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EPCC WORKS

'OVERWEIGHT' STANCE KEPT ON POWER SECTOR

RHB Research expects more LSS4 contracts to be awarded by year end

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MORE engineering, procurement, construction and commissioning (EPCC) contracts are expected to be awarded to contractors for the fourth cycle of the large-scale solar programme (LSS4) by year end.

RHB Investment Bank Bhd (RHB Research) said in March, LSS4 contracts totalling 830.06 megawatts (MW) were awarded to 30 players.

It said in a research note yesterday there had been no word on the next round of LSS tenders but expected more capacity to be rolled out by the end of this year.

"Tariff rates may also continue to be under pressure, with more players venturing into this space and intensifying the competition."

RHB Research said Tenaga Nasional Bhd (TNB) had signed 21-year LSS photovoltaic power purchase agreements with most of the shortlisted players last month.

"Most players under Package P2 (50MW) have scheduled commercial operations date (COD)

between September and December 2023, except for JAKS Resources' COD that is slated for March 2023, while some listed players under Package P1 (10-30MW) have an earlier COD of December next year."

However, it said elevated solar panel prices could erode project returns of both asset owners and contractors.

"Solar panel prices remain fairly elevated at US\$0.28-US\$0.29 per watt, which is a huge jump from US\$0.20-US\$0.21 per watt during the LSS4 tender period back in June."

RHB Research has maintained an "overweight" call on the power sector and prefers TNB due to its recent net-zero emissions pledge, reflecting a stronger commitment towards energy transition.

It said TNB would need a clear plan to tackle carbon neutrality, although its coal capacity target seemed achievable.

"Assuming no new coal capacity additions, and based on the current plant retirement schedule, TNB's coal capacity (excluding joint-venture associates) will be reduced by 48 per cent by 2030.

"All its coal plants will be fully retired by 2045," it added.