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Energy efficiency to save govt nearly RM47b by 2030

MALAYSIA will be able to save up to RM46.9 billion in energy spending between 2016 and 2030, should all the energy efficiency initiatives be fully implemented nationwide.

The savings estimate was arrived at as part of the findings in a joint study, conducted by the Economic Planning Unit and the United Nations Development Programme, that is aimed at creating a preliminary study on demand side management which includes energy consumption in electricity, thermal energy and the transport sector.

Energy, Science, Technology, Environment and Climate Change Minister Yeo Bee Yin said the study showed the potential savings that Malaysia can achieve in enhancing energy efficiency between 2016 and 2030 period are at least 137,775GwH or equivalent to RM46.92 billion in electricity consumption.

"This shows the huge potential and market in this energy-efficient industry," she told the Dewan Rakyat yesterday,

Pic by Muhd Amin Nahaar

Yeo says the potential savings that Malaysia can achieve are at least RM46.9b in electricity consumption

while winding up debates on the 11th Malaysia Plan mid-term review.

Yeo said the study also highlighted that one of the main obstacles preventing the use of widespread energy-efficient practices in the country is the absence of a regulatory framework.

To address the issue, the government is in the process of drafting the Energy Efficiency and Conservation Act (EECA).

"The EECA draft will be presented to obtain the views of Dewan Rakyat members next year," she added.

Yeo said the government has also reviewed and improved the National Energy Efficiency Action Plan 2016-2025.

The minister said the government's current focus is to work on efficiency in the building sector as it has been identified internationally as one of the most cost-effective sectors to reduce energy consumption.

"Building electricity consumption comprises more than 50% of the electricity consumption in Malaysia.

"This shows that there is a great potential for cost savings if we can improve energy efficiency in buildings," she said.

Yeo said in order to catalyse the growth of the energy-efficient industry, the ministry is working with the Works Ministry to dish out the energy performance contract (EPC) tender for retrofit work on government buildings by January 2019.

According to her, EPC can unlock the potential of energy efficiency without putting a big financial burden to the government.

"Under its mechanism, an energy service company (ESCO) will come up with the funds for a retrofit projects such as replacing chillers and LED lights in government buildings and share the cost-saving bill with the government.

"For instance, after retrofitting a government building, the cost saving (for the building's electricity bill) will be at 20%.

"The 20% will be divided between the government and the ESCO, where the government saves 10% and the ESCO will take 10% for a certain amount of time," said Yeo.

She said this mechanism allows the government to save 10% in electricity bills, while the ESCO will obtain a 10% constant revenue stream.

In other words, the government will pay Tenaga Nasional Bhd (TNB) 80% of its current electricity bills after the retrofit is completed, while also paying 10% of its current electricity bill to the ESCO for the stipulated contractual period.

After the contractual period is over, the government will only pay TNB 80% of its current electricity bill without paying anything more to the ESCO and it keeps the retrofitted electrical equipment as assets.

This also allows the ESCO to increase its viability through constant revenue stream so they may obtain further project financing from banks.

"The concept of EPC in government buildings does not only act as the catalyst for the energy efficiency industry, but also to save on electricity bills that the government needs to bear.

"As the first step, we set a target for retrofit of at least 50 government buildings in 2019 and the total value of EPC projects estimated at more than RM160 million to RM200 million," Yeo explained, adding that the Malaysian government has 5,000 buildings nationwide.