

Headline	Time to pay for the real cost of power		
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Time to pay for the real cost of power

MALAYSIANS have enjoyed for far too long subsidised electricity and like it or not, it is time for us to pay for the real cost.

In doing so, it is essential that we start to adapt to using energy prudently if we are to compete effectively in the global economy.

Effective January 1 next year, Malaysians will have to pay a higher electricity tariff — a 14.98 per cent or 4.99-sen rise to 38.53 sen per kilowatt hour (kWh) in Peninsular Malaysia and five sen rise in Sabah and Labuan.

Here's why the electricity tariff review is necessary:

- The government spends RM20 billion in power subsidies annually. Petroliam Nasional Bhd (Petronas) sells gas to Tenaga Nasional Bhd at a subsidised price of RM13 per million metric British thermal unit (mmBTU) when the international market price is actually RM43 mmBTU, causing Petronas to fork out some RM20 billion in subsidies.

It is time for Malaysians to do away with the subsidy mentality as the government can no longer afford to pay the RM20 billion in gas subsidies yearly. Subsidies distort the true situation on the ground, erode our competitiveness and position Malaysia in an uneven playing field.

- It is time to stop Tenaga Nasional's financial bleeding, and Malaysians have a role to play.

Contrary to popular believe, a net profit of RM4 billion is not pure profit for Tenaga as it spends RM5 billion yearly on capital expenditure.

At the same time, this leading government-linked company has not been allowed to raise tariff, which was last reviewed in July 2011.

Furthermore, Tenaga is subject to the vagaries of raw material prices such as coal, which fluctuate between US\$80 and US\$150 per tonne.

- Our power tariffs are competitive.

In comparison, the Philippines charges 58 sen per kWh and Thailand 48 sen.

Malaysia's power generation cost, meanwhile, is 42 sen per kWh

- To instil discipline.

Tariff hikes will discipline individual users and businesses to use power more prudently. It also prompts industries to beef up operations by using energy-efficient equipment and machinery.

- Boost investor confidence.

International investors do not like the subsidies mentality as they are unable to compete on a level playing field, as subsidies distort the market.

When the government announced the petrol price hike last September and the goods and services tax in October, international ratings agency Moody's subsequently upgraded Malaysia's rating to "positive" from "stable" in November, as it knows that Malaysia is serious in weaning out subsidies.

It is time we all do our part in building the nation so that Petronas and Tenaga can focus on playing more effective roles in ensuring stronger economic growth.



Zaidi Isham Ismail
Monday View