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The structural friction slowing RE's future



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SINGH JOHL**Demystifying sustainability**

FOR all the optimism surrounding Malaysia's renewable energy (RE) ambitions, one uncomfortable truth deserves greater attention: the country does not suffer from a lack of enthusiasm for green energy. The appetite is already there.

Corporate Malaysia wants cleaner electricity. RE developers are eager to build. Global investors continue to search for credible green opportunities.

Even multinational corporations are increasingly under pressure to decarbonise operations while complying with stricter international reporting standards.

Yet despite this convergence of demand, supply and policy intent, renewable energy deployment under the Corporate Renewable Energy Supply Scheme (Cress) risks moving slower than it should.

Because the biggest barriers are no longer ideological or technological. They are structural.

In many respects, Malaysia has already crossed the difficult first hurdle of policy acceptance. The challenge now lies in getting the economics right.

The uncomfortable reality is that if RE under Cress becomes commercially unattractive, businesses will quietly return to familiar conventional pathways, regardless of sustainability ambitions.

This is why the next phase of Malaysia's energy transition must focus less on aspiration and more on friction removal.

The cost question nobody can ignore

For business leaders, sustainability rarely succeeds on idealism alone.

The brutal truth is that commercial logic matters.

While RE developers in Malaysia are increasingly capable of

supplying clean electricity at competitive rates – in some cases at around 20 sen per kilowatt-hour or lower – the final landed economics can become significantly less attractive once additional system charges enter the equation.

At the centre of this debate sits the System Access Charge (SAC).

To many outside the energy sector, SAC may sound like another obscure regulatory term. Yet its commercial implications are profound.

Businesses already contribute toward maintaining the national electricity system through network charges, which support physical infrastructure, and capacity

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charges, which safeguard reliability and reserve availability.

The concern raised by many industry participants is simple: if a substantial SAC is layered on top of these existing charges, are consumers effectively paying twice for system stability?

The answer matters because renewable energy adoption ultimately depends on affordability.

When the total landed cost of green electricity edges too close to – or worse, surpasses – prevailing utility tariffs, corporate enthusiasm inevitably softens.

That would be particularly unfortunate given Malaysia's wider ambition to position itself as a competitive regional destination for green investment.

When good policy risks losing momentum

The irony here is that Malaysia has already made important progress.

The Energy Commission's decision in 2025 to unbundle maximum demand into separate Network and Capacity charges represented a welcome step toward tariff transparency.

For consumers, it offered clearer visibility into where electricity costs originate.

For the market, it introduced greater sophistication into pricing architecture. But tariff clarity alone is not enough.

What increasingly matters is tariff competitiveness.

A more holistic view of energy pricing may now be required – one that examines the full blended cost of renewable electricity rather than simply focusing on unit kilowatt-hour pricing in isolation.

In practical terms, this means reassessing whether the present SAC structure unintentionally weakens the commercial viability of Cress for corporate users.

A more differentiated approach could offer a stronger path forward.

Rewarding stability, not penalising it

One area deserving serious considera-

tion involves Battery Energy Storage Systems (Bess).

Under current grid expectations, RE developers are often required to integrate capital-intensive four-hour Bess infrastructure to ensure system stability and reliability.

These systems are essential in managing intermittency, storing renewable electricity and supporting grid balancing.

Yet herein lies a commercial paradox.

Developers are expected to absorb the financing burden and long-term performance risk of these expensive assets, while operational control ultimately shifts to the utility provider once commissioned.

For international financiers and institutional lenders, this split-incentive model can trigger immediate discomfort.

Investors generally prefer assets where capital exposure aligns with operational authority.

This matters because financing confidence directly shapes project deployment speed.

A practical middle path may therefore deserve consideration.

Where developers self-fund stabilising infrastructure such as Bess – effectively helping strengthen national grid resilience – there is a compelling argument that SAC should either be significantly reduced or fully waived.

In simple terms: if the private sector is already investing heavily to improve system stability, policy should reward that effort rather than inadvertently penalise it.

Conversely, projects operating without storage capabilities could reasonably remain subject to tiered SAC structures based on voltage categories and intermittency risk.

This would create a fairer commercial distinction between firm renewable supply and variable generation.

The standby charge debate

Equally important is the conversation surrounding standby charges. Here too,

questions of commercial duplication emerge.

Malaysia's utility framework already operates under an incentive-based regulation (IBR) structure that enables cost recovery and provides stable returns.

Against this backdrop, some argue that layering additional standby fees onto RE consumers risks becoming commercially redundant.

The argument becomes even more relevant when viewed against Malaysia's rapidly expanding data centre ecosystem.

Demand growth from hyperscale facilities is expected to substantially increase electricity consumption, strengthening overall utility revenues in the years ahead.

The arrival of these large, round-the-clock loads may provide sufficient financial cushioning to support selective policy recalibration without undermining long-term system viability.

Viewed through this lens, modest adjustments to charging structures may ultimately create a larger prize: faster RE adoption, stronger investor confidence and a more dynamic green economy.

Why grid access still matters

Perhaps the most important lesson from successful energy transitions elsewhere is this: policy intent means little if commercial mechanics discourage participation.

Malaysia's challenge is no longer convincing companies that RE matters.

That argument has already been won.

The next challenge is ensuring businesses can adopt renewable energy without encountering pricing friction that undermines competitiveness.

Because in boardrooms, sustainability ambitions rarely survive prolonged commercial uncertainty.

The conversation should perhaps evolve from whether RE deserves acceleration to how regulatory structures can better unlock what the market already wants.

The opportunity before Malaysia is substantial. But opportunities, like electricity itself, only create value when the system allows them to flow.

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

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