

Derisking investment into green hydrogen



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10 - 12 JUNE
2024

BORNEO CONVENTION
CENTRE KUCHING, SARAWAK

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Financing Green Hydrogen



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Major consideration:

- Design structures based on acceptable risk profile by allocating risks to those who can best take them – ranging from financiers, government, sponsors, insurers
- Early-stage public sector grants & concessionary funding critical, followed by blended financing solutions to make projects bankable & commercially viable
- Important to ensure cost benefit analysis, cost competitiveness (including transporting), socio-economic impact, consensus building, balancing interests & commitment
- Highly capital intensive in nature, GH projects require significant debt (bonds & loans) & equity
- Instruments & financing structures with features responding to challenges & risks associated with hydrogen value chain

Diverse funding options



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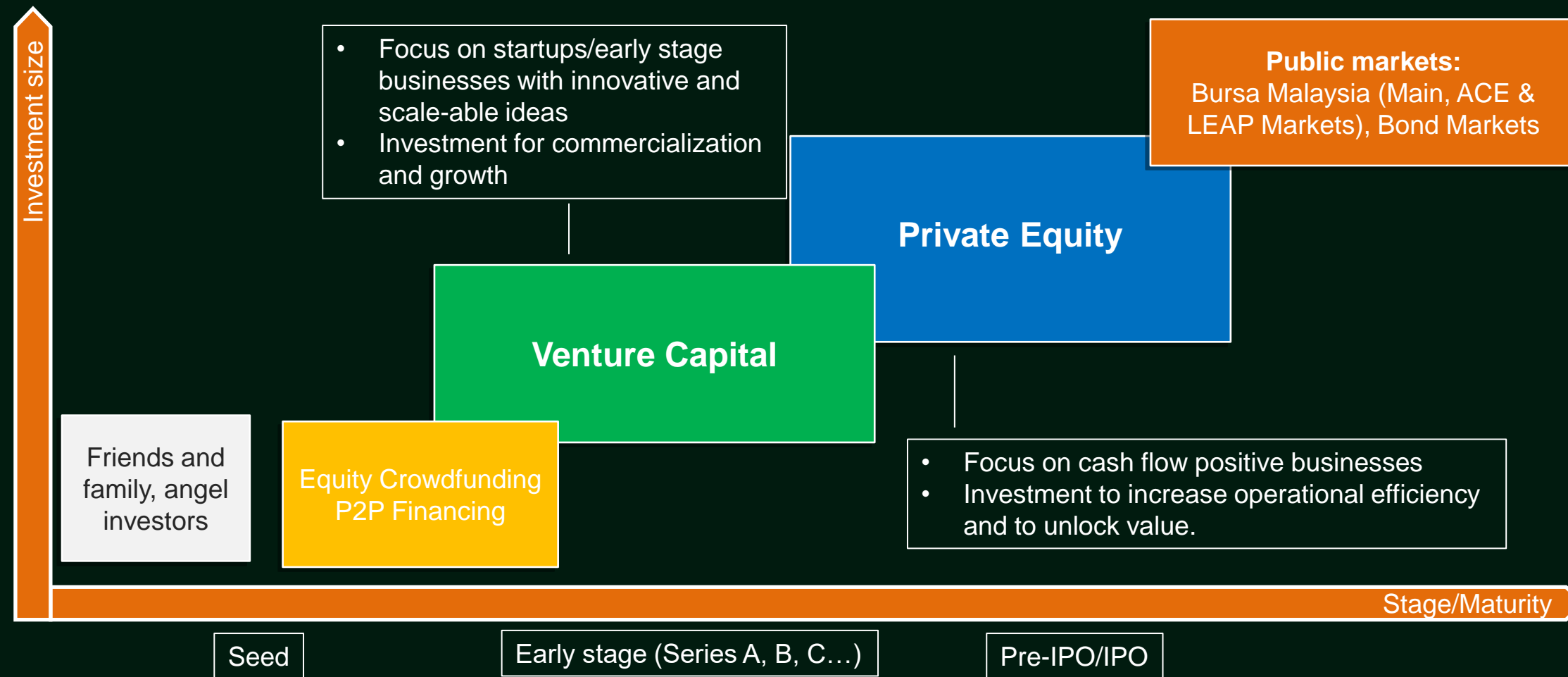
- Key financing sources in early stages of green hydrogen development
 - - Governments and other international organisations
 - Multilateral and development financial institutions
 - Commercial bank term debt providers
- Capital markets can offer avenues & funding instruments to mobilize private capital
 - Equity Financing – IPO, Secondary offerings
 - Debt Financing – Corporate Bonds, SR sukuks/bond, SRI linked
 - Public Private Partnership – grants & subsidies to attract private funding
 - Project Financing – SPV, SPAC, IPCs
 - Sustainable, Impact Investing – ESG specialized funds
 - Crowdfunding – ECF, P2P

Funding Channels



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- Significant efforts have been made by SC to develop the “funding escalator”, offering various options for fundraising by enterprises of different sizes and maturity
- VC/PE are important sources of growth capital in private markets, providing both financial and strategic guidance to entrepreneurs

SRI strategies



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Strategies	What has been done ?
Widening the Range of SRI Instruments	<ul style="list-style-type: none"> • Issuance of world’s first green sukuk under SRI Sukuk Framework for construction of large-scale solar photovoltaic power plants in Kudat • Introduction of ASEAN Green Bond Standards & issuance of inaugural ASEAN Green Bond • Launch of Bursa Carbon Exchange (BCX), a Voluntary Carbon Market (VCM) • Issuance of SC’s Principles-Based SRI Taxonomy
Increasing SRI Investor Base	<ul style="list-style-type: none"> • Launch of FTSE4Good Bursa Malaysia Index & Intro of FTSE4Good Bursa Malaysia Shariah Index • Issuance of Malaysian Code for Institutional Investors • Intro of SC’s Guidelines on SRI Funds
Building a Strong SRI Issuer Base	<ul style="list-style-type: none"> • Expansion of SRI Sukuk & Bond Grant Scheme • Issuance of SRI Guide for Private Markets
Instilling Strong Internal Governance Culture	<ul style="list-style-type: none"> • Introduction of Sustainability Reporting through Bursa Malaysia Listing Requirements • Release of revised Malaysian Code on Corporate Governance
Designing Information Architecture	<ul style="list-style-type: none"> • Launch of the NaviGate: Capital Market Green Financing Series; Established the Sustainable Investment Platform

SRI Bond and Sukuk



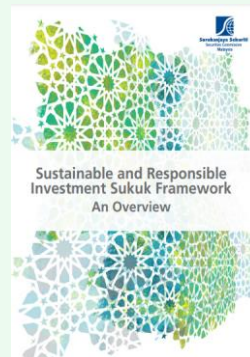
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Use of
Proceeds
Sukuk and
Bonds

National Level



SRI Sukuk Framework

Introduced in 2014, Revised in 2019

ASEAN Level



ASEAN Green Bond Standards

Introduced in 2017



ASEAN Social Bond Standards

Introduced in 2018



ASEAN Sustainability Bond Standards

Sustainability
-linked Sukuk
and Bonds



SRI-linked Sukuk Framework

Introduced in 2022



ASEAN Sustainability-linked Bond Standards

Introduced in 2022

Some Successes

SRI Sukuk Framework has enabled Malaysian entities to issue SRI sukuk in the form of green, sustainable and social sukuk.

1. In 2017, Malaysia issued the world's first green SRI sukuk – to finance the construction of large-scale solar photovoltaic power plants in Kudat, Sabah.
2. Renewable energy company reNIKOLA Holdings Sdn Bhd (reNIKOLA), recently issued RM390.0 million ASEAN Green SRI Sukuk to refinance the development costs of two 30MW solar plants



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The IPO road



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Main

Main Market is a prime market for established companies that have met standards in terms of quality, size and operations.

ACE

ACE Market is sponsor-driven market for companies with growth prospects. Sponsors must assess suitability of potential issuers – business prospects, corporate conduct

LEAP

LEAP Market is a market designed for companies with growth prospects with no track record requirements limited to sophisticated investors

Listing of renewable energy companies on Bursa Malaysia, including:



- Listed on ACE market in Nov 2019 – transferred listing status to Main Market in October 2021.



- Listed on the ACE market in Nov 2020, raised RM29.3m from its IPO



- Listed on the ACE market in Nov 2021, raised RM44.4m from its IPO

Private markets



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MSMEs in renewable energy, energy efficiency, waste management, and sustainable products have **successfully raised financing** on ECF platforms, including:

Ray Go Solar EPC Sdn Bhd

Specialises in providing integrated solar services

Raised RM1.4 million on *PitchIn* in 2018

Green Lagoon Technology Sdn Bhd

Develops renewable energy generation facilities (biogas)

Raised RM800,000 on *Crowdplus* in 2016

G Environment Energy Solutions (M) Sdn Bhd

Renewable energy for Malaysia

Raised RM500,000 on *Leet Capital*

Borneo Waste Industries Sdn Bhd

Waste management service provider

Raised RM649,774 on *ATA Plus* in 2020

Polyseed SSD Sdn Bhd

Produces biodegradable and eco-friendly products

Raised RM405,000 on *Crowdplus* in 2016.

Tax and grants



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SRI SUKUK AND BOND GRANT SCHEME



ELIGIBILITY FOR ISSUANCES THAT QUALIFY FOR THE SRI SUKUK AND BOND GRANT SCHEME

- Green SRI sukuk issuances made under the SC's SRI Sukuk Framework from July 2017 onwards
- Social, sustainability or other SRI sukuk issuances made under the SC's SRI Sukuk Framework from 25 August 2020 onwards
- Bond issuances made under the ASEAN Green Bond Standards, ASEAN Social Bond Standards or ASEAN Sustainability Bond Standards from 29 October 2020 onwards
- Bond issuances made under the ASEAN Sustainability-Linked Bond Standards from 28 October 2022 onwards
- SRI-linked sukuk issuances made under the SC's SRI-Linked Sukuk Framework from 8 August 2022 onwards

OBJECTIVE

To incentivise and encourage more issuers to finance green, social and sustainability projects through sukuk issued under the SC's SRI Sukuk Framework or bonds issued in Malaysia under the ASEAN Green, Social and Sustainability Bond Standards, and facilitate companies to transition to low carbon and better sustainability practices through sukuk issued under the SC's SRI-Linked Sukuk Framework or bonds issued under the ASEAN Sustainability-Linked Bond Standards.

CLAIM



Issuer can **claim** for the Grant based on **an issue or programme**

CLAIM AMOUNT



90% of the actual external review cost subject to a maximum of **RM300,000**

TAX INCENTIVE



5 years income **tax exemption** for the recipient* of the SRI Sukuk and Bond Grant Scheme from Year of Assessment (YA) 2021 until YA 2025

*Eligible for sukuk issuances under the SRI Sukuk Framework and bond issuances under the ASEAN Green Bond Standards, ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards.

APPLICATION PERIOD FOR THE SRI SUKUK AND BOND GRANT SCHEME



From **January 2021** until fully utilised

- SRI Sukuk – tax deduction on total issuance costs of SRI Sukuk (until YA2027)
- SRI-linked Sukuk – tax deduction on the cost of issuing of SRI-linked Sukuk (until YA2027)inter

De-risking tools



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- De-risking tools, such as blended finance, green credit guarantee can attract private investments in hydrogen projects
- Investment grants & financing assistance significantly reduce project costs & financing expenses

Blended finance

- Significant role for blended finance to provide necessary structures, mobilise flow of private climate capital
- Create a win-win situation for the public and private sectors - the private sector benefits from an improved risk profile that meets requirements, the public sector achieves a multiplier effect.

OECD Principles



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BLENDED FINANCE PRINCIPLES

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1

ANCHOR BLENDED FINANCE USE TO A DEVELOPMENT RATIONALE

- Use development finance in blended finance as a driver to maximise development outcomes and impact
- Define development objectives and expected results as the basis for deploying development finance.

2

DESIGN BLENDED FINANCE TO INCREASE THE MOBILISATION OF COMMERCIAL FINANCE

- Ensure additionality for crowding in commercial finance
- Seek leverage based on context and conditions
- Deploy blended finance to address market failures, while minimising the use of concessionality

3

TAILOR BLENDED FINANCE TO LOCAL CONTEXT

- Support local development priorities
- Ensure consistency of blended finance with the aim of local financial market development
- Use blended finance alongside efforts to promote a sound enabling environment

4

FOCUS ON EFFECTIVE PARTNERING

- Enable each party to engage on the basis of their mandate and obligation, while respecting the other's mandate
- Allocate risks in a targeted, balanced and sustainable manner

5

MONITOR FOR TRANSPARENCY AND RESULTS

- Agree on performance and result metrics from the start.
- Track financial, commercial, and development results.
- Dedicate resources for monitoring and evaluation
- Ensure public transparency and accountability