



HYDROGEN SCALE-UP IN MALAYSIA REQUIRES FISCAL ALIGNMENT TO ACCELERATE EARLY MARKET ADOPTION

KUCHING, 27 July 2026 – Across the world, emerging hydrogen markets are facing the challenge of moving from pilot projects to commercial scale. Malaysia is no exception. As the country develops its hydrogen ecosystem, the focus is increasingly shifting towards creating the regulatory certainty and market conditions needed to support investment, adoption and long-term competitiveness. While the hydrogen industry remains strategically important for long-term decarbonisation, it is important to recognise that the sector has developed against a backdrop of unprecedented global challenges over the past several years.

Geopolitical uncertainties prompted governments worldwide to prioritise energy security, affordability, and cost-of-living concerns. In many markets, policy attention shifted from long-term decarbonisation objectives towards ensuring reliable and affordable energy supply, resulting in slower implementation of certain clean energy initiatives.

The energy transition landscape has also evolved as major oil and gas companies reassessed their portfolios and redirected capital towards their core businesses amid volatile market conditions. While many remain committed to net-zero ambitions, investment decisions have become increasingly selective, with greater focus on projects demonstrating clear commercial viability and near-term returns.

These developments have contributed to a more measured pace of hydrogen deployment globally. However, they also reinforce the importance of targeted policy support, fiscal alignment, and market-enabling mechanisms to bridge the gap between early-stage technologies and commercial-scale adoption. As economic conditions stabilise and countries continue pursuing long-term decarbonisation commitments, hydrogen is expected to remain an important component of the future energy mix.

Recent remarks by Premier of Sarawak Datuk Patinggi Tan Sri (Dr) Abang Haji Abdul Rahman Zohari Bin Tun Datuk Abang Haji Openg calling for targeted tax adjustments on hydrogen vehicles reinforce the importance of fiscal mechanisms in enabling early hydrogen mobility adoption.

Rather than signalling a decline in hydrogen's relevance, these challenges highlight why governments must play an active role in creating favourable market conditions during the industry's formative years. Almost every successful energy transition has required policy intervention, fiscal support, and infrastructure investments before achieving commercial



maturity. Hydrogen is no different. Fiscal measures such as those proposed by the Premier can help mitigate early market risks, attract private investment, and accelerate the development of a self-sustaining hydrogen ecosystem in Malaysia

The Premier's call is consistent with Hydrogen Malaysia's (H₂Malaysia) ongoing engagements with the Federal Government, where the industry alliance has been advocating for coordinated fiscal and policy measures to accelerate the commercial deployment of hydrogen technologies across the value chain.

Through its policy engagements, H₂Malaysia has proposed a comprehensive framework focused on developing the essential building blocks of a hydrogen mobility ecosystem.

These include strengthening hydrogen supply and fuel quality assurance, accelerating the rollout of hydrogen refuelling infrastructure, supporting the adoption of hydrogen-powered commercial vehicles to achieve the critical mass needed for market viability, and enhancing ecosystem readiness through robust safety standards, operational protocols and regulatory preparedness.

These recommendations are intended to address the practical challenges of scaling hydrogen beyond pilot projects by creating the conditions necessary for investment, infrastructure deployment and sustained market demand.

Early-stage fiscal incentives are widely recognised as a key mechanism for emerging energy technologies. They improve investment visibility, reduce entry barriers and accelerate infrastructure deployment required for initial market formation.

National Energy Transition Roadmap (NETR) and Hydrogen Economy and Technology Roadmap (HETR) have established the strategic direction for hydrogen development. The next phase requires coordinated implementation of market-enabling instruments that translate national policy into commercially investable opportunities.

SEDC Energy (SEDCE), in its capacity as President of H₂Malaysia, said the Premier's remarks reaffirm the industry's long-standing position that fiscal alignment is essential to unlocking the next phase of Malaysia's hydrogen economy. Malaysia has established a clear strategic direction for hydrogen. The next step is to ensure that policy implementation creates the conditions for investment, adoption and long-term industry growth.

H₂Malaysia has consistently engaged with relevant ministries and agencies on the need for an integrated approach that supports the entire hydrogen ecosystem—from reliable

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M A L A Y S I A  fuel supply and refuelling infrastructure to vehicle deployment and regulatory readiness. These elements must progress together to create the critical mass necessary for a commercially sustainable hydrogen market.

“We welcome the Premier's call, as it reinforces the policy direction that H₂Malaysia has been advocating. Targeted fiscal measures will not only accelerate market adoption but also strengthen investor confidence and reinforce Malaysia's position as a competitive destination for hydrogen innovation, manufacturing and industrial development, said SEDCE.”

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About Hydrogen Malaysia (H₂Malaysia)

H₂Malaysia is the national industry platform representing stakeholders across the hydrogen value chain, facilitating collaboration between industry and government to support coordinated ecosystem development, policy implementation and investment readiness for Malaysia's hydrogen economy.