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Renewable energy a shift in the power industry

Yvonne Tuah

KUCHING: Renewable energy are expected to improve further this year as demand increases from companies seeking to reduce electricity bills and carbon footprint, analysts observed.

In a report, the research team at AmInvestment Bank Bhd (AmInvestment) said: "We believe that demand for solar systems would come from the rooftop segment, solar farms and data centres.

"We reckon that demand for solar rooftop systems will increase as C&I (commercial and industrial) companies seek to reduce electricity bills and carbon footprint. Solar EPCC companies are expected to benefit from the roll-out of solar projects in 2024."

These companies include TNB, Pekat Group, Solarvest Holdings and Samaiden Group, it noted.

Under CGPP Phase 1 (Corporate Green Power Programme), 563MW of solar capacity were awarded to various companies and these are expected to be commissioned at the end of 2025F.

"Hence, we believe that there is potential for companies to register a decent return under CGPP. The cost of solar panels is estimated to be US$0.18 per kWh currently compared to the high of US$0.31 per kWh in 2022," it said.

Meanwhile, on the exports of electricity from Malaysia, AmInvestment noted that Sarawak would be exporting hydroelectricity to Singapore but not so soon.

"We think that this will take place in 2032. Sarawak is in advanced stages of commercial negotiations to export to Singapore through undersea cables. The cost of laying the undersea cables will be borne by Singapore. 80 per cent of the cables will be in Indonesian waters with 20 per cent in Malaysia. Sarawak is exporting electricity to Kalimantan currently," it said.

As for Peninsular Malaysia, exports of electricity to Singapore are expected to commence in 1H24.

"A successful trial run is expected to pave the way for more electricity exports from Peninsular Malaysia to Singapore. YTL Power Seraya is the electricity importer for the two-year trial to import 100MW from Malaysia. Recall that Singapore plans to import up to 4,000MW of low carbon electricity by 2035, making up to 30 per cent of the country's electricity supply.

"TNB would be receiving a freewheeling charge for the usage of its grid network and inter-connectors," it said.

Domestic demand is also expected to increase with AmInvestment forecasting that electricity demand in Peninsular Malaysia will likely rise by two per cent in 2024.

"This is the same growth rate as 2023. We believe that electricity demand would be muted in 2024 as export-based industries remain sluggish. Bloomberg consensus forecasts Malaysia's GDP growth at 4.5 per cent in 2024 compared with four per cent in 2023. We also think that electricity demand from the commercial sector would soften in 2024F after a strong recovery in 2023," it said.

The outlook for waste management industry in Malaysia is also positive as the volume of waste is forecast to increase to 19 million tonnes in 2050F from 14 million tonnes in 2021.

Kedah, Pahang and Johor will be launching the bidding process for WTE plants in 2024.

"We believe that Malakoff and YTL Power would be bidding for the projects. Recall that YTL Power and KDEB Waste Management are jointly developing a RM4.5 billion WTE plant in Rawang, Selangor.

"The WTE plant will have a capacity of 2,400 tonnes per day and generate 58MW of electricity. The project is currently waiting for approvals from various parties," the research team said.

All in, AmInvestment maintained its 'overweight' rating on the sector.

However, it retained its ESG rating for the power sector at only three stars as coal is still the main feedstock used to generate electricity in Malaysia.

"We believe that it will take time for renewable energy such as solar and hydro to replace coal. We think that gas powered plants co-fired with ammonia/hydrogen will replace expired coal PPAs (power purchase agreements) in future.

"Coal accounted for 58.6 per cent of generation mix in Peninsular Malaysia in 3Q23 while gas accounted for another 35.1 per cent. Solar and hydro made up another 6.1 per cent of generation mix while distillates accounted for the balance 0.2 per cent," it said.

Solar EPCC companies are expected to benefit from the roll-out of solar projects in 2024. — Bernama photo

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