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'BRACE FOR HIGHER FUEL, ENERGY COSTS'

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Energy Commission chief executive officer Siti Safinah Salleh (second from right) speaking during the commission's Annual Regulatory Review in Putrajaya yesterday. With her are the Energy Commission deputy chief executive officer Roslee Esman (second from left), Compliance and Enforcement Division director Ismail Zaili Yusop (left) and Strategy and Corporate Affairs Division director Nurhafiza Mohamed Hasan. NSTP PIC BY MOHD FADLI HAMZAH

MIDDLE EAST CONFLICT

'BRACE FOR HIGHER FUEL, ENERGY COSTS'

Malaysia remains partially exposed to global energy price fluctuations, says Energy Commission

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MALAYSIA must be prepared to face rising fuel costs for electricity generation due to the geopolitical situation in the Middle East.

Energy Commission chief executive officer Siti Safinah Salleh said about 80 per cent of the country's natural gas cost for power generation was still fixed or tied to domestic gas.

She said the remaining 20 per cent was imported, exposing the country to global market prices.

As such, she said, natural gas costs were partially shielded from the global energy market, which has been affected by the Middle East crisis.

"However, there is still some impact as it is linked to the Market Reference Price.

"There will still be an effect on prices, but there is a ceiling cap. This cap is lower than the exposure based on global market prices," she said at a press conference during the Energy Commission's Annual Regulatory Review here.

Siti Safinah said most of the fuel supply was sourced from Australia, not the Middle East, under contracts that had been finalised.

However, she added, standard contracts were still indexed to oil market prices.

Last year, 33.5 per cent of Malaysia's electricity generation was produced using natural gas.

Siti Safinah said the commission was monitoring rising coal prices, which account for 58.5 per cent of the country's power generation.

She said during previous crises, particularly the Russia-Ukraine war in 2022, global demand shifted towards coal, driving up prices.

"The commission has begun to observe an increase in coal prices. There is no sharp spike yet, but prices are trending upwards.

"As we know, Malaysia imports 100 per cent of its coal for power generation.

"Although there are some protective measures in place, we still need to be prepared for higher fuel costs."

Malaysia sources about 65 per cent of its coal supply from Indonesia and about 20 per cent from Australia, with the remainder from other countries.

The commission expects to make fuel cost adjustments in the near future once these costs enter the system.

Siti Safinah said the increase in fuel costs was expected to be reflected through the Automatic Fuel Adjustment (AFA) mechanism.

"If costs rise, consumers will have to bear the additional charges. Adjustments through the AFA are made monthly as long as cost changes remain within a 10 per cent threshold.

"If the increase exceeds 10 per cent, we will seek government approval and implementation will depend on the government's decision.

"Costs are still costs and must be paid, but how they are passed on depends on the government."