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Data centres to fuel demand for electricity

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Power generation and gas consumption to rise

ENERGY

PETALING JAYA: The rapid expansion of data centres (DCs) in Malaysia is expected to boost electricity demand, which in turn will drive power generation and gas consumption, says Kenanga Research.

In a sector note, citing national utility giant Tenaga Nasional Bhd (TNB), the research house pointed out that electricity demand in Peninsular Malaysia grew 6.2% year-on-year in 2024, largely due to a 9.2% surge in the commercial segment – led by DCs.

"Actual load utilisation for data centres reached 405MW by end-2024, up from about 100MW in March 2024, which further increased to 485MW in March 2025, across 21 projects totalling 2.8GW," it noted.

The research house said there are 43 DC projects in the pipeline with a combined maximum demand of 6.4GW – comprising 21 existing projects (2.8GW), 17 projects under construction (2.9GW), and five more (0.7GW) have signed energy supply agreements.

To meet this rising demand, Kenanga Research said Malaysia is expected to add 6GW to 8GW of new generation capacity by 2030.

It also highlighted that the revised base tariff under Regulatory Period 4 (RP4), which came into effect this month, introduced a new ultra-high voltage category priced at around 60 sen/kWh – "which we believe is targeted at data centres."

> "While the new base tariff is earnings-neutral to TNB, a strong recovery in demand, following a seasonally weak 1Q25, is expected to boost plant efficiency and profitability in 2H25."
>
> Kenanga Research

The research house expects natural gas demand, which is largely driven by the power sector, to rise further.

"This is supported by rising electricity demand from data centres, elimination of coal-fired power plants in the pipeline, and new 6GW to 8GW gas-fired capacity expected by 2030, potentially raising gas usage to at least 50% of the generation mix," it said.

Kenanga Research added that Petroliam Nasional Bhd (PETRONAS) had confirmed plans for a third regasification terminal (RGT), though details remain limited.

"Although details are scarce, PETRONAS Gas Bhd is the likely operator, given its ownership of the first two RGTs in Sungai Udang, Melaka and Pengerang, Johor," it said.

On new capacity, the research house said the Energy Commission has invited requests for proposals for new generation capacity, extension of gas-fired power purchase agreements, and additional capacity from existing gas-fired power plants.

"We believe TNB and Malakoff are strong contenders due to their existing brownfield assets," Kenanga Research said.

It said the second half of 2025 is shaping up to be busy for the utilities sector, with tariff changes, plant restarts and data centre launches.

The research house noted that the new RP4 base electricity tariff of 45.40 sen/kWh, which took effect on July 1, would be earnings-neutral for TNB thanks to the automatic fuel adjustment mechanism.

"While the new base tariff is earnings-neutral to TNB, a strong recovery in demand, following a seasonally weak 1Q25, is expected to boost plant efficiency and profitability in 2H25," it said.

Kenanga Research has maintained its "overweight" rating on the utilities sector, with TNB as its top pick "given its long-term exposure to DC-driven demand growth."

"We continue to favour the utilities space for its earnings resilience, supported by regulated assets and recurring cash flows that anchor attractive dividend yields of up to 6%," it added.