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Energy sector's growth pace likely to accelerate

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More solar, storage and grid-related awards imminent

ENERGY

PETALING JAYA: Malaysia's energy and utilities sector is set for a busy period as rising power demand and a growing pipeline of renewable energy (RE) projects drive investment across the value chain.

The next 12 months are expected to bring more solar, storage and grid-related awards, while Tenaga Nasional Bhd's (TNB) peak spending cycle supports earnings visibility.

Overall, Apex Securities Research is "overweight" on the energy and utilities sector, with its top picks being TNB, with a target price of RM16.37; Sarawak Cable Bhd, RM3.35; Solarvest Holdings Bhd, RM5.11; and Samaiden Group Bhd at RM3.99.

"Policy now pays for firm solar and storage just as TNB's spending peaks, and we expect the next 12 months of awards to show both in earnings," the research house said.

A key catalyst is the shift in corporate RE supply, with the Corporate Renewable Energy Supply Scheme (Cress) gaining traction alongside the sixth large-scale solar (LSS6) round.

Apex Securities Research expects the first engineering, procurement, construction and commissioning (EPCC) contracts under Cress' Acceleration Package to be awarded in the fourth quarter of 2026.

The package cuts the system access charge for firm green supply to 14 sen per kilowatt-hour (kWh), from 20 sen, for

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10-year contracts on projects operating by end-2028.

Apex Securities Research estimates the 3,148 megawatts (MW) of registered capacity could translate into about RM17bil of investment.

"Gas cannot fill the gap in time," Apex Securities Research said, noting that only 1.9 gigawatts (GW) of new gas capacity is expected before 2029, while 5.7GW of coal contracts expire from July 2029.

This makes firm solar the fastest source of firm power to build before new gas capacity comes onstream.

The research house favours three areas of exposure: regulated capital expenditure through TNB, supply-chain players such as Sarawak Cable and Cheeding Holdings Bhd, and solar contractors such as Solarvest and Samaiden.

Apex Securities Research said TNB's data centre pipeline is also supporting grid investment, noting the group has secured 8.35GW of data centre capacity across 61 projects, with 5.65GW already connected.

Apex Securities Research expects grid spending to peak in the second half of 2026 and 2027, with TNB's regulated capital expenditure rising to about RM15bil in 2027, including an estimated RM8bil of contingent spending.

Meanwhile, roughly 1.9GW for LSS5 and 1,975MWac for LSS5+ are due to come online between 2026 and 2028.

Moreover, Cress projects must operate by end-2028 to secure the 14 sen access rate.

Together with LSS6, this puts about 6.5GW of LSS solar and up to 3.1GW of Cress capacity under construction between 2026 and 2029, Apex Securities Research said.

Meanwhile, one analyst told *StarBiz* that energy transition in Malaysia is creating a broader pipeline of opportunities for both utilities and RE players.

"We expect grid upgrades, solar deployment and energy storage to remain key growth drivers for the sector over the next few years," he said.