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SHAREN KAUR AND
S. BIRRUNTHA
KUALA LUMPUR
bt@nst.com.my

MALAYSIA should revisit nuclear power as part of its long-term energy security as Middle East tensions highlight its vulnerability to global supply disruptions and rising fuel costs, said economists.

They said the geopolitical uncertainty and volatile oil market underscore the need for Malaysia to diversify its energy mix beyond conventional fossil fuels while strengthening domestic energy resilience.

Economist Dr Oh Ei Sun said Malaysia should also explore importing energy from the United States, the world's largest oil exporter, while accelerating the development of green and sustainable energy sources.

"It is high time Malaysia relied less on energy export for income," he said, adding that the country must prioritise its domestic needs.

Governments across Asia, one of the world's largest oil-importing regions, are scrambling to secure alternative energy supplies and cushion their economies from the impact of the energy crisis.

The global disruption has prompted the Asian Development Bank to revise downwards its growth forecast for developing Asia and the Pacific to 4.7 per cent this year and 4.8 per cent in 2027, compared with an earlier projection of 5.1 per cent for both years.

Oil imports into Asia fell 30 per cent year-on-year in April to their lowest level since October 2015, according to Kpler data. This decline comes after two months of near disruption at the Strait of Hormuz.

Malaysia reportedly first explored nuclear power formally in the early 2010s, when the government, through agencies such as the

Economic Planning Unit and the Malaysian Nuclear Power Corp (now defunct as a standalone push unit), studied the feasibility of building nuclear power plants by 2030.

The plan was positioned as a potential "baseload" solution to complement gas and coal. However, the proposal was shelved in the mid-2010s due to several factors: public safety concerns following the Fukushima disaster in Japan (2011), high capital costs, limited domestic technical expertise and the availability of relatively cheaper natural gas for power generation.

In recent years, the conversation on nuclear energy has resurfaced in policy and academic circles.

On the broader economic impact, particularly how rising fuel and logistics costs could filter through to food prices, manufacturing and small and medium enterprises, Oh said the government should consider lowering taxes while reducing public sector wastage and corruption.

He said sustainable economic growth depends on boosting domestic investment and attracting higher levels of foreign direct investment.

"While incentives and subsidies are good, they are fiscally unsustainable and not the foremost concerns of investors. Instead, the government must redouble its efforts to cut red tape and eradicate corruption."

BUDGET RECALIBRATION
Bank Muamalat Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said the government may need to recalibrate the 2026 Budget as rising fuel costs and changes in economic conditions put pressure on government finances.

Afzanizam said inflation and growth remain key macroeconomic metrics that require a delicate balancing act.

He said subsidies are important to ensure prices remain artificially



low, while cash transfers can boost disposable income in the immediate term.

"These two policies have remained in place prior to the crisis, and presently the government

has been amending the allocation for subsidies."

Economist Dr Geoffrey Williams said the government is already balancing the need to support growth and manage fiscal pressures.

He said Malaysia's outlook remains positive, with strong projections from Bank Negara Malaysia, the World Bank and the International Monetary Fund.

On inflation, he said price con-

trols and subsidies help keep inflation in check, while the stronger ringgit has eased import costs.

However, Williams said the immediate concern is the physical supply of oil, petrol and diesel.

"Second is the cost of subsidies, which has exploded and will require further rationalisation.

"To reduce vulnerability to oil, petrol and diesel supply, Malaysia can source fuel from other BRICS member countries and use reserves from Petroliam Nasional Bhd with restrictions on exports to meet domestic demand.

He said measures such as encouraging work-from-home arrangements and reducing the RON95 quota could help stretch fuel supplies.

"Malaysia is a net exporter of oil and gas. But it is the liquefied natural gas (LNG) where there is a surplus. Malaysia is a net importer of crude oil and some forms of processed oil products. So selling more LNG and using that surplus revenue helps cushion the blow. Unfortunately it is the physical supply of oil, petrol and diesel that matters.

"The current subsidy framework is not sustainable at RM7 billion per month."

On curbing price hikes, he said subsidies and price controls remain in place for now, although they are not sustainable in the long term and market forces will eventually have to play a bigger role.

"If companies are using the crisis as an excuse to hike prices, consumers and regulators must punish them."

Williams said the crisis is unlikely to accelerate the shift to renewable energy unless petrol and diesel prices rise significantly.

"So long as petrol is cheaper than water, consumers and businesses will not switch to renewables."

BALANCED APPROACH
Universiti Teknologi Mara Business Management Faculty senior lecturer Dr Mohamad Idris Md Razali said Malaysia needs to strike a balance between sustaining growth and containing inflation through a targeted and calibrated policy mix.

He said in the face of an energy shock, broad-based tightening could slow the economy sharply, while excessive stimulus risks fuelling inflation.

"The more effective approach is to allow some degree of price adjustment while cushioning vulnerable groups through targeted fiscal support, alongside maintaining accommodative but vigilant monetary conditions. This ensures that growth momentum is preserved without allowing inflation expectations to become entrenched."

Idham said fuel subsidies, while important for price stability, are becoming increasingly costly and less sustainable in a volatile energy environment.

He said broad-based subsidies tend to benefit higher-income groups disproportionately and strain fiscal resources.

"Moving forward, reforms should focus on targeted subsidies based on income or usage, improving delivery mechanisms through digitalisation and gradually reducing blanket subsidies. This would help the government contain fiscal pressures while still protecting those most in need."

On the impact of higher fuel costs, he said they will have broad-based spillover effects across the economy, particularly through transport, logistics and production, which can feed into higher prices for goods and services.

He said these second-round effects risk prolonging inflation beyond the initial energy shock.

"To contain this, policymakers need to combine targeted subsidies, selective price controls and strong policy communication to anchor inflation expectations. At the same time, improving supply chain efficiency and encouraging cost absorption where feasible can help moderate the overall impact on consumers," he added.