



02 MAR, 2026

## SOLAR SECTOR ENTERS NEXT GROWTH PHASE

New Straits Times, Malaysia



### RESILIENT EXPANSION

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Industry experts say intense competition will lead to consolidations

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**M**ALAYSIA'S solar industry is heading into a defining phase this year as rapid capacity growth collides with intensifying competition, triggering consolidation among installers and supply chain players.

However, solar expansion is expected to remain resilient, underpinned by large-scale solar (LSS) projects coming online and steady rooftop solar power demand, industry experts said.

Over the past decade, Malaysia has expanded its solar footprint through LSS programmes and rooftop initiatives.

The country has set clear targets under its National Energy Transition Roadmap (NETR) to increase the share of renewable energy in its power mix to around 31 per cent by 2025, 40 per cent by 2035 and 70 per cent by 2050.

Up to mid-2025, solar accounted for 93 per cent of the nation's total renewable energy capacity, or about 4,243 megawatts according to Energy Commission data.

The Energy Transition and Wa-

ter Transformation Ministry said there are over 96,000 rooftop solar energy users participating in credit-earning schemes like Malaysian Building Integrated Photovoltaic (MBIPV) and Net Energy Metering (NEM).

The NEM scheme has been replaced by the Solar Accelerated Transition Action Programme (Solar Atap).

BMI Malaysia senior analyst for power and renewables Linda Zeng told *Business Times* that consolidation will not necessarily mean slower growth in solar capacity.

"We do not expect growth to slow down yet in the next few years," she said.

However, she noted that consolidation is likely to intensify among installers and supply chain players.

#### CONSOLIDATION SIGNALS INDUSTRY MATURITY

Echoing this view, Malaysian Photovoltaic and Sustainable Energy Industry Association president Justin Sim said this year marks the point where consolidation becomes more visible.

He said with programmes and evolving corporate supply frameworks, the market is becoming more structured, naturally favouring stronger and better-capitalised players.

"When the market matures, weaker players will struggle and stronger players will scale.

"Consolidation signals the industry is entering the next phase

of professionalism and stability."

#### SMALLER INSTALLERS FACE MARGIN SQUEEZE

Rising competition from large developers with stronger balance sheets has placed smaller installers under pressure.

Zeng said rooftop solar economics have weakened following the shift from the NEM framework to the Solar Atap model.

To stay competitive, she said smaller firms must move beyond pure installation models and offer integrated solutions such as favourable financing structures, warranty, operations and maintenance (O&M) services, retrofit capabilities, energy management systems and storage integration.

#### PARTNERSHIPS AND MERGERS GAINING TRACTION

Both industry experts observed a rise in strategic partnerships as firms seek to combine strengths.

Zeng noted that sub-contracting engineering, procurement and construction (EPC) works to larger developers is one way smaller firms can remain active.

Sim said collaborations are increasingly common.

"Partnerships allow Malaysian companies to grow sustainably while remaining competitive."

#### REGULATION ACCELERATING CONSOLIDATION

Stricter regulatory requirements are also reshaping the competitive landscape.

Zeng noted that new battery



Up to mid-2025, solar power accounted for 93 per cent of Malaysia's total renewable energy capacity. NSTP FILE PIC

energy storage system requirements for larger non-domestic solar installations above 72kWp could reduce the customer base for firms that focus solely on panel installation.

Sim said tighter compliance demands stronger internal systems and working capital.

"Smaller players who are not prepared may struggle. But at the same time, clear regulations are good for the industry.

"So consolidation is partly driven by regulation, but it also improves industry standards."

#### SCALE AND INTEGRATION NOW CRITICAL

As corporate and industrial (C&I) clients seek more sophisticated solutions, scale and integrated offerings are becoming increasingly important.

"C&I customers are prioritising financing, O&M, storage and energy management.

"Scale is important for cost reduction, but small installers can

remain competitive by carving a niche in residential or small and medium enterprise (SME) segments," Zeng added.

Meanwhile, Sim said clients are now asking whether providers can integrate storage, optimise energy costs, ensure grid compliance and offer digital monitoring.

"Companies that offer integrated solutions will have a stronger competitive advantage."

#### OPPORTUNITIES REMAIN IN NICHE SEGMENTS

Despite growing consolidation prospects, both experts emphasised that opportunities remain.

Zeng said small installers can remain competitive by carving out niches in residential and SME markets.

Sim said Malaysia remains a growing market for solar energy.

"The market is not shifting only to large players. But it is shifting towards quality, reliability and professionalism."