

CCUS IN MALAYSIA –  
CARBON CAPTURE, UTILIZATION AND STORAGE ACT 2025 AND  
CARBON CAPTURE, UTILIZATION AND STORAGE (OFFSHORE PERMIT  
AND LICENSING) REGULATIONS 2025

In 1994, Malaysia had acceded to the United Nations Framework Convention on Climate Change 1992 and in 2016, Malaysia acceded to the Paris Agreement 2015 on climate change. In this context, Malaysia has implemented various initiatives and programs under the national climate action plan to ensure that the international climate change goals would be achieved. CCUS is one of the major initiatives in Malaysia under the overarching climate change endeavour, and the Malaysian Government has endeavoured to meet its international obligations, within the context of the energy transition scenario.

On 1 August 2025, the Carbon Capture, Utilization and Storage Act 2025 ("**CCUS Act**") came into force and this was followed by the Carbon Capture, Utilization and Storage (Offshore Permit and Licensing) Regulations 2025 ("**CCUS Regulations**") on 1 October 2025.

One of the key introductions of the CCUS Act is the establishment of the Malaysia Carbon Capture, Utilization and Storage Agency ("**CCUS Agency**"), under the Ministry of Economy and this statutory body is responsible for administering, regulating, and promoting all aspects of CCUS in the country. The CCUS Agency is empowered to inter alia, advise on policy formulation, issue permits and licences, oversee storage operations, and manage the Post-Closure Stewardship Fund.

The CCUS Act also recognises two primary categories of licensing/permits which are assessment permits, which authorise geological and site characterisation studies, and storage licences, which allow the injection and storage of carbon dioxide. It is also important to note that both the assessment permits and storage licences are distinguished by their geographical scope, being issued separately for onshore and offshore activities. The CCUS Act also provides that registration with the CCUS Agency is

required for any person who wishes to (i) own or operate any carbon capture installation, (ii) transport carbon dioxide and (iii) utilise carbon dioxide.

The CCUS Act also allows importation and storage of carbon dioxide captured abroad, subject to the CCUS Agency's approval and compliance with quality standards. This opens Malaysia to become a regional CCUS hub and to potential cross-border carbon storage services, thus aligning with regional carbon market ambitions and ASEAN cooperation on decarbonisation. The strategic storage agreement between PETRONAS and Japan's JGC, JAPEX and K-Line is an example of cross border business cooperation between businesses from different jurisdictions.

The accompanying CCUS Regulations set out detailed procedures for applications for the offshore assessment permits and storage licences, including submission requirements, financial guarantees, risk assessments, and environmental management plans. The CCUS Regulations also ensures that offshore operators are bound by stringent monitoring, reporting, and post-closure obligations. It is important to note that Agency imposes a fee for the application for (i) an offshore assessment permit (RM80,000.00 per application), (ii) an extension of offshore assessment permit (RM80,000.00 per application), (iii) an offshore storage licence (RM120,000.00 per application) and (iv) initiation of storage site closure (RM120,000.00 per application).

The CCUS projects in Malaysia should be viable because of the decarbonising requirements of the carbon dioxide producing industries and business sectors, e.g. oil & gas, power generation, cement, and also, because of the existence of large storage reservoirs totalling 13.3 gigatonnes, both onshore and offshore.

The recent regulations will provide clarity for the various CCUS projects which are being implemented or are at the assessment stage, specifically, the PETRONAS projects. PETRONAS is undertaking CCUS projects in Kerteh and Kuantan for the onshore storage of carbon dioxide and in Sarawak for off-shore storage. PETRONAS has signed a Development Agreement with Total Energies Carbon Neutrality Ventures and Mitsui & Co. Ltd. to jointly pursue CCS projects in Malaysia and the Asia Pacific Region. A Memorandum of Cooperation was also signed between PETRONAS, Japan Organisation for Metals and Energy Security (JOGMEC) and Japan's Ministry of Energy, Trade and Industry (METI).

The recent CCUS Act and CCUS Regulations will also strengthen the legal framework for collaboration between ASEAN countries for CCUS projects consistent with the declared ASEAN Strategy for Carbon Neutrality for which CCUS is an integral component to achieve the net zero GHG emissions and carbon neutrality targets.

The Malaysian legal framework for CCUS has now been established which lays the

groundwork for investments in CCUS projects in Malaysia. It can be projected that having the necessary reservoirs for storage, both onshore and offshore, the participating carbon dioxide producing industries, the legal framework and most importantly the strong support by the Malaysian Government, the steady progression of CCUS related projects in Malaysia will be successfully implemented.

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