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ERS Energy's quiet ascent

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By GURMEET KAUR

gurmeet@thestar.com.my

BY many counts, ERS Energy Sdn Bhd should be a listed renewable energy (RE) company in Malaysia with a sizeable investor following.

Tracing its roots back to 2009, the company is one of the pioneers in the industry, when its founders started the business with RM100,000 in seed capital and a maiden solar streetlight installation.

ERS Energy's trajectory since then epitomises how Malaysia's RE industry has helped create a homegrown player that is now not only well established locally as both a contractor and asset owner, but also among a handful of Malaysian firms that have expanded into countries such as the Philippines, Vietnam, Singapore and Indonesia.

"We reckon we are the most regional Malaysian RE player," ERS Energy managing director Jonathan Kan tells *StarBiz* 7 at the company's office in Taman Desa.

Yet the 44-year-old Kan, an engineer by training, did not set out to become an RE entrepreneur.

Following a brief stint in private equity, he teamed up with his schoolmate and neighbour, Alex Lum, to explore opportunities in solar, sensing that the industry was on the cusp of growth.

Kan now leads the company's commercial and strategic growth, while Lum spearheads its engineering capabilities and project delivery across Malaysia and the region.

Looking back, Kan recounts the journey from a fledgling solar installer to a regional RE player.

In 2010, the fledgling venture secured its maiden solar street-lighting project for a factory in Selangor, just as the initial RM100,000 seed capital was close to being exhausted. It subsequently expanded into residential rooftop installations under the Feed-in Tariff scheme.

In 2018, the company secured its first major break when it was entrusted with building Tenaga Nasional Bhd's (TNB) solar farm under the first large-scale solar (LSS1) programme.

"We were shortlisted against a foreign contender for the engineering, procurement, construction and commissioning (EPCC) job and emerged successful.

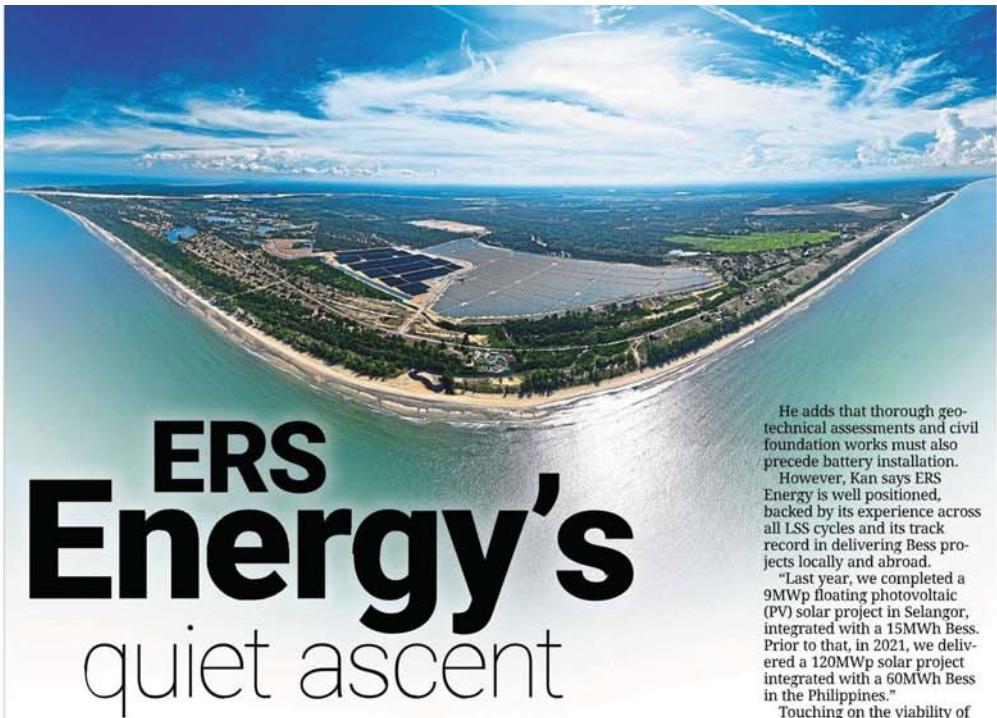
"At that time, there were few local solar companies with utility-scale execution capabilities, and many were still operating as sub-contractors," Kan says.

The project laid the foundation for ERS Energy's subsequent expansion into larger regional developments.

"In the Philippines, we are now working on our seventh utility-scale solar project. Track record-wise, ERS Energy has built and delivered more than 2GWp of solar capacity across the region, completed over 2,000 projects, and unlocked about US\$1.7bil in clean energy investments," he says.

The company remained self-funded until 2022, when it reached a stage where it was ready for a significant capital injection.

Rather than pursuing an initial public offering (IPO), Gamuda Bhd – one of Malaysia's largest



■ One of Malaysia's RE pioneers with strong regional presence

■ Its two Bess projects secured under the MyBeST programme have entered execution phase

■ Australia is emerging as its next growth market, supported by Gamuda as shareholder

infrastructure groups – came in as a strategic investor, acquiring a 30% stake for RM200mil. This valued ERS Energy at about RM670mil at the time.

For context, Bursa Malaysia-listed EPCC players today command higher market capitalisations, reflecting both sector growth and investor appetite.



Kan (left) and Lum: The founders started the business in 2009 with RM100,000 in seed capital and a maiden solar streetlight installation. — RAJA FAISAL HISHAN/The Star

Solarvest Holdings Bhd, for instance, has a market value of about RM2.8bil and Pekat Group Bhd around RM1.2bil, while Samaliden Group Bhd is valued at about RM760mil.

Charging up for the next growth phase

Coming back to ERS Energy, its next growth chapter lies in grid-scale battery energy storage systems (Bess), one of the most technically demanding areas of the energy transition.

Early this year, the company secured two of the four projects awarded under the Energy Commission's (EC) inaugural MyBeST programme following a competitive bidding process.

One project was awarded directly to ERS Energy, while the second was secured via a consortium comprising ERS Energy and Gamuda.

Sharing updates, Kan says the projects have entered the execution phase following the signing of agreements with off-taker, TNB. Each project has a capacity of 100MW/400MWh and is targeted for commissioning in 2027.

He adds that thorough geotechnical assessments and civil foundation works must also precede battery installation.

However, Kan says ERS Energy is well positioned, backed by its experience across all LSS cycles and its track record in delivering Bess projects locally and abroad.

"Last year, we completed a 9MWp floating photovoltaic (PV) solar project in Selangor, integrated with a 15MWh Bess. Prior to that, in 2021, we delivered a 120MWp solar project integrated with a 60MWh Bess in the Philippines."

Touching on the viability of such projects, he says off-taker arrangements provide the revenue certainty lenders typically require. Declining Bess costs and improving technology have also enhanced project economics compared with five years ago.

He also credits the EC and the Energy Transition and Water Transformation Ministry for designing an evaluation framework that appropriately weighted technical capability and track record alongside price – a structure that, he says, rewards serious operators.

Kan declines to disclose the internal rate of returns for the two projects, although UOB Kay Hian Research estimates it at 7% to 9% in a report dated Dec 22 last year.

"The two Bess projects will expand our portfolio of operating assets, providing recurring income alongside our core EPCC business," he says, stressing that ERS Energy will remain fundamentally an EPCC contractor, with its Bess assets serving as a buffer during weaker project cycles.

ERS Energy and its group of companies' profitability ranges between RM25mil and RM30mil.

On plans going forward, Kan says the company is eyeing participation in the upcoming LSS6 projects, which will incorporate battery energy storage alongside solar PV.

"We will also continue to strengthen our presence in countries like Vietnam and the Philippines. Australia is also emerging as a key growth market, where we already have a foothold following Gamuda's entry as our shareholder, leveraging its established presence there."

On IPO plans, Kan says it is an option. "If we continue expanding our asset portfolio and require additional capital, a listing could become attractive."