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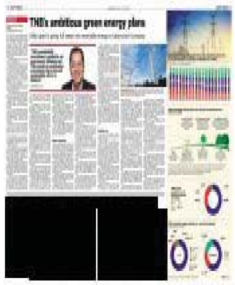

Acquisition of overseas RE assets crucial for roadmap

ENVIRONMENTAL, social and governance or ESG is growing in importance globally. A crucial part of this relates to renewable energy (RE) and its production, consumption and increasing importance being given to it by global investors.

Last week, utility giant Tenaga Nasional Bhd (TNB) rolled out a 30-year roadmap it has dubbed its "Sustainability Pathway".

It aims to reduce its carbon emissions to zero and intends to achieve this by adding more RE assets and gradually retiring coal-fired power plants while finding new ways to create cleaner energy production.

In an exclusive interview with *StarBizWeek*, TNB's newly appointed president and CEO Datuk Baharin Din shares his thoughts about capturing the seismic energy transition globally, how innovations will support the group's decarbonisation plan and future-proofing TNB.

Below are excerpts of the virtual interview:

SBW: One of the toughest questions facing traditional energy companies is how they are dealing with the global shift towards a low-carbon economy. How is TNB's "Sustainability Pathway" plan addressing this?

Baharin: Under the Sustainable Pathway, our ambition is to reduce our carbon emission intensity by 35% and cut 50% of our coal-generation capacity by 2035. Eventually, we want to have zero emissions by 2050.

It is a bold move towards the decarbonisation of the group. RE is the future of providing reliable and efficient energy for a better and brighter tomorrow.

We have already stated that TNB will no longer build any greenfield coal-fired power plants and that we will phase out coal gradually. We will be investing in smart power grids.

It is a clear path and priority for TNB. While we expect it is going to be a challenging road ahead, it will also be rewarding as we are working towards a better world.

Under the Sustainable Pathway plan, TNB is aiming to double its RE capacity to more than 8,500MW by 2025. One of the strategies highlighted is the acquisition of overseas assets. Can you elaborate?

More funds will be channelled towards building up assets in the RE sector, especially in solar and wind power generation.

But we won't simply pump in money without making sure the return is within the threshold that we have agreed on.

In Malaysia, the market is quite small as we are aiming to achieve 8,500MW. So we have to go overseas. Given our RE targets, the space to grow in Malaysia alone is limited and therefore we are looking beyond Malaysia to meet our targets.

The target market will mainly be in Europe. In addition, we are also looking for opportunities in the region. We are also looking for potential partnerships to tap into the South-East Asian market.

We have a stringent framework set up many years ago when we first started venturing into overseas assets.

When it comes to RE, the question that often props up is what happens if the sun isn't always shining, or if the wind isn't blowing. Can RE be sufficient to cater to a country's needs?

We believe that there will be an inflexion point in 2035 that will determine the speed of our net-zero trajectory. TNB is also looking to develop energy storage solutions that will address this kind of technical issue in the RE sector.

Our international arm is intended to be the pathfinder to seek technologies and partnerships on battery storage and emerging green technologies such as green hydrogen, carbon capture and utilisation, and waste-to-energy, which can be brought back to Malaysia to help us accelerate decarbonisation and our energy transition.

While TNB has now set out great RE aspirations, how does this impact

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your finances? And what about the impact on consumers?

A combination of technology improvement, consumer demand and global movement is working to boost the adoption of cleaner and greener energy. The RE sector is an emerging technology where we will see continuous improvement both in terms of efficiency as well as operating costs.

Over the last 20 years, the operational cost of running RE has dropped significantly and this will continue to improve. It is the way to go and TNB wants to be part of that journey.

Already, indications are that RE energy generation requires lower operational costs compared with traditional coal power plants.

According to data by *Bloomberg*, several pure-play RE companies globally generate average earnings before interest and tax (Ebit) margin of over 30%. In comparison, non-RE energy companies today have Ebit margins that average between 9% and 14%. This cost will reduce further because it is a growing and emerging technology.

For example, the cost of electricity from utility-scale solar photovoltaics fell 85% between 2010 and 2020. We expect conventional coal power plants to be more expensive to operate than RE power plants in the coming years.

In your statement two weeks ago, you said that the acquisition of overseas RE assets also serves as "pathfinders" for TNB's green technology adoption. Can you elaborate?

The RE market in Europe is more mature than in this part of the world. We are taking a long-term approach through which we want to acquire the technology and know-how to build and operate RE assets. We hope to bring back this expertise to be developed not only in Malaysia but also in the South-East Asian region.

We believe this is the right way to go. Right now, we can't see a future without RE. This has always been TNB's way of developing our expertise. In the past, we also brought in technology, learned the trade and grew our workforce and capabilities.

Can you update on the grid interconnection between Malaysia and neighbouring countries?

The Asean Power Grid (APG) is a flagship programme mandated in 1997, which aims to help the Asean member states to meet the increasing demand for electricity and improve access to energy services by enhancing trade in electricity across borders, optimising energy generation and development and encouraging possible reserve sharing schemes.

In March 2020, the government approved a cross-border electricity sales scheme in which a third party can generate electricity and sell it to Singapore using the existing Malaysia-Singapore interconnection for an initial two-year trial period.