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► BMI report says reliance on fossil fuels to persist until 2033

KUALA LUMPUR: Malaysia's electricity consumption is expected to rise by over 20% in the next decade, driven by economic growth and the expansion of energy-intensive industries.

According to a commentary published by BMI, a Fitch Solutions company, the domestic industrial and commercial sectors dominate electricity use.

BMI, citing a report from the Energy Commission, said that the industrial sector accounts for 50%, followed by the commercial and residential sectors at 26% and 24%, respectively.

Data centres and semiconductor manufacturing growth, particularly in Penang, contribute to this trend.

Notably, Equinix Malaysia has launched two data centres in Johor and Cyberjaya, placing Malaysia as Southeast Asia's third-largest data centre market.

With continued investment in sectors like solar equipment manufacturing and data centres, electricity consumption is projected to grow at an average annual rate of 1.9%, increasing from 187TWh in 2024 to approximately 220TWh by 2033, BMI noted.

The BMI report said Malaysia's power generation will remain heavily

dependent on fossil fuels until 2033, with over 75% of the energy mix coming from conventional thermal power, despite a gradual decline in coal-fired generation.

The country will continue to rely on fossil fuels to meet rising electricity demand, a strategy reinforced by the National Energy Transition Roadmap (NETR) launched in August 2023.

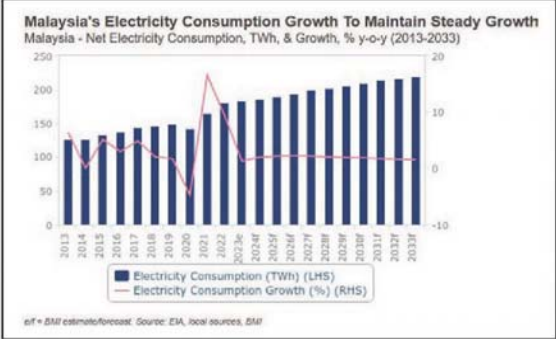
While the NETR envisions a greater role for renewables post-2040, fossil fuels will still account for more than 55% of installed capacity from 2025 to 2035.

The BMI report noted that the government aims to achieve 90% low-carbon energy by 2050 beyond the current forecast period.

Further, coal-fired power is set to decline, with plans to phase out coal plants by 2044.

Coal's share in the power mix will decrease from 46% in 2024 to 36% by 2033, contracting at an average annual rate of 1.7% between 2029 and 2033.

However, this reduction will be offset by the growth of gas-fired power, which will expand by an average of 3.8% annually over the next decade, becoming Malaysia's largest power source by 2031 and contributing 41% to the energy mix by 2033.



BMI report said this shift to gas is part of the transition to lower carbon emissions while ensuring sufficient electricity supply for the growing demand.

The BMI report touched on solar, indicating that solar power is set to be Malaysia's fastest-growing energy source, with installed capacity projected to expand at an average annual rate of 10.2% from 2024 to 2033.

This growth will primarily stem from the government's large-scale solar (LSS) schemes.

To note, after a delay during the fourth iteration (LSS4) from 2020 to early 2024, the government launched LSS5 in April 2024, allocating 2.0GW for development, slightly less than LSS4's 2.5GW.

LSS5 features four packages, ranging from 250MW to 1.0GW, open only to Malaysian-incorporated companies with majority local equity.

The BMI report indicated that introducing LSS5 will significantly boost the solar sector, leading to revised growth forecasts.

"We also do not rule out the impact of distributed and small-scale solar installations to the growth of the solar power sector, as rooftop solar has been gaining traction in Asia over the past few quarters."

"Malaysia is one of the few South East Asian markets to have in place a longstanding support scheme for rooftop solar installations, mainly through the Net Energy Metering schemes."