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Building Malaysia's green growth engine

The Star, Malaysia



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Demystifying sustainability

IF Part 1 of Malaysia's renewable energy (RE) journey is about recognising vulnerability, and Part 2 is about removing structural friction, then Part 3 must focus on something even more important: unlocking opportunity.

Because beneath the policy debates, tariff structures and regulatory mechanics lies a larger national question.

Can Malaysia turn its RE transition into a genuine engine of industrial growth? The answer matters.

At a time when countries across Asia are aggressively competing for foreign direct investment, digital infrastructure and advanced manufacturing, energy is fast becoming a deciding factor.

Increasingly, investors are not merely asking whether electricity is available. They want to know if it is affordable, reliable and, crucially, green.

This is where Malaysia's Corporate Renewable Energy Supply Scheme (Cress) could become more than an energy policy instrument.

It could become a competitive advantage. But first, the system must become more accessible.

Rooftop opportunity hiding in plain sight

One of the more curious realities of Malaysia's RE ecosystem is that while the country possesses vast untapped solar potential, much of it remains commercially dormant.

The reason is surprisingly simple. Current participation thresholds under Cress still favour very large, utility-scale generation assets, inadvertently sidelin-

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ing smaller yet highly capable mid-tier renewable developers.

In doing so, Malaysia may be leaving a substantial amount of clean energy capacity sitting idle.

The opportunity is enormous.

An estimated 28 gigawatts of commercial and industrial rooftop solar potential remains underutilised.

Warehouses, factories, logistics centres and industrial facilities across the country collectively represent a giant, largely untouched energy platform waiting to be activated.

Lowering eligibility thresholds – potentially allowing projects from one megawatt or five megawatt and above to participate more seamlessly – could diversify the market almost overnight.

More importantly, it would democratise participation.

Instead of waiting years for mega-scale generation projects to materialise, Malaysia could accelerate decentralised clean energy deployment using infrastructure that already exists.

Sometimes progress does not require building something entirely new.

It simply requires removing the gatekeepers standing in front of what is

already there.

Time to modernise grid thinking

Another important conversation concerns utility connection policies.

Many of the mechanisms governing connectivity costs today trace their origins back to a different era – long before today's RE ambitions, modern tariff frameworks and incentive-based regulation (IBR) mechanisms came into force.

Yet private renewable energy developers and customers continue to shoulder substantial capital burdens when connecting to public infrastructure.

There may now be merit in revisiting this model.

Given the guaranteed return environment under IBR, one school of thought suggests that utilities could increasingly position themselves as infrastructure enablers – expanding and optimising transmission systems while allowing generation to become more competitive and decentralised.

The logic is commercially compelling.

A larger, smarter and more connected grid ultimately strengthens long-term asset returns while helping the country

absorb increasing RE capacity.

Equally important, maintaining clear distinctions between grid operations and energy generation enhances market confidence and reduces concerns around competitive neutrality within the RE ecosystem.

The Energy Transition and Water Transformation Ministry's (Petra) ongoing ring-fencing of the Single Buyer and Grid System Operator should therefore be commended as a meaningful step in the right direction.

The quiet bottleneck slowing rooftop solar

Policy breakthroughs can sometimes be undermined by administrative friction.

Malaysia's Net Energy Metering (NEM) ecosystem illustrates this challenge well.

Petra deserves credit for introducing attractive domestic incentives, including subsidies for rooftop solar installations and broader efforts to encourage clean energy adoption among households.

However, an unintended bottleneck has quietly emerged.

Existing domestic NEM users frequently encounter restrictions when attempting to upgrade or expand previously approved systems, particularly across historical programme versions such as NEM 2.0, NEM 3.0 and NEM Atap.

This creates an odd contradiction.

Consumers who have already embraced solar – arguably the most committed participants in the ecosystem – often face bureaucratic complexity when trying to scale their investments further.

A smoother upgrade pathway could

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Ensuring electric vehicles charging economics remain attractive

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significantly accelerate renewable penetration without waiting for entirely new participants to enter the market.

In policy, momentum matters. The easiest RE customer to grow is often the one already convinced.

The EV question nobody wants to discuss

Malaysia's push toward electric vehicles (EVs) is accelerating.

New fiscal measures, incentives and industrial policies are increasingly geared toward expanding EV adoption and strengthening local production ecosystems.

Yet one practical concern deserves closer examination.

Approximately 80% of EV owners charge their vehicles at home.

Under the present residential tariff structure, households crossing higher consumption thresholds face additional electricity charges, effectively making home charging more expensive at scale.

This creates a subtle but important contradiction.

A country encouraging cleaner transport should ideally ensure charging economics remain attractive.

One practical solution worth exploring may involve dedicated secondary smart meters for EV charging, allowing vehicular energy consumption to remain separated from normal household baseload brackets.

Small policy refinements often have outsized behavioural consequences.

And consumer confidence matters enormously during technology transitions.

Why data centres are watching closely

Perhaps nowhere is the RE conversation more commercially consequential than in Malaysia's rapidly growing data centre ecosystem.

Global hyperscalers and digital infrastructure investors increasingly prioritise access to credible RE ecosystems before making large capital commitments.

In this race, landed green electricity pricing matters.

A commercially viable Cress framework could significantly strengthen Malaysia's positioning as South-East Asia's premium green data centre destination.

Conversely, if pricing structures become uncompetitive, investment momentum could easily shift elsewhere.

The prize here is substantial. Projected data centre expansion could

add more than six gigawatts of continuous baseload demand, strengthening the overall electricity ecosystem while broadening the national billing base.

Done correctly, this could even create opportunities to optimise public RE funding mechanisms and reduce cost burdens for consumers over time.

Honouring the early builders

Finally, there is a strong case for revisiting how Malaysia treats early RE pioneers.

Many operational large-scale solar (LSS) assets now face expensive technology upgrades, particularly inverter replacements and system modernisation.

Yet legacy Power Purchase Agreements often provide limited flexibility for asset owners to generate fresh reinvestment capital.

Allowing mature LSS projects to transition more seamlessly into the Cress ecosystem while restoring ownership of environmental attributes such as Renewable Energy Certificates could unlock valuable monetisation opportunities.

More importantly, it would honour developers who assumed significant commercial and regulatory risks during Malaysia's early RE years.

Sustainability transitions succeed not only through innovation.

They succeed through continuity.

A defining moment

Malaysia finds itself standing at an important crossroads.

The foundations are already taking shape.

Corporate demand exists. Investor interest remains strong. Policy momentum is growing.

Petra has shown a willingness to engage constructively. Industry appetite is visible. What happens next depends on execution.

Because the future of RE in Malaysia will not be decided merely by ambition.

It will be determined by whether policy frameworks evolve quickly enough to make participation commercially irresistible.

If Malaysia gets this right, Cress could become more than an electricity mechanism.

It could become the platform that powers the country's next phase of industrial growth.

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