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Legal Update

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Carbon Capture Gets Legal Backing:

Malaysia's CCUS Act Explained

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INTRODUCTION

In March 2025, the Dewan Negara passed the **Carbon Capture, Utilisation and Storage Act 2025 ("CCUS Act")**^[1], marking Malaysia's first comprehensive framework for regulating the capture, transport, utilisation and permanent storage of carbon dioxide ("CO₂"). While carbon capture and storage technologies have long been familiar to the energy and heavy industry sectors, this legislation represents a significant step forward in providing legal certainty and structure to these activities.

Aligned with Malaysia's climate commitment and its ambition to become a regional carbon management hub, the **CCUS Act** also establishes **MyCCUS**^[2], the central agency tasked with regulating and overseeing the carbon value chain across Peninsular Malaysia and Labuan.

The Act is expected to have the greatest impact on emission-intensive sectors such as oil and gas, petrochemicals, manufacturing and power generation. As Malaysia advances toward a low-carbon economy, businesses in these sectors must prepare to navigate new compliance obligations, licensing frameworks and emerging opportunities under this pioneering legislation.

[1] https://www.cljlaw.com/files/bills/pdf/2025/MY_FS_BIL_2025_10.pdf

[2] <https://myccus.ekonomi.gov.my/ccus-overview/>

Mandatory Registration: Who Needs to Register?

Under the **CCUS Act 2025**, all entitles participating in the carbon value chain must register with **MyCCUS** before commencing any regulated activity. This comprehensive requirement applies to three key groups: -



Entities	Brief Description
Operators of Carbon Capture Installations	Any person who owns or operate any carbon capture installation must be registered
Transporters of Captured CO₂	Whether by road, railway, ship, pipeline or any other means, any person transporting CO ₂ obtained through carbon capture is required to register prior to transportation. This ensures regulatory oversight over all potential leak points in the chain.
Users of Captured CO₂	Any person who utilizes any carbon dioxide obtained through carbon capture in Malaysia must also be registered, even if they are not directly involved in the capture or transport stages.

This broad registration framework allows the government to maintain a comprehensive view of the carbon lifecycle within Malaysia, enabling better data management, emissions tracking and regulatory compliance.

Licensing & Permitting: Layered Compliance Based on Activity

In addition to registration, specific permits and licences are required depending on the nature of the activity undertaken. These fall broadly into two categories:

License and Permit	Activity	Penalties (Non-Compliance)
Offshore assessment permit	These are required for any party conducting geological surveys or feasibility studies for potential CO ₂ storage sites—either onshore or offshore. Assessment permits enable operators to explore but not inject CO ₂ .	Fine up to RM 1 million or up to 3 years imprisonment
Onshore assessment permit		
Onshore storage licence	Once a site has been assessed and deemed viable, a separate storage licence is required for the actual injection and long-term storage of CO ₂ . These licences come with stringent safety, monitoring, and environmental obligations.	Fine up to RM 2 million or up to 5 years imprisonment
Offshore storage licence		



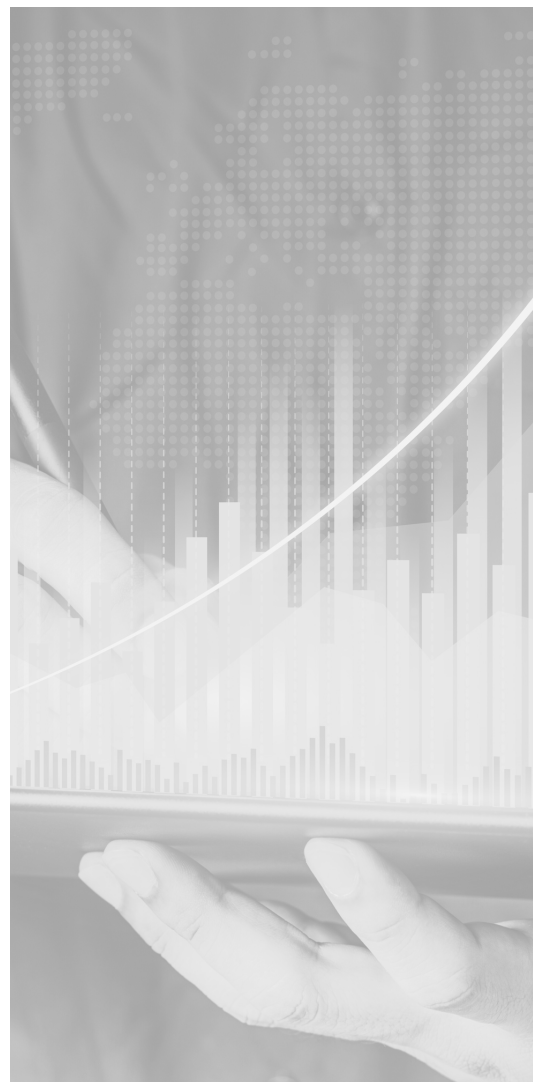
Cross-Border Restrictions: A Controlled Gateway

The **CCUS Act** draws a clear line when it comes to international movement of CO₂. Cross-border activities are tightly controlled to prevent Malaysia from becoming a dumping ground for foreign industrial waste.

Importation of CO₂ is permitted only for permanent geological storage and must satisfy two key requirements: -

1. The CO₂ stream must meet Stream Acceptance Criteria defined by the agency, ensuring it is free of hazardous or unregulated substances.
2. An official permit must be obtained from MyCCUS before any import activity can commence.

This limitation reflects Malaysia's commitment to safe, long-term storage rather than commercial commodification of CO₂ without environmental accountability.





Operational Obligations

The **CCUS Act** imposes specific duties on storage operators to ensure safety and environmental integrity of CO₂ storage sites. These obligations include:-

1. Provide information relevant for the purpose of assessing compliance with offshore storage conditions;
 2. Monitor storage and prepare monitoring plan;
 3. Carry out corrective and remediation measures regarding any leakage or significant irregularity; and
 4. Report to MyCCUS on the result of monitoring and any corrective and remediation measures taken.
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Post-Closure Obligations



Unlike many industrial activities that end once operations cease, CO₂ storage brings with it long-term risks, such as leaks, pressure build-up, and unintended environmental consequences.

To address this, the Act imposes extensive post-closure obligations on storage operators, including:-

1. Monitoring and Reporting

- a. Operators must continue to monitor the site even after injection stops, submitting regular reports to **MyCCUS** on the integrity of the storage facility.

2. Remediation Measures

- a. If leaks or environmental hazards occur, the operator is required to take corrective action immediately.

3. Transfer of Responsibility

- a. In the case of offshore sites, responsibility may eventually transfer to the government after a prescribed period, provided the operator has met all closure requirements. For onshore sites, transfer conditions are determined in consultation with state governments.

4. Liability Continuity

- a. Even after transfer, if issues arise due to negligence, fraud, or non-compliance during the operational period, the original operator remains liable.

Post-Closure Stewardship Fund

To support long-term monitoring and risk mitigation, the Act also establishes a **Post-Closure Stewardship Fund**, administered by **MyCCUS**. The Fund plays a crucial role in supporting monitoring, remediation, and regulatory oversight once the operator's active responsibilities have ceased. The Fund is financed through injection levies collected from offshore storage licensees; Government contributions; and Returns on investment.

The injection levy applies only to operators holding offshore storage licences, typically major players in the oil, gas or energy sectors. Assessment permit holders or those engaged solely in carbon capture, transport or utilisation are exempt from this levy.



Conclusion



The **CCUS Act** reshapes obligations across Malaysia's carbon value chain, directly impacting energy, oil and gas, petrochemicals, power generation and heavy manufacturing sectors. Entities engaged in carbon capture, transport, utilisation or storage must prepare for mandatory registration, licensing requirements and strict operational standards.

Key actions for industry players:

- Map operations against regulated activities under the Act.
- Prepare for compliance frameworks (monitoring, reporting, remediation).
- Assess cost impacts (e.g., injection levies, infrastructure investments).
- Track forthcoming subsidiary regulations to anticipate detailed obligations.

How legal practitioners can assist:

- Provide guidance on interpreting regulatory requirements and developing compliance strategies.
- Facilitate licensing and registration applications with **MyCCUS**.
- Draft and review commercial agreements to ensure alignment with **CCUS** obligations.
- Advise on cross-border CO₂ transport issues and risk mitigation measures.

Early engagement with legal practitioners enables businesses to manage compliance risks proactively while positioning themselves to capture opportunities in the emerging carbon management sector.



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Get in Touch

For further legal advice on Corporate & Compliance, please contact us, Y Kong, Wong & Partners.



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