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'Overweight' call on renewable energy sector

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BACKED BY GREATER SOLAR ADOPTION

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KUALA LUMPUR: Rising electricity costs and corporate energy reporting mandates are set to drive solar adoption, boosting solar engineering, procurement, construction, and commissioning (EPCC) companies' order books to record levels.

Kenanga Investment Bank Bhd (Kenanga Research) has an "overweight" call on the renewable energy (RE) sector, underpinned by the government's robust execution of RE initiatives and expanding solar quota allocations.

The research firm's top picks for the sector are Solarvest Holdings Bhd and Samaiden Group Bhd.

It said there was a strong surge in job wins and order book growth within its coverage, driven by EPCC contracts under the corporate green power programme (CGPP).

"With the CGPP set to wrap up by the end of this year, we expect the momentum of job creation to

continue. To date, listed firms have secured RM1.2 billion in contracts, well below our RM2.4 billion CGPP target over the past three months. Thereafter, the Energy Commission will embark on the two-gigawatt (GW) Large-Scale Solar 5 (LSS5), the largest LSS programme thus far, in four packages.

"We estimate that there will be at least RM5 billion worth of solar PV system EPCC jobs coming from LSS5," it said in a report on Dec 30.

It said developers whose bids for LSS5 were unsuccessful might turn to commercial and residential solar systems as an alternative for project development, potentially generating additional EPCC contract opportunities for the sector.

"While bidders have been shortlisted recently, the commission has not revealed winners or the winning bid range likely due to timing sensitivities," it said.

Kenanga Research said that 510 megawatts (MW) of capacity remained unidentified, likely awaiting finalisation of details, and it believe this portion might consist similar or smaller capacity.

"Most of the revealed winning capacities of the 2GW LSS5 typically ranged around 100MW each, and thus we estimate

that if the remaining awards are at 100MW, there is no less than five awards remaining of which Solarvest would be in our view among the winners, securing up to 20 per cent of the 510MW," it added.

“We estimate that there will be at least RM5 billion worth of solar PV system EPCC jobs coming from the LSS5.”

KENANGA INVESTMENT BANK BHD