

8 Dec 2025

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ESG

COP 30 - UN Carbon Market commences

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NEUTRAL

(Maintained)

Rationale for report: Sector Update

Stock Universe

Malakoff
TP: RM0.88
Rec: HOLD
Upside/Downside: +3.5%

YTL Power
TP: RM4.11
Rec: BUY
Upside/Downside: +24.5%

Mega First
TP: RM3.95
Rec: HOLD
Upside/Downside: +17.9%

Solarvest
TP: RM2.87
Rec: HOLD
Upside/Downside: -2.0%

Investment Highlights

The UN Carbon Market commenced operations just before COP30 opened on 10 November in Belem, Brazil. This came after the UN Supervisory Board approved one of the methodologies for the calculation of carbon emissions from landfill sites. The methodology was proposed under a framework, which is aligned with 2015's Paris Agreement. According to the United Nations, the commencement of the UN Carbon Market's operations means that projects can now be submitted for registration. The UN Supervisory Board has also adopted an investment analysis tool, where project developers and owners have to show that their activities would not be viable without the sale of carbon credits.

- **The UN Carbon Market allows companies to buy carbon credits from projects in another country.** This allows companies to reduce their carbon emissions so that they can fulfil their emissions or RE targets. Generally, a carbon credit represents a tonne of greenhouse gas emission. Apart from the UN Carbon Market, there are a few other avenues to buy carbon credits i.e. signing bilateral agreements with other countries or trading credits on an emissions trading system where there is a limit on carbon emissions in the country. Currently, the biggest emissions trading systems are the EU Emissions Trading System and China's National Emissions Trading System. According to Bloomberg, carbon credit price in the EU was €82.39/tonne on 2 December while in China, the price was CNY59.75/tonne or €7.26/tonne.
- **There are issues with different carbon trading systems.** Brazil, which was the host of COP30, has proposed a unification of the carbon trading systems of different countries. In addition, it is unknown if carbon credits from nature-based projects such as reforestation would be allowed to trade on the UN Carbon Market. Also, we believe that due to different carbon trading systems, there could be issues with double-counting and the integrity or quality of carbon credits, which can be used to offset emissions.
- **Malaysia has a carbon trading system.** Bursa Carbon Exchange allows companies to trade carbon credits and renewable energy certificates (REC). Some of the projects selling carbon credits or REC on the Bursa Carbon Exchange are the Kuamut Rainforest Conservation Project in Sabah and auction of bilateral energy supply contract for RE under UEM Lestra's CRESS (Corporate Renewable Energy Supply Scheme).
- **UN Supervisory Board will be approving more methodologies.** These include methodologies for RE projects such as solar or hydro. Under the UN Carbon Market, there are different carbon credit rates for different types of landfill projects. For instance, projects that use methane to produce energy will enjoy longer periods of high carbon credits.

EXHIBIT 1: VALUATION MATRIX

	Share price (RM)	FY25F EPS (sen)	FY26F EPS (sen)	FY25F PE (x)	FY26F PE (x)	Target price (RM)	Rec	Upside/(Downside)	
Malakoff	0.85	3.0	6.3	28.7	13.6	0.88	Hold	3.5%	↑
Solarvest	2.93	7.2	10.1	40.7	29.0	2.87	Hold	-2.0%	↑
Mega First	3.35	38.2	39.5	8.8	8.5	3.95	Hold	17.9%	
YTL Power	3.30	25.5	29.2	12.9	11.3	4.11	Buy	24.5%	↑

Source: AmInvestment Bank

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