC) supplements to the public sector via government tenders or the Ministry of Health's Approved Product Purchase List (APPL), direct tender and local purchase orders which are on a 3-yearly cycle. Under APPL contracts, the group supplies to government hospitals, Klinik Kesihatan, dental clinics and medical centres in public institutions of higher learning via the government-appointed logistics and distribution concession holder. Within the private sector, DUOPHARMA's key customers are private clinics, retail and independent pharmacies and private hospitals which are served by in-house sales team. DUOPHARMA OTC products are widely accessible through local pharmacy stores such as Guardian, Watsons, Caring Pharmacy and independent retailers, with >1,500 retail stores nationwide. We believe **PHARMA (UP; TP: RM0.17)** is expected to benefit from being a domestic pharmaceutical manufacturer and capitalise on newly build hospitals as potential customers over the longer term. Generally, government concession accounts for an estimated 50% of PHARMA's top line.
Non-Bank Financial Institutions	
1) In addition, the Rahmah Package for internet services as well as more affordable insurance and takaful will also be continued. 2) The government is also committed to expanding social protection to workers through the Non-Work-related Accident Scheme which will provide comprehensive social insurance protection including outside working hours.	The programmes will be a benefit to **TAKAFUL** (OP; TP: RM4.40) although likely at a small scale as it is more actively involved in credit-related takaful products than general takaful products

Exhibit 1 (continued): Sectoral assessment

Key Measures	Impact and benficiaries
Oil and Gas	
1. Sarawak Hydrogen hub is mentioned without much further details but its stated that it will indirectly strengthen energy infrastructure in the state. 2.Carbon capture, utilisation and storage (CCUS) activities will be intensified and incorporated into the taxonomy for green investment and financing.	**KKB (Not Rated)** through partial participation of the EPCC process. No listed players have exposure through ownership. Demand For CCUS might improve and players at EPCC stage might be the first wave of beneficiaries. **MMHE (NOT RATED)** as a primary contractor for CCUS. **WASCO (OP; TP: RM1.08)** could also benefit from pipe coating demand ramp from CCUS EPCC. WASCO had a track record in Kasawari CCUS.
Plantation	
1. Multi-tier levy mechanism (MTLM) for foreign worker postponed to 2026. 2. High-impact investment / dedicated industrial parks in Chuping, Kota Kinabalu, Kerian, Tok Bali, Carey Island 3. Regional AI and digital hubs.	The plantation sector has long been excluded from the MTLM. Instead, to limit planters reliance on foreign worker, the sector is subject to a quota of one foreign worker for every eight hectares. Positive governmen endorsement of **SDG's** proposed: (a) 1,000-acre in KIGIP or Kerian Integrated Green Integrated Park with parent (PNB) and (b) Carey island JV with **SIMEPROP**. However, contributions are likely to trickle in the long term, i.e. beyond FY25 and likely even after FY26. Project details, timeline and partners involved (hence **SDG**'s economic share in the project) are also still outstanding. The application of AI and tech for plant breeding is already carried out but precision crop monitoring and real-time weather forecasting to improve yields are still in infancy in the plantation sector but could be long term positive.
Property	
1. The government remains committed to ensuring access to quality, affordable and inclusive housing. As of 2025, 492,000 housing units have been completed and are being built by the government. However, the issue of mismatch between demand, supply, and house prices that are not in line with the people's income levels continues to plague and need to be addressed properly. 2. One million affordable housing units will be built between 2026 and 2035 to enable as many people as possible to live in comfortable and safe homes through various initiatives such as: a) MADANI Residensi Programme; b) Civil Servant Housing Programme; c) New House Construction Assistance Programme; and d) Affordable housing programme under state government and private developers 3. Initiatives such as the Housing Credit Guarantee Scheme will be expanded to enable more people, including those with low and middle incomes, to own homes. 4. The transition to technologies such as the Industrialised Building System (IBS) and Building Integrated Management will help speed up implementation and reduce the cost of building houses, including public housing.	We are neutral on 13MP's impact to the property sector, as it caters to affordable homes for lower income groups. Most developers are moving away from the said market to focus on higher-priced condominiums, service apartments and township developments.That said, names such as **MAHSING (OP; TP: RM2.29)** may likely face heightened competition should the mentioned housing programmes see a higher footprint within the KL City Centre. Most of MAHSING's KL developments are observed to be have an entry price of <RM500K. **SCIENTX** may face heightened competition should the affordable housing programmes targeted within the same regions as Scientx landbanks in Johor, Klang Valley, Melaka, and etc. The majority of Scientx developments are typically priced below RM500K. However, given ample landbanks (approx 6K available landbanks) owned by **SCIENTX**, we believe this initiative may also boost land prices for Scientx landbanks as they are generally suitable for affordable housing development. Overall impact should be marginal to moderate to **SCIENTX**'s property business in the long term.

Exhibit 1 (continued): Sectoral assessment

Key Measures	Impact and benficiaries
Renewable Energy	
1. NETR, battery energy storage system, smart grids and the parallel electricity supply project between Sarawak and the peninsula will allow a more efficient integration of RE between territories 2. The hybrid hydro floating solar and green hydrogen hub initiative in Kenyir will be expanded as an integrated green energy model.	**SLVEST** (OP; TP: RM2.71), **PEKAT** (OP; TP: RM1.68) and **SAMAIDEN** (OP; TP: RM1.47) are poised to benefit from EPCC contracts for BESS and solar power plants as Sarawak ramps up its RE capacity to supply to Peninsular Malaysia.
Seaport	
1. More modern port infrastructure which includes development of third port terminal at Carey island and Westport 2 containers terminal. 2. Key intiatives such as a hydrogen hub at Sarawak 3. Regional economic cooperation strenghthed through BIMP-EAGA	1. Westport 2 container terminal development at the cost of more than RM10b over the next 20 years is expected to double **WPRTS (OP:TP:RM6.00)** container handling capacity as well as to contribute RM55b to Malaysia economy. Meanwhile, Pulau Carey port is expected to complement Westport 2 in term of conventional cargoes handling as Westport 2 main focus is on containers cargoes. 2. Both a hydrogen hub at Sarawak and BIMP-EAGA cooperation is expected to strengthen **BIPORT (MP: TP : RM5.15)** customers base as well as diversfying BIPORT revenue away from LNG.
Tech	
1) Implementation of National Semiconductor Strategy (NSS) alongside NIMP 2030 and NETR - The government has started reforms in the economic structure, including through the New Industry Master Plan (NIMP 2030), Transition Roadmap State Energy (NETR), National Semiconductor Strategy (NSS) and the State TVET Policy 2030. 2) Flagship semiconductor programme - Plans to elevate E&E export value from RM600b in 2024 to RM1t by 2030 via the High Technology Semiconductor Industry Flagship initiative. 3) National AI Action Plan 2030 - Drives development of AI research, talent, and commercialisation to support widespread AI adoption across industries.	(i) Strengthens Malaysia's role in global semiconductor value chain under the NSS; (ii) Supports local tech firms in moving into front-end and design-led activities; (iii) Potential to attract more FDI and joint ventures in high-value semiconductor segments (iv) Potentially benefits public-listed firms in OSAT, ATE, IC design (i.g. **Inari, MPI, Unisem, Oppstar**) (i) Raises export competitiveness of Malaysia's E&E cluster (ii) Benefits export-driven manufacturers and large-scale E&E providers (iii) Encourages automation and technology upgrades, which could raise demand for precision equipment, testing systems and industrial automation solutions. (iv) Potential beneficiaries are ATE players **(i.e. Pentamaster, Vitrox, Greatech and etc, all N-R)** (i) May spur the adoption of AI across sectors (e.g. manufacturing, healthcare, logistics) (ii) Benefits local AI chip designers, data centres, and software integrators (iii) Encourages partnerships between academia, startups, and MNCs
Telco	
Continuation of Rahmah internet packages.	Negligible impact on ARPUs and subscriber base to mobile and fixed players under our coverage due to our expectations of muted subscriptions. To recap, Rahmah packages (Broadband and Postpaid 5G for B40 and civil servants) were first introduced in 2023 to muted subscription volumes. Likewise, take-up was subdued for Rahmah packages introduced in 2024 for p-hailing riders and undergraduates.

Exhibit 1 (continued): Sectoral assessment	
Key Measures	**Impact and benficiaries**
Utilities	
1. A third regasification terminal (RGT) is expected to be developed in Lumut, Perak to secure gas supply for power generation 2. Advancement of the ASEAN Power Grid (APG) to enhance electricity supply security between Malaysia, Thailand, and Vietnam. 3. The government is also evaluating the potential of nuclear energy as a long-term clean and competitive energy source.	**TENAGA (OP; TP: RM17.20)** stands to benefit the most as the country's sole integrated utility provider, while **PETGAS (MP; TP: RM16.80),** a Petronas company and current operator of the first two RGTs, is a likely candidate to develop the third terminal. As for nuclear power, Malaysia's geographical advantage—being in a non-earthquake zone and surrounded by stable coastlines—makes it a technically feasible long-term solution. However, given the complexities involved and the need for robust regulatory, safety, and public acceptance frameworks, any meaningful progress on nuclear deployment is unlikely within the timeframe of 13MP.

ESG initiatives under the 13MP and Rare Earth Development

1. **Climate Change & Environmental Management**
   - A **National Adaptation Plan** will be introduced to address climate threats across various sectors, including agriculture and food security, forestry and biodiversity, as well as public health
   - Dedicated climate legislation, the **National Climate Change Act (RUUPIN)** (the bill is in the finalization stage) to regulate the implementation of climate action initiatives.
   - A **pilot project to measure embodied carbon** in government infrastructure construction to be implemented to reduce GHG emissions in the construction sector.
   - To expand the **Forest Conservation Certificate**, a non-market green financing instrument, to encourage private sector financing for forest conservation and protection activities
   - **Blue carbon initiatives** in mangrove and wetland areas to enhance climate change mitigation efforts and protect coastal areas from flood and coastal erosion threats
2. **Waste Management**
   - A **National Radioactive Waste Repository Centre,** equipped with facilities for storage, treatment, conditioning, and disposal, will also be developed to ensure safer and more sustainable management of radioactive waste.
3. **Green economy**
   - A. Facilitating and intensifying **carbon trading**
     - To enact the **National Climate Change Act (RUUPIN)** (the bill is in the finalization stage), which could spell out the implementation of carbon tax
     - To implement a **National Carbon Market Policy** (expected to be finalised this year), which will provide frameworks for compliance and voluntary carbon markets, including a carbon emission trading scheme
     - To develop **Forest Carbon Offset**—a carbon crediting instrument tailored to local needs and capacities—to support forestry sector carbon trading.
     - To coordinate **incentives and regulatory compliance at federal and state levels** to promote investments in carbon credit projects
     - A **national energy survey report** to serve as a primary reference on future carbon emission trends.
   - B. **Carbon Capture, Utilisation, and Storage (CCUS):**
     - Stronger **regulatory and governance** framework
     - To be included as part of **green investment and financing taxonomy** to facilitate industrial participation.
     - Signing of **bilateral agreements on cross-border CO_2 transportation** with Japan, South Korea, and Singapore
     - A **pilot CCS project in the iron and steel industry** to be undertaken in Kemaman, Terengganu, while exploring the utilisation of the captured CO_2
     - To encourage the participation of SMEs, including OGSE companies

C. **Nuclear Energy**

- Exploring the use of nuclear energy to generate electricity as part of long-term energy transition strategy.
- The government's initial findings from a pre-feasibility study showed that nuclear energy has strong potential to serve as a stable, clean and reliable power source for the country.
- In terms of talent, Malaysia currently has 323 nuclear researchers under the Malaysian Nuclear Agency and 36 science officers under the Atomic Energy Department, with 61 of them holding qualifications in nuclear science and engineering.

D. **Green financing**

- To improve access to green financing by strengthening the **viability of SMEs' projects**, involving more private financiers, and introducing new financing programmes, particularly in the manufacturing sector.

E. **Green products & services**

- Boosts demand through g**overnment green procurement** and **green city initiatives i.e.** through increased use of RE and energy efficiency measures, green mobility, and smart landscapes
- Improved **green certification** to strengthen and boost competitiveness of agri-commodity supply chains, i.e. palm oil, rubber, and timber products while certification for kenaf, cocoa, and pepper will be introduced.
- To **enhance traceability** of agri-commodity products via technology
- A mechanism for setting **sustainability criteria for imported agri-commodity products** to ensure the resilience of downstream industries.

F. **Expanding the use of hydrogen as a fuel**

- Hydrogen-powered ART in Kuching Sarawak
- A mobile hydrogen refuelling station in Putrajaya (by Hydrexia).

G. **Malaysian Aviation Sector Decarbonization Roadmap** to be implemented focusing on the use of sustainable aviation fuel (SAF), low-carbon aviation fuels, development of SAF infrastructure, use of EVs, charging stations and solar panels for ground-handling services, and the creation of more green landscapes.

H. **Circular economy**

Sustainable plastic practices as well as scheduled waste and solid waste management.

4. Blue economy

Refers to traditional ocean and freshwater-based economic activities like fishing, tourism, maritime transport, and emerging ones such as offshore renewable energy and marine biotechnology.

A. **Preserve heritage and biodiversity sustainability**

- To tighten enforcement of the Fisheries Act 1985 [Act 317] to curb illegal and excessive fishing activities, especially in the South China Sea.
- To amend Act 317 to combat illegal, unreported, and unregulated fishing activities and address the decline of national fishery resources. The "tagal" or "tagang" system practiced in Sabah and Sarawak will be extended to Peninsular Malaysia to ensure the sustainability of inland fishery resources
- Tourism facilities to adopt sustainable management of energy, water, and waste.

B. Green shipping – to expand the use of **green fuel for ships**

C. **Sustainable tourism** – to ensure sustainable marine biodiversity

D. **Blue RE industries –** to explore technologies on **ocean thermal energy conversion** and **offshore floating solar.**

5. Rare Earth **Elements**

- To accelerate development of entire value chain from mining, refining and separation to downstream industries through strategic cooperation with foreign countries
- REE materials to be restricted for domestic use only
- To prioritize local talent development, advanced technology infrastructure, financing and incentives
- To employ more accurate and detailed mapping to prepare an inventory of REE resources
- Coordination between federal and state governments on policies and governance to ensure environmental protection and resource sustainability

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

Published and printed by:

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