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## TNB unfazed by rise in global fuel prices

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Company is shielded by tariff adjustment framework

### ENERGY

**PETALING JAYA:** Tenaga Nasional Bhd (TNB) is unlikely to see any material earnings disruption from the recent surge in global fuel costs, as the utility giant remains shielded by Malaysia's tariff adjustment framework and the delayed pass-through of actual energy costs into its generation expenses.

Hong Leong Investment Bank (HLIB) Research said it was unperturbed by the surge in energy prices, despite the sharp rise in coal, gas and crude oil prices following escalating geopolitical tensions in the Middle East.

The research house noted that the latest escalation of the Iran conflict has pushed Brent crude prices to about US\$110 per barrel year-to-date from US\$60 previously, while European gas prices climbed to around €55 per megawatt hour (MWh) from €30 per MWh.

Even so, HLIB Research said TNB is protected because actual fuel costs do not immediately feed into its operating cost base.

"We understand that there is typically a lag effect in the pass-through of actual energy costs," the research house said, adding that coal procurement involved shipment timing differences and inventory buffers of up to two months before higher prices are reflected in plant operations.

The same delayed pricing effect applies to gas.

According to HLIB Research domestic gas pricing by Petroliaam Nasional Bhd or PETRONAS is determined based on aver-

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An analyst



age prices over the preceding two to four months, meaning current spot market spikes are not immediately borne by TNB.

"As a result, we do not expect a near-term surge in fuel costs for TNB," the research house said.

A major cushion comes from the Automated Fuel Adjustment (AFA) mechanism introduced under Regulatory Period four (2025 to 2027), which replaced the previous Imbalance Cost Pass-Through framework.

Unlike the old six-month review cycle, AFA allows monthly tariff adjustments, enabling faster recovery of fuel cost fluctuations.

"The introduction of the AFA allows for more timely tariff adjustments, enabling TNB to better manage cash flow during

periods of volatile energy prices," the research house said.

This, it added, "helps mitigate the financial impact on the utility-co in the event of sudden surges in fuel costs."

According to an analyst, TNB's generation arm could even benefit if coal prices continue rising.

"If coal prices continue to rise, TNB's Genco should enjoy better coal fuel margins and this will likely boost its bottom line," he told *StarBiz*.

Looking ahead, the analyst expects stronger medium-term earnings driven by regulatory and capital expenditure support.

HLIB Research forecast TNB's core net profit to rise from RM4.04bil in financial year 2025 (FY25) to RM4.66bil in FY26 and RM4.86bil in FY27, supported by a larger regulated asset base, contingent capital expenditure recovery, renewable energy expansion and a lower effective tax rate.

The research house maintained its "buy" call with an unchanged target price of RM17.25, saying the utility company remained well positioned to benefit from resilient economic growth and regulatory clarity.