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KUALA LUMPUR: Tenaga Nasional Bhd's (TNB) is expected to leverage on the positive outlook of Australia's renewable energy (RE) market via its wholly-owned platform Spark Renewables, according to Maybank Investment Bank Bhd (Maybank IB).

Headquartered in Sydney, Spark is a RE-centric independent power producer that owns and operates a 120 megawatt (MW) solar farm. It is also developing more than 2,000 MW of solar, wind and battery storage projects across three sites in New South Wales, Australia.

In a note, it said Australia's overall outlook for RE appears attractive, with growing policy support and favourable structural trends. Solar and wind projects account for a cumulative 50 per cent of Australia's capacity and a cumulative 40 per cent of generation.

"The Australian government has set an 82 per cent RE generation target by 2030 and is aggressively improving and expanding the transmission grid," it said.

"A significant 25 per cent of Australia's coal capacity will likely be retired over the next decade, due mainly to unfavourable market dynamics," it said.

The investment bank also said Spark will play a significant role in TNB's RE talent development and could contribute to the longer-term fulfilment of the group's environmental, social and governance (ESG) targets.

"We maintain our earnings forecasts on TNB and reaffirmed its "Buy" rating on the group with a target price of RM15.50 per share," said Maybank IB.

Meanwhile, CGS International Securities Malaysia Sdn Bhd noted that TNB stands to benefit from the National Energy Transition Roadmap (NETR). The government announced a plan to advance the roadmap under the 13th Malaysia Plan (13MP).

The research house said TNB could gain earnings and valuation upside from the additional investments required for energy transition-related grid upgrades, resulting in incremental fees for using TNB's transmission grid and RE distribution network.

"Apart from that, TNB could benefit from the increased requirements for RE capacities domestically, which would serve to accelerate the company's energy transition goals and growth, and additional revenues from wheeling charges for cross-border electricity exports," it said in a note. – Bernama