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APG an opportunity to solidify energy market position



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KUALA LUMPUR: The ASEAN Power Grid (APG) offers Malaysia a vital opportunity to solidify its position in the regional energy market, leveraging its strategic geographical position, well-developed power infrastructure and experience in cross-border electricity trading.

The Ministry of Finance (MoF), in its information box in the Economic Outlook 2027 report released on Friday, said the Laos–Thailand–Malaysia–Singapore Power Integration Project (LTMS-PIP) provides a practical example of regional electricity integration.

The APG represents a regional initiative aimed at connecting electricity networks across ASEAN, while the LTMS-PIP demonstrates the feasibility of multilateral electricity trading through existing transmission infrastructure.

The project became operational in 2022 and enables electricity trading among Laos, Thailand, Malaysia and Singapore through existing transmission networks.

“In 2025, the project entered its next phase, increasing the maximum electricity transfer capacity to 200 megawatts (MW) from 100MW, thus allowing electricity to flow from Laos to Singapore through Thailand and Malaysia.

“Malaysia plays an important role in this regional integration process. Its participation provides experience in multi-lateral cross-border electricity trading,” it said.

On investment, the International Energy Agency (IEA) estimates that ASEAN will require more than US\$300 billion in electricity grid investments between 2025 and 2040, representing a 72 per cent increase from US\$174 billion during the 2009-2024 period.

MoF added that large energy projects require substantial funding, with potential sources of financing including governments, local banks, development financial institutions, multilateral development banks and private investors.

“The Asian Development Bank has committed up to US\$10 billion over the next 10 years to support the APG, including cross-border connections, national grid upgrades and renewable energy (RE) projects,” it said.

The World Bank Group, on the other hand, has contributed US\$12.7 million in grants for APG project preparation, including an initial US\$5 million grant in 2024 and additional funding of US\$7.7 million in 2025, it said.

MoF said one of the biggest opportunities for Malaysia to leverage this framework lies in electricity trading, as the country could potentially export electricity when there is surplus generation and import electricity when domestic supply is tight.

Mechanisms such as Energy Exchange Malaysia have also been introduced to support cross-border sales of RE to Singapore.

However, the ministry highlighted

regulatory harmonisation as a key challenge, as ASEAN member states do not operate under a common electricity law or regulatory system, with each member state retaining authority over generation, transmission, distribution, licensing, electricity pricing, market access and system operations.

It also noted that LTMS-PIP would enable Malaysia to earn wheeling charges.

“However, the project also poses challenges, as prices are determined by different national market structures, subsidies, tariffs and regulatory mechanisms.

“Cross-border trading requires agreement on the cost of transporting electricity across national transmission systems,” the ministry said.

MoF pointed out that strengthening grid resilience would also be critical as regional electricity trading expands, requiring Malaysia to maintain adequate domestic generation capacity, robust transmission infrastructure and diversified supply routes to ensure that grid failures along any single corridor do not cascade across the wider system.

The ministry added that sustained investments in energy storage, transmission networks, grid technology and renewable power remain essential to achieving APG goals, while stronger regional integration could support economic growth and reinforce ASEAN’s energy security. –Bernama