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Busy year ahead for renewable-energy sector

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Companies to gain from continuing rollout of projects

ENERGY

PETALING JAYA: Renewable-energy (RE) companies are set for a busy year, underpinned by the rollout of multiple utility-scale initiatives, analysts say.

Key drivers for the sector include the acceleration of projects under the Corporate Renewable Energy Supply Scheme (Cress), the recent award of Malaysia's inaugural grid-connected battery energy storage system project under the MyBeST programme and the impending launch of the sixth phase of Large-Scale Solar (LSS6) tenders.

Areca Capital's fund management team expects the RE theme and stocks within the space to continue attracting investor interest this year with projects such as LSS5, LSS5+, MyBeST and Cress moving into the stage where the projects are being built and set up.

"RE is a long-term growth theme to meet the National Energy Transition Roadmap goals. It offers multi-year growth potential, though near-term earnings forecasts need to be realistic," one of the Areca Capital's fund manager told *StarBiz*.

In a report yesterday, Maybank Investment Bank Research (Maybank IB Research) said it projects the RE sector to post aggregate core net profit growth of 24.2% this year, although this is slightly lower than last year's 34.5%.

"Increasing emphasis on storage-system integration will emerge as a key theme this year."

Maybank Investment Bank Research

It noted that the Energy Commission's LSS programme has been a key government initiative to reduce the levelised cost of electricity through the building of large-scale solar photovoltaic plants.

"Last year, the back-to-back introduction of LSS5 and LSS5+, each with a 2GW quota, represented the largest ever annual solar capacity rollout in Malaysia's history.

"To sustain this momentum, the government has also formalised a 2GW allocation under LSS6, scheduled to open for bidding this year," the research house said, adding it expects the rollouts of LSS5, LSS5+ and LSS6 to serve as a key catalyst for the solar engineering, procurement, construction, and commissioning (EPCC) players generating RM18bil to RM20bil worth of opportunities between 2025 and 2027.

The research house also expects the increasing emphasis on storage-system integration to emerge as a key theme this year.

"As solar capacity expands to 14% of the grid mix by 2030 and 25% by 2035, we expect demand for battery storage systems to rise in order to manage solar intermittency. New initiatives such as MyBeST, Cress, Solar Atap, and ongoing grid upgrades are accelerating storage integration, giving RE players the opportunity to build differentiated track records in storage design and integration amid a limited pool of utility-scale specialists now," the research firm said.

Last month, the Energy Commission announced the winning bids for the MyBeST programme, which will deliver 400MW of power and 1,600MW hours of energy storage.

The research house's top sector pick is Solarvest Holdings Bhd, which commands a 30% market share in utility-scale solar projects.

The group has emerged as the early beneficiary in the rollout of LSS5 EPCC projects having secured RM1.1bil in work bolstering its order book to an all-time high of RM1.6bil.

The research house has a RM3.67 target price on the stock, which was trading at RM3.11 at the time of writing.

It also initiated coverage on Pekat Group Bhd, ascribing a target price of RM1.98.

At last look, Pekat was trading at RM1.69, up 55% from a year ago.