

Bursa Malaysia's comment on environmental products offered on Bursa Carbon Exchange

24 June 2024

In reference to the report issued by RimbaWatch entitled "Bursa Carbon Exchange ("BCX") Auctions Credits From Projects Associated With Human Rights Conflicts" dated 24 June 2024, Bursa Malaysia notes the concerns raised in the report with regards to projects selected in some of the auctions for carbon credits, and renewable energy certificates (RECs).

While there may be differing viewpoints on the respective projects, we wish to reiterate that **Bursa Carbon Exchange (BCX) adopts leading and globally recognised international standards** for carbon credits¹ and renewable energy certificates² (RECs). In that regard, environmental attributes generated by the two projects highlighted in the report fulfill international standards and criteria.

BCX practices transparency in information disclosure. Relevant information on the products are made available to buyers to conduct their necessary due diligence.

BCX endeavours to promote environmental assets (such as carbon credits and RECs) that foster sustainable solutions to be traded on our trading platform. **Both carbon and RECs markets play a crucial role in facilitating and accelerating action in climate mitigation efforts, by enabling finance flow from the private sector**; such financing is critical to support transition towards a lower-carbon economy.

An important reality to bear in mind is that while **science in environmental assets are not yet perfect, but given the climate urgency that the world faces today, Bursa Malaysia is doing our part with key stakeholders to take climate action today**. This is the same precautionary principle noted in Principle 15 of the Rio Declaration³, adopted by the United Nations Conference on Environment and Development:

"In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible

¹ The Verified Carbon Standard (VCS, operated by Verra) is the world's largest carbon-crediting program. It has met high-integrity Core Carbon Principle (CCP) eligible by The Integrity Council for the Voluntary Carbon Market (ICVCM), endorsed by the International Carbon Reduction and Offset Alliance (ICROA), and is in progress of securing full approval by Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

² For the I-TRACK Foundation, their I-REC for Electricity standard is accepted by Science-Based Target initiatives (SBTi), GHG Protocol and RE100. RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity.

³ [Rio Declaration on Environment and Development](#)

damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

We acknowledge that the climate action and associated standards setting space is a dynamic one. International carbon and RECs standard providers are continuously improving their methodologies and requirements to be clear yet practical, taking into account feedback from various stakeholders. Likewise, BCX will do the same and refine where necessary in facilitating the trading of environmental solutions.

Hence, we actively collaborate and engage with stakeholders to create a robust ecosystem for RECs and carbon credits. To this end, the Exchange organises an annual international forum with international carbon experts to share their independent views and perspectives on this matter. Our frequent roundtables with local project developers also allow us to share and gain valuable insights and ensure a well-informed approach is taken, where the importance of working together with the local communities is not compromised or overlooked.

Additional Information:

1. Differences between carbon credits and RECs

While carbon credits offset, and RECs reduce, an organisation's emissions footprint, it is crucial to recognise their distinct natures. They serve unique purposes, follow separate validation procedures or methodologies, operate within different market dynamics, and aim for different outcomes.

Carbon credits and RECs both attest to the environmental advantages of actions aimed at curbing greenhouse gas (GHG) emissions. Carbon credits quantify emissions that have been either avoided, reduced or removed from the atmosphere, measured in metric tons of carbon dioxide equivalent; whereas RECs embody the characteristics of 1 megawatt-hour (MWh) of renewable electricity produced. Nevertheless, these two instruments are inherently different, with distinct standards for project eligibility regarding an organisation's utilization of these environmental instruments.

RimbaWatch's technical assessment of the Murum hydropower RECs based on criteria of carbon credits recommended by the ISO Net Zero Guidelines to achieve net zero target is fundamentally flawed. Criteria such as additionality, permanence, and removals are unique to carbon credits, and not relevant to RECs. For instance, for the case of additionality, the GHG Protocol Scope 2 Guidance has made it clear that criteria such as offset "additionality" is not required for instruments such as RECs.

2. Information specific to the Southern Cardamom Project

- With regards to the Southern Cardamom REDD+ Project, it is one of the largest registered under the Verified Carbon Standard (VCS), was actively traded and onboarded by several leading, trading platforms in the region.
- The project received Gold level rating for its climate and biodiversity components under the Climate, Community and Biodiversity (CCB) programme.
- New information surfaced after the auction on BCX in March 2023. Thus, Verra has since suspended the project in June 2023, while investigation is being done.
- Meanwhile, no new carbon credits from the Southern Cardamom project have been admitted to the BCX trading platform.