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Renewable energy sector to surge in 1Q26

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ENERGY

PETALING JAYA: Kenanga Research expects Malaysia's renewable energy (RE) sector to enter an especially active phase in early 2026, as multiple policy levers and project pipelines begin to align.

"We expect the first quarter of financial year 2026 (1Q26) to usher in a busy period for the RE sector," the research house said, pointing to fresh solar tenders, the transition of existing projects into construction and renewed momentum in the retail solar space.

A key driver is the anticipated rollout of bids for the next large-scale solar (LSS) round.

Kenanga Research pointed out that this "could potentially entail the rolling out of bids of solar for LSS6".

It said this would reinforce earnings visibility as "LSS construction awards will continue to have strong visibility, now with LSS5+ projects to move into the construction awards phase as well".

LSS5 and LSS5+ projects are targeting completion by end-2027, while the research house's base case assumes "LSS6 tenders to open for tender by 1Q26".

In aggregate, Kenanga Research estimated that LSS5, LSS5+ and the Corporate Renewable Energy Supply Scheme (Cress) would be

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Solar tenders, data centres to reinforce earnings visibility

expected to unlock at least RM15bil worth of engineering, procurement, construction, and commissioning (EPCC) opportunities", with a further RM6bil estimated for LSS6 for the two gigawatt (GW) bids.

LSS6 is likely to include battery requirements, although project internal rates of return are still expected to remain "8% to 10% at the developer level".

Beyond utility-scale solar, data centres (DCs) are emerging as a structural catalyst.

Tenaga Nasional Bhd has highlighted "49 DC projects that sum up to 7.1GW", which has driven new highs in energy sales.

Kenanga Research said the Cress offers a compelling proposition for these typically ultra-high voltage customers, given its underlying 21-year fixed power purchase agreement.

This allows large energy users to insulate against future tariff hikes while honouring environmental, social and governance,

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and RE100 commitments.

As of June 2025, the committed value under Cress had already reached 1.3GW.

Several large developments have already been announced, including UEM Lestra's 1GW hybrid solar farm, Gamuda-SD Guthrie's 1.2GW solar portfolio and a 1GW solar-plus-battery solution by Gamuda-Gentari catering to DCs.

Kenanga Research also noted that the off-taker for Google under the Corporate Green Power Programme was via collaboration with Solarvest Holdings Bhd, which it believes could improve

the chances of securing future Cress-related work.

On the retail front, Kenanga Research expected momentum to restart following the unveiling of the Solar Accelerated Transition Action Programme (Solar ATAP) programme at end-2025, which replaces the expired Net Energy Metering (NEM) 3.0 scheme.

The research house said the new framework "should start to reinvigorate adoption momentum in the retail space given applications to commence from Jan 1, 2026".

While Solar ATAP does not offer

a full one-for-one offset, as network and capacity charges have not been included, it added that the returns gap between NEM3.0 and Solar ATAP nevertheless can be narrowed via adoption of battery.

It highlighted that energy storage is also gaining traction.

"Peninsular Malaysia has seen its first awarded grid-level battery, with Gamuda among the largest winners under the MyBeST tender."

To be commissioned by 2027, the project is expected to "uplift recurring income" and serve as a reference for future grid-related opportunities.

Overall, Kenanga Research said the RE space "is still in a fast-growth phase", with companies under coverage expected to deliver cumulative earnings growth of about 26% in financial year 2026.

It has Solarvest and KJTS Group Bhd as its top picks to leverage the National Energy Transition Roadmap.