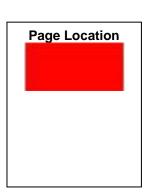


Analyst: Expand LSS projects, R&D to support energy-intensive data centre sector

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UNLOCKING OPPORTUNITIES

Analyst: Expand LSS projects, R&D to support energy-intensive data centre sector

KUALA LUMPUR: The government can implement a focused industrial strat-egy to support the energy-intensive data centre sector by expanding largescale solar (LSS) projects and increas-ing investments in research and devel-opment (R&D) to enhance solar farm

This approach would enable companies planning to establish data cen-tres in Malaysia to significantly lower electricity costs by transitioning to renewable energy sources.

Institute for Democracy and Eco-nomic Affairs economist and assis-tant research manager Doris Liew saidthese efforts would help the nation meet the growing energy demand and unlock new opportunities for growth in the renewable energy sector. She said to fully capitalise on this

industry, Malaysia must reinforce its position by developing supporting infrastructure and fostering a condu-cive business environment.

The country faces challenges in data centre design and construction due to a lack of domestic capacity to manufacture and assemble key com-ponents, such as data centre racks and equipment, forcing companies to rely

on imports.
"By investing in domestic capabilities to design, build, and maintain data centres, Malaysia can reduce its reliance on foreign imports and create a new economic growth area," she told "Business Times".

Furthermore, Liew emphasised that ensuring a reliable and resilient power supply was critical for data cen-tre operations.

She said this reliability could be

enhanced through greater integra-tion of renewable energy sources, improved grid management, and strategic investments in energy storage solutions.

According to Liew, investment incentives at the Johor-Singapore Special Economic Zone (JS-SEZ), combined with the rise of artificial intelligence (AI) and its increasing demand for computational power, had driven a data centre boom in Malaysia and across Southeast Asia.

She said this rapid expansion had led to an increase in electricity and water consumption, particularly for cooling systems, placing additional

pressure on the utilities sec-

Moreover, she said the surge in data centre infrastructure presents a unique opportunity for Malaysia to accelerate renewable energy production.

"As data centres drive

up utility consumption, the Doris Liew increased demand could serve as a catalyst for scaling up renewable energy projects," she said, adding that access to affordable and sustainthat access to affordable and sustain-able energy reduced operational expenses and strengthens the corpo-rate social responsibility credentials of data centre developers. In a recent report, Knight Frank highlighted that data centres were critical to powering the growing digi-tal economy.

tal economy.

However, their operations demand substantial energy and water to ensure the uninterrupted functionality of

servers, cooling systems, and other information technology equipment. The report stated that the sud-den surge of data centre investments in Malaysia, especially in the state

of Johor, over the past two years, has raised concerns about the nation and state's abilities to handle the

increased demand for elec-tricity and water resources. "Stakeholders are ques-tioning whether the existing infrastructure can sustaina blysupportthis rapid growth without compromising envi-ronmental commitments and local communities," it said.

From a national perspective, the report highlighted that the govern-ment was shaping the investment landscape for the data centre industry

through comprehensive measures. Last year, the sector achieved several key milestones, including the release of updated planning guidelines.

Additionally, sustainable development frameworks and a new incen-tive system based on a "scorecard" approach are under development, reflecting the government's com mitment to fostering a balanced and responsible growth environment. The Johor government has taken a strategic and decisive stance in

addressing the resource challenges posed by this resource-intensive sector.

Recognising the potential strain on energy and water resources, the state has implemented stringent guidelines in approving data centre develop-

As a result, the state has rejected nearly 30 per cent of data centre appli-cations (reported in November 2024) after considering factors, such as the adoption of renewable energy, water adoption of renewable energy, water management, resource readiness and economic benefits. Moving forward, the report noted that the domestic data centre industry

would move into a stabilisation phase

"With the private sector actively playing its role in utilising technology to reduce carbon footprints through innovation and bringing in best prac-tices to the country, it is anticipated that the government will take an adaptive approach in its approach to the industry, fostering an investor-friendly environment through regula-tions, guidelines, and policies that bal-ance sustainability and technological growth," it said. innovation and bringing in best prac-