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TNB's LNG move boosts ong-term growth outlook

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UTILITIES

PETALING JAYA: Tenaga Nasional Bhd's (TNB) long-term growth outlook remains supported by rising electricity demand, expanding generation capacity and a new investment cycle, with its latest move into liquefied natural gas (LNG) infrastructure seen as strengthening the utility's strategic position in Malaysia's energy sector.

Maintaining its "add" call on the stock with an unchanged target price of RM16.60 a share, CGS International (CGSI) Research continues to view TNB as the central enabler and key beneficiary of Malaysia's accelerating energy expansion.

The positive assessment follows TNB announcement that it has entered into a heads of agreement with PETRONAS Gas Bhd to jointly develop Malaysia's third regasification terminal in Lumut, Perak.

According to CGSI Research, the project will be developed using a floating storage and regasification unit, making it Malaysia's first deployment of such a facility.

The terminal will have a storage capacity of 170,000 cu m and a regasification capacity of 500 million standard cu ft per day.

It noted that the terminal's capacity would be sufficient to support about 3.5 gigawatts (GW) of gas-fired generation capacity.

The capacity is being underwritten by TNB Fuel Services in stages, with full capacity committed from 2030 onwards.

CGSI Research described the development as strategically important for TNB.

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Regasification venture supports future power expansion

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CGS International Research

"We view this development positively for TNB as it strengthens its vertical integration and secures a strategic position in Malaysia's evolving gas supply chain," the research house wrote in a report.

It added that the collaboration would enhance fuel security for TNB pipeline of combined cycle gas turbine (CCGT) projects, including the recently secured 1.4GW Paka plant and the proposed 2.1GW Kapar power plant.

The research house also highlighted broader structural changes within Malaysia's gas market.

"With domestic gas output declining, LNG imports are increasingly becoming the primary source of incremental gas supply for Peninsular Malaysia," it said.

CGSI Research noted that under the Malaysia Electricity Supply Industry 2.0 framework, new generation capacity is expected to gradually move towards self-

sourced fuel arrangements, although the final mechanism is still being discussed.

"Against this backdrop, ownership of regasification infrastructure is becoming increasingly strategic, in our view," it said.

While the venture introduces a new source of earnings, the research outfit does not expect the contribution to be significant relative to TNB's overall earnings base.

Instead, it believes the key benefit lies elsewhere.

"The more significant benefit, we believe, lies in de-risking long-term fuel supply and supporting future CCGT power plant capacity growth," the research house said.

Looking ahead, CGSI Research sees several potential catalysts for the stock, including stronger electricity demand from data centres, faster capital expenditure execution, successful bids for additional gas-fired and renewable energy projects, and continued operational improvements in TNB's generation business.