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## Utilities sector to ride wave of DC boom

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### Demand to drive investments in new gas infrastructure

#### CORPORATE

**PETALING JAYA:** The utilities sector will continue to leverage on the data centre (DC) boom in Malaysia, which supports sustained growth in electricity demand, says Hong Leong Investment Bank (HLIB) Research.

Together with the National Energy Transition Roadmap (NETR) 2050, this is driving investments in combined-cycle gas turbine (CCGT) plants, renewable energy (RE), the battery energy storage system (Bess) and regasification plants nationwide.

According to HLIB Research, DC developments continued to gain momentum in 2026, supported by geopolitical shifts that encouraged western DC operators to diversify away from the Middle East into South-East Asia.

The research house said Tenaga Nasional Bhd (TNB) has signed 8.3 gigawatts (GW) of Energy Supply Agreements, noting “we understand that negotiations are ongoing for another 10GW”.

This is broadly in line with the Energy Transition and Water Transformation Ministry’s target of 20.9GW of DC capacity by 2040.

YTL Power International Bhd is expanding its planned DC capacity in Kulai to 1.2GW from 600 megawatts (MW) previously, driven by strong demand from western DC operators. Its management is also planning additional land acquisitions in the Klang Valley, with the aim of further doubling its DC capacity to 2.4GW.

Meanwhile, demand for Malaysian utilities remained robust in the first quarter of financial year 2026, driven primarily by the DC segment, with DC load utilisation more than doubling to 1,054MW in March 2026.

HLIB Research said: “We expect utilities

**“We expect utilities demand to remain strong in 2H26, supported by the continued ramp-up in DC deployments.”**

Hong Leong Investment Bank Research

demand to remain strong in the second half of financial year 2026, supported by the continued ramp-up in DC deployments.”

In addition, rising electricity demand from DCs, alongside Malaysia’s net-zero emission target by 2050, is expected to drive investments in new gas infrastructure to support demand growth and replace retiring coal-fired plants.

Utility players with strong balance sheets and execution capabilities, including TNB, YTL Power and PETRONAS Gas Bhd (PetGas), are well positioned to benefit from this, the research house said.

On another note, the NETR 2050 roadmap and DC developments have accelerated the deployment of RE and Bess as part of Malaysia’s clean energy transition.

The 12.1GW of coal-fired capacity will be gradually retired from 2029 onwards, to be replaced by a mix of new CCGT gas plants, RE and Bess capacity.

An analyst with a bank-backed brokerage said: “We expect Bess deployment to accelerate to support peak load management and improve system efficiency.”

He added that demand for the Corporate Renewable Energy Supply Scheme (Cress) is rising, alongside DC operators directly securing power purchase agreements with large-scale solar (LSS) providers to source for clean energy.

Given 8.3GW of committed DC capacity

and a potential 20GW build-out by 2040, HLIB Research expects sustained strong demand for LSS and Cress capacity to match DC growth.

Both TNB and YTL Power are major beneficiaries of RE developments to support DC developments, the research house noted.

HLIB Research said the impact on Malaysia’s domestic gas prices has been delayed by around four months under PETRONAS or Petroliaam Nasional Bhd’s pricing mechanism, with higher gas costs expected to take effect from July 2026 onwards.

On the ringgit movement, the research house said, “While we see near-term weakness for the ringgit, we expect the local currency to recover towards the year-end.”

According to HLIB Research, a stronger ringgit is generally positive for TNB (due to lower commodity fuel input costs) and PetGas (due to lower translated lease cost), but negative for YTL Power due to lower foreign translated earnings.

It has kept an “overweight” call on utilities, given the sector’s earnings and dividend sustainability.

Furthermore, HLIB Research’s top buy picks are TNB and YTL Power at a target price (TP) of RM18.15 and RM5.85 per share respectively, while maintaining a “hold” on PetGas with a TP of RM17.85 per share.