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Nippon Paint's Shah Alam plant not only has colourful buildings but the entire factory is also operationally green

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Slow going for green factories

Since 2010, only 19 factories have been registered under the Green Building Index's industrial new construction tool, and three under the industrial existing building tool



by Joseph Wong

A GROWING number of factories are adopting environment-friendly initiatives but the number of establishments going for green certification is lower than

anticipated.

Most manufacturers are taking baby steps towards local green certification because of the benefits that come with the award, like tax and stamp-duty exemptions.

The change towards green is mainly for three reasons, namely to reduce energy costs, polish the corporate image and improve the chances of earning international certifications like Leadership in Energy and Environmental Design (LEED), a US green-building award.

"We are seeing a slow and steady increase in factories going for green certification," says Green Building Index (GBI) Sdn Bhd general manager Dr Herman Teo.

Since 2010, only 19 factories have been registered under the industrial new construction (INC) tool, while three were registered under the industrial existing building (IEB) tool. Of the three, two were registered in 2013 and one so far this year, Teo adds. INC and IEB are the two tools used by the GBI.

In the case of INC, two are still at

design assessment stage, or Stage 2, while four have reached Stage 3, the completion and verification level prior to registration. With regard to IEB, two buildings are at completion and verification level.

There is a third assessment: Renewal Verification Assessment, conducted for certification renewal to ensure standards are maintained. "The assessment of a project takes four to six weeks," Teo explains.

In total, about 750,000 sq ft of factory space since 2009 has been certified green, according to the Malaysia Green Building Confederation, representing about 1% of its total building certifications.

Green incentives

To expand the use of green technology, the government has gazetted two items: Building owners obtaining GBI Certificates between Oct 24, 2009 and Dec 31 last year are to be given an income-tax exemption equivalent to the capital expenditure involved in obtaining certification, Teo says.

"And buyers purchasing buildings with GBI Certificates from developers are to be given stamp-duty exemption on the instruments of ownership transfer. The exemption amount will be equivalent to the cost incurred to obtain the GBI Certificates," he adds.

"This exemption is given to buyers who execute sale and purchase agreements between Oct 24, 2009 and Dec 31, 2014. The government is expected to



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continue this green-tax incentive under a different scheme and we are awaiting the announcement," he clarifies.

Teo adds total long-term cost-savings for a green factory (energy, water and maintenance) will be higher than any additional cost invested to make the factory green.

There is a GBI registration fee applicable to each project; the fee schedule can be found on the GBI website, he says. "There is no annual fee for maintaining GBI certification, which is valid for three years. Registration for GBI's Renewal Verification Assessment is a fraction of that for new registration. Renewal under the GBI scheme ensures the factory remains a Green Factory and not a one-off," Teo says.

"GBI is measured in six criteria: Energy efficiency, indoor environment quality, sustainable site planning and management, materials and resources, water efficiency as well as innovation.

"GBI's factory tools are unique; apart from assessing the energy-efficiency of

the building itself [as in the case of all global factory tools], GBI assesses the energy-efficiency of the factory process."

Malaysian factories are measured using the same criteria. However, GBI has two industrial tools: INC and IEB, developed for industrial buildings like factories, Teo adds.

Grey areas

Some areas appear not to be covered by local green certification. "There is an interesting oddity. As it turns out, there are some 'green' aspects not governed by local laws but which are adopted by corporations, particularly international ones, which operate their own green standards as in their countries of origin," says an observer.

"This is not just in Malaysia but is also in neighbouring Asian nations," he adds.

The Vietnamese government, for instance, has no comprehensive standards governing refrigerant chemicals, which in the US are regulated by the Environmental

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Nippon Paint's manufacturing facility in Shah Alam

GBI INC & IEB registered projects (2010-2015)

Tool	Status	Year	No	TOTAL
INC	Design Assessment (Stage 2)	2014	2	2
		2013	1	4
	Completion & Verification Assessment (Stage 3)	2014	2	4
		2010	1	19
		2011	2	19
	Registered	2012	5	19
		2013	5	19
2014		5	19	
2015		1	19	
IEB	Completion & Verification Assessment (Stage 3)	2013	1	2
		2014	1	2
	Registered	2012	2	3
		2014	1	3
		2015	0	3

Note: INC – Industrial New Construction
IEB – Industrial Existing Building

Source: Green Building Index Sdn Bhd

Western MNCs show the way

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Protection Agency, he says.

For example, Intel Corp's US\$1 bil (RM3.87 bil) plant in Ho Chi Minh City embraces environmental and sustainability measures far beyond those required by the nation's laws.

Western multinationals have been building environment-friendly factories in developing countries, he notes.

The US Green Building Council, a leading global certifier, reports about 300 factories in Asia are LEED-certified or awaiting certification.

There are also Japanese corporations with Malaysian joint ventures or operations which take green initiatives, without going for certification.

Nippon Paint Malaysia Sdn Bhd has long had many green initiatives for its Shah Alam manufacturing plant, not registered with GBI.

But that is changing as the nation's foremost paint manufacturer is considering certification, says managing director Yaw Seng Heng. "Nippon Paint is continuously working with industry associations and stakeholders to champion the green agenda for Malaysia," he says.

The corporation has always been driven by a green philosophy, he adds, and as such has received Green Label Certification (from the Singapore

Environment Council), the EcoLabeling Certification Licence (from Sirim QAS International) and several Green Excellence awards from Frost & Sullivan, he says.

"We have also obtained ISO 14001 certifications, which means Nippon Paint has established a systematic approach to protecting the environment, to prevent pollution [air, water, land, noise and nuisance] and to improve its environmental performance, complying with Malaysia's Environment Quality Act 1974 as well as other relevant regulations," he adds.

Weighing the benefits

In contrast with these multinationals, whose target market values a green approach, most domestic manufacturers here do not see quantifiable benefits in applying for independent certification, says a source familiar with green certification in Malaysia.

Those building green or investing in efficiency see it as a way to reduce energy consumption or in response to pending government legislation, he says.

"Green buildings also involve reusing or recycling materials, heat and energy; managing waste; as well as maximising the use of natural resources like natural light and ventilation. The effort includes installing systems that would be able to manage, detect and control the active system in the building," says Teo.

All this also helps reduce costs; but at the end of the day, it is up to factory owners to take the plunge into certification. FocusM