

CARBON CAPTURE, UTILIZATION AND STORAGE (OFFSHORE PERMIT AND LICENSING) REGULATIONS 2025 NOW IN FORCE

10 October 2025

The Carbon Capture, Utilization and Storage (Offshore Permit and Licensing) Regulations 2025¹ (“**Regulations**”) were gazetted on 30 September 2025 and came into operation on 1 October 2025.

The **Regulations**, made under the Carbon Capture, Utilization and Storage Act 2025 (“**Act**”) which also came into operation on 1 October 2025, establishes the detailed framework for obtaining permits and licences to carry out offshore carbon storage activities in Malaysia.²

In summary, the Regulations establish a two-stage regime: (i) requiring an offshore assessment permit; and (ii) obtaining an offshore storage licence. The Regulations also set out the operational, safety, and long-term liability obligations for offshore carbon capture and storage projects. This article provides an overview of the key provisions of the Regulations.

Application of the Regulations

The Regulations apply to offshore geological assessment and permanent storage of carbon dioxide in Malaysia’s offshore areas. In line with the scope of the Act, the Regulations extend only to offshore projects in Peninsular Malaysia and the Federal Territory of Labuan as Sabah and Sarawak have each enacted separate State Enactments on carbon capture, utilization and storage.

The Act establishes the Malaysia Carbon Capture, Utilization and Storage Agency (“**Agency**” or “**MyCCUS**”) as the central authority responsible for overseeing carbon capture, utilization and storage (“**CCUS**”) activities. The Agency is empowered to administer the permitting and licensing process for offshore storage with the Minister being empowered to appoint a competent technical entity to advise the Agency on technical and operational matters, including those related to offshore assessment permits and offshore storage licences.³ The Regulations operationalise the Act’s requirements by prescribing how companies may obtain the necessary approvals and guidance on the CCUS project development.

Offshore Assessment Permit

As provided in the Act, any person wishing to carry out a geological assessment of a potential carbon storage site in offshore Malaysia must first obtain an offshore assessment permit.⁴ An application for an offshore assessment permit must be made in writing to the Agency and accompanied by a prescribed fee of RM80,000 per application.⁵ The applicant is also required to comply with any guidelines issued by the Minister under Section 53 of the Act for CCUS activities from time to time.

Information and Documents Requirement

An applicant is required to provide key information and documents to support the application, including the following:

¹ P.U.(A) 346/2025.

² Our write-up on the salient features of the Act can be accessed [here](#).

³ Regulation 4, Regulations.

⁴ Section 24(1), Act.

⁵ Regulation 5, Regulations. The prescribed fee is set out the Schedule of the Regulations.

- (a) the name and details of the applicant;
- (b) identification of the offshore area to be assessed (a fixed area which may cover one or more potential storage complexes); and
- (c) methods and techniques intended for the geological assessment and any proof of any required authorizations for those methods.

Upon the approval of an offshore assessment permit, the holder is required to comply with all conditions stated in the permit, any additional conditions the Agency imposes under the Act⁶ as well as any other applicable laws for the time being in force.⁷

Rights and Duration of the Offshore Assessment Permit

An offshore assessment permit confers on the permit holder, the sole right to conduct the geological assessment in the specified offshore area. The permit holder is required to undertake the assessment within three years from the date of the permit subject to any extension granted by the Agency.⁸

Relinquishment of the Offshore Assessment Permit

If the permit holder does not apply for an offshore storage licence before the assessment permit expires (including any extensions), or if its application for such licence is refused, the area specified in the offshore assessment permit shall be automatically relinquished.⁹ The offshore assessment permit holder remains responsible for certain post-assessment obligations such as removal or equipment, closing-off wells as well as make good obligations¹⁰ notwithstanding the expiry of the offshore assessment permit and the relinquishment of the specified area.

Offshore Assessment Permit

The next phase of the CCUS project cycle involves obtaining an offshore storage licence under the Act, without which it is unlawful to operate a carbon storage site in Malaysian offshore waters.

Application for an Offshore Storage Licence

Pursuant to Regulation 13(4) of the Regulations, only an existing offshore assessment permit holder is eligible to apply for an offshore storage licence. An application must be submitted in writing to the Agency together with a prescribed fee of RM120,000 per application.¹¹

Financial Security Requirements

An applicant is required to demonstrate that it has sufficient financial security in place to cover the costs arising from all obligations, liabilities and risks of the project, including the closure and post-closure costs of the storage site until responsibility is assumed by the Government. The amount and form of such financial security are to be included in the licence application and is subject to the Agency's approval.¹²

⁶ Section 25(2), Act.

⁷ Regulation 9, Regulations.

⁸ Regulations 8 and 10, Regulations.

⁹ Regulation 11(1), Regulations.

¹⁰ Regulations 12(3)(b), (c) and (d), Regulations.

¹¹ The prescribed fee is set out the Schedule of the Regulations.

¹² Regulation 14, Regulations

Information and Documents Requirements

An application is to be supported by a detailed set of documents and information, including the following:

- (a) the name and details of the applicant;
- (b) the location of the proposed injection facilities;
- (c) proof of technical competence of the applicant;
- (d) proof of the applicant financial capability;
- (e) the estimated total quantity of carbon dioxide to be stored in the storage site;
- (f) a proposed injection plan;
- (g) a proposed development plan of the storage site;
- (h) a proposed monitoring plan in relation to the storage complex and surrounding environment
- (i) a proposed storage site closure plan;
- (j) a risk assessment and risk management report in relation to the impact of activities to be undertaken on human health and safety, the environment and other areas determined by the Agency; and
- (k) the proposed operation plan of the storage site.

Granting or Refusing of the Offshore Storage Licence

The Agency will grant an offshore storage licence if it is satisfied that: (a) all relevant requirements of the Regulations have been met; (b) the applicant is financially capable of undertaking the project; and (c) the applicant is technically competent and reliable to operate and control the storage site.¹³

Rights under the Offshore Storage Licence

The holder of an offshore storage licence ("**Offshore Operator**") gains the sole right to operate the carbon storage site as specified in the licence.¹⁴

Compliance with Conditions of the Offshore Storage Licence

The Offshore Operator must comply with all conditions stated in the licence as well as any additional conditions imposed by the Agency under Section 27(2) of the Act.¹⁵ The grant of an offshore storage licence does not preclude the Offshore Operator from complying with the provisions of any other laws.

Contents of an Offshore Storage Licence

The Regulations prescribe the information contained in an offshore storage licence. Among the key contents are:

- (a) the name and details of the Offshore Operator;
- (b) the precise location and delimitation of the storage site and storage complex;
- (c) the operational requirements of the storage site, the total quantity of carbon dioxide authorised to be geologically stored, the pressure limits of the storage complex and the maximum injection rates and pressures;
- (d) the requirements for the composition of the carbon dioxide stream;
- (e) the approved development, operation, monitoring, closure and emergency response plans;
- (f) the requirement to notify the Agency of any leakage or significant irregularities;

¹³ Regulation 16(3), Regulations.

¹⁴ Regulation 17, Regulations.

¹⁵ Regulation 18(1), Regulations.

- (g) the approved risk assessment and risk management report; and
- (h) any conditions relating to any change in shareholding, ownership or management of the Offshore Operator.

Operational and Closure Obligations

The Regulations impose extensive operational, safety, and environmental obligations on the Offshore Operator in order to ensure that the carbon storage is conducted in a safe manner throughout its life cycle.

Requirement for financial security

The Offshore Operator must maintain the approved financial security¹⁶ throughout the operation and shall ensure that such financial security remains effective until the transfer of obligations to the Government pursuant to Regulation 42 is completed. The financial security shall remain valid before injection of carbon dioxide into the storage site commences and up until the point of transfer of the site to Government.

Furthermore, the Agency shall periodically assess whether the secured amount remains sufficient taking into account of the accessed risk of leakage and the estimated costs of meeting the obligations of the Offshore Operator stated in Regulation 14(1) of the Regulations. The Agency has the right to adjust the financial security amount based on its assessment and any increase in such amount shall be made by the Offshore Operator within three months of notification by the Agency.

Monitoring and reporting

The Offshore Operator must monitor the injection facilities, the storage complex, the carbon dioxide plume, and the surrounding environment in accordance with a monitoring plan approved by the Agency. The monitoring plan shall be updated by the Offshore Operator as required by the Agency or when the Offshore Operator deems necessary on a risk-based approach mutually agreed with the Agency that an update is required.¹⁷

Reporting obligations are imposed on the Offshore Operator under Regulation 35 of the Regulations. At least once a year, or more frequently as determined by the Agency, the Offshore Operator must submit a report containing: (a) all monitoring results obtained during the period (with details of the techniques used); (b) the quantities and properties of carbon dioxide streams delivered and injected during that period (with composition data pursuant to Section 28(5) of the Act); (c) evidence that the financial security is still in place and maintained; and (d) any other information the Agency deems necessary for assessing compliance of the licence conditions and increasing knowledge about the carbon dioxide reaction in the site.

Inspections and Investigations

The Agency shall undertake inspections and may investigate in the circumstances specified in Regulation 36(2) of the Regulations, i.e., when a leakage or significant irregularity has been reported; when the Offshore Operator's reports mentioned in Regulation 35 show insufficient compliance with the offshore storage licence conditions; if there are serious complaints in relation to human health and environmental or safety concerns; or any other situation where the Agency deems appropriate.

After an inspection or investigation, the Agency will prepare a report evaluating the Offshore Operator's compliance with the Regulations and indicate whether any further action is required. A copy of the report is to be provided to the Offshore Operator within three months of the inspection.

¹⁶ Regulation 32, Regulations.

¹⁷ Regulation 34(3), Regulations.

Managing Leakage or Irregularities

The Offshore Operator must immediately notify the Agency when it detects or is made aware of any leakage or significant irregularity.¹⁸ It must then investigate and implement corrective measures and remediation, following the pre-approved corrective measures plan for the site.

The Agency may intervene if the Offshore Operator fails to implement the necessary corrective or remedial measures adequately or in a timely manner. The costs incurred by the Agency for such intervention shall be borne by the Offshore Operator.

Site Closure

Section 31 of the Act provides that a storage site cannot be closed (and a closure certificate issued) until the conditions prescribed in Regulations 39 and 40 of the Regulations are met.¹⁹

An Offshore Operator intending to commence storage site closure must submit a closure request in writing to the Agency (with a prescribed fee of RM 120,000). During the closure phase, the Offshore Operator remains responsible for several activities under Regulation 39(2) of the Regulations. These include continuing to monitor the storage site and reporting the results to the Agency; performing any required corrective or remediation measures; and undertaking any other activities specified in the approved closure plan.²⁰ The Offshore Operator must also carry out decommissioning of facilities.²¹ Throughout the process of closure, the Offshore Operator remains liable for any damage caused by the storage site.

A storage site shall be deemed closed and a storage site closure certificate shall be issued by the Agency if it is satisfied that the obligations under Regulation 39(2) and the relevant conditions specified in the licence for site closure have been complied with. The Agency may also issue a closure certificate in cases where the licence is revoked and the site is to be closed as a result.

Before issuing the closure certificate, the provisional post-closure plan submitted by the Offshore Operator during its licence application must be reviewed, updated and submitted for approval by the Agency. The final post-closure plan approved by the Agency will govern the post-closure period. Notwithstanding the issuance of the closure certificate, the Offshore Operator remains responsible for the site until a formal transfer of obligations to the Government occurs pursuant to Section 32 of the Act.

Regulation 42 of the Regulations specifies the conditions for the transfer of obligations to the Government. The key conditions include:

- (a) the site is properly closed and a closure certificate issued pursuant to Regulation 40(1)(a) of the Regulations;
- (b) all available proof, including monitoring results submitted to the Agency pursuant to Regulation 35 indicates that the stored carbon dioxide will be completely and permanently contained;
- (c) a minimum of 10 years has lapsed since the closure certificate was issued (this period may be extended by the Agency if it is not satisfied that the condition in paragraph (b) above have been complied with).
- (d) the financial obligations of making injection levy payments pursuant to Section 41(2)(b) of the Act have been complied with;
- (e) the storage site has been sealed and all relevant facilities decommissioned as required; and
- (f) the Offshore Operator has made good any damage to the seabed and subsoil of the area surrounding the storage site.

¹⁸ Regulation 37(1) of the Regulations.

¹⁹ A site closure refers to when a storage site reaches the point where injection ceases and the storage site is closed.

²⁰ Regulation 39(2) of the Regulations.

²¹ Means the removal, leaving or abandonment of any asset, equipment, facility including any injection facility or tank, machinery, platform, pipeline, pumping station, or other structure, fixed or not fixed, used for any activity undertaken pursuant to the offshore storage licence which is disused or no longer needed for the operation of a storage site.

The Offshore Operator shall prepare a report documenting that the conditions referred to in Regulation 42 have been complied with and shall submit an application to the Agency for the transfer of obligations.²² Such report must demonstrate the conformity of the actual reaction of the injected carbon dioxide with the modelled reaction; the absence of any leakage above an acceptable threshold according to prudent carbon capture, utilization and storage practices; and that the storage site is evolving towards a situation of long-term stability.

Once the Agency is satisfied that all conditions under Regulation 42(a) to (f) are fulfilled, the Agency shall adopt the final decision and issue a certificate documenting the transfer of obligations to the Government pursuant to section 32 of the Act.

After the transfer of obligations to the Government, the inspections and investigations specified in Regulation 36 may be reduced to a level to detect any leakage or significant irregularity unless there is any leakage or significant irregularity detected.

Where a storage site has been closed due to the revocation of an offshore storage licence, the transfer of obligations to the Government shall only be deemed to take place:

- (a) when all available evidence indicates that the stored carbon dioxide will be completely and permanently contained;
- (b) after the storage site has been sealed; and
- (c) the Offshore Operator has undertaken decommissioning of relevant facilities and structures of the storage site as required under Regulation 39(2)(b).

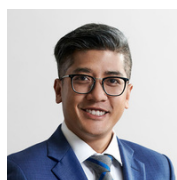
Forms

All forms related to the Regulations will be made available on the website of the Agency or through any other medium as the Agency deems appropriate.

Comments

The coming into force of the Regulations represents a crucial step in operationalizing Malaysia's carbon capture and storage framework. For industry stakeholders especially those in the energy, oil and gas, and petrochemical sectors, these Regulations provide much-needed clarity on the regulatory requirements governing offshore carbon storage projects in Peninsular Malaysia and the Federal Territory of Labuan. The two-step process introduced by the Regulations, together with the safety and environmental assessment obligations, mirrors international best practices by ensuring that only thoroughly evaluated sites will be used for carbon storage.

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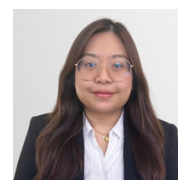
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²² Regulation 43(1), CCUS Regulations.



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