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## Financial innovation is vital to achieving Malaysia's renewable energy goals

**A**cross the world, countries and corporations are facing increasing pressure to reduce their carbon footprint, battle climate change and protect the environment. The importance of transitioning to renewable sources of energy is no longer up for debate.

The switch to cleaner energy is of absolute necessity if we are to ensure a sustainable future for all. So important is the shift to renewable energy that UOB has earmarked the development of renewable energy as one of the key trends that will redefine and shape the world in the next decade.

Many companies are already making the switch to renewable energy to lower their carbon footprint and to build more sustainable businesses. Companies operating in Southeast Asia have a clear advantage in this area. Given the abundant sunlight we have all year round, tapping solar energy as a source of power is not only feasible but practical.

Further, according to a report published last year by global auditing firm KPMG (The Renewable Energy Transition, March 2019), there are 70 million Asean citizens without access to reliable electricity. This means there is a huge opportunity for governments to call for and implement more solar energy projects to help power homes and businesses.

One country leading the race to switch to solar energy is Malaysia, which has taken an active role in rolling out initiatives, including competitive incentives and tax policies, to drive the adoption of solar power. So much so that it aims to have 20% of the country's electricity generated from renewable sources by 2025, a huge jump from the country's current 4% renewable energy allocation.

### Government-led initiatives are fundamental to growth

Government support is crucial to driving growth and the development of renewable energy, a sector that is still at a nascent stage. Over the last 10 years, the government implemented a number of policies and measures to develop Malaysia into a solar power hub and to help consumers and companies transition to solar power.

One of the most extensive programmes is the Large Scale Solar (LSS) programme. Introduced by the Energy Commission of Malaysia (EC) in 2016, the LSS is a competitive open bidding process that enables companies to bid, develop, operate and maintain large-scale solar photovoltaic (PV) power plants in Peninsular Malaysia and Sabah.

The EC has so far initiated four rounds of LSS bidding. The most recent round, LSS4, was launched on May 31 this year to intensify further the government's efforts towards sustainability as well as to stimulate investments in preparation for the recovery from the Covid-19 crisis. The LSS4 bid, which is estimated to attract investments of up to RM4 billion, offers one gigawatt in aggregate capacity for development and is open to fully owned local companies that currently represent at least 75% of corporates listed on Bursa Malaysia.

This competitive LSS bidding programme has helped to drive down the

costs of large-scale solar power generation to below that of gas-fired power plants and to encourage local corporates to enhance their technical know-how and capabilities in renewable energy. This is a significant milestone and a step closer towards supporting the country's renewable energy target.

In addition, the Ministry of Finance's Green Technology Financing Scheme, launched in 2010, has further supported the solar power sector by incentivising the production and use of green technology and products. Companies in Malaysia also benefit from the government's tax incentives under the Green Investment Tax Allowance and Green Investment Tax Exemption schemes — an initiative by the Malaysian government to encourage the buying and selling of green technologies.

The government also introduced the Net Energy Metering Scheme in 2016 to allow consumers to sell excess electricity generated from solar PV systems back to the grid so that they can achieve savings on their electricity bills and reduce the payback period in the adoption of renewable energy.

In the longer term, to reach a point where 50% of the country's electricity is generated from renewable sources by 2050, Malaysia would need an estimated 8.87 gigawatts of solar power capacity with a projected investment of about US\$6 billion to US\$11 billion, according to the EC. Given the level of government-led support the sector has received and based on estimated future investment flows into the sector, we maintain a positive outlook for Malaysia's solar power sector.

### Powering the entire value chain

In addition to the government charting favourable renewable energy policies for the growth of the solar power sector, financial support from the banks is equally critical for the industry. Without viable sources of funding, the renewable sector will not be able to thrive.

For example, if a developer is unable to fund the construction of a solar power farm with a capacity of at least 100 megawatts, then engineering, procurement and construction (EPC) contractors will not be able to start construction, thus resulting in fewer solar power providers available to serve end users.

Conversely, even with the proliferation of large solar PV developers, the challenge remains in identifying the right EPC contractors and operators to complete the work on time or maintain the performance output to ensure sufficient sustainable energy is produced.

Given that the use of solar energy is still relatively new to many consumers, there also remains some misconceptions about how accessible and affordable solar power is to the public at large. To overcome these challenges, we believe that financing provided by the financial services sector will be instrumental in driving the adoption of renewable energy.



**MY Say**

BY NG WEI WEI

Financing should also be holistic and positively impact the entire solar power value chain, from the developers right through to the end users. Prevailing sources of funding tend to support one part of the value chain at the expense of underfunding the other players that make up the supply chain.

For instance, debt capital market instruments are available to large renewable energy developers through debt, equity or mezzanine financing but personal and business loans may also be required to help companies and consumers manage the cost of installing solar panels within their offices and homes.

The common concerns that companies and consumers have on adopting solar power are the lack of awareness of the benefits and long-term cost savings, the time it takes to install a solar power system and the uncertainty around selecting the right service provider.

As such, supporting the entire solar power value chain will be more effective to promote the sector's overall stability, sustainability and self-sufficiency. UOB's proprietary U-Solar programme is a holistic approach to supporting the wider growth of the solar power industry and helping to drive better adoption

rates among consumers and companies, thereby benefiting the whole supply and demand spectrum.

As Asia's first solar energy ecosystem, U-Solar is an innovative way of promoting, connecting and financing the entire solar power value chain. Different from other financing options currently available in the market, U-Solar not only supports the deployment of funds to large solar energy developers through green loans, but also supports small and medium companies and homeowners with customised financing plans.

Through the programme's ecosystem partnership model, we connect developers with contractors and contractors with end users to facilitate the development and adoption of solar power and to ensure the financial viability of the entire value chain. In Malaysia, we have partnered four leading Malaysian solar energy service providers — Ditrollic Solar, ERS Energy, PlusSolar and Solarvest — to provide installation and management services of solar power systems to our corporate clients and retail customers.

The ability of financial institutions to offer a variety of financing solutions to meet the needs of the entire value chain will determine how fast companies and consumers adapt and transition to renewable energy. The government has laid the foundations; now it is down to financial institutions to help the country make the switch. ■

**Ng Wei Wei is managing director and country head of wholesale banking at UOB Malaysia**

## VALUATOR

Company(Brand)	Mention	Tone	ROI
Bernama - MREM (Bernama - MREM 6)	2	0	RM 0
Bursa - CIMB (Bursa - CIMB)	3	0	RM 0
Bursa Malaysia Berhad (Bursa Malaysia Berhad)	8	0	RM 0
Cenviro Sdn Bhd (Cenviro Industry News)	15	0	RM 0
CIMB Group Competitors (UOB Wholesale Banking)	9	0	RM 0
CIMB Investment Bank Berhad (CIMB - Banking & Finance Industry)	5	0	RM 0
Climate Change (Climate Change)	1	0	RM 0
Construction Industry Development Board (CIDB) (Industry News - Covid- 19 - Malaysia (Covid- 19 - Malaysia)	8	0	RM 0
	11	0	RM 0
Cyberview Sdn Bhd (Cyberview Industry News)	2	0	RM 0
Eastern & Oriental Berhad - Industry News (Eastern & Oriental	1	0	RM 0
Energy Commission (EC) (Energy Commission (EC))	1	0	RM 0
First Solar Malaysia Sdn Bhd (First Solar Malaysia Sdn Bhd)	1	0	RM 0
Global Environment Centre (Others) (Global Environment Centre	14	0	RM 0
Global Environment Centre (Peatland & Forest) (Global Environment	1	0	RM 0
Great Eastern Covid-19 (Covid-19 Customers)	1	0	RM 0
Great Eastern Covid-19 (Covid-19 Office)	1	0	RM 0
Green Technology-Industry (Green Technology-Industry)	2	0	RM 0
Industry News - Energy Commission (EC) (Industry News -	17	0	RM 0
Industry News (SEDA) (Industry News (SEDA) - Renewable Energy)	14	0	RM 0
Industry News (SEDA) (Industry News (SEDA) - Solar Power)	54	0	RM 0
Industry News- MGTC (Industry News- MGTC)	2	0	RM 0
Industry news -Yayasan Inovasi Malaysia (Industry news -Yayasan	1	0	RM 0
KPMG International (KPMG International)	5	0	RM 0
KPMG Malaysia (KPMG Malaysia)	11	0	RM 0
Mah Sing Group Berhad (Industry News) (Mah Sing Group Berhad	1	0	RM 0
Ministry of Finance - Covid (Ministry of Finance - Covid)	3	0	RM 0
Ministry of Finance - Malaysia News (Ministry of Finance - Malaysia	13	0	RM 0
Ministry of Finance - MDV (Ministry of Finance - MDV)	2	0	RM 0
Ministry of Finance (Ministry of Finance)	13	0	RM 0
MOF - AGROBANK (MOF - AGROBANK)	9	0	RM 0
MyCC-Pricing (MyCC-Pricing)	4	0	RM 0
RAM Bursa Malaysia (RAM Bursa Malaysia)	7	0	RM 0
Ram Holdings-Industry News (Ram Holdings-Industry News)	14	0	RM 0
RAM Sustainability/RAM Holdings-Industry News (RAM	14	0	RM 0
Randstad - Banking & Financial Services (Banking & Financial	1	0	RM 0
Randstad - Banking & Financial Services (Banking & Financial	1	0	RM 0
Randstad (Human resources 10)	11	0	RM 0
REHDA Industry News (REHDA Industry News)	1	0	RM 0
Securities Commission Malaysia (Asean Capital Market)	1	0	RM 0
Securities Commission Malaysia (Malaysia Capital Market)	2	0	RM 0
Singapore-Malaysia Relations (Singapore-Malaysia Relations -	1	0	RM 0
Solarvest (Solarvest)	1	0	RM 0
Star Reacher - Coronavirus (Star Reacher - Coronavirus)	1	0	RM 0
Sustainable Energy Development Authority Malaysia (Sustainable	2	0	RM 0
UiTM Holdings- Industry News (UiTM Holdings- Industry News)	7	0	RM 0
United Overseas Bank (Malaysia) Bhd (United Overseas Bank	3	0	RM 0
UOB - ASEAN (UOB - ASEAN)	2	0	RM 0
UOB Group (UOB Group)	3	0	RM 0