



06 APR, 2026

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The Edge, Malaysia



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BY ADAM AZIZ

National utility firm Tenaga Nasional Bhd (KL:TENAGA) is said to be in early talks to participate in national oil firm Petroliam Nasional Bhd's (PETRONAS) upcoming regasification terminal (RGT) project in Lumut, Perak, sources tell *The Edge*.

One option being proposed is the possibility of having Tenaga, the single largest power sector off-taker of natural gas in Peninsular Malaysia, take up a significant stake in the project, says one of the sources.

Another source says PETRONAS, through its 51%-owned gas infrastructure unit PETRONAS Gas Bhd (KL:PETGAS), could also form a joint venture with Tenaga for the project. The plan is for the facility to supply 500 million standard cu ft per day (mmscfd) of gas, one source adds. The project is set to start development in late 2028, the sources say.

It is not known how much Tenaga plans to invest in the project or whether it will participate at all. At press time, PETRONAS and Tenaga had yet to respond to queries from *The Edge*.

Natural gas is transported over long distances in liquefied form, after being cooled in sub-zero temperatures to reduce its volume by around 600 times compared to its gaseous state, for easy storage and movement.

Tenaga has been on the lookout for exposure to an RGT, securing for itself capacity

for a key infrastructure along the supply chain to convert liquefied natural gas (LNG) imported from abroad back into gas form used by power plants.

For PETRONAS, it also makes sense to secure an off-taker like Tenaga as a partner, as it seeks to ensure steady utilisation of the RGT over the long term.

Tenaga's portfolio of gas-fired power plants generated almost 15% of total electricity supply in Peninsular Malaysia in 2025. Its existing capacity includes 4.8gw spread across three plants that have been given the green light to continue operating until end-2029. Also in the pipeline are new gas power plant projects, including up to 750mw in Johor, as well as Paka 1 (1,400mw) and Paka 2 (1,400mw) in Terengganu.

While it is a key gas consumer, Tenaga has yet to develop technical capabilities in gas infrastructure, unlike PETRONAS Gas, which operates multiple RGTs as well as the nation's gas distribution pipeline — the Peninsular Gas Utilisation (PGU).

PETRONAS Gas holds controlling stakes in the two other RGTs in the country. It wholly owns RGT Sungai Udang in Melaka, which has a capacity of 500 mmscfd, or 3.8 million tonnes per annum (mtpa), and has a 65% stake in RGT Pengerang in Johor, which has a capacity of 490 mmscfd or 3.5 mtpa.

Industry players say the planned capacity of the upcoming RGT in Lumut could cost around RM3 billion. With any large scale project, any

change in the proposed scale and specifications could present a challenge to ensure the project is commercially viable.

Today, about 80% of Peninsular Malaysia's gas supply comes from cost-competitive domestic offshore sources, which are transported via pipelines and not liquefied.

As demand for LNG increases, electricity generation costs at the end of the value chain will incorporate more of the market pricing of LNG, vessel shipping costs and regasification tariffs.

Early proposals for the Lumut facility include a floating storage and regasification unit (FSRU), with the gas then transferred through subsea pipeline into an onshore infrastructure — similar to the Sungai Udang facility. Another option is to have the LNG shipped to an onshore RGT, like in Pengerang.

However, shallow waters in Lumut present a technical challenge under both concepts and this needs to be addressed without adding to costs that could lead to higher regasification tariffs for off-takers, sources say.

It is understood that an earlier tender for an FSRU for Lumut had been called off, and a new tender for the project will be called with new terms.

PETRONAS secured cabinet approval in 2024 to build the Lumut RGT, in anticipation of an expected increase in LNG demand that will exceed existing RGT capacity by as early as 2029.

Apart from the Lumut RGT, the government last month greenlit Gas Malaysia Bhd's (KL:GASMSIA) plan to develop another RGT in Yan, Kedah. That project is expected to cost up to RM3 billion with a planned capacity of 6 mtpa.

Gas Malaysia's sister company, Malakoff Corp Bhd (KL:MALAKOF), operates in the power sector and is a major gas consumer. Gas Malaysia is 30.93%-owned by MMC Corp Bhd, which also owns 38.45% in Malakoff.

Malakoff is said to be involved in the development of a gas-fired power plant of 1,400mw capacity in Port Dickson, Negeri Sembilan, as well as a second plant in Segari, Perak. The independent power producer has secured turbines for both projects. Malakoff also operates a 350mw gas-fuelled power plant in Prai, Penang, as well as an 880mw power plant in Kapar, Klang, which can run on gas, oil and coal.

There is also another proposal led by E&H Energy Sdn Bhd to build an RGT in Kemaman, Terengganu. However, it is unclear whether it has secured enough long-term off-takers to support the project. ■