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NOW that the large-scale solar (LSS) projects under the LSS5 and LSS5+ programmes have been awarded, the real work begins.

The worry is that these projects may face similar challenges to their predecessors – namely, the earlier iterations of the LSS programme.

Recall that in many of those instances, winning bidders struggled to reach financial close.

This stemmed from a combination of unforeseen increases in raw materials – particularly solar panel prices – coupled with the fact that many had submitted low tariffs in their bids to secure the projects from regulators.

And now, there seems to be a sense of deja vu – panel prices are rising again.

UOB Kay Hian Research notes that China's anti-involution policy is expected to drive solar module prices up by around 12%, amid efforts to curb low-price competition and phase out outdated capacity in China.

As a result, owners of LSS5 and LSS5+ projects may face increased solar plant costs, which could reduce project internal rates of return, the research house notes.

It adds that the situation is further worsened by the low tariffs submitted under these LSS programmes.

This, in turn, will squeeze margins for the EPCC (engineering, procurement, construction, commissioning) contractors, which make up a core part of the business for many listed renewable energy companies on Bursa Malaysia.

There is some talk that several LSS5 project owners are seeking extensions to their concessions to factor in the rising costs.

If true, this raises serious concerns, as it could undermine the integrity of the bidding process.

Losing bidders may object if the terms for winning parties are altered after the fact.

One also wonders whether similar lobbying efforts might emerge for the more recently awarded LSS5+ projects.