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## Energy sector to gain from Middle East crisis

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## TNB, PetGas can benefit from rise in gas prices

### ENERGY

**PETALING JAYA:** Rising geopolitical tensions could push investors towards defensive sectors, with energy among the beneficiaries.

According to RHB Research, large-cap utilities such as Tenaga Nasional Bhd (TNB) and PETRONAS Gas Bhd (PetGas) offer stability, with minimal exposure to overseas risks, while regulated frameworks support steady earnings and 4% to 5% dividend yields.

"In addition, we see YTL Power International Bhd as a potential beneficiary of an increase in gas prices, resulting in higher spark spreads.

"Meanwhile, the cost pass-through mechanism for TNB's and PetGas' regulated business ensures that cost fluctuations will have a neutral impact on their earnings.

"We would lean towards TNB, YTL Power and PetGas in a risk-off environment," RHB Research said in a fourth quarter financial year 2025 (4Q25) results review of companies in the energy sector.

The research firm said the energy sector's 4Q25 earnings met expectations.

Among the big-cap players, TNB had recorded a lower effective tax rate during 4Q25, which was in line with RHB Research's expectations, but ahead of street assumptions.

YTL Power also saw stronger contributions from its water segment, which mitigated the softer performance from its power generation business, it noted.

**"The cost pass-through mechanism for TNB's and PetGas' regulated business ensures that cost fluctuations will have a neutral impact on their earnings."**

RHB Research

On the other hand, results of PetGas and Malakoff Corp Bhd had missed earnings forecasts.

But it expects earnings of Malakoff to improve this year as the Tanjung Bin Energy plant resumed operations in January, which should result in full-capacity payments.

Additionally, there would be positive contributions from the Segari, Prai and GB3 power plants following the recent extension of power purchase agreements until end-2029. Companies in the solar and water utility segment had a good showing.

"Samaiden Group Bhd exceeded expectations on the back of progressive recognition of multiple utility-scale projects, while Solarvest Holdings Bhd delivered in line with forecasts and saw its order book jump 16% quarter-on-quarter to a record RM1.5bil.

"Meanwhile, in water utilities, Ranhill Utilities Bhd outperformed thanks to stronger-than-expected margins following a tariff hike, with Taliworks Corp Bhd post-

ing earnings in line."

Analysts expect more news flow, with most utility-scale engineering, procurement, construction, and commissioning players actively bidding for large-scale solar (LSS) 5+ contracts and awaiting the anticipated LSS6 tender, which is expected to be launched in the first half of 2026.

In view of the prospects, an analyst said the risk-reward of solar players remains compelling. However, any increase in solar module prices could impact earnings of players.

Earlier this month too, the Energy Commission had called for a request for proposal to build new gas plants with targeted commissioning in 2029-2031.

The tender will be closed in July, and winning bids slated to be announced by the year-end.

Both YTL Power and Malakoff are seen as frontrunners to build new 1.4 gigawatt gas plants each, and this could provide 6% and 43% upside to their respective target prices, if successful, RHB Research said.