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## Malaysia's energy wake-up call



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## Demystifying sustainability

AT a time when wars, geopolitical tensions and fragile supply chains can send global energy prices into a tailspin overnight, Malaysia finds itself confronting an uncomfortable but necessary question: How secure is our energy future really?

For years, businesses have treated electricity as a predictable operating cost, something that quietly powered factories, data centres, office towers and industrial parks without demanding much attention.

That assumption no longer holds.

From manufacturers in Penang to exporters in Johor and multinational operators across the Klang Valley, electricity pricing stability is fast becoming a boardroom issue rather than merely an operational one.

The stakes are especially high for large-scale power users operating under medium voltage, high voltage, and ultra high voltage categories, where fluctuations in energy costs can materially reshape competitiveness and profitability.

Against this backdrop, the proactive stance taken by the Energy Transition and Water Transformation Ministry (Petra) deserves recognition.

Its April 17, 2026 statement, "*Strategi tenaga lestari negara tangani impak krisis tenaga global*", signals an important reality: Malaysia is no longer viewing energy security purely through the lens of supply adequacy, but increasingly through

affordability, resilience and sustainability. It reflects an understanding that global fuel volatility can no longer be treated as someone else's problem.

Few policy instruments embody this shift more meaningfully than the Corporate Renewable Energy Supply Scheme (Cress).

For many in corporate Malaysia, Cress still sounds technical, even intimidating.

Yet at its core, the scheme addresses something deeply practical: securing cleaner electricity at more stable prices while insulating businesses from external energy shocks.

That matters far more than many may realise.

### The Strait of Hormuz problem nobody talks about

Malaysia may not sit in West Asia, but our energy vulnerabilities remain closely tied to the region's geopolitical stability.

A significant portion of liquefied natural gas, which underpins domestic electricity generation, moves through the strategically sensitive Strait of Hormuz before reaching Malaysia's regasification gas terminals in Pengerang and Melaka.

From there, the fuel supports domestic power generation and energy-intensive industries.

Temporary diplomatic agreements may offer short-term reassurance.

From manufacturers in Penang to exporters in Johor and multinational operators across the Klang Valley, electricity pricing stability is fast becoming a boardroom issue rather than merely an operational one.

Yet history has repeatedly shown how quickly geopolitical tensions can escalate.

Shipping disruptions, fuel shortages, sanctions, conflict escalation or commodity price spikes elsewhere in the world can eventually find their way into Malaysian electricity costs.

The implications for the industry are profound.

When electricity prices become vulnerable to external fuel volatility, manufacturers lose predictability.

Long-term cost planning becomes harder. Export competitiveness weakens. Margins narrow.

True energy security, therefore, is no longer simply about ensuring enough electricity reaches the grid. It increasingly means reducing dependence on imported fuel exposure and strengthening home-grown electron generation.

This is where renewable energy (RE) stops being an environmental talking point and becomes an industrial strategy.

### Why Cress matters to business

Much of the national conversation around RE often centres on carbon reduction.

While important, this framing misses the larger commercial opportunity.

Cress is not merely a green initiative. It is an economic competitiveness mechanism.

Put simply, the scheme functions as a Third-Party System Access framework, allowing private RE developers to supply electricity directly to corporate consumers through the national grid.

In essence, it enables a direct Power Purchase Agreement between a renewable power producer and a business, with the existing grid acting as the transmission highway.

For corporations navigating volatile energy costs, this arrangement offers something invaluable: price certainty.

Rather than remaining fully exposed to fluctuating conventional electricity pricing linked to global fuel markets, companies gain access to cleaner, more predictable energy contracts.

This is particularly attractive to multinational corporations with aggressive sustainability mandates, especially those operating in electronics, manufacturing, technology, logistics and increasingly, data centres.

But there is another dimension that Malaysian exporters can no longer afford to ignore.

### The carbon border reality

For businesses exporting into Europe, sustainability reporting is no longer optional.

The European Union's Carbon Border Adjustment Mechanism (CBAM) is rapidly reshaping global trade requirements.

Exporters carrying carbon-intensive production profiles face increasing pressure to demonstrate verifiable decarbonisation or risk financial penalties.

Historically, generic green energy offsets or bundled certificates may have been sufficient to support sustainability claims. That era is fast fading.

Global auditors increasingly demand proof of "additionality" – clear evidence that RE procured comes from a direct,

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traceable source rather than broad market averaging.

This is where Cress potentially becomes transformative.

Because the mechanism facilitates direct, contractually bound renewable power arrangements, it creates stronger traceability around energy sourcing.

That provides corporations with a far more robust pathway to meet environmental, social and governance commitments while supporting CBAM-related reporting requirements. In practical terms, businesses gain more than sustainability credentials. They gain regulatory protection.

For export-driven firms competing globally, this may soon become less of a competitive advantage and more of a commercial necessity.

**Petra's important first step**

To Petra's credit, the groundwork for meaningful reform has already begun.

Its engagement with more than 200 stakeholders to gather industry feedback on Cress demonstrates a commendable willingness to co-create rather than dictate policy.

That matters because energy transition succeeds only when regulators, utilities, financiers, developers and consumers move in alignment.

Equally encouraging was the Energy Commission's bold move in July 2025 to introduce a more transparent tariff mechanism by separating maximum demand into distinct network and capacity charges. This was more than a technical adjustment.

It represented an important philosophical shift toward greater pricing clarity for

consumers and a more transparent understanding of what exactly businesses are paying for.

Yet, as promising as Cress may be, significant structural bottlenecks still stand in the way of unlocking its full potential.

The issue is not a lack of corporate appetite. Nor is it a shortage of RE developers.

The real challenge lies in refining the commercial architecture around pricing, grid access and cost structures to ensure RE remains economically compelling for business.

Because if landed renewable electricity pricing ends up too close to conventional tariffs, enthusiasm will inevitably fade.

And that would be a missed opportunity not only for industry, but for Malaysia itself.

As ENERtec Asia 2026 approaches, the conversation should move beyond wheth-

er RE matters. That debate is already settled.

The more urgent question is whether Malaysia can refine the mechanics of Cress quickly enough to accelerate renewable energy adoption while simultaneously protecting businesses from future energy price shocks.

The answer may well determine whether Malaysia becomes a regional green industrial powerhouse – or merely watches others race ahead.

**\* This is the first article in a three-part series on Cress.**

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