Economic and environmental impacts of energy subsidy reform and oil price shock on the Malaysian transport sector

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Abstract

This study employs a multi-sector computable general equilibrium model to investigate the long-run impacts of three scenarios, namely high prices of petroleum products, energy subsidy reform and the combine of both, on the Malaysian transport sector. The long-run simulation results suggest that all shocks are beneficial for the entire economy because of the increase in real GDP and investment. The shocks encourage the reallocation of resources and therefore induce disparities in sectoral adjustments. All transport sectors, except water transport, gain from high petroleum prices due to the increase in their domestic output, domestic sales and exports, while they lose from the...