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Stable earnings, solar drive Malaysia's power sector in 2026

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# Stable earnings, solar drive Malaysia's power sector in 2026

Power sector to see new gas power plants, launch of LSS6, both anticipated to take place in 1Q26

by TMR

**MALAYSIA'S** power sector is entering 2026 with stable earnings visibility, supported by regulated returns, resilient fuel costs and a multi-year infrastructure expansion driven by grid upgrades, solar rollouts and rising electricity demand from data centres (DCs).

AmInvestment Bank Bhd, in a recent sector update, expects 2026 to be a quieter year in terms of news flow, with only two major announcements, namely the winners of the Energy Commission's (EC) request for proposals for new gas power plants and the launch of Large Scale Solar 6 (LSS6), both anticipated to take place in the first quarter of 2026 (1Q26).

The research house also noted that, following an eventful 2025, "we expect 2026F to be a year of fund-raising and execution for the major utility companies such as YTL Power International Bhd (YTLP) and Malakoff Corp Bhd, if they win."

Based on its estimates, assuming an 80:20 debt-to-equity structure and a development cost of US$2.5 million (RM10.13 million) per megawatt (MW) for a 1,400MW gas-fired power plant, the required funding would amount to about RM11.5 billion in debt and RM2.9 billion in equity.

## Stable Fuel Costs Underpin Tariffs, Earnings

Fuel price stability continues to support sector earnings and consumer tariffs.

The research house noted that "the stability in coal prices has contributed to insignificant monthly fuel adjustments in electricity tariffs in Malaysia," adding that this "has benefitted consumers as there has not been a major increase in the electricity tariff so far".

It noted that fuel adjustments stood at -1.1 sen per kilowatt hour (kWh) in September, -6.5 sen per kWh in October and -8.9 sen per kWh in November 2025.

Coal prices have remained weak amid softer demand from China and India, with *Bloomberg* forecasts showing industry expectations that Newcastle coal prices will average US$110 per tonne in both 2026 and 2027, compared to the current level of US$106 per tonne.

On gas pricing, Regulatory Period 4 (RP4) uses Petroliam Nasional Bhd's (Petronas) prices as the benchmark, and Petronas data show that the Malaysia Reference Price fell by 16.7% to RM36.37 per million British thermal units (mmbtu) in August 2025 from RM43.68 per mmbtu a year earlier.

## Sector Earnings Set to Grow

AmInvestment Bank projects sector net profit growth of 13.4% in 2026.

Within its coverage, it expects Malakoff and Solarvest Holdings Bhd to record the strongest net profit growth in 2026, at 110.3% and 42.4% respectively, with Solarvest's earnings growth driven by a stronger engineering, procurement, construction and commissioning (EPCC) orderbook.

For Malakoff, the bank has not revised its financial year 2026 (FY26) earnings forecast downward, citing the time available for the group to implement an alternative plan to transport coal to its power plants, and expects the company's net earnings to rebound in FY26.

## Infrastructure Takes Centre Stage

While generation announcements may be limited, infrastructure spending is emerging as a key theme.

Hong Leong Investment Bank Bhd (HLIB Research) noted that Malaysia's power infrastructure demand is set to trend higher, driven by Tenaga Nasional Bhd's (TNB) continued efforts to enhance grid resiliency; the ongoing expansion of national power supply; and strong electricity demand growth from energy-intensive industries such as DC.

Policy tailwinds including Malaysian Investment Development Authority's (MIDA) cable import restrictions and TNB's preference for local contractors create barriers to entry for foreign competitors, prompting HLIB Research to remain 'Overweight' on the power infrastructure sector.

## Solar-led Wave Gains Momentum

HLIB Research flagged solar as the next major growth engine, stating: "We flag an impending solar-led wave of power infrastructure demand and advocate investors to position in names with direct exposure to this build-out."

The research firm highlighted that the roughly four gigawatt (GW) pipeline from LSS5 and LSS5+ is expected to generate additional demand across both TNB-side infrastructure and solar-owner facilities.

It noted that interconnection facilities typically make up about 30% of EPCC contract values, translating into an estimated RM3.6 billion addressable power infrastructure market from LSS5 and LSS5+ in 2026 alone.

It also estimates that LSS5 and LSS5+ will generate about RM1.6 billion in cable demand, broadly comparable to TNB's RM1.9 billion 1+1 long-term cable contract.

## Bigger Players Poised to Benefit

Rising barriers to entry are seen among smaller contractors, with many smaller unlisted players increasingly facing financial bottlenecks while listed power infrastructure players would emerge as the prime beneficiaries of the upcycle, given their access to capital.

On the customer front, TNB's decision to require mechanical and electrical (M&E) contractors to procure high-voltage cables themselves, rather than having them supplied by TNB, raises the financing threshold, indicating that the next wave of power infrastructure jobs from both TNB and the private sector is likely to be increasingly concentrated among listed companies.

Taken together, earnings stability, regulated returns and infrastructure spending offset a relatively quiet year for generation announcements.

As AmInvestment Bank noted that since coal prices are staying between US$100 and US$120 per tonne, Petronas gas prices remain low, and the sector is expected to see positive earnings growth in 2026.