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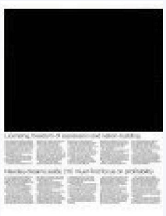


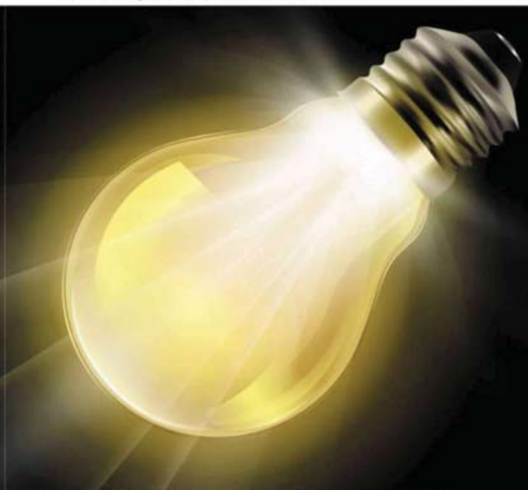
04 JAN, 2025

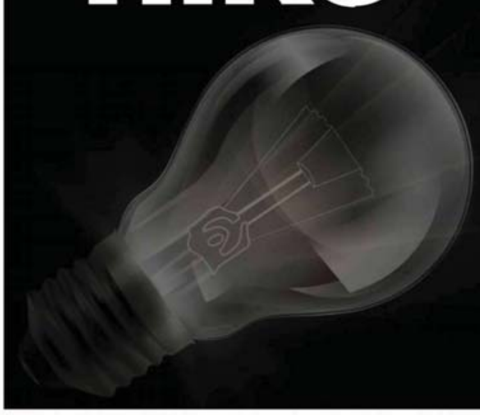
Singapore gets a break, malaysia faces a hike

The Star, Malaysia

Singapore gets a break, Malaysia faces a hike

- No guarantee that prices will be lower if Malaysia fully liberalises the market without promoting development of RE
- Electricity is integral to economic activities and businesses will eventually pass on higher costs to households





IT is somewhat ironic that Singaporean households can expect cheaper electricity and gas bills for the first three months of 2025, marking the second straight quarterly decline, due to lower crude oil and gas prices.

Meanwhile, a proposed 14.2% electricity tariff hike under Regulatory Period 4 (2025-2027) for Peninsular Malaysia is on the horizon.

While the proposed base tariff hike by Tenaga Nasional Bhd (TNB), expected to take effect in the second-half of the year (2H25), has yet to be approved by the government, a hike may be inevitable.

This is partly due to the current tariff having been in place since 2014, as well as the massive outlay in capital expenditure (capex) needed for renewable energy (RE) infrastructure, estimated at around RM35bil from 2025 to 2030, out of a total capex of RM90bil.

There are, of course, differences between the two countries' energy markets.

Singapore's market was opened up to competition in 2003, giving consumers several options in purchasing their electricity needs.

In contrast, Malaysia's market remains partially liberalised, with TNB responsible for distributing electricity in the peninsula, while Sarawak Energy Bhd and Sabah Electric Sdn Bhd have similar roles in Sarawak as well as Sabah and Labuan, respectively.

It is not guaranteed that prices will be lower if Malaysia fully liberalises the market without also encouraging the development of RE.

The decision to allow for the hike will depend on coal, gas and fuel prices.

According to Asia Natural Gas & Energy Association, coal accounted for 43% of Malaysia's electricity generation in 2023, with natural gas at 36% and hydropower at 17%.

While coal prices are expected to trend lower in 2025 and 2026, according to the World Bank, analysts remain cautiously optimistic about natural gas prices, and crude oil is anticipated to remain stable.

As usual, there are assurances that 85% of household consumers will not be affected by the hike, but electricity is integral to economic activities and businesses will eventually pass on higher costs to households.

This comes at a time when the government has warned of the imminent RON95 petrol subsidy rationalisation, which is also expected to be implemented in 2H25.

Brace for inflation to pick up speed.